

## Currency War Continues

### What Happen:

1. The most important issue today is the PBOC's action to devalue the Yuan by the most in two decades. This, we believe, is in response to the slowing Chinese exports figures released last weekend, which showed a 8.3% YoY decrease. The Chinese Yuan has relatively been one of the best performing currencies among other Asian currencies. China has been pouring out around USD 300 billion of their foreign reserves in the last 6 months. Currently, China's foreign reserves amount to around USD 3.6 trillion.
2. The impact of the Yuan devaluation certainly does not look good for the overall Asian currency market, especially Indonesia. Indonesia is currently trying a perfect combination of monetary and fiscal policies to actually boost domestic economic growth. Further currency weaknesses will definitely put the Indonesian Central Bank in a more difficult position to loosen their "tight" monetary stance at this point in time.
3. The development of El Nino has escalated risks to rising inflation within our economy.

### What to Do:

1. Most of the risks our economy faces currently come from the currency, possibly putting our monetary policy stance at a heightened risk. Therefore, we would suggest investors to avoid interest rate sensitive sectors and companies with high US debt exposure such as Banks, Property, Cement, Poultry.
2. We would also expect the PBOC's actions to provide a ceiling price for commodities' prices in general. Therefore, commodity producing companies remain unfavorable such as those within Coal, CPO, Tin, and Nickel miner sectors.

Charts 1: JCI Weekly Charts 5 Year Period



### Notes:

Purple Line is 150 Weekly Moving Average (4802)

Green Line is 200 Weekly Moving Average (4589)

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Charts 2: IDR Currency reached 13599 in today's high 11 Aug 2015



Charts 3: Chinese Yuan reached 6.3 against USD 11 Aug 2015



Notes:

China devalued the Yuan by the most in two decades, ending a de facto peg to the US Dollar that has been in place since March and battered exports. The PBOC cut its daily reference rate for the currency by a record 1.9%. Bloomberg

Asia (per USD)		1 Day	1 Mon	3 Mon	6 Mon
Offshore Chinese Renminbi	CNH	-2.27	-2.25	-2.3	-1.77
Chinese Renminbi	CNY	-1.86	-1.86	-1.86	-1.34
Taiwanese Dollar	TWD	-1.41	-3.4	-4.22	-1.69
Singapore Dollar	SGD	-1.36	-3.54	-4.53	-2.83
South Korean Won	KRW	-1.34	-4.19	-7.42	-6.92
Malaysian Ringgit	MYR	-0.76	-4.35	-9.2	-9.26
Thai Baht	THB	-0.71	-3.99	-4.56	-7.6
Indian Rupee	INR	-0.38	-1.12	-0.41	-2.9
Philippine Peso	PHP	-0.33	-1.87	-2.79	-3.54
Japanese Yen	JPY	-0.22	-1.7	-3.86	-3.55
Indonesian Rupiah	IDR	-0.13	-1.87	-3.04	-6.23
Hong Kong Dollar	HKD	-0.06	-0.08	-0.07	-0.04

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