

## Early quick count results indicate Jokowi Win

Wednesday, April 17, 2019

### Highlights

- Early quick count results indicate a Jokowi win.
- Market reactions so far to the results are in line with our expectations of a rally as the offshore NDFs immediately fell.
- A continuity of policies is now expected but the winner faces multiple challenges ahead.
- Next thing to watch out for will be the legislative results, which may come out in May (subject to change).

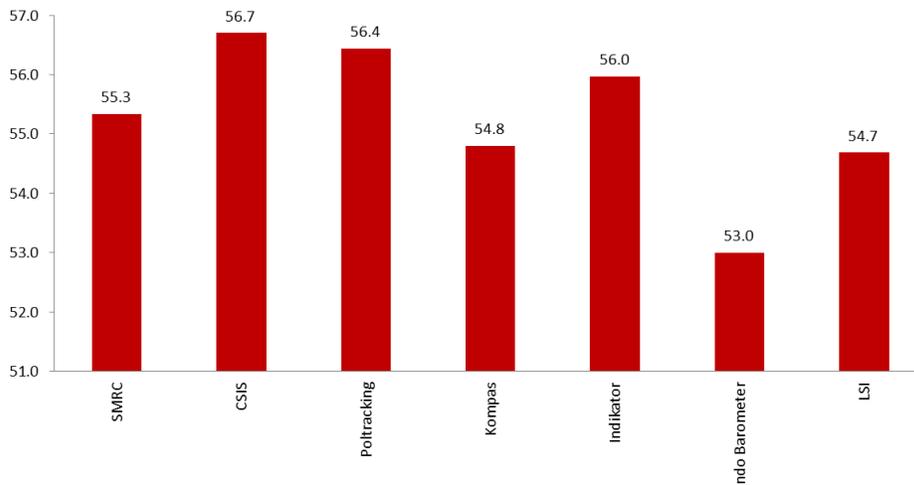
**Early quick count results from a number of pollsters (see chart 1) indicate that Jokowi has emerged victorious in the Presidential race.** Some of the pollsters appear so far to be indicating that he may have achieved a more than 10% margin of victory over his rival Prabowo although others are showing that it may be narrower than that. Earlier, all opinion polls had showed Jokowi leading and many of them with the exception of a few showed him holding a double-digit lead over Prabowo.

**Market reactions so far to the results are in line with our expectations of a rally with the offshore NDFs immediately falling.** The one month outright NDF is now below the onshore spot of 14,085. With this in mind, we see that the onshore spot may possibly break the 14,000 level tomorrow. However, whether it can sustain below this level in the longer term may still be subject to a number of risks. These risks include the possibility of the repatriated tax amnesty funds (reportedly at Rp147tn) flowing out after the lock up period ends later this year (note, the first phase of the tax amnesty period had ended 30<sup>th</sup> Sept 2016) and whether the monthly trade data can sustainably post a surplus. We do expect that the sovereign bond market and the Jakarta Composite Index would also rally tomorrow. There is a possibility that Bank Indonesia (BI) may undertake a 50bps rate cut after the elections which may be a boon to construction and bank stocks as well as increase the appetite for bonds in the short end of the curve.

**Going forward, we expect policy continuity, particularly with Jokowi continuing to push ahead with the infrastructure agenda (see chart 2).** However, we would also have to watch closely how much progress the winner can make in raising the tax to GDP revenue for the country. His administration had talked of improving tax compliance but he had also promised during the election to undertake corporate tax cuts. The winner would also face the challenge of reforming the fuel subsidy policy, which is a hefty expense in the Indonesian budget but at the same time, it could have helped kept inflation moderate and stable. Other items that Jokowi would have to look at too include possibly easing business regulations to stimulate investments (such as reforming the negative investment list) and developing export orientated industries as a way to reduce the current account

deficit. Also, watch out for the legislative results, which may come out in May (subject to change).

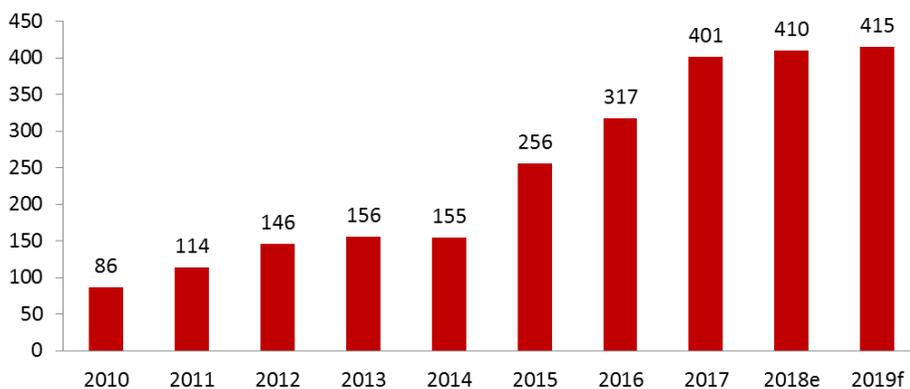
**Chart 1: Early Quick Count Results of Jokowi's Lead**



Source: Bloomberg, various websites and OCBC

Note: Preliminary results and maybe subject to change

**Chart 2: Infrastructure Expenditure, Rp tn**



Source: CEIC, Bloomberg and OCBC

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