

Market update 3 June 2020

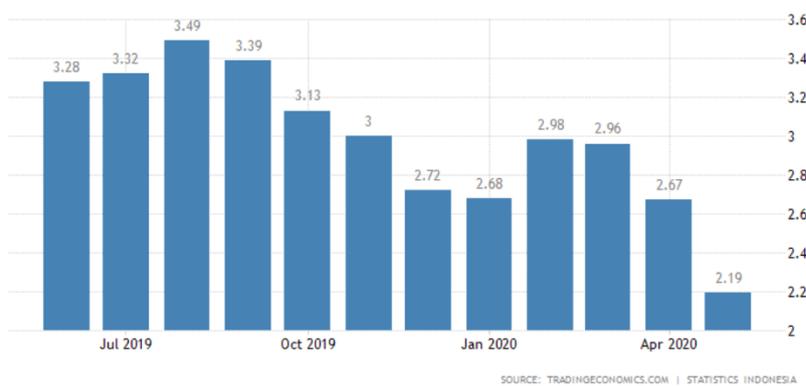
What happened last week and what to expect this week?

Riot in the US

The mass protest and riot in the US has continued for sixth day due to death of George Floyd, an African-American, who was killed by a police officer. The demonstrators demand justice and structural changes for the minority but Donald Trump seems unwilling to listen to the protestors. Surprisingly, the stock market seems to ignore the impact from the anarchy activity since Dow Jones was up by 3% in a week. We think the number of Covid-19 cases might go up significantly in the near time due to the mass gathering.

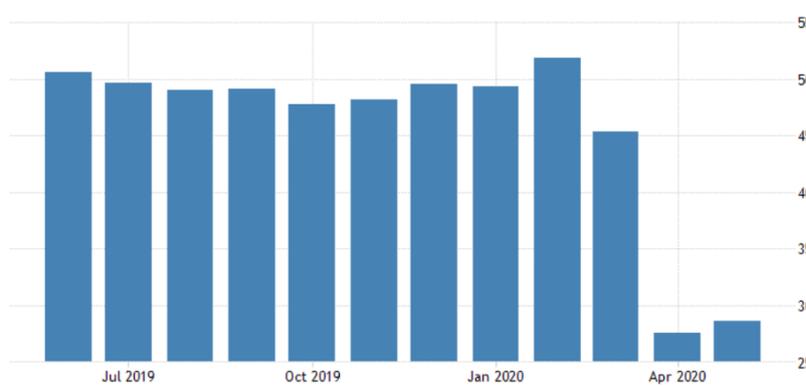
Indonesia's May Inflation

BPS reported an inflation rate in May 2020 of 2.19% yoy while in April the inflation rate was 2.67% which brings the May rate to the lowest since June 2000. Meanwhile, the annual core inflation rate eased slightly to 2.65% YoY in May, from 2.85% YoY in April. The rate was low amid the implementation of a large social restriction program to contain the spread of the coronavirus. We think the benign inflation will give BI additional room to cut the interest rate and it is also supported by the appreciation of IDR. We think BI will cut interest rate on the next meeting.



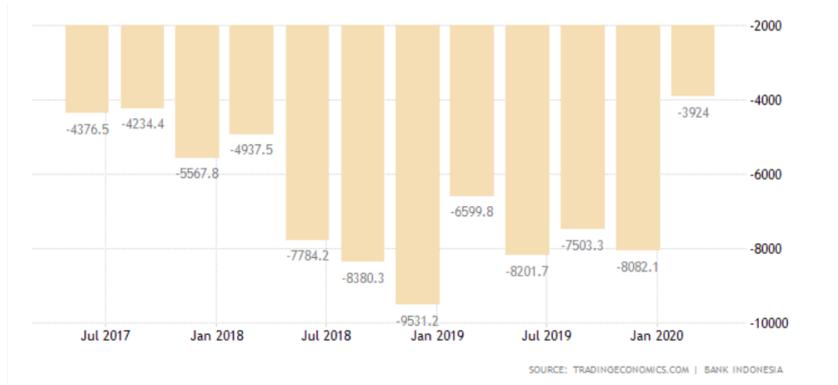
Indonesia's PMI

The IHS Markit Indonesia Manufacturing PMI rose to 28.6 in May 2020 from a record low of 27.5 in April. This was the second-lowest on record amid public health measures to contain the COVID-19 outbreak. Output continued to fall at a severe rate, accompanied by a further substantial drop in new orders, which was dragged down in part by a sharp drop in export sales. Rates of decline in these variables eased slightly, but were the second-fastest in the series history in all cases.



Indonesia's CAD and BoP

Indonesia current account deficit narrowed to USD 3.92 billion or -1.4% of GDP (1Q19: USD 6.6 billion or -2.5%) due to lower amount of import as the economy was slowing down significantly. We think the figures for second quarter might be more narrow since PSBB has just been started in March.



Despite lower current account deficit, overall balance of payment were at –USD 8.5 billion due to huge capital outflow which started in February 2020.

Market Indexes (27 May 2020 – 3 June 2020)

- During the period, JCI depreciated by 6.8% to 4,941 on 3 June 2020. In YTD basis, JCI went down by 21.60% due to global economic slowdown from the pandemic. We think JCI will test the next psychological level of 5,000. With the government is going to open the lockdown very soon then we might see the number of new cases increase significantly.



JCI YTD as of 3 June 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 4.01% to IDR 14,126/USD level since the Fed keep pumping the USD in the market and the risk of high inflation has been subdued. The next psychological level will be in IDR 14,000/USD.

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