

China coal mine accident. Local news had reported that coal mine roof collapsed in northwest China's Shannxi province and killed 21 miners. Following the accident, some major mining firms in the province have received notice from the National Coal Mine Safety Administration, asking them to halt operation for mine safety inspection. Note that Shaanxi is China's third largest coal producing region. Thermal coal price (XW1) went up by +1.73% WoW, as mine accident in Shaanxi raises concerns that tighter safety checks may constraint domestic supply and add the need of imports during current winter season. In our view, this should give short term catalyst to seaborne coal price and should benefit Indonesia's coal miners (ICI4 +3.17% WoW). Nevertheless, we remain cautious on the long term outlook of thermal coal price as slowing China's economy paired with high inventory level to remain as headwinds for the sector.

Indonesia experienced a trade deficit of USD 8.6bn in 2018. Indonesia recorded Dec-18 exports at USD 14.2bn which compressed by 4.6% YoY and 4.9% MoM, mainly contributed by the non oil & gas (non O&G) segment which fell by 7% YoY and 8.2% MoM. The decline in our view was caused by lower commodity prices such as coal and palm oil prices. On the other hand, imports reached USD 15.3bn, grew by 1.2% YoY although were lower 9.6% MoM on the back of lower crude oil imports in the period. In addition, the decline in Dec-18 imports was also due to lower raw materials imports. Consequently, Indonesia once again posted another deficit of USD 1.1bn in Dec-18, marking the 9th time of deficit throughout the year. **Cumulatively in 2018, Indonesia's exports and imports were noted at USD 180bn and 188.6bn, grew by 6.7% and 20.2% YoY respectively. These all led Indonesia to experience a deficit of USD 8.6bn in 2018.**

Bank Indonesia left BI 7-day Reverse Repo unchanged at 6.00%. During the first board meeting, Bank Indonesia kept the BI 7DRRR at 6.00% and maintained deposit-lending facility rate at 5.25% and 6.75% respectively. BI explained that decision to keep rate steady is in-line with the ongoing effort to strengthen the nation's current account and increase financial assets' attractiveness. BI stated despite the ongoing trend of slowing global economic growth, external pressure toward Rupiah has lessened stemming from 1) more dovish stance from the Federal Reserve and 2) slowing China economy to ease FX pressure from oil. Meanwhile, BI expects domestic economy will remain resilient as economic indicator in 4Q18 showed strong domestic demand primarily in consumption. Moving forward, BI expects FY19E GDP within 5.0% - 5.4% target range.

Changes to LQ45 and IDX30 Index Constituents. Companies that will be added to the LQ45 index are Charoen Pokphand Indonesia (CPIN), Erajaya Swasembada (ERAA), Pakuwon Jati (PWON), and Pabrik Kertas Tjiwi kimia (TKIM). While Bank Pembangunan Daerah Jawa Barat dan Banten (BJBR), Sentul City (BKSL), Lippo Karawaci (LPKR), and Sawit Sumbermas sarana (SSMS) will face removal from the index. On the other hand, additions to the IDX30 index are Charoen Pokphand Indonesia (CPIN) and Indo Tambangraya Megah (ITMG). While Bumi Serpong Damai (BSDE), Waskita Beton Precast (WSBP) will be deleted. These changes will be implemented starting from February-July 2019. Expect inflow to additions and outflow to deletions from both passive and active funds.

Research Team

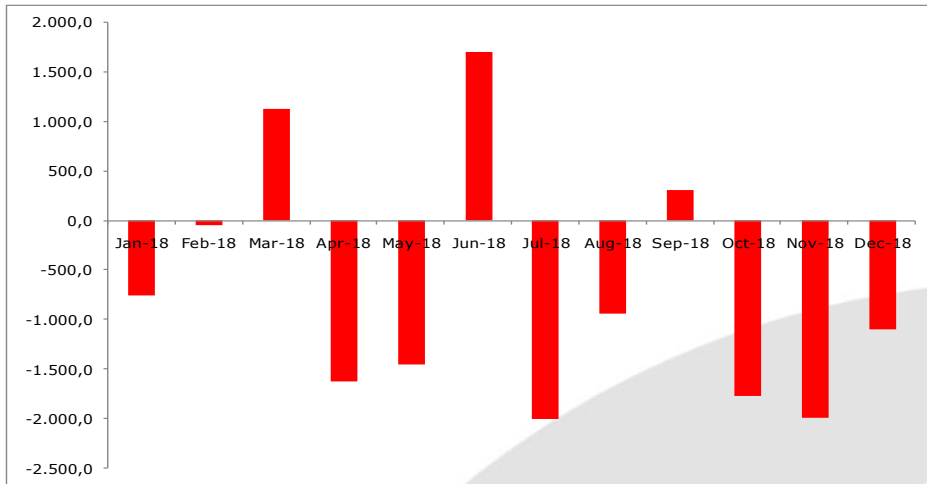
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First public debate of 2019 presidential election. Indonesia has just conducted its first 2019 presidential election debate which raised the topic of law enforcement, human right, corruption, and terrorism. The debate was joined by both president and vice president candidates where they got the chance to deliver their vision-missions, political opinions and public policy proposals, and criticism of them, to potential voters. The show was aired on TV and live streaming. Following last week's debate, there are four upcoming presidential debates during general election campaign period in which each raises different topics. Taking a look at recent survey, results showed Jokowi-Ma'ruf still led the polls with 53-55% vote range vs Prabowo-Sandi with 31-35% vote range, according to several survey institutes which are Y Publica, Alvira Research Center, Indikator, and LSI Denny JA.

Indonesia trade balance FY18



Source: BPS, Sinarmas Investment Research

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