

### **Trump-Kim deals off, while U.S-China are close to a trade deal.**

Donald Trump and the North Korean leader Kim Jong-un met in a summit last week located in capital city of Vietnam, Hanoi. However, the meeting ended without any agreement after the U.S refused North Korea's demands for sanction relief. North Korea said it had made realistic proposals at the summit, which is to dismantle all of the Yongbyon complex, the research and production facility at the heart of North Korea's nuclear programme, but in return wanted all sanctions on North Korea lifted. Despite the no deal outcome, Mr Trump said no plans had been made for a third summit, but he expressed optimism about a "good outcome" in the future.

### **On the other side, Bloomberg news reported U.S. and China are preparing a final trade deal that President Donald Trump and Xi Jinping could sign in weeks.**

The U.S. is eyeing a summit between the two presidents as soon as mid-March, said one of the people, who spoke on condition of anonymity because the preparations are confidential. In addition, Treasury Secretary Steven Mnuchin said on Thursday that the two nations are working on a 150-page document that would turn into a "very detailed agreement," though he cautioned that "we still have more work to do".

### **Softening US economic growth.**

US posted 2.6% economic growth in 4Q18, softer than 3.4% in 3Q18 and 4.2% increase in 2Q19. Despite the downshift in the quarterly comparison, the full-year figure of 3.1% growth was the strongest gain in nearly four years. The figure was 0.1% higher than yearly target of Trump Administration. Furthermore, consumer spending, which contributed the most of the economy, recorded a lower than expected growth at 2.8%, but still accounts for 1.92% to the overall 4Q18 GDP, driven by strong activity in health care, insurance, financial services, and other nondurable goods and services, while spending on food services and accommodations fell. Government spending increased at a 0.4% rate, reflecting a 6.9 percent jump in defense spending and a 5.6% contraction in non-defense spending, the biggest drop since 2013. On the other hand, non-residential business investment increased significantly, with a 6.2% rise in equipment, software, and research investment. The savings rate rose to 6.7 percent from 6.4 percent in the prior quarter, as inflation-adjusted disposable income rose 4.2 percent, the most in three quarters.

### **China's manufacturing activity remained in contraction, while Indonesia's stagnant.**

The Caixin / Markit Manufacturing Purchasing Managers' Index (PMI) for February rose to 49.9 from 48.3 in January, staying below the neutral level for the consecutive three months. Continue being in the contraction territory, February's figures were better than consensus' at 48.5, mainly helped by improvements in domestic demand. At the meantime, Nikkei Indonesia Manufacturing PMI slightly rose to 50.1 from 49.9 in the previous month, indicated unchanged conditions in the manufacturing economy despite lower output. Overall in both countries, respondents remained confident on the year-ahead business outlook.

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**Oil on a wild ride this week.** Oil price closed on a red zone on Friday (-2.56%), erased gain for the week after weak US economic data has spurred worries on global demand growth. Data on Friday showed that ISM manufacturing PMI fell to 54.2 in February, from previously 56.6 in January. Oil price was running on a bull steam earlier last week stemmed by 1) rising optimism on US-China trade deal and better reading in China economic data. 2) Saudi Arabia defied US President Donald Trump's call for lower prices and would continue its program of cuts and might cut even further in the second half of this year. 3) Significant drop in American crude inventories, fell by 8.6 million barrels in the previous week (vs 2.8 million barrels consensus increase). 4) Rising tension between India and Pakistan has given additional sentiment to oil price given that both countries are net importers for oil, with India being the third largest oil importer in the world. We think that the market is currently on a high alert and price volatility will remain high as uncertainty on the demand supply direction remains unclear at this point.

**A decade low monthly inflation reading.** Indonesia Statistics Bureau (BPS) has just announced that the Indonesia's Consumer Price Index was recorded at a deflation of 0.08% in February 2019, while YoY inflation stood at 2.57%. It was broadly inline with that of consensus' forecast. Volatile foods category, which dropped by 1.11% became the major driver. The significant decline in basic food commodities occurred to chickens, chili, eggs, onions, fish, carrots, oranges. On the other hand, processed food and beverages, cigarette and tobacco category was up by 0.31%. Similarly, housing and utilities category increased by 0.25%. The other contributing factors of inflation which are clothing, healthcare, education and recreational activities, as well as telecommunication and financial services each accounts for 0.01% of inflation portion.

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