

**Oil price ends week lower despite tanker attacks.** Oil price struggled to stay in bullish mode in Friday after the International Energy Agency (IEA) slashed its estimate once again for global oil demand growth spurred by intensifying trade concerns amid fears of a global recession. Previously, both WTI and Brent had settled up more than 2% on Thursday after an attack on two oil tankers in the Gulf of Oman stoked fears of a new confrontation between Iran and United States. It was the second time in less than a month that tankers had been attacked in the world's most important zone for oil supplies. However, on the demand side, IEA now expects oil demand growth to reach 1.2 million barrels per day (b/d) this year, a downward revision of 100,000 b/d from previous forecast which prevent oil price from rallying in Friday. In summary, WTI lost about 3% last week and settling in at USD 52.5 per barrel. We expect price volatility will continue to persist and advice investor to be cautious in the near term as battle between slower demand growth and rising geopolitical tension in the middle east continues to build up.

**Indonesia's Consumer Confidence Index (CCI) inched upwards in May 2019 to 128.2 by 0.1 point, highest since June 2000.**

May's increase was a result of the increase of Tunjangan Hari Raya (special day bonus) disbursed leading to the Eid al-Fitr holiday. Diving into the data deeper, the increment came from consumers with a monthly expenditure of IDR 2mn - IDR 3mn. This rise was paired with average propensity to consume ratio that rose from 68.5% in April to 69.1% in May 2019. However, the survey conducted by Bank Indonesia showed that consumers are concerned with the possibility of a rise in gasoline prices, especially subsidized fuel. Overall, May's CCI was positive as it rose amidst the ongoing trade war and presidential election results announced in May.

**Indonesia May's inflation is accelerating but expected to remain at a low level and under control.**

Indonesia Statistics Bureau or BPS recorded that monthly inflation rate in May was 0.68%, the highest since April 2018. May's inflation hike brings the YTD inflation rate to 1.48%, while the year-on-year rate is 3.32%. It was higher than the 0.44% registered in April, as prices were pushed up by high consumption during the month of Ramadan. In details, foodstuff prices rose by 2.02% MoM as red chili, chicken, fish and eggs, among other products, became more expensive last month. On the other hand, the category of transportation, communication and financial services recorded 0.54% MoM inflation last month, primarily driven by higher prices of intercity transportation, air travel and train tickets. The May's inflation remain largely under control as the government has a target range of 3.5% to 4.5% for annual inflation, while the central bank has also maintained its year-end outlook on inflation at 3.1-3.2%.

**Another reduction in Malaysia's palm oil stockpiles, yet still insufficient to lift CPO price.** MPOB registered its May-19 stockpiles at 2.45mn tons, slumped by 10.2% MoM, in-line with consensus' expectation. Lower stockpiles were amidst production level of 1.67mn tons (+1.3% MoM) while exports were carried on robust at 1.71 tons

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(+3.4% MoM). Although production was flat MoM but it was still grew by 9.5% YoY ignoring the fact that palm oil was currently in low production cycle as well as the fasting season whereby workers' productivity was expected to be lower. Strong exports were coming from India due to on-going trade agreement with Malaysia, and EU as buyers anticipating for EU's enforcement on removing palm oil from biodiesel subsidies in June 2109. Moving forward to 2H19, our concern remains on production level which still grew by 9% YTD YoY, not to mention that palm oil production will gradually step into high production cycle in the upcoming months, which then will keep inventory level elevated. Therefore, we expect no significant recovery in CPO price will be seen in the near to medium term. To add, the record high soybean stocks that resulted in low soybean oil price may also inhibit any recovery in CPO price as well.

**Sluggish monthly cement sales persists.** In May 2019, cement industry recorded domestic cement sales amounting to 5,15 mn tons (-9.16% YoY) which mainly caused by the forward shifting in Ramadan days and limited infrastructure project execution as well as soft property demand. Jakarta and Central Java significantly contributed to the weak figure with -22% and -16% YoY decrease respectively. Exports also experienced the same trend in which the volume was recorded at 600k tons (-21.56% YoY). It brings the YTD domestic sales declined by 3.68% YoY, while export-blended volume was down by 1.91% YoY.

As the market leader, Semen Indonesia (SMGR) noted -10.73% YoY decline in domestic cement sales and -2.98% YoY decrease in exports figure. Similarly, Indocement (INTP)'s domestic sales volume was down by 9.1% YoY. INTP's market share remained relatively stable at 26.3% (vs 26.4% in May 2018), whereas SMGR's market share slightly decline to 38.6% (vs 39.3% in May 2018). Given the sluggish 1H19 performance, we expect the industry to show recovery in 2H19 to be able to achieve its +3% YoY growth target.

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