

Further escalation

JCI declined by 2% in the morning session today, as US-Iran war further escalated with Houthis starting to participate in the conflict, raising concerns over Saudi Arabia's Yanbu export hub in the Red Sea. Saudi Arabia has redirected large share of crude exports from Hormuz into the Red Sea. Any disruption in Bab al-Mandab Strait will further tighten the oil supply. This is coupled with reports of 50,000 US ground troops movement in the Middle East.

Asian markets are also down at the time of writing with Nikkei and Hang Seng down by -4.57% and -2.04% DoD. Oil price continued to rise to USD116/barrel, and USDIDR edged up to Rp16,989/USD.

JCI's mover as of 9.38 am today (points):

Leaders	Index Points	Laggards	Index Points
BRMS	+1.5	BBCA	-21.4
ADRO	+1.1	DSSA	-12.8
EMAS	+1.1	BBRI	-9.5
SOHO	+1.0	BREN	-8.4
ITMG	+0.9	SMMA	-5.4

Source: Bloomberg

Our take:

As the conflict in Middle East (and supply disruption) prolongs, the baseline scenarios for energy prices become higher too. Hence, the growth forecast become lower, while inflation forecast should adjust upward. Current condition may reduce the possibility of easing monetary policy, at least in the short term.

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. Every 10% increase in subsidized fuel price may impact headline 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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