The Journal

12 August 2019

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The US 10-year government yield plummeted as investors continued rushing for safety. As the world settling in for US-China trade war without an end in sight, the 10-year Treasury note yield fell to 1.7% before recently goes back to 1.74%, a level seen last in early Nov-16. Official negotiations between Washington and Beijing broke down in recent weeks after President Donald Trump announced that US would slap 10% new tariffs on other USD 300bn worth Chinese goods effectively on 1 September. China, in turn, threatened retaliatory action by allowing their currency to break the physiological level of 7.00, triggering a wave of angst across Wall Street that the two nations could fall into a currency war in an effort to boost domestic exports. China's central bank set the official midpoint reference for the yuan at 6.9996 on Wednesday, slightly weaker than what markets anticipated. However, US government debt rates climbed on Thursday due to a lull in US-China trade turbulence and better-than-expected data.

USDCNY spiked to 7.0507 on 5 August 2019 sparking concerns of potential currency war. The spike in USDCNY to its weakest level since 2008 came after President Trump announced his plan to raise tariffs on China's USD 300bn exports to the U.S. that previously had not been tariffed. Hours after the currency's move, U.S. Treasury labeled Beijing a currency manipulator. This prompted Chinese officials later stated that they will not use currency as a tool in trade war and the steadying Yuan around the 7 rate calmed markets. However, China's central bank midpoint reference for the Yuan steadily rises daily and was set at 7.0136 per dollar as of 9 August 2019. Note that the PBOC allows the Yuan to fluctuate 2% within each day's midpoint. A weaker Yuan increases the attractiveness of Chinese exports and reduces the effectiveness of Trump's tariffs. Further devaluation or weakening of the Yuan will result in financial jitters, a drop in business confidence, and disruption in global trade.

Stable 2Q19 CAD on YoY basis. Indonesia recorded 2Q19 current account deficit (CAD) at USD 8.4bn, or equals to 3% from GDP. The figure increased from USD 7bn (2.6% GDP) level in 1Q19, though is still remain at manageable level. The higher CAD level was caused by larger trade deficit due to weaker commodity prices, and seasonality needs for dividend and foreign debt payments. Looking at details, the services account recorded a USD 2bn deficit in the quarter, slightly higher than that of in 1Q19 in which deficit came in at IDR 1.9bn. Primary income posted USD 8.7bn deficit, increased by USD 0.6bn QoQ due to dividend disbursement. On the other hand, secondary income managed to maintain a surplus, with USD 2.1bn surplus recorded this quarter supported by high remittance inflow. Capital and financial transactions showed a lower surplus at USD 7.1bn given the higher debt payments during the period. Portfolio investment recorded an inflow of USD 4.5bn, lower than previous quarter. As a result, Balance of Payment dropped significantly to deficit USD 2bn (vs surplus USD 2.4bn in 1Q19), though still maintaining a surplus of USD 0.4bn. Going forward, the CAD is expected to remain within targeted range of 2.5%-3.0% of GDP, subsiding from last year's figure supported by better investment climate post-election period and Rupiah strengthening. However, we remain watchful towards the impacts deriving from commodity prices movement and trade war development.

Nickel surged to 16-month high. Nickel rose to USD 16,690 in Thursday, before settling in to USD 15,647 in Friday. Nickel has rallied by

8.3% in a week as fears of supply shortage rippled though the market. Citing from Kontan, Indonesia's Minister of Energy and Mineral Resources has confirmed that the government is currently discussing the potential for the export ore ban to be implemented sooner than 2022, though no detail of the discussion has been reported. In addition, recent news circulated saying that SR Languyan Mining Corp, the largest high grade nickel ore supplier in Philippines, is reported that they will stop mining in October due to resource depletion. The company has a capacity to ship about 600k wmt of nickel ore in a month, with an average NI grade of above 1.5%. This is equivalent to roughly ~86k ton per year, ~25% of Philippines production and ~4% of global demand according to our estimate. Lastly, according to Wood Mackenzie, the announcement by Indian government to conduct an anti-dumping investigation on stainless imports from Indonesia forces Tsingshan to supply its new cold rolling to India. This mean more production in Indonesia and less NPI being shipped to China. Hence, Tsingshan is reported to offer higher prices to Chinese NPI makers in order to secure nickel supply for its Chinese mills. This further supported the rally in LME nickel price. All in all, we see recent development in Asia have resulted in further fears of supply shortage of nickel in coming years and this should provide a strong support for nickel price in the medium term. We advise investors to ride the momentum and buy nickel-related stocks, such as INCO and ANTM as both companies will be benefited with higher nickel price.

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