

**Jerome Powell indicated openness to rate cuts based on his statement to Congress.** On Wednesday, 10 June 2019, Powell testified to Congress and emphasized the case for a rate cut and his independence from Trump. In regards to interest rates, Powell mentioned, "growth indicators from around the world have disappointed on net, raising concerns that weakness in the global economy will continue to affect the U.S. economy". He also made remarks that US-China trade war has magnified uncertainties and that inflation remains below the Fed's target. Moreover, he stated, "I would not do that" when asked regarding what he would do if he was asked to resign by Trump. His statements bolstered the case for a rate cut. Market participants currently price in a 25 bps rate cut in July, which if it happens will be positive for JCI and the dollar should weaken.

**Fear of rising stockpiles in 2H19 may hold back CPO price in the near term.** Malaysia Palm Oil Board (MPOB) recorded its Jun-19 stockpiles at 2.42mn tons which was relatively flat from the previous level, with production and exports posted at 1.52mn tons and 1.38mn tons (-9.0% and -19.3% MoM respectively). Upon the release of the data, CPO price did not show any significant reaction, remaining sluggish at the moment. We believe this is due to the fear of rising production considering the high production cycle for palm trees in 2H, hence stockpiles level may be potentially reversed in the upcoming months. We also note that there are not much events in 2H19 except the Chinese mid-autumn festival and Diwali festival taking place in mid-Sep and end of Oct-19 that may boost CPO demand. In all, we see soft CPO price to remain in the near term.

**Better YoY cement sales volume growth on the back of shifting Lebaran days.** Indonesia's cement industry recorded 3.86 mn tons of sales volume in June 2019, higher by 16.38% YoY. Export figure was seen declining significantly to 201k tons only, or -66.49% YoY. Major contributors of the sales growth were coming from Banten, West Java, and East Java which grew by 32.6%, 29.6%, 23% YoY respectively. This brings YTD domestic sales at 29.5 mn tons (-1.9% YoY), while export included sales figure came at 32.2 mn tons (-1.7% YoY). Given the weak cement consumption during 1H19 due to muted construction projects executions, prolong rainy season, and soft property demands, the industry has to ramp up cement sales in the 2H19 in order to fulfill its 3% YoY sales volume target.

On the company side, SMGR alone posted 1.4 mn tons domestic sales volume (+11.5% YoY). Though, export and TLCC sales readings dragged down the overall group's performance. The company maintained its market share at 38.6% level. SBI (ex-Holcim) managed to note 534k tons of domestic sales (+3.49% YoY), and export jumped by +92.3% YoY to 32k tons. This is in-line with our latest update with the company as it seeks to enhance SBI's utilization to support export market demands. Overall, we expect the construction projects to resume in 2H19 and supports the growth of the sector.

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