

Market update 20 April 2020

What happened last week and what to expect this week?

Coronavirus/COVID-19

Based on Johns Hopkins University CSSE's site which tracks the Coronavirus, as of 20 April 2:38 PM, there has been 2,406.7k total confirmed case of Coronavirus across the globe with 759.7k cases reported in the US, followed by 198k in Spain, 178k in Italy, 154k cases in France and 145k cases in Germany. Total Deaths from across the globe is reported at 165k. These escalation of cases outside China, and in the US in particular, has triggered global financial market's uncertainty further.

Indonesia reported its first two cases on 2nd March, as of today, the number of confirmed case in the country has reached 6,760 cases with total recovery and death amounting to 747 cases and 590 cases, respectively.

You may access the realtime global data on the COVID-19 through the link below:

<https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6>

Indonesia's Economic Data

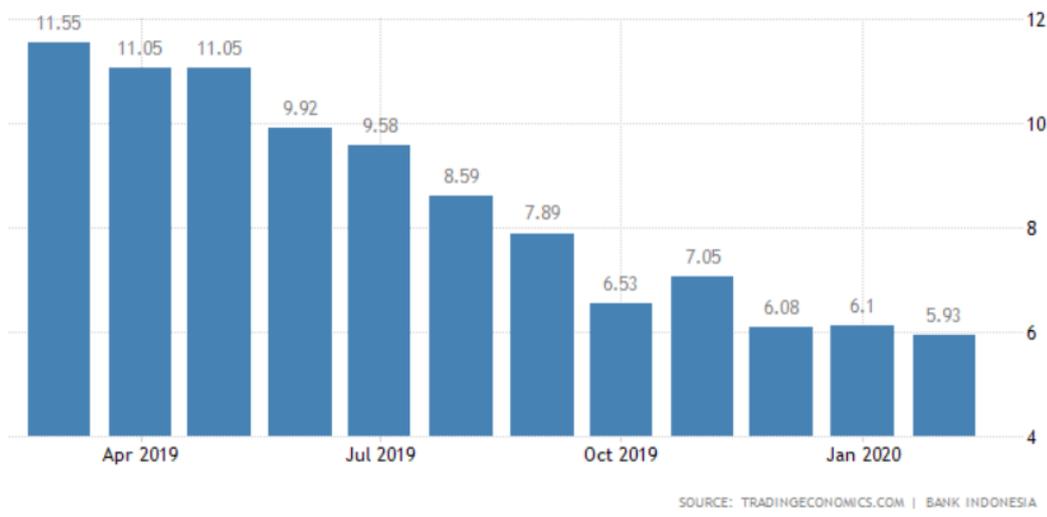
- **S&P lowered Indonesia's Debt Outlook** from previously stable to negative on Friday 17 April. The rating agency, however, maintained Indonesia's sovereign credit rating at BBB and short term at A-2. The reason behind the outlook downgrade was none other than due to COVID-19's impact to Indonesia's fiscal conditions and considerable depreciation of Rupiah. S&P stated that a rating downgrade would happen if economic growth suffers more prolonged slowdown and/or external or fiscal position worsen compares to the latest S&P's projection. S&P also placed outlook revision to Thailand and Malaysia, and rating downgrade to Mexico, Colombia and Guatemala. Previously Moody's lowered Indonesia's banking sector outlook from stable to negative in early April 2020.
- Last week on the 14th, we witnessed **Bank Indonesia's** meeting for this month where the Central Bank kept its **benchmark rate** at 4.5% as it sought external stability, mainly on its currency, amid greater global uncertainty. However, they hinted that there is room for further interest rate cuts to boost the economy amid the low inflation rate. The Central Bank has also decided to move with further quantitative easing to boost national banks' liquidity by lowering the reserve requirement ratio (GWM) by 200bps for commercial banks and 50 basis points for syariah-compliant lenders. BI also increased PLM (Macro Prudential Liquidity Buffer) requirement by 200bps for conventional banks and 50bps for sharia banks, thus expected to results in larger bond demand in the primary market. The Central Bank also projected that GDP growth outlook might be lower at 2.3%, from previously 4.2-4.6% projection.

On the next day on 15th April, Indonesia's Trade Balance in March 2020 will be published. In February Indonesia reported a trade surplus of USD 2.34bn, the largest surplus since 2011 as exports unexpectedly surged by 11% due to higher sales of non-oil and gas, while oil and gas products tumbled by 27%. On the other hand, imports dropped by 5% YoY mainly with the decrease in non-oil and gas by 7% while oil and gas import rose by 10%. Consensus estimated that March Trade Balance will post lower surplus of USD 0.3bn.

- Indonesia's trade balance** in March 2020 was reported a surplus of USD 0.74bn (from USD 0.67bn in March 2019) vs consensus estimate of USD 0.76bn. The figure was the second straight month of surplus in trade balance as exports dropped less than imports. Exports declined 0.2% YoY mainly due to lower sales of O&G which dropped by 34.15% while non O&G rose by 6.39%. Imports dropped by 0.75% YoY mainly due to the decrease in non O&G purchase by 5.8% while O&G purchase increased by 12.18%. YTD the trade balance posted a surplus of USD 2.62b, shifting from USD 0.06bn gap in the same period in 2019. We believe that as economic activities remain halted due to the COVID-19 outbreak, trade surplus in April-June might be even wider than in the 1st quarter.

Indonesia's Economic Data to be expected

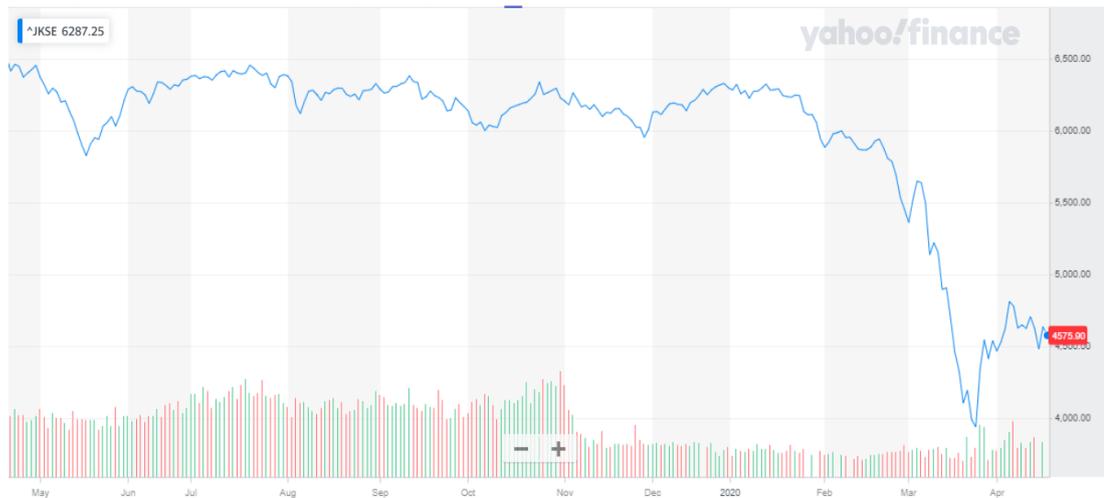
- Indonesia loan growth** in March is expected to be released on 24th April. Loan growth has been deteriorating since October 2018 and reaching a weak 5.93% in February 2020.



The FED will conduct its monthly meeting on 30th April 2020 and revealed its interest rate decision for the month. During their meeting in February, they kept the target range for the federal funds rate at 1.5-1.75 percent. However, earlier on the 3rd of March, they delivered an emergency rate cut by 50 bps, bringing the federal funds rate to 1-1.25 percent level. On 15th March the FED cut its benchmark rate yet again to 0-0.25 percent level. The move comes amid increasing unease over the economic effects from the novel coronavirus spread, in particular after the number of coronavirus in the US escalates very rapidly, which might compromise its economy.

Market Indexes (13 April 2020 - 17 April 2020)

- During the period, JCI depreciated by 0.31% from 4,649 points on 9 April's closing to 4,635 points on 17 April's closing. Today JCI closed lower at 4,576. YTD until today, JCI registered 27.37% loss after it closed at 6,300 points last year and closed at 4,576 points today.
- During the period, most sectors booked negative return with Miscellaneous Industry sector booked the most substantial loss of approximately 6%, followed by Property sector which also registered approximately 6% loss, then followed by Finance sector registered 3% loss. Infrastructure sector was the only sector in positive territory booking approximately 2% gain. Mining and Trade sector closed stagnant. YTD until today, all sectors were still in negative territory with Miscellaneous sector leading the loss (-42%) followed by Property sector (-36%), Agriculture sector (-35%), Basic Industry (-34%), Finance sector (-29%), Infrastructure sector (-26%), Trade (-22%), Mining sector (-21%) and Consumer sector (-17%).



JCI last 1 year as of 20 April 2020 (Source: Yahoo Finance)

- MSCI Asia ex-Japan was up by 3.83% or 2.35 points from 9 April 2020 closing to 17 April 2020 closing (YTD to 17 April -9.80 points or -13.33% from 73.50 points at December 2019 closing).
- IDR appreciated during the same period by 2.95% as it relatively recovered today to 15,4120/USD level, but still depreciated YTD to by 11.15% from IDR 13,866/USD on its closing in 30 December 2019.

Coronavirus progression as well as worries on the recession issues surrounding the global economies and due to the outbreaks as well as central banks' responses to it are still stood as some of the main catalysts to watch out for which may move our index and currencies. From internally perspective, we are keeping our focus on Rupiah, Indonesia CAD and trade balance which all in all is a crucial factor in our investment strategy.

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