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U.S. – China trade talks produced a positive outcome. The meeting resulted in what Trump claims as a "very substantial phase one deal". He also mentioned that "phase two will start almost immediately" after phase one is signed. Trump claims that the first portion of the trade deal will be written over the next three weeks. It will address IP and financial services issues, along with purchases of about USD 40 billion to USD 50 billion worth of agricultural products by China. Another highlight from the talks was tariffs previously slated to increase on Oct 15 will be postponed. The U.S. had previously threatened to increase duties on USD 250 billion worth of Chinese goods from 25% to 30% on Oct 15. However, tariff hike planned to be implemented on Dec 15 that will apply a 15% rate to USD 160 billion worth of Chinese imports is still on track to be applied. Moreover, previously implemented tariffs still exist. After prolonged and numerous meetings, both sides are starting to tilt towards friendlier outcomes. This has been welcomed by equity investors as the Dow soared. We expect JCI to respond with similar positivity. Nonetheless, we advise investors not too get their hopes too high up as history has shown that trade talks are extremely dynamic and can change any day.

Nickel inventory reached 7 years low. Nickel LME stocks were recorded at 98k tons in Friday, the lowest level since 2012. In one week, nickel inventory has declined by 35k tonnes (-26% WoW) as Indonesia's nickel ore ban export spurred panic of supply shortage in the market. Recent news from Bloomberg also reported that China's Tsingshan was one of the main factors that helped drive a record drop in nickel inventories. Tsingshan was reported to purchase the nickel to secure supplies ahead of a looming ban on raw nickel ore export from Indonesia. Tsingshan is working with financing banks including JPMorgan Chase & Co. to take the metal off the exchange. Estimates for how much the company bought range from 30,000 to 80,000 tons. Furthermore, with current supply tightness, spot contracts have been trading at a premium to their futures in the last 12 years, a condition known as backwardation that shows a sign of a supply squeeze. This should help to support nickel price in the next few weeks and should benefit nickel companies such as INCO and ANTM.

Oil spike after Iranian tanker blast. Oil price rose 2.5% on Friday evening after Iranian news agencies reported that a state-owned oil tanker that had been travelling through Red Sea off the coast of Saudi Arabia was struck by two missiles. Crude oil (CL1) closed at USD 54.88 per barrel (+2.5%) while Brent oil closed at USD 60.7 per barrel (+2.6%) on Friday. The ship suffered heavy damage and was leaking oil into the water, while all crew ship members were reported safe and the situation of the tanker was stable. The incident occurred amid heightened tensions in the region following attacks in Saudi Arabia's production facilities on September 14. Currently, there is no suspect yet and the cause of the incident is still being investigated. We expect oil price volatility to remain, mostly due to heightened geopolitical tension from US-Iran as well as recent breakout war on Turkish sides.

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Foreign reserve slightly dropped to USD 124.3bn in Sep-19 from USD 126.4bn in Aug-19. After gains recorded in the past 3 months, foreign reserve came lower in Sep-19 as BI defended Rupiah amid commodity and FX volatility caused by oil attack in Saudi and wave of protests in the country. As a result, USDIDR remained stable during the month as it merely unchanged. In addition, the slight decline was also on the need for government’s foreign debt payment. The reserve level remained healthy as it is equivalent to 7.2 months for import funding or 7 months for import as well as foreign debt payment, which is higher than 3 months of international adequacy standard.

Slight improvement in monthly domestic cement sales volume. Cement industry recorded better monthly domestic cement sales performance in September 2019, though YoY figure remained sluggish on the back of a high base 2H18 performance. The sector's domestic sales volume was slightly down by 0.71% YoY/+6.5% MoM in September 2019 after recording sluggish performance in August 2019. Bag market was the main contributor of sales this time around by growing +1.8% YoY, vs a flat bulk sales growth of -0.1% YoY. Within Java region, strongest demand recovery was seen in West Java (+9.6% YoY), followed by Yogyakarta (+9.0% YoY), while Jakarta and Central Java each dropped by 6.0% and 8.1% YoY. Looking into companies, Indocement (INTP)'s noted -2.0% YoY/+6.2% MoM growth in Sep sales volume. The decline in the company's market share was due to challenging distribution to the eastern part of Indonesia as a result of maintenance in one of its factory. Semen Indonesia (SMGR), on the other hand, gained share by recorded a flat domestic sales in Sep 2019 (+0.28% YoY/+9.6% MoM), while SBI’s (ex-Holcim) was down by 2.3% YoY/+10% MoM. Overall, 9M19 industry cement sales volume still showed negative growth of 2.05% YoY. Nonetheless, we think that cement sales should start picking up next year given the continuation of various infrastructure projects in Java and outer Java area.

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