

BI cut 7-Day Reverse Repo Rate by 25 bps to 5.00% and Deposit-Lending Facility Rates to 4.25% and 5.75% respectively. As inflation remained benign, BI continued its easing monetary policy in an effort to support and stimulate domestic economic growth amidst decelerating global economic condition. While uncertainty has lessened following the US-China trade talks in Oct-19, BI stated that it will continue to strengthen coordination in order to maintain economic stability, control inflation, catalyze domestic demand, and support economic growth momentum. Despite moderating global economic condition, Indonesia's Balance of Payment (BoP) is expected to improve in 3Q19, hence underpinning external resilience. This 25 bps rate cut is in-line with market expectation as strong USDIDR can be used as a momentum to attract capital inflow. Interest sensitive sectors are the key beneficiary of this rate cut (Property: BSDE, CTRA; Banks: BMRI, BBNI).

The new ministerial cabinet. President Jokowi had just announced his second-term ministerial cabinet namely "Kabinet Indonesia Maju" last week which consisted of 34 ministers, featuring professionals as well as party-affiliated politicians. One of the former ministers called to continue her position was Mrs. Sri Mulyani as the Minister of Finance (MoF). Market's reaction was positive towards the re-election of MoF which we believe was on her strong track record and prudent fiscal policy. Shortly after she was re-elected, foreign inflows were seen both in bond and equity market. The incoming bid for government bond auction last week (on 22nd Oct-19) reached IDR 73.9tn, the second highest bid YTD, which resulted in falling 10Y INDOGB yield from 7.25% to 7.17%. Post the announcement, USDIDR also strengthened to below IDR 14,000, though is now stabilizing at ~IDR 14,040 level.

U.S. Markit Manufacturing PMI rose to 51.5 in October vs. consensus expectation of 50.7. Diving deeper we can see that services PMI came in at 51 vs. 50.9 of consensus while the composite PMI fell short at 51.2 vs. consensus numbers of 51.6. However, despite business activity lifting from recent lows, the composite PMI is still running at a level that is indicative of annualized GDP growth of just under 1.5% at the start of the fourth quarter. After the release of the data gold rose slightly as manufacturing PMI is still dragged down by trade war tensions. All in all, we view October's PMI as a slight positive with recovery picking up, however, the sustainability of the recovery is what will drive the market as numerous global uncertainty and political tension still lingers.

Research Team

+62 21 392 5550 ext. 611

research@sinarmassekuritas.co.id



List of Jokowi's New Ministerial Cabinet

No.	Ministry	Name	Background
Coordinating Ministries			
1	Coordinating Minister of Law, Politics, and Security Affairs	Mahfud MD	Independent
2	Coordinating Minister of Economics	Airlangga Hartanto	Politician
3	Coordinating Minister of Maritime and Resources	Muhadjir Effendy	Politician
4	Coordinating Minister of Human	Luhut B. Panjaitan	Politician
Line of Ministries			
1	Minister of State	Pratikno	Politician
2	Minister of National Development Planning Agency	Suharso Monoarfa	Politician
3	Minister of Home Affairs	Tito Karnavian	Independent
4	Minister of Foreign Affairs	Retno LP Marsudi	Independent
5	Minister of Defense	Prabowo Subianto	Politician
6	Minister of Justice and Human Rights	Yasonna Laoly	Politician
7	Minister of Communication and Informatics	Johnny G. Plate	Politician
8	Minister of State Apparatus Empowerment and Bureaucracy	Tjahjo Kumolo	Politician
9	Minister of Finance	Sri Mulyani	Independent
10	Minister of State-Owned Enterprises	Erick Thohir	Independent
11	Minister of Industry	Agus Gumiwang Kartasasmita	Politician
12	Minister of Trade	Agus Suparmanto	Politician
13	Minister of Agriculture	Syahrul Yasin Limpo	Politician
14	Minister of Cooperatives, Small and Medium Enterprises	Teten Masduki	Independent
15	Minister of Higher Education, Research, and Technology	Bambang Brodjonegoro	Independent
16	Minister of Tourism and Creative Economy	Wishnutama Kusubandio	Independent
17	Minister of Manpower	Ida Fauziah	Politician
18	Minister of Energy and Mineral Resources	Arifin Tasrif	Independent
19	Minister of Public Works	Basuki Hadimuljono	Independent
20	Minister of National Land Agency and Agrarian	Sofyan Djailil	Politician
21	Minister of Environment and Forestry	Siti Nurbaya	Politician
22	Minister of Transport	Budi Karya Sumadi	Independent
23	Minister of Maritime and Fishery	Edhy Prabowo	Politician
24	Minister of Acceleration of Backward Region, Transmigration, and Village	Abdul Halim Iskandar	Politician
25	Minister of Health	Terawan Agus Putranto	Independent
26	Minister of Culture, and Education	Nadiem Makarim	Independent
27	Minister of Social Services	Juliari P Batubara	Politician
28	Minister of Religion	Fachrul Razi	Politician
29	Minister of Woman Empowerment	I Gusti Ayu Bintang Darmawati	Independent
30	Minister of Sport and Youth	Zainudin Amali	Politician
Ministry-equivalent Officials			
1	Attorney General	ST Burhanuddin	Independent
2	Secretary of cabinet	Pramono Agung	Politician
3	Chief of Presidential Staff	Moeldoko	Independent
4	Chief of Indonesia Investment Coordinating Board	Bahlil Lahadalia	Independent

Source: Kompas, Sinarmas Investment Research

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