

Keeping the patient stance on Fed rate. The Fed minutes on their Apr 30 - May 1 policy meeting, released on 22 May 2019, signaled that they would be patient in changing interest rates, though economic readings such as GDP, PMI and labor data have indicated a strong economy. The minutes also stated that the Fed would remain cautious even if global economic and financial conditions continued to improve. At current, a number of participants were seeing that risks and uncertainties surrounding their outlook earlier in the year had moderated, including the global slowdown, Brexit and trade. Inflation may keep being an issue for the policy makers, with March inflation remained soft at 1.6% level, consistently below the Fed's stated goal of 2%, which then contributes to the wait-and-see approach of the institution. The FOMC meeting left its benchmark policy rate unchanged at 2.25% - 2.5% and the committee will next gather on June 18-19.

Huawei ban: the tech cold war amidst the US-China trade war.

The trade rivalry between US and China just got more serious with the US government taking bold steps against Huawei. The US has effectively cut off Huawei's critical supply by limiting its access to chips and software from American companies for national security reason. From US perspective, Huawei has long been seen by the US military and defense establishment as a national security threat, open to exploitation by China's intelligence agencies. The Trump administration grants the firm a license to buy US goods until Aug 19 to minimize disruption for customers. However, worth to note that Trump also said that the restrictions against Huawei could potentially be lifted as part of trade deal.

On response to that, China was still open to talks but needs US to correct its actions in order trade talks to continue. China is also in position to retaliate, and Apple could be among the ones to suffer. We believe the US ban on Huawei is a serious threat for China and only give more pressure on the trade talk. China are still going to add more tariffs on \$60 billion worth of US goods on Jun.1, while the next trade talks between two countries are still unknown.

Oil price suffered the biggest weekly loss of the year. Oil price plunged this week, losing about 6.6% and closed at USD 58.6 per barrel on Friday as market braced for a prolonged US China trade war this week that could dampened the demand outlook. Washington and Beijing are set to increase tariffs on hundreds of billions of dollars on one another's goods, raising concerns about a global economic slowdown and weaker demand for oil. Moreover, global economic data release last week from US, Japan and Europe also showed a weakness in their energy-intensive manufacturing industry. US manufacturing activity grew at its slowest pace since September 2009 this month, recorded at 50.6 in May. Meanwhile, data released on last Thursday showed Japanese manufacturing activity fell into contraction territory in May at 49.6. Lastly, manufacturing activity for the European Union and Germany came in below market expectation. All of these factors have contributed to a bear market for oil in the past few days. Going forward, we see trade progress between US and China will drive oil price movement in coming weeks. Nonetheless, note that lower oil price should benefit Indonesia, which is a net importer of oil.

Research Team

+62 21 392 5550 ext. 611

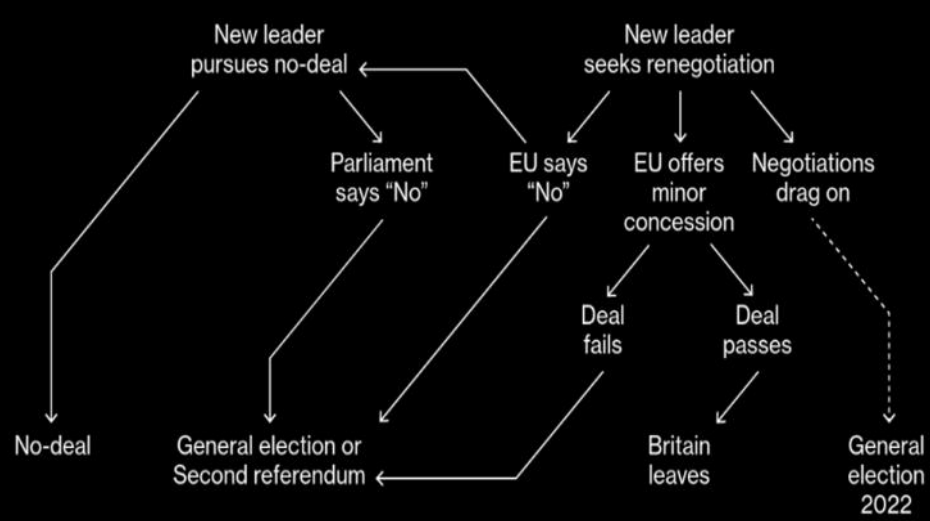
research@sinarmassekuritas.co.id



Theresa May set to resign while Brexit's fate hangs on the line.
 Theresa May announced she will quit as Britain's Prime Minister after failing to conclude her Brexit deal. She will step down as Conservative Party Leader on June 7 while a replacement will be voted upon in the coming weeks. The next in line is Pro-Brexit hardliner Boris Johnson, who currently leads in the polls to be U.K.'s next Prime Minister.

Britain leadership and Brexit scenarios

When Britain Has a New Leader But Still No Deal



Source: Bloomberg, Sinarmas Investment Research

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