Hedging Disclosure
February 2019

PRICE COMPARISON

Source: Bloomberg, February 2019

INDEX | UNITS | 2018 | 2019 | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB |
---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
Euro Brent | US$/L | 0.41 | 0.42 | 0.45 | 0.48 | 0.47 | 0.46 | 0.50 | 0.51 | 0.41 | 0.36 | 0.37 | 0.40 |
Singapore Jet Kerosene | US$/L | 0.49 | 0.48 | 0.51 | 0.55 | 0.53 | 0.54 | 0.53 | 0.56 | 0.59 | 0.45 | 0.44 | 0.47 |
Garuda Indonesia Group | US$/L | 0.57 | 0.56 | 0.57 | 0.56 | 0.62 | 0.61 | 0.61 | 0.62 | 0.63 | 0.70 | 0.67 | 0.59 |
Pertamina | US$/L | 0.57 | 0.57 | 0.57 | 0.57 | 0.62 | 0.61 | 0.60 | 0.62 | 0.63 | 0.72 | 0.71 | 0.62 |

Notes:
"Pertamina" is the average value of domestic in to plane fuel prices paid to Pertamina, meanwhile "Garuda Indonesia Group" is the average value of domestic and international in to plane fuel prices paid to suppliers.
During the last week of February, barrel prices firstly decreased, because U.S. oil production topped the record of 12,10 million b/d, while President, Donald Trump, tweeted "Oil prices getting too high. OPEC, please relax and take it easy. World cannot take a price hike - fragile!" However, Saudis oil Minister, Khalid Al Falih, stated on February 12th that his country would have decreased its output to 9,80 million b/d in March. At the same time, the Minister added that Saudi Arabia would reduce its exports to 6,90 million b/d (they were 8,20 million b/d in November 2018). “OPEC Again Faces Choice Between Trump’s Wrath and Oil Slump”, entitled Bloomberg on February 26th.

As the uncertainty remains high, Garuda Indonesia decided not to add and prefer to stay with the existing hedged volumes. Therefore, the total hedged amount of Garuda Indonesia per February 2019 remained the same as the 2.86 million bbl are already exists to cover the estimated fuel consumption along the year 2019. Garuda will continue to closely monitor the market for us to be able to find an optimum timing and result in order to entering into additional exposure.

**FX HEDGING**

The Dollar Index has been softer over the past two months, only rising one week in December and one week in January. It has been confined to about 100 points on either side of roughly 96.15 where it finished last year. Expectations for Fed policy have not returned to status quo ante. Indeed, after the late January FOMC meeting, the market has nearly priced out any chance of a rate hike this year.

Trade issues with China will come to a head in February ahead of the early March self-imposed deadline. China’s willingness to take steps to reduce the bilateral trade imbalance is helpful and plays into the transactional approach of the Trump Administration and its desire for immediate action, but it is not clear whether it will be sufficient without deeper structural reforms and a verification process.

Indonesia export growth is predicted for 2019 as the global economy continues to recover and international commodity prices remain high. Bank Indonesia expects Indonesia’s economic growth in 2019 in the range of 5.3 percent following the various financial measures that are being implemented towards the end of 2018.

Given the exposure of exchange rate movement, particularly towards cash flow, Garuda will continue to utilize the FX strategy by assessing the exchange rate movement compare to the exchange rate.