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Research Team
+62 21 392 5550 ext. 611
research@sinarmassekuritas.co.id

Fed indicates no more hikes ahead this year amid slower economic growth. In the March FOMC meeting, the committee voted unanimously to keep the US interest rate range between 2.25% - 2.5%. The Fed also changed their fed rate outlook from two increases forecasted three months before, to zero hike for the rest of 2019. The move was accompanied by Fed's lowering their economic growth expectation to 2% for FY19, far below the previous one and is a full percentage below the white house's projection (which is the largest gap since recession as well). To add, inflation is now seen reaching 1.8% while unemployment rate at 3.7%. Despite the optimism that US economic growth would stay at a healthy pace, the data released this year to date have been somewhat more mixed. Economic activities were seen slowing down from the solid fourth quarter last year, even though the labor market remained strong. The recent indicators were also pointing to slower household spending and business fixed investment in the first quarter.

Powell further warned the risks that may come from slower global growth along with the unclear development of Brexit and US-China trade talks. We are of the view that the sharp dovish move from the Fed may provide some positive sentiment to the market, lessen the pressure for EM currency, and even provide some room for EM's countries to cut rate. Albeit the absence of Fed rate hike is a relief, we admit that several risks including EU and China potential slowdown, Brexit deal along with trade talks will be substantial to be further observed.

BI holds 7-DRRR at 6% level in March meeting as it anticipates slower global economic growth. Prior to the announcement, The Fed through FOMC meeting indicated the possibility of no rate hike in 2019 and lowered its forecast on FY19F economic growth to 2%. BI sees that the weakening in the global growth has been resulting in lower commodities prices which provides a challenge for our export. On the other hand, it leads to a looser than expected global monetary policies which encourages foreign flows to emerging markets including Indonesia. The governor of BI, Perry Warjiyo also stated that the institution would be consistent in its effort to maintain external stability, control CAD level, and encourage financial assets attractiveness. In addition, the board said that they do not rule out the possibility of future rate cut depending on the further development.

As a part of its accommodative macroprudential stances, BI increased the Macroprudential Intermediacy Ratio (RIM) limit to 84-94% (vs 80-92% previously). BI aims to provide more room for banks in tighter position to disburse loan while encouraging the ones with higher liquidity to grow their loans. We are of the view that BI's decision to focus on stability while addressing liquidity issue would bring positive impact to the market.

Tailwind for Poultry sector. The Government re-initiated day old chicken (DOC) culling program for 18 days starting from 21 March 2019. The program is the sixth program implemented by the government since the release of Minister of Agriculture Regulation No.32/2017 and was announced on 19 March 2019. In total, there are 48 Parent Stock (PS) breeders (including CPIN, JPFA, MAIN) which are required to reduce their production by 10% in the period of 21 March to 8 April 2019. We believe this may indicate that the current market is in a state of oversupply. Overall, this first culling program in 2019 is expected to lift livebird and DOC prices and ease margins pressure in poultry downstream businesses, therefore we remain optimistic on poultry sector.

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