

**Tariffs deadline extended with little details.** The latest round of trade talks last weekend has led Trump extending a deadline to raise tariffs on Chinese goods, initially planned on 1 March. The two sides have made "substantial progress" from the talks with Trump and Xi planning to meet at Mar-a-Lago to conclude an agreement, only if the two nations are able to make further progress. However, neither the time for the meeting nor the new timeline to raise tariffs have been specified yet.

**Fed minutes show officials unsure on rate trajectory in 2019.**

Minutes from the U.S. central bank's meeting last week reveal that policymakers decided to pause rate hike as uncertainty looms. While dot plots still indicate two quarter-point rate adjustment this year, statements delivered were less dovish compared to previous minutes. Federal Reserve officials, however, widely favor ending the balance sheet runoff as many risks the central bank had identified are materializing. Meanwhile, the Fed also highlighted that it would continue to be patient amidst current global economy uncertainty. Much of the discussion at this meeting related to how inflation has been muted despite rising commodity prices and tight labor market. As global economic growth tends to soften going forward, output gap should be less inflationary.

**Bank Indonesia decided 7-DRRR to remain unchanged at 6%.**

The decision was in-line with consensus' estimates as BI factors in the signs of global economic slowing down. The slowdown puts pressure to domestic exports but attracts money flow to stream into developing countries. Most importantly, BI seeks to maintain external stability, manage trade deficit, and retain financial assets attractiveness. Moreover, BI has been conducting monetary operations for the purpose of improving banking sector's liquidity.

Governor Perry Warjiyo explained during the latest press conference that BI stays optimistic on Indonesia's economic to grow at 5-5.4% range fueled by household consumption. Other key macro components such as trade balance, currency, and inflation are said to be on track with early estimates. Going ahead, BI would be implementing accommodative macro-prudential policies in order to encourage financial activities and to maintain Rupiah's stability. Additionally, the governor noted significant growth in cashless payment activities (+41% QoQ in 4Q18) along with the rising preference on electronic based financial transactions.

**Significant adjustment to corn price.** Recently, incumbent presidential candidate Joko Widodo (Jokowi) expressed gratitude to corn farmers who managed to increase their production up to 3.1 million tons. In 2014, Indonesia imported 3.5 million tons of corn, compared to 2018 where Indonesia only imported 380 thousand tons of corn. Although the imports were not able to reduce the price, recent harvest provides significant supply to the market. In addition, GoI aiding in facilitating seed, fertilizer, dryer (drying machine) and corn harvesting machine has made the distribution of corn from producers

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to consumers very efficiently. Ministry of Agriculture has allocated a large enough budget for activities from cultivation to post-harvest. By the end of last week, the corn price has significantly dropped. According to our local channel, the price of corn in Cirebon, West Java has dropped to IDR 4,300 – IDR 4,500. Meanwhile, in Sidoarjo, East Java, the corn price has reached IDR 4,100 – IDR 4,400. The Regulation of the Minister of Trade (Permendag) Number 58 of 2018, the reference price of purchase corn at the farm level with 15% water content is pegged at IDR 3,150. While for the consumers would be capped at IDR 4,000. We believe the price of corn will continued to fall, together with low live bird demand since there is no festive day to stimulate the demand. However, the demand is cyclical and could not be controlled. But the adjusted corn price would be a positive sign for the poultry sector.

**Overhang on coal sector continues.** Last week, coal sector went up led by INDY (+20.9%), ADRO (+15.6%), ITMG (+13.7%), HRUM (+6.5%), and PTBA (+3.8%) after news reported by Reuters on Tuesday said that customs at China's northern port of Dalian has banned imports of Australian coal and will cap overall coal imports at 12 million tonnes for 2019, a move that could benefit Indonesia coal miners as trade flows could move to Indonesia. Some people suspected that rising bilateral tensions between the two countries might be the cause of the import ban. Not long after the news spread, China's foreign ministry responded on Friday that Australian coal imports to the country continue as normal, although it added customs authorities had stepped up environment and safety check on foreign cargoes. Meanwhile, Australia's Prime Minister said on Friday that there was nothing to suggest the move was out of the ordinary and that there is no basis to believe there is a ban on Australia coal export into China. **Given the uncertainty of the news and that the stocks have rallied significantly for the past few days, we suggest investors to take a cautious stance and use the momentum to take profit. Additionally, we think the impact of Australia coal ban doesn't alter our NEUTRAL stance on the long term prospect of coal sectors.**

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