

# DAILY MARKET REVIEW

## Equities hurt by weak earnings and data

### FX & commodities

- USD/IDR 12,493
- Brent oil (US\$/barrel) 49.60
- Palm oil (RM/ton) 2,175
- Gold (US\$/100 oz) 1,291.70

### U.S.

The Dow Jones industrial average fell 291.49 points, or 1.65%, to 17,387.21, the S&P 500 lost 27.54 points, or 1.34%, to 2,029.55 and the Nasdaq Composite dropped 90.27 points, or 1.89%, to 4,681.50.

### Europe

The Stoxx Europe 600 Index slipped 1% to 368.7 at the close of trading. The ASE Index (-3.7%) fell for a second day, erasing its Friday rally, as new Prime Minister Alexis Tsipras took office promising to end austerity. Italy's FTSE MIB Index slid 0.53% and Spain's IBEX 35 Index lost 0.91%. France's CAC 40 Index and Germany's DAX Index retreated 1.09% and 1.57%, respectively. U.K.'s FTSE 100 index lost 0.60%.



### Global market roundup

U.S. stocks closed more than 1% lower today as disappointing results from a number of bellwether companies pointed to weakening conditions, while an unexpected decline in durable goods orders also weighed on sentiment. The Dow Jones industrial average fell 291.49 points, or 1.65%, to 17,387.21, the S&P 500 lost 27.54 points, or 1.34%, to 2,029.55 and the Nasdaq Composite dropped 90.27 points, or 1.89%, to 4,681.50.

The U.S. budget deficit will shrink for a 5th straight year in 2016, marking the longest span of improvement since the surpluses of the late 1990s, as falling unemployment helps increase revenue, the Congressional Budget Office said. The fiscal shortfall this year will decline to \$468 billion, or 2.6% of GDP, compared with \$483 billion in the year ended Sept. 30 and \$469 billion forecast in August, the CBO said today in Washington. Next year the gap will be \$467 billion, compared with \$556 billion seen in August, according

## Asia

Japan's Topix index climbed 1.73% and the Nikkei 225 was up 1.72%. South Korea's Kospi index added 0.86%. Taiwan's Taiex added 0.46%. New Zealand's NZX 50 Index each rose 0.69%. Australia's S&P/ASX 200 Index gained 0.83% and Singapore's Straits Times Index increased 0.40%. Hong Kong's Hang Seng Index fell 0.41%. China's Shanghai Composite Index dropped 0.89%, retreating from its highest close since August 2009.

## Indonesia

The Jakarta Composite Index rebounded 17.13 points (+0.33%) to 5,277.15. About 5.15 billion shares worth Rp 6.42 trillion (\$513 million) were traded. Gainers beat decliners 183 to 107. Foreign investors booked a net buy of Rp 647.5 billion.

The yield of 10-year government bonds stood at 7.2024% today according to the Indonesia Bond Pricing Agency.

to CBO. The nonpartisan agency said lower oil prices and stronger consumer spending will help drive growth this year, predicting a "slight further increase" in the dollar's value in foreign-exchange markets. Monetary policy will help underpin the economy for the next few years, it said.

Payrolls increased in 41 states in December and the unemployment rate fell in 42 as the U.S. labor market closed out its best year since 1999. Texas led the nation with a 45,700 increase in payrolls, followed by New York with 30,400 additional jobs, figures from the Labor Department showed today in Washington.

U.S. businesses broadly cut capital spending in the final months of 2014, raising red flags about the economy's ability to sustain momentum amid troubles around the globe. Orders for durable goods—products like cars and kitchen appliances designed to last at least 3 years—fell 3.4% in December from a month earlier, the Commerce Department said today. Orders have fallen 4 of the past 5 months. Falling sales of civilian aircraft—a highly volatile segment—drove December's decline. But demand fell across the board, hitting machinery, computers, communications equipment and other products. Excluding transportation products, orders fell 0.8%.

Home prices in 20 U.S. cities rose at a slower pace in the year ended in November, a sign the industry struggled to find momentum even amid low mortgage rates. The S&P/Case-Shiller index of property values increased 4.3% from November 2013 after rising 4.5% in the year ended in October, the group said Tuesday in New York. The median projection of 28 economists surveyed by Bloomberg called for a 4.3% year-over-year advance. Nationally, prices rose 4.7% after a 4.6% gain in the year ended in October.

Purchases of new homes in the U.S. jumped in December to the highest level in more than 6 years, a sign the industry is poised to keep expanding in 2015. Sales increased 11.6% to a 481,000 annualized pace, exceeding all estimates in a Bloomberg survey of

economists and the most since June 2008, figures from the Commerce Department showed today in Washington. Demand increased in 3 of 4 regions.

Consumer confidence rose more than forecast in January to the highest level since August 2007 as Americans took heart in an improving labor market and prospects for higher earnings. The Conference Board's consumer confidence index increased to 102.9 this month from a revised December reading of 93.1, the New York-based private research group said today.

European stocks declined from a 7-year high, snapping their longest winning streak since April, as Siemens AG and Royal Philips NV posted disappointing earnings, and Greek stocks tumbled. The Stoxx Europe 600 Index slipped 1% to 368.7 at the close of trading. The ASE Index (-3.7%) fell for a second day, erasing its Friday rally, as new Prime Minister Alexis Tsipras took office promising to end austerity. Italy's FTSE MIB Index slid 0.53% and Spain's IBEX 35 Index lost 0.91%. France's CAC 40 Index and Germany's DAX Index retreated 1.09%% and 1.57%, respectively. U.K.'s FTSE 100 index lost 0.60%.

European finance ministers started work on reviving Greece's troubled rescue program as new Prime Minister Alexis Tsipras took office promising to end austerity. Finance chiefs from the 19-nation euro area signaled their willingness to do a deal with Tsipras -- so long as the new Greek prime minister drops his demand for a debt writedown. At a meeting in Brussels on Monday, ministers agreed quickly to work with the new government to help keep Greece in the euro, Dutch Finance Minister Jeroen Dijsselbloem said.

Asian stocks rose, poised to closed at a more than 2-month high, as a weaker yen buoyed Japanese shares amid optimism the actions of Greece's new government won't force the nation to leave the euro currency bloc. Japan's Topix index climbed 1.73% and the Nikkei 225 was up 1.72% after the yen slid 0.6% against the greenback yesterday. South Korea's Kospi index added 0.86%. Taiwan's Taiex added 0.46%. New Zealand's NZX 50 Index each rose 0.69%. Australia's S&P/ASX 200 Index gained 0.83% and Singapore's Straits Times Index increased 0.40%. Hong Kong's Hang Seng Index fell 0.41%. China's Shanghai Composite Index dropped 0.89%, retreating from its highest close since August 2009.

Chinese industrial companies' profits declined the most in at least 3 years last month, underscoring the challenge facing the nation's former growth drivers as the economy slows and commodity prices slump. Industrial profits fell 8% in December from a year earlier, the National Bureau of Statistics said in Beijing today, the biggest drop since at least October 2011, according to data compiled by Bloomberg. China will strive for 8% growth in industrial output this year, an official said at a briefing according to a transcript on a government website.

A Chinese manufacturing gauge recovered lost ground in January, suggesting stimulus measures have helped stabilize the world's second-largest economy. The preliminary Purchasing Managers' Index from HSBC Holdings Plc and Markit Economics was at 49.8,

exceeding the median estimate of 49.5 in a Bloomberg survey and up from December's 49.6, a Jan. 23 report showed. Numbers below 50 indicate contraction.

China's benchmark money-market rate fell as the central bank added funds to the financial system, ensuring cash supply as demand spikes before the Lunar New Year holidays. The People's Bank of China conducted 60 billion yuan (\$9.6 billion) of reverse-repurchase operations Tuesday for seven and 28 days, keeping rates close to market levels. The monetary authority offered 30 billion yuan of 28-day contracts at 4.8% and a similar amount of 7-day reverse repos at 3.85%. China's new year holidays start Feb. 18.

### Local market roundup

Index was sideways for most of the day, drifting back and forth between positive and negative territory but another markup right at close lifted index to close at day's high. Looks like yesterday's selling by the locals have tapered off with them turning buyers once more.

The Jakarta Composite Index rebounded 17.13 points (+0.33%) to 5,277.15. About 5.15 billion shares worth Rp 6.42 trillion (\$513 million) were traded. Gainers beat decliners 183 to 107. Foreign investors booked a net buy of Rp 647.5 billion.

Top 10 stocks by trading value (42.3%): TLKM, BBRI, ASII, BMRI, BBNI, PGAS, SIAP, MPPA, BSDE, LPPF.

Advancing sectors: agriculture (+1.21%), mining (+1.36%), basic industry (+0.32%), consumer (+1.00%), property & construction (+0.81%), infrastructure (+0.36%), finance (+0.24%), trade (+0.23%), manufacturing (+0.04%). Declining sectors: miscellaneous industry (-2.03%).

Big caps: Indonesian proxy ASII -2.5 continued to be under pressure while the banks (BBNI +1.6%, BBKA +0.4%) generally holding up well buoyed by BBRI +0.4% whose results are in line with strong expectations. Consumers were rather mixed .

Resources were largely up but no big moves seen across the miners and planters with the exception of ANTM +3.4%, as government is asking the company to take up Freeport Indonesia's 10.64% stake divestment, which will lower the government's stake in Freeport Indonesia to 20%.

LPPF -1.4% as the stock is trading at 15,375 now as selling continued today post the \$290 million placement yesterday @15,400.

Property & construction: with bulk of the selling over, some local buying returning into their favorite sectors with WSKT +4.1%, TOTL +2.8%, WIKA +2.3%, PWON +2.1%, APLN +1.2% being the winners.

The yield of 10-year government bonds stood at 7.2024% today, up from 7.2000% on previous trading day according to the Indonesia Bond Pricing Agency.

Sources: Bank Indonesia, The Jakarta Globe, Bloomberg, Reuters, Mandiri Sekuritas, CLSA, idx.co.id, quotenet.com

## Editorial cartoons of the day



Sources: Christo Komarnitski and Tom Trouw The Netherlands