

War is not over yet

JCI declined by more than 2% in the morning session today, as both leaders from US and Iran shared remarks about a prolonged war. Iran's supreme leader Motjaba Khamenei said that Strait of Hormuz will remain closed, and President Trump commented that US may continue the war in Iran for at least another 3-4 weeks. As a result, oil price hit >USD100/barrel, despite efforts for strategic oil reserve release from US and IEA. The combined reserve release of 572 million barrels of oil is not enough to cover for the current run-rate of energy disruption. Global markets were down overnight with Dow Jones and S&P500 down by -1.56% and -1.52% DoD, where Nikkei and Hang Seng also down by -1.26% and -0.48% at the time of writing. USDIDR slightly weakened to Rp16,931/USD.

JCI's mover as of 10:49 a.m. today (points):

| Leaders | Index Points | Laggards | Index Points |
|---------|--------------|----------|--------------|
| MLPT | +1.6 | AMMN | -12.1 |
| ADMR | +0.9 | BMRI | -10.1 |
| BRMS | +0.7 | BREN | -7.4 |
| AADI | +0.7 | DSSA | -5.2 |
| HEAL | +0.6 | BYAN | -5.2 |

Source: Bloomberg

Our take:

Rising energy prices is an 'additional tax' to consumers, which will impact global growth and inflation outlook. Hence, this situation directly translate to higher risk premium to capital market.

For Indonesia, surge in oil price poses risk to the fiscal, inflation and current account. Every USD10/barrel increase (from USD70/barrel) in oil prices, the fiscal deficit could widen by around Rp68 tr or ~0.2% of GDP. Hence, government may need to cut spendings and/or adjust subsidized fuel price (Pertalite) if oil price remain high for few months. Every 10% increase in subsidized fuel price may impact inflation by ~0.5%. In addition to that, higher oil price will also translate into worsening current account balance through higher imports, where 10% rise in crude oil prices would reduce the current account balance by 0.1% of GDP (all things equal).

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