

China GDP, stimulus, and next trade meeting with United States. China has announced its GDP that was recorded at 90.03 trillion yuan (\$13.26 trillion) in 2018, growing 6.6% throughout the year. Despite China's GDP reaching 90 Tn yuan for the first time, the 6.6% figure is the lowest growth rate since 1990. As the world's second largest economy shows a slowing economic growth, the world is putting more concerns as it could drag the world economy. In 2018 the country was responsible for 27% of the world's growth and contributed a little more than the United States.

Therefore, to boost the economy amidst growth deceleration, China is planning to stimulate the economy through its fiscal spending. According to a statement from the Chinese Finance Ministry Wednesday (23/1), China government will lower taxes and fees for both individuals and businesses. In addition, China plans to decrease the fees levied by its social security system, which, officials believe, will provide additional support to business activity. Moreover, China's Finance Ministry says a planned increase in budget spending this year will focus on supporting small businesses and households, as it seeks to boost domestic consumption and business activity in the face of structural inefficiency and slowing growth.

Responding to China's stimulus talk, global investors were temporarily relieved, reflected by global markets which traded higher. However, China-United States trade war is still hanging on the line where clarity for both nation to meet in the middle as a win-win solution has not yet given a clear picture to the market, despite the positive progress which has been made. Worth to note, the next stage of China-US economic and trade consultations will be held on January 30-31 as the two countries rush to strike a trade deal ahead of a March 1 deadline.

Short-term bullish for Oil price. The United States has constantly employed sanctions as a policy tool in response to the activities of the Venezuelans. As of 23 January 2019, President Donald Trump issued a statement recognizing Venezuelan National Assembly President Juan Guaido as the Interim President of Venezuela, replacing Nicolas Maduro.

Multiple sources said the US administration could impose new sanctions on Venezuela. According to Reuters, US officials are considering a range of potential measures, including restricting US imports of Venezuelan oil or even a full ban, but no final decisions have been made. If sanctions come to pass, the US administration will be restricting oil exports of two major OPEC producers.

Venezuela's oil output has dropped by 39.90% since early of 2017 followed by a drop in exports of 29.11%. Oil sanctions would compound the economic chaos in Venezuela, considering oil exports accounted for 90% of Venezuela's revenue. As of October 2018, US imports around 570.000 barrels per day, which contributes around 44% of oil export from Venezuela. According to the IMF, inflation is projected to reach a stunning 10 million percent in 2019 for Venezuela.

We expect bullish sentiment could emerge if the US administration decided to expand sanctions against another OPEC member Venezuela, forcing some US based refiners to seek out other suppliers outside Venezuela. At one point on Friday, 25 January 2019, Brent crude rose

Research Team

+62 21 392 5550 ext. 611

research@sinarmassekuritas.co.id



as high as USD 61.92 a barrel, or +1.36% since the last close. Followed by US West Texas Intermediate (WTI) crude reached USD 53.94, rose up to +1.52% on last Friday.

Price volatility amidst M&A speculation. Several stocks such as MASA, BNLN, ISAT, and BDMN surged wildly as traders and investors speculated on possible merger and acquisition (M&A). On 22 January, PT Multisrada Arah Sarana (MASA) has released an official statement noting that Michelin signed an agreement to buy 80% stake in co. Michelin will pay \$439m for the stake and will subsequently launch a public offer for the remaining outstanding shares at same price per share. MASA's shares rose by 3.5% YTD and 177.9% YoY. PT Bank Permata (BNLI) shares is rising on speculation about a possible acquisition of the Indonesian lender. Some considered Mizuho to be the potential buyer, however BNLI's head of corporate affairs, declines to comment on that matters. Nevertheless, the stock price continues to advance amidst uncertainty with an increase of 64% YTD and 19.88% last week.

PT Indosat Ooredoo (ISAT) shares moved very volatile with high volume as Vietnamese telecommunications operator, Viettel Global Investment JSC stated that they may buy a stake in the Indonesian mobile carrier. Up to this point, the potential target for acquisition remains unknown, however some speculate Indosat will be the potential acquisition targets. Indosat CEO Chris Kanter denied the rumors and said the company's majority shareholder has no intention of selling. Up to 25 January, ISAT's share price has increased by 60.2% YTD.

MUFG Bank will merge PT Bank Danamon (BDMN) and PT Bank Nusantara Parahyangan (BBNP) and will offer IDR 9,590/share for minority holders of Bank Danamon. The plan was approved by the board of commissioners from BDMN and BBNP on 20 January and the merger process has also been carried out and will be effective on 1 May 2019. Up to 25 January, BDMN's share price gained as much as 19.1% YTD.

DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2019). All rights reserved.