

**A slight de-escalation in the US - China trade war.** President Trump on Wednesday (11/9) announced a delay on 5% increase in tariffs of USD 250 bn worth of Chinese goods to Oct 15, from initial plan that was scheduled on Oct 1. The postpone was out of respect for the People's Republic of China celebrating its 70th anniversary. In return to that, China released a list of 16 American products such as livestock, grease, and cancer drugs that would be exempted from new tariffs until September 2020. With a slight de-escalation on the trade war between the two countries, the market has reacted positively to the news but optimism on a trade deal is too soon to be concluded. Next month, the US and Chinese negotiators plan to meet in person in early October, before Mr. Trump increases tariffs on USD 250 bn worth of goods to 30% from 25%.

**The European Central Bank (ECB) cut its key interest rate and started quantitative easing (QE) on Thursday, 12 September 2019.**

The main reason behind the move was to support the Eurozone's weakening economy from global slowdown and trade tensions. Rates were cut by 0.1 percentage point to minus 0.5% and the ECB will buy EUR 20bn of Eurozone debt every month starting in November. The ECB stated that they promised not to raise interest rates until inflation outlook "robustly converge" with its target of just below 2%. Trump immediately tweeted hinting at the Fed to cut rates. The market currently price in a 25 bps rate cut by the Fed in their next meeting starting on 17 September 2019. These dovish moves should be positive towards the Rupiah and non earning assets such as gold.

**The industry recorded weak cement sales in Aug'19.** Monthly domestic sales volume for the industry was down by 2.2% YoY, INTP's declined by 6.1% YoY, while SMGR+SBI's declined by 4.7% YoY. Property continued to show sluggish development with bag sales decreasing by 1.4% YoY. Construction, on the other hand, was doing well as indicated through bulk cement sales which increased by 5.9% YoY. We see a potential for revised down target for FY19 national cement sales growth estimate to around flat. Looking into the company, INTP suffered losing share in ex-Java market due to maintenance in its Tarjun plant. This led to higher SMGR's market share (53% in Aug vs 51% in Jul). In addition, Ied Adha and Independence Day national holiday caused less working days as workers prolonged their holiday, more than last year's. Overall, we think that longer-term outlook for the industry is still favorable supported by lower energy prices, supportive pricing environment, and infrastructure projects continuation. However, we are watchful towards recent development on: 1) ODOL (Overload and Over Dimension) implementation planned to start in 2020, 2) Additional capacities, and 3) Property demand.

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