

Market update 19 May 2020

**What happened last week and what to expect this week?**

**China's industrial output**

China's industrial output rose **3.9% in April** from a year earlier, official data showed on Friday, expanding for the first time this year as the world's second largest economy slowly emerges from its coronavirus lockdown. Analysts polled by Reuters had expected industrial output to return to expansion, tipping a rise of **1.5%** in April, following a 1.1% fall in March. Retail sales fell by 7.5% in April, which compared with a forecast 7.0% fall. Sales tumbled in the first three months of the year as shops, restaurants and other places with crowds closed across the country.



**Germany's GDP**

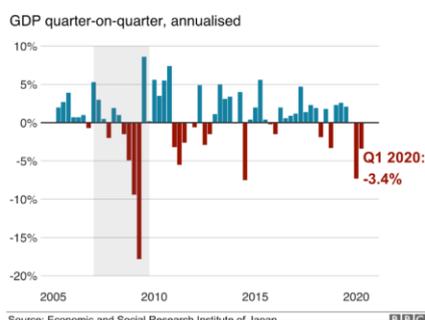
Germany's economy slumped in the first quarter at its steepest rate since 2009 with worse expected by mid-year, but it is weathering fallout from the coronavirus better than other EU states where outbreaks have been more disruptive. The 2.2% drop in quarter-on-quarter output was the widest since the financial crisis of a decade ago and the second biggest since Germany reunification in 1990, Friday's federal statistics office data showed. Like almost all European Union states, Germany did not go into lockdown to slow the spread of the virus until around mid-March, so the bulk of the impact of those curbs will only become apparent in second quarter data as sectors like tourism, and bars and restaurants, remain shut.

A 10% economic contraction is widely forecast for that period, though "the exact extent of the slump depends in part on the easing of restrictions on public life," said statistics office official Albert Braakmann said. That picture strengthens expectations that Europe's largest economy is facing its deepest recession this year since World War Two. Prospects are even worse, however, for peers including France and Italy where, respectively, coronavirus deaths top 27,000 and 31,000 and the economies contracted by 5.8% and 4.7 in the first quarter.

**Japan enter recession**

Japan has fallen into recession for the first time since 2015 as the financial toll of the coronavirus continues to escalate. The world's third biggest economy shrank at an annual pace of 3.4% in the first three months of 2020. Consumers in Japan have been hit by the dual impact of the coronavirus and a sales tax hike to 10% from 8% in October.

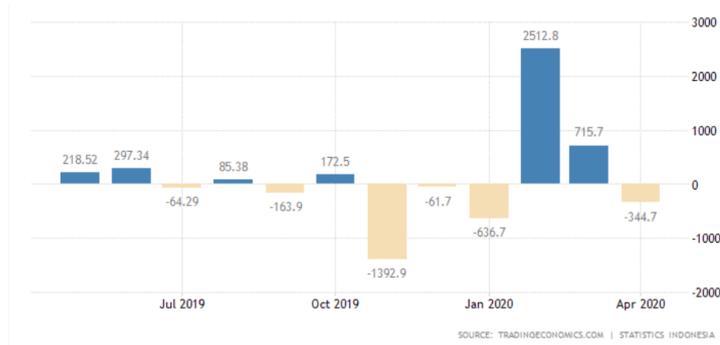
While Japan has lifted the state of emergency in 39 out of its 47 prefectures, the economic outlook for this current quarter is equally gloomy. Analysts polled by Reuters expect the country's economy to shrink 22% during the April-to-June period, which would be its biggest decline on record.



**Indonesia's Economic Data**

- **Indonesia Trade Balance** record a small deficit of USD 345 million in April. Nominal exports contracted by 7.0% YoY in April 2020 (Mar 2020: -0.4%). Imports, however, posted a sharper contraction of 18.6% (Mar 2020: -0.7%). Despite weaker imports, the trade balance posted a deficit of USD345m, a reversal from a USD716m surplus previously.

The trade data is a reflection of the impact of the large-scale social distancing which took effect in early April. In addition, the month also saw a heightening of covid-19 outbreaks across the world which prompted widespread lockdowns. As a result, trade weakened in tandem.



- **Indonesia's automotive (4W) wholesale volume** in April 2020 were at 7,871k units (-90.6% y-y, -89.8% m-m), bringing 4M20 total volume to c.660k units (-13.5% y-y), excluding LCGC. The industry LCGC volume were also down, to c.245k units (-27.7% y-y), in 4M20.
- **Indonesia fiscal deficit** is expected to widen to 6.27% of GDP this year, more than double the initial ceiling, as President Joko Widodo ramps up stimulus measures to counter the blow from the coronavirus pandemic. The government plans to have to again revise the assumptions underpinning its budget, according to Finance Minister Indrawati, adding that the budget shortfall now is expected at IDR1,028.5tn (USD69.3bn). The government has set aside a total of IDR641.7tn as part of its emergency virus response.

State Budget	New outlook	Presidential regulation 54/2020
Government revenue	IDR 1,691 tn	IDR 1,761 tn
Government expenditure	IDR 2,720 tn	IDR 2,614 tn
Budget deficit of GDP	IDR 1,029 tn 6.27%	IDR 853 tn 5.07%

**Indonesia's Economic Data to be expected**

- Indonesia's Current Account for the first quarter will be released next week. Indonesia's current account deficit decreased to USD 8.12 billion in the December 2019 from USD 9.51 billion in the corresponding month of the previous year, equivalent to 2.84% of the country's GDP. Considering 2019 as a whole, the country's current account deficit fell to USD 30.42 billion from USD 30.63 billion in 2018. In 1Q 2019, Indonesia's Current Account registered USD 4.94bn deficit. Market consensus expects this quarter's figure to be at USD 5.5bn deficit.

**Market Indexes (12 May 2020 - 19 May 2020)**

- During the period, JCI depreciated by 0.87% to 4,548 on 19 May 2020. In YTD basis, JCI went down by 27.80% due to global economic slowdown from the pandemic. We think JCI will remain traded at the tight range at around 4,500 – 4,700 without significant progress on Covid-19. We are still worried for the upcoming second wave of Covid-19 in countries that have been stopped the infection like South Korea and China. In addition, a premature easing on lockdown might steepen the curve back.



JCI last 1 year as of 19 May 2020 (Source: Yahoo Finance)

- Relationship between U.S and China is going south since both parties keep pointing finger at each other of who should be responsible for the pandemic. It might worsen the global economy since both parties might pull out from the 'Phase one' trade deal at the beginning of January.
- During the same period, IDR appreciated by 0.91% IDR 14,769/USD level due to optimism on the development of covid-19 vaccine. We also think IDR will remain steady at around 14,800 – 15,200/USD until end of May.

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