Research Team
+62 21 392 5550 ext. 611
research@sinarmassekuritas.co.id

China cuts tariff on US products. China will slash tariffs on USD 75 billion worth of US products which will take effect on February, 14. According to China's Customs Tariff Commission of the State Council, the tax rate on some 916 items including soybeans, pork and fish will be deducted from 10% to 5%, while the rate for 801 items including auto parts will be slashed from 5% to 2.5%. China saw this move as an attempt to ease economic and trade tensions in the midst of economic threat from the coronavirus outbreak. China's Ministry of Finance stated that the next step depends on the development of the Chinese-US economic and trade situation and it hopes to work with US towards the final elimination of all tariff increases.

Indonesia's 4Q19 GDP fell below expectation. Indonesia's GDP in the fourth quarter of 2019 was recorded at 4.97% YoY, the slowest since 2016's fourth quarter and contracted 1.74% QoQ. Meanwhile, Indonesia's full year GDP growth in 2019 was recorded at 5.02%, lower as compared to 2018's which was reported at 5.17%. The figure was relatively far below early state budget's estimate of 5.3% in 2019. Slowing global trade amid the US-China tariff dispute had hurt Indonesia's important commodity exports, while national elections delayed investment decisions. Breaking down into details 4Q19's GDP figure, household spending only grew by 4.97% YoY in the fourth quarter, government spending slightly expanded by 0.48% YoY, gross fixed capital formation increased by 4.06% YoY, while exports and imports contracted by 0.39% YoY and 8.05% YoY, respectively. Moving forward, while the government aims to achieve GDP growth of 5.3%, we see pressures on household consumption might drag GDP closer to the 5.0% level. On the other hand, diminishing political year uncertainties and supportive monetary policies should serve as the catalysts that could boost investments.

Indonesia posted USD 131.7bn foreign exchange reserves. According to Bank Indonesia (BI), Indonesia's foreign exchange reserves increased to near record-high levels in January at USD 131.7 billion owing to foreign inflows from global bonds issuance and the oil and gas sector. This amount indicates a USD 2.5 billion increase from the previous month and is enough to support 7.8 months of imports and 7.5 months of imports and payments of the government's short-term debt. BI assumed that the current reserve level is "strong enough" to support the country's resilience to external factors, as well as to maintain macroeconomic and financial system stability. Meanwhile, BI has injected about USD 1.82 billion on Wednesday into the country's financial markets by buying government bonds to stabilize prices and liquidity. Going forward, BI will continuously be working closely with the Finance Ministry as an effort to stabilize the market and prevent the short-term impact of the coronavirus.

DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.