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Nickel price jump to 11 months high. Nickel price surged by more than 14% this week, passing through the USD 15,000 mark on Thursday before closed at USD 14,645 on Friday. Nickel price has outperformed other base metals this week propelled by speculators and industrial consumers who were worried about potential future shortages. Data from LME nickel shows that inventory continues to plunge, down by 43.2% YoY & 12.8% MoM, and reaching its lowest level in the past 6 years. Another trigger for the price rally is the news that Indonesia will stop allowing the export of unprocessed nickel ore in 2022. However, the news is not new and the 2022 deadline has already been put in place since 2017 when the government began to allow a five year grace period for ore exporters that invest in processing capacity. Although we remain positive on future nickel price driven by higher EV penetration, we maintain a cautious stance whether the price rally will sustain in the near term given that the sign of significant supply shortage or major disruption are not yet seen on the demand/ supply balance. We advise investors to be cautious at the time being and continue to monitor price and inventory movement in the near term. If price rally manage to stabilize in the next few days, we see attractive trading opportunity for nickel driven companies such as INCO and ANTM.

China's economic growth has slumped to its lowest level in 27 years as the effect of a prolonged trade war with the United States continues to hurt their economy. The country's gross domestic product grew at 6.2% in the quarter ended June, the slowest quarterly growth rate since 1992 and down from 6.4% in the previous quarter. In addition, China's exports fell 1.3% year-on-year (YoY) as tariff increase from the US came into effect, while import dropped by 7.3% YoY, showing lower domestic demand. PMI data in June also came in at 49.4, lowest level since January, signaling contraction in the domestic demand. We believe China’s economy will remain under pressure in the near term as trade talks between US and China has not shown any indication of deal soon. Nonetheless, we believe China’s government will continue to unveil more stimulus measure to stabilize growth, including boosting infrastructure spending and possible interest rate cuts in the near future.

Bank Indonesia cut 7DRRR to 5.75%. Bank Indonesia on its latest July board meeting decided to cut 7DRRR by 25 bps, leading interest rate to 5.75% level. This marks the end of tightening cycle, and signals the beginning of the country's monetary easing cycle. Lending and deposit facility rates were deducted by 25 bps as well, leading them to 6.5% and 5.0% level respectively. BI Governor, Perry Warjiyo stated that the decision to cut rate was made in-line with expected low inflation and the needs to encourage momentum for economic growth. The Governor said that the central bank's monetary policy would be accommodative going forward and BI leaves room open for further easing policies. The assumption that the The Fed would bring down its policy rate once in 2019 underlies BI's decision to slash benchmark rate. We think that the easing cycle provides attractive momentum for interest-sensitive sectors.

Indonesia seeing two consecutive months of trade balance surplus. Indonesia recorded another trade balance surplus at USD 196mn, after the USD 218.5mn surplus in the previous month. Jun-18 surplus was contributed by USD 1.162mn surplus in non-Oil & Gas (O&G) sector while O&G sector remained deficit of USD 966.8mn. The surplus was mainly due to moderate import growth of 2.8% YoY while export growth remained subdue at -8.98% YoY. Major weakness in export was coming from O&G sector affected by negative price as well as trade volume. On the flip side, import turned positive in Jun-19 in which O&G recorded a smaller contraction of 20% while non O&G saw a positive 8.2% growth. Imports for all segments of goods: consumption, raw materials and capital decreased on a monthly basis. On YTD basis, total exports and imports were recorded at USD 80.32bn (-8.57% YoY) and USD 82.3bn (-7.63% YoY) respectively, which pointed to USD 1.93bn trade deficit YTD larger than last year's at USD 1.2bn. Going forward, managing trade balance data may be challenging considering the subdue key commodity prices such as coal and CPO that could result in remaining weak exports, at the same time recovering activities (i.e. infrastructure development) post Lebaran period may boost imports in the upcoming months.

Continuous improvement in Indonesia's poverty level. Referring to Badan Pusat Statistika (BPS) Indonesia managed to cut poverty rate to 9.41% as of Mar-19, dropped by 0.25% and 0.41% from Sep-18 and Mar-18 respectively. This led to national poor citizens that accounted 25.14mn people, in which poverty rate in both urban and rural areas were posted at 6.69% and 12.85% (from 6.89% and 13.1% in Sep18). The highest poverty rate was found in Maluku and Papua, meanwhile the lowest in Kalimantan. The other finding in the publicity was rice, cigarette, and egg as top three food commodities that contributed to poverty. On the other hand, housing, fuel as well as electricity were the biggest contributor from the non-food category. In addition to the poverty level, Indonesia's GINI ratio, which measures social inequality, was recorded slightly better at 0.382 (-0.002 from Sep-18). Those data may indicate Indonesia Government's goal to increase social welfare is on track, leading to improvement in the country's fundamentals.

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