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China reported a weaker than expected February trade balance figure. Despite of a very favorable January's trade balance data, China recorded USD 4.12bn of trade balance in February 2019 (vs USD 39.16bn in Jan 19). The lower than expected reading was driven by significant plunge in Dollar denominated exports which fell by 20.7% YoY (vs forecast: -4.8% YoY). On the other hand, Dollar denominated imports was down by 5.2% YoY (vs forecast: -1.4% YoY). The country's trade results came much lower than that of economists' forecasts at USD 26bn level even though the market had expected that trade data might be subdued due to week-long Chinese New Year national. We think the reading has been signaling a more apparent headwinds for China amid impending slowdown and trade war uncertainties.

Looming risk of Eurozone economic slowdown and new stimulus injection. The European Central Bank (ECB) president, Mario Draghi has sharply downgraded its eurozone growth forecast for 2019 from 1.7% to 1.1% following the ECB official announcement on Thursday, 7 March. Draghi said that growth across the eurozone slipped to 0.2% in 4Q18, half the rate recorded in the first two quarters. The GDP growth was revised substantially after significant slowdown in Italy, Germany and to a lesser extent France. We believe that the uncertainty over Brexit and global GDP growth cut are among the factors that dragging down growth in Eurozone. Following the cut, the Central Bank also announced to help to support banks lending to businesses and consumers with the new round of cheap bank loans. The new targeted refinancing operations (TLTRO-III) stimulus program will start in September and run through March 2021. The loans offer European banks lower rates, making it easier for them to lend money to consumers in order to boost economy.

Indonesia low CV coal price recovery. Indonesia low CV coal price index, ICI 4 (4,200 CV), has rebounded by 33.3% from its lowest point in Nov 18, currently trading at USD 40 per ton as China lifted its import curbs at the end of FY18. Stronger demand paired with tighter safety checks in China post recent mine accident have led to better than expected demand for Indonesian coal. In January 19, China recorded its all-time high monthly import figures at 33.5 Mt (+20.5% YoY). Meanwhile, recent mining accidents in China have led to stringent safety measures by the local government, resulting in higher Chinese coal price (+8.7% YTD). According to S&P Global, it is estimated that around 130 million Mt of production will be affected by the shut mines. Though we maintain a long term neutral view on coal price benchmark due to global economy slow down and China high coal inventory level, we see recent strong low CV price recovery to give trading opportunity for Indonesian coal stock, especially coal miners with low coal CV such as ADRO and INDY.

Ascending Indonesia foreign exchange reserves in Feb-2019. On Bank Indonesia's (BI) recent press release, Indonesia foreign exchange reserves were recorded at USD 123.3bn, crawling up from USD 120.1bn from the previous month. The last position, which was the highest level since May-2018, is equivalent to 6.9 months of imports financing, or 6.7 month of imports plus repayment of government foreign debts, and is above the international adequacy standard of around 3 months of imports. The increase was primarily on new issuances of government global sukuk, oil & gas income, as well as other foreign exchange income. Note that only in the first two months of 2019; Indonesia's government has taken a front-loading strategy and issued two series of green global sukuk totaling USD 2bn proceeds. Given the government's front-loading act, we expect slower global bonds issuance ahead, hence upcoming foreign reserves will depend more on trade balance account. Even though, current foreign exchange reserves position in our view may be able to safeguard macroeconomics and Rupiah stability.

Consumer confidence remained stable. Bank Indonesia posted its CCI at 125.1 in Feb-2019, not much change from the previous month's figures. This level was mainly driven by maintained optimism on both current and upcoming economic conditions, and was still good as it still stood above the 2018's average level of 123.6. To add, the propensity to consume rose to 68.3%, from 66.8% in Jan-2019. Overall, we expect the tendency to consume will remain strong in the next few months benefiting from the election in mid April and moving forward to fasting and Lebaran period in May and June 2019. Rupiah movement may be a thing to observe, as weakening Rupiah may hurt consumer confidence ahead.

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