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Fed does not expect a recession and monetary policy will continue to support long expansion. Despite market perception on recession, Federal Reserve Chairman Jerome Powell and other board members forecast otherwise. Powell stated US economic data along with the outlook remains a favorable one with moderate growth, strong labor market, and inflation moving back up close to the 2% goal. There are significant risks, however, coming from slowing global growth starting from China, Germany, and EU as well as uncertainty around trade policy. Powell added while trade policy uncertainty may weigh on business investment decisions and affect the economy, Powell ensured that Fed policy will continue to support the economic expansion and the board will act appropriate amidst moderate economic growth outlook**.**

US job data. US job data growth shows a slow down sign in August as latest data from US Labor Department's Bureau of Labor Statistics (BLS), only 130k jobs were added to US payrolls which was below the expected print of 160k new jobs and below the downwardly revised 159k jobs in July. Despite the hiring of 25k temporary government workers for 2020 census, private sector job growth fell sharply to 96k for the month, down from last month number of 131k. Meanwhile, US unemployment rate remained unchanged at 3.7% in August despite slows down in new added jobs. On the other hand, average hourly earnings shows a good sign as average earnings increase by 0.4% from last month and are up 3.2% from a year ago. Overall, we see weak August job gains signaled US labor market's slowdown is deepening as trade war with China takes a toll on the economy, though no sign of imminent recession.

US to meet China in October to continue trade war talks after tariff escalation. Markets rallied on Thursday, 5 September 2019, driven by the news that U.S. will hold talks when China's trade emissary is set to meet in Washington in early October. This came after both the U.S. and China threatens to increase tariffs further. On 1 October, the U.S. plans to raise existing 25% tariffs on USD250bn of Chinese goods to 30%. Moreover, on 1 September, the U.S. imposed 15% tariffs on USD100bn of additional Chinese imports. Despite the upcoming meeting between U.S. and China, the ongoing trade war has been worsening and seems far from over as both sides do not seem to be backing down. It seems unlikely for a conclusion to be reached in a single meeting in October, however, any progress will be positive for markets.

Indonesia recorded higher FX reserve in August. Bank Indonesia (BI) reported on Friday (6/9) that Indonesia's foreign exchange (FX) reserves increased USD 500mn to USD 126.4bn in August, the most since February last year, continuing an upward trend that has been seen starting May. The increase in FX reserve was mainly caused by the central government's global sukuk issuance, foreign exchange earnings from oil and gas, and other foreign exchange receipts. The FX reserve level was above the international adequacy standards of about 3 months worth of imports as it is able to finance up to 7.4 months of imports, or 7.1 months of imports plus the payment of the government's short-term debt. BI Governor Perry Warjiyo also believed the current reserve level was adequate to withstand potential external shocks amid global economic uncertainties. Nonetheless, fueled by the increase in Indonesia FX reserve, Rupiah strengthened to below IDR 14,100 against the USD on Friday (6/9).

August inflation release. Indonesia Statistics Bureau (BPS) has just released August 2019 Consumer Price Index (CPI) at 138.75, indicating inflation rate of 0.12% MoM / 3.49% YoY. Core inflation was recorded at 0.43% MoM / 3.3% YoY. Looking at the expenditure group, food prices, as well as transportation, communication, and financial services experienced a decline. On the other hand, the other contributing groups which are processed F&B and cigarette, housing and utilities, fashion, healthcare, education and leisure all noted inflating prices. The highest raise was derived by education and leisure which increased by 1.21% MoM, or 0.09% of the 0.12% monthly inflation. The significant hike was due to the adjustment on tuition fee of education institutions. Region-wise, 44 cities in the country experienced inflation, while 38 cities experienced deflation. We expect inflation to remain manageable for the rest of the year, though expecting a higher level of inflation for the upcoming year given the increase in a couple of basic needs prices.

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