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Closer and closer. In order to resolve the trade dispute, United States and China had finished their 3-days ninth round of talks on 5 April. Chinese negotiators, led by Vice Premier Liu He, and their U.S. counterparts discussed the text of agreement regarding technology transfers, intellectual property protections, non-tariff measures, services, agriculture, trade balance and enforcement. The amount of money that the US, China and Russia spend on weapon productions was also being addressed as Trump suggested that such money could be better spent elsewhere. Trump also said that he would discuss on the future of tariffs that U.S. has imposed on China and have a summit with Chinese President Xi Jinping if both manage to reach a deal. All in all, we believe that U.S. and China are getting closer to an agreement although the timeline for the deal and potential Trump-Xi summit remains up in the air, with uncertainty keeps on looming and rattling the global financial markets.

China recorded an above market expectation March's PMI reading. The official PMI release in China showed a quite surprising increase to 50.5 in March 2019 (vs 49.2 in February 2019), beating the market expectations of 49.5. It marked the first increase in manufacturing activity or leaving the contraction territory which has occurred since December last year. This was supported by a rebound in both output which stood at 52.7 (vs 49.5 in Feb 19) and buying activity which was recorded at 51.2 (vs 48.3 in Feb 19), as well as a rise in new orders (51.6 vs 50.6). The readings indicate a slight optimism on the economy, though further observation is needed to confirm the business appetite.

Longest bull run for oil since 2017. Oil is headed for the longest weekly gain since 2017 as crisis from Venezuela to Libya has threatened supplies, while optimism over US-China trade talks buoyed outlook for demand. Crude oil WTI rose by 5.2% WoW, reaching its all-time high record this year at USD 63.27 per barrel. While optimism over US-China trade talks continues to grow, OPEC and its allies keep on reducing their output to counter record production from US shale producers. In addition, escalating tensions in Libya, power failures in Venezuela as well as the possibility that White House won't extend waivers for buyers of Iranian oil threaten to tighten supply further. Key OPEC oil producer, Libya, is on the brink of war between main political factions as the military leader, Khalifa Haftar has ordered his forces into Tripoli. Note that Libya currently produce around 1 mn barrels per day (3.3% of OPEC production).

Meanwhile, crude production in Venezuela fell to 890 thousand barrels per day in March, down by 16.8% MoM driven by power failure that plunged Venezuela into darkness. Lastly, US has until May 2 to decide whether to issue new waivers to eight governments that were allowed in November to keep buying Iranian oil without facing penalties. We expect future of oil price will be largely determined by the outcome of the trade talks as well as ongoing direction of supply output in the next few months. We advise investors to be cautious on the latest development of Libya crisis, as any production outages in Libya will cause huge impact on oil market.

CPO price rose as stockpiles ease. According to data from Indonesia Palm Oil Association (GAPKI), CPO stockpiles in Indonesia had declined more than estimated in February, dropped to 2.5mn tons from 3.02mn tons in the earlier month (-17% MoM). This level, lowest since June 2017, was on the back of lower production (-11.4% MoM) while domestic consumption recorded strong (+11% MoM), might be a result of higher biodiesel consumption in Indonesia. Meanwhile for MPOB's March data that will be released in the middle of this week, stockpiles are seen to range between 2.71 to 2.99mn tons (vs 3mn tons in Feb-2019) resulting from moderate production and robust exports.

Production is expected to be moderate until mid year following the low production cycle while demand should be climbing in April and May, as buyers anticipate for Ramadan and Eid Al-Fitr. In all, moderate production coupled with robust demand should maintain stockpiles both in Indonesia and Malaysia, hence be supportive towards CPO price in the near-term. Note that CPO active future contract price have reached MYR 2,224/ton, gained ~5.3% last week supported by the positive data as well as the optimism on short-term CPO outlook. **We view that CPO stocks such as AALI and LSIP should be benefited from this momentum.**

Indonesia recently published inflation data continued to be below 3% level. March 2019's inflation reading was at 2.48% YoY or 0.11% MoM, lower than the prior month's inflation which was at 2.57%. Highest contribution of inflation was coming from foods and beverages, cigarettes and tobacco segment which rose by 3.58% and accounted for 0.04% of March's inflation. It was followed by housing and utilities spending segment which was up by 2.56% and contributed to 0.03% of inflation. The other contributing factors of inflation which are volatile foods and education accounted for 0% of inflation, fashion and healthcare contributed to 0.01%, while transportation and communication accounted for 0.02%. We expect inflation to remain benign prior to Ramadan period.

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