

**2nd WEEK****May 2019**❖ **MACRO**

- Before the trade war took control of the markets, President Trump versus the Federal Reserve was the top battle with the ability to make-or-break stocks. Now, some market pundits are speculating that if the Dow dive caused by the trade war flare-up between the US and China continues to weigh on the wealth of Americans, it will suit Trump's old goal of pushing the Fed to cut rates more. But the market itself — the publicly traded companies that comprise the trillions of dollars in stock value — won't be lining up to support another Fed rate cut, according to a recent CNBC survey. CNBC asked chief financial officers at some of the largest companies in the U.S. and around the world if they agree with Trump about the need to make current interest rates even lower. Not a single U.S.-based CFO agreed with Trump's push for another rate cut and globally only 4% of CFOs took Trump's view of Fed policy.
- Gold retreated from a one-month high hit earlier on Tuesday as stock markets and dollar took heart after the United States and China decided to keep negotiating their trade deal, which has rattled financial markets for months. Spot gold was down 0.3% at \$1,296.27 per ounce, after hitting \$1,303.26 earlier in the session, its highest since April 11. U.S. gold futures settled \$5.50 lower at \$1,296.30. "We are seeing a little readjustment because the dollar index is back up a little and stocks are rebounding and (gold)traders are taking a little money off the table for now," said George Gero, managing director at RBC Wealth Management. The dollar index was up about 0.2% after falling to near one-month low in the previous session. The Wall Street opened higher following a sharp selloff in the previous session.
- Review:  
If the trade flare-up transitions into a prolonged trade war and causes the Chinese economy to plummet, and consumer prices in the US to rise so much that the pain at home is severe, a reevaluation may be necessary.

**❖ MICRO**

- Bank Indonesia (BI) recorded a current account balance deficit in quarter I-2019 of US \$ 7 billion or 2.6% of gross domestic product (GDP). This figure is lower than the deficit in the previous quarter which reached US \$ 9.2 billion (3.6% of GDP). "The decrease in the current account deficit was mainly supported by an increase in the goods trade balance surplus in line with the increase in the non-oil and gas trade balance surplus and the improvement in the oil and gas trade balance deficit," the official BI statement said, quoted Friday (05/10/2019). This was influenced by a decline in imports that was deeper than the decline in exports, in line with government policy to control imports of certain commodities that were implemented since the end of 2018. Meanwhile, the service account deficit experienced an increase mainly due to a decrease in the surplus of travel services, in line with the number of tourist arrivals which declined in accordance with the seasonal pattern, in the midst of declining imports of freight services.
- The Financial Services Authority (OJK) hopes that the number of funds under management of the mutual fund industry (asset under management / AUM) throughout 2019 can grow above 10 percent from last year's achievement. This is expected in the midst of the sentiment of a trade war between the United States and China that is heating up. This figure refers to the average growth in the increase in mutual fund managed funds every year. Sujanto's OJK Investment Management Director said that the total funds managed by the mutual fund industry up to May 10, 2019 were recorded at IDR 507.76 trillion. The realization only grew thin when compared to the end of 2018 which amounted to IDR 505 trillion."Yes (up slightly) because the stock market has also continued to decline, see RTI Infocom. It's all red," Sujanto said, Tuesday (5/14). The influence of shares is so large on total management funds because equity funds are the biggest contributor to the industry. If detailed, the total management funds in equity funds amounted to Rp141.42 trillion, followed by protected Rp131.35 trillion, and fixed income of Rp102.72 trillion.

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- Review:

Overall, the Indonesian Balance of Payments (NPI) in the first quarter of 2019 recorded a surplus in line with the improving current account deficit and a fairly high capital and financial account surplus. The balance of payments surplus in the first quarter of 2019 was recorded at US \$ 2.4 billion.

❖ **BANKING**

- Economist at PT Bank Mandiri (Persero) Tbk estimates that Indonesia's economy will grow 5.22% this year. This prediction is below the government's target of 5.3% Then, in 2020 economic growth is projected at 5.37%. "We estimate the economic growth this year to be 5.22%," Bank Mandiri Chief Economist Andry Asmoro said at Bank Mandiri Headquarters Jakarta on Wednesday (05/15/2019). Andry said, one of the economic growth was sustained by the domestic economy, namely government spending including transfer funds to the regions. "In terms of government spending, we highlight two things, acceleration is quite good in 2019. Both of us encourage, how the use of regional transfer funds means more," he said.
- PT Bank Negara Indonesia (Persero) Tbk or BNI distributed dividends of Rp. 3.75 trillion. The amount of dividend is 25% of the company's net profit for fiscal year 2018 amounting to Rp 15.02 trillion while 75% of net income or Rp 11.26 trillion is used as retained earnings balance. Dividends for the government for ownership of 60% of BNI shares are deposited into the state treasury account. The company's directors, with substitution rights, will set a schedule and procedure for the distribution of 2018 financial year dividends in accordance with applicable regulations. BNI President Director Achmad Baiquni explained that the dividend payout ratio submitted to shareholders decreased to 25% from 35% previously. "This is because if you look at the average capital of the entire banking industry in the range of 23% while BNI is 18.5%. While from the past few years, the credit business growth has always been above the

industry so we ask shareholders to reduce dividend payout ratio , "Baiquni said at a press conference at the BNI building, Central Jakarta, Monday (05/13/2019).

- Review:

Although growth is predicted to be 5.22%, the national economy is still overshadowed by a trade war between the United States (US) and China. For additional information, 2019 inflation is estimated at 3.4% and the exchange rate of the Rupiah is IDR 14,248 / US dollar, then credit growth in 2019 is 10.5%.

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