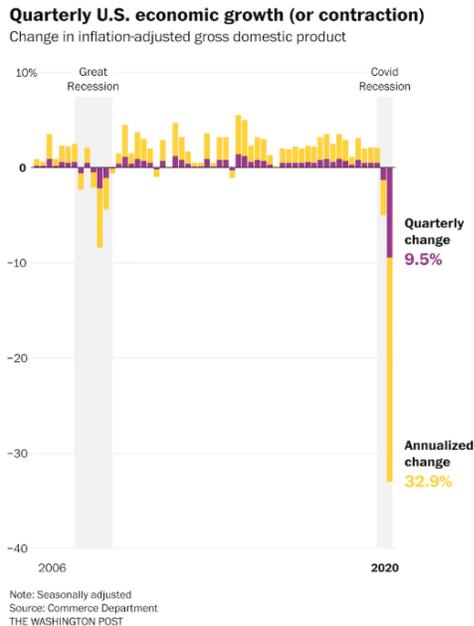


## Market update 5 August 2020

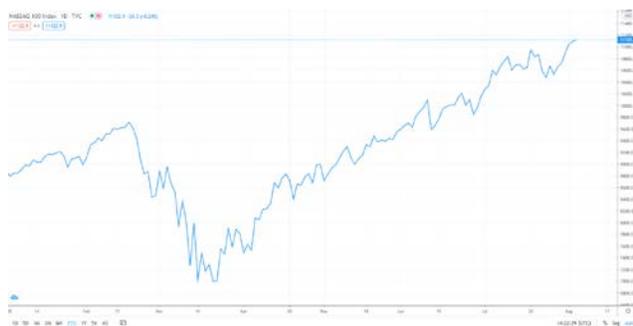
### What happened last week and what to expect this week?

#### U.S is in recession

The U.S. is officially in recession as their GDP recorded decline in two consecutive quarters. GDP shrank at an annual rate of 32.9 percent, according to the Bureau of Economic Analysis, the agency that publishes the statistics on quarterly economic activity.



The stark difference between the stock market and real economy is becoming more apparent since the stock market seems unaffected by the poor economic output. In YTD basis, NASDAQ recorded a stellar 20 percent gain.



Meanwhile, U.S 10-year treasury yield fell to its lowest point since April at 0.51. We see the rally on both equity and financial market are due heavy intervention from the central bank as they want to keep the market rolling.

The timing of recession was around 12 months after the yield curve inverted (2 year and 10 year) a year ago.



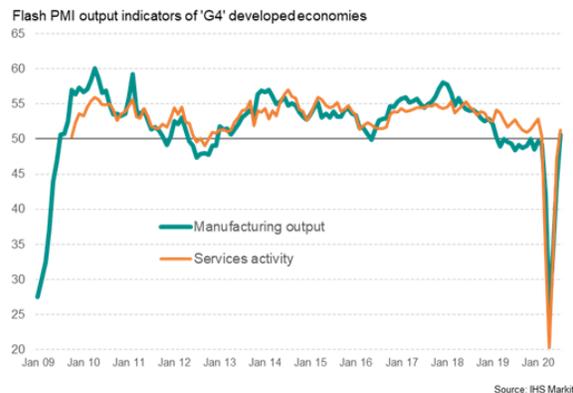
We see it is relative similar with the preceding recession where the economy fell into recession within 14 months period.

Year of inversion	Time to recession (months)
1978	16
1980	9
1988	18
2000	12
2006	17
<b>Average</b>	<b>14</b>

### Flash PMI is showing a fast recovery

We see that the estimation of PMI is rising fast as most countries are resuming their economic activity which was shown in the 'V-shape' recovery below. However, the recovery might be hampered as some countries are going to impose another lockdown to prevent the spread of covid-19,

#### G4 economies output

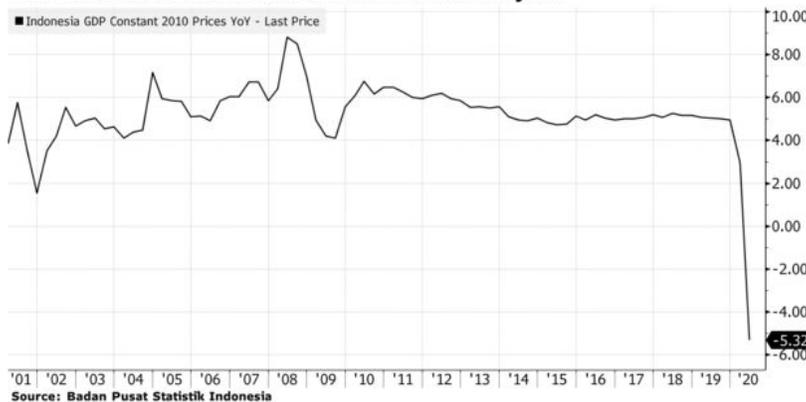


**Indonesia's Economic Data**

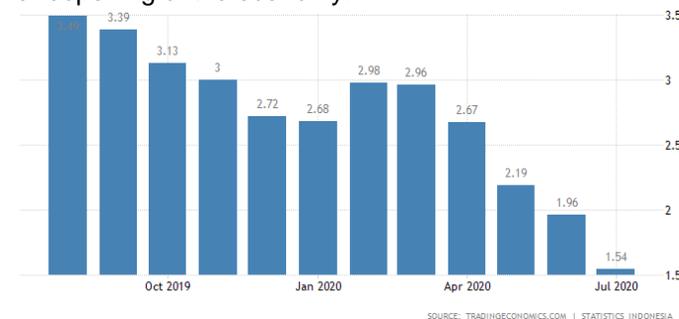
- Indonesia's GDP** suffered its sharpest downturn since the 1998 Asian financial crisis in the second quarter, as the COVID-19 pandemic shut down large parts of the country, ravaging businesses and leaving millions out of work. GDP contracted 5.32 percent in the second quarter, the lowest since the first quarter of 1999, Statistics Indonesia (BPS) announced Wednesday. The figure is deeper than the government's estimate of 4.3 percent contraction and economists' consensus of 4.6 percent contraction according to a Reuters survey. Household spending, which makes up more than 50 percent of GDP, fell 5.51 percent – far lower than the 5.18 percent growth booked in the same period last year - led by a near-total collapse in spending on restaurant meals, recreational services and transportation, among others. Health care and educational spending, however, grew 2.02 percent.

**Economic Plunge**

Indonesia's GDP contracts first time in more than 20 years

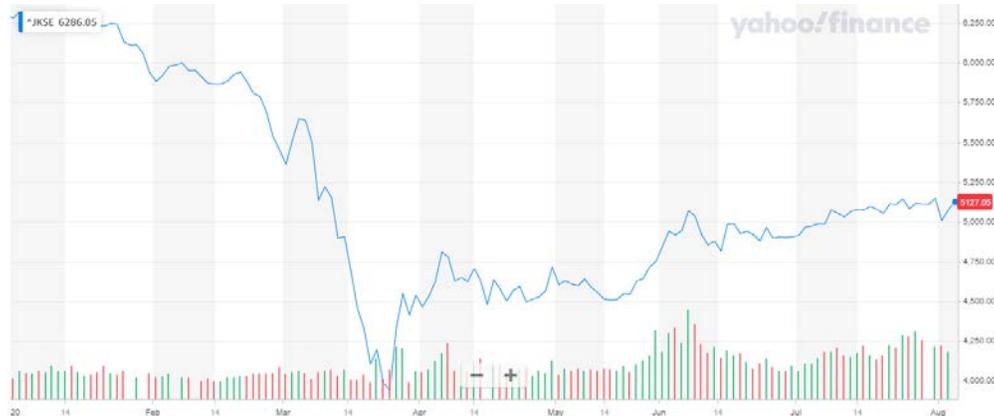


- Indonesia recorded the lowest annual inflation rate** since 2000 in June, slightly below the central bank's target range, as the coronavirus pandemic upends business activity and demand for goods and services. Statistics Indonesia's (BPS) consumer price index (CPI) was up 1.96 percent year-on-year (yoy) in June, a 20-year low and below Bank Indonesia's (BI) target range of between 2 and 4 percent for the year. On monthly basis, Indonesia recorded a deflation of 0.1 percent. We see the number as a warning sign that purchasing power is still very weak despite the reopening of the economy.



Market Indexes (5 August 2020)

- JCI stood at around 5,100 level and able to stand at above 5,000 level. We think 5,000 level is critical as it give phycological factor to investors. In a year, JCI had depreciated by 19%. We think JCI is still waiting for the second quarter result before making any significant movement. With below than expectation of GDP figures and deflation in July, we are quite pessimistic with the second quarter result



- 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.
- In ytd basis IDR depreciated by 5.8% to IDR 14,600/USD. We see rupiah fell down significantly within the last one month since BI decided to cut the benchmark rate by 50 bps. However, we think the pressure is only within short-term period since the Fed will keep the money flowing to the street.

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