

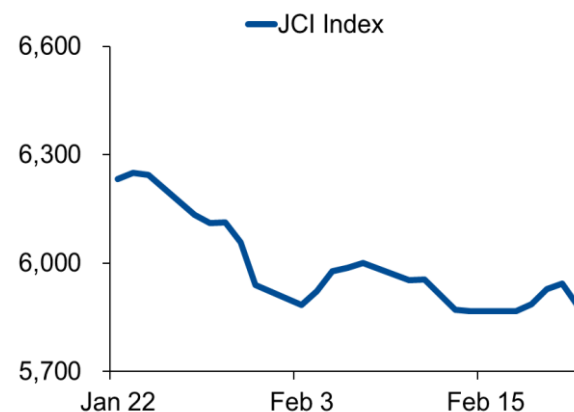
## Weekly Brief (February 24th – 28th)

### Summary:

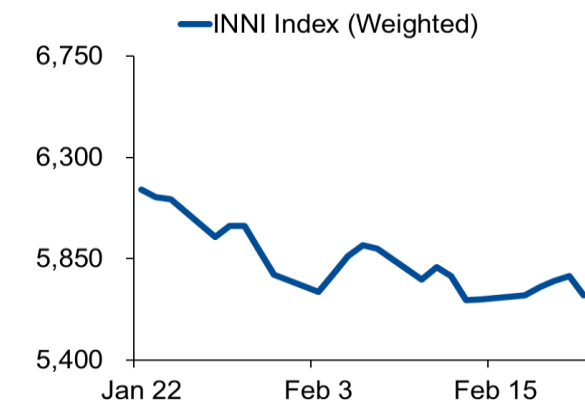
**Last week review:** Jan. 2020's trade deficit narrowed than Jan. 2019's deficit and BI's pre-emptive stance of lowering benchmark rate stable to stimulate the domestic economic growth were boosters for JCI to pace in the green prior to its bearish state. Nevertheless, the sound macroeconomic data and BI's patient monetary stance failed to attract foreign net buy.

**This week's outlook:** BI's looser stance of trimming Feb. BI 7-DRRR by 25 bps to 4.75% is expected to stimulate the credits and investments growth. Indonesia's GDP in 2019 grew only 5.02% lower than 5.17% in 2018 and the lowest growth within the last 3 years. BI's accommodative monetary policy counters the pandemic's impacts on the manufacturing sector whose most of raw materials, semi-finished goods, and finished goods are imported from China. Besides, that accommodative benchmark rate is a boost for credit distribution, which in turn accelerates banking asset growth. BBKA categorized into BUKU 4 Banks braced with higher-than-the industry CASA, broad and solid networks, e-transactions benefits from this accommodative stance. We are optimistic about BBKA's capability for maintaining lower-than-the industry NPL and Cof but higher-than-the industry CASA to result in stable NIM albeit tight liquidity and rising NPL.

JCI - one month



INNI Index – one month



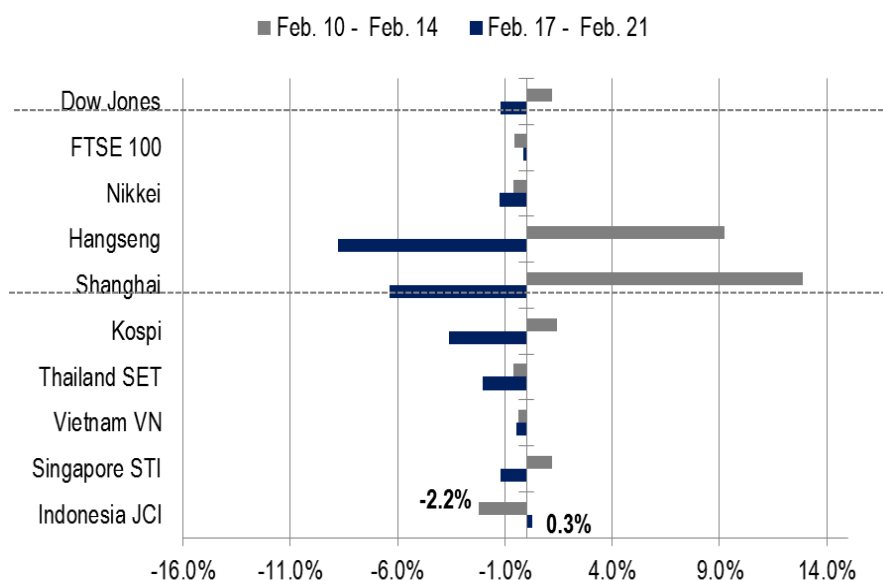
# Last Week's JCI Movement

- JCI Index : 5,882.26 (+0.3%)
- Foreign Flow : *Net sell* of IDR1.4 trillion (vs. *net buy* last week of IDR724 billion )
- USD/IDR : 13.760 (+0.49%)
- Yields of sovereign bond with 10-years tenor : 6.523% (-5.90 bps)

## JCI Advanced

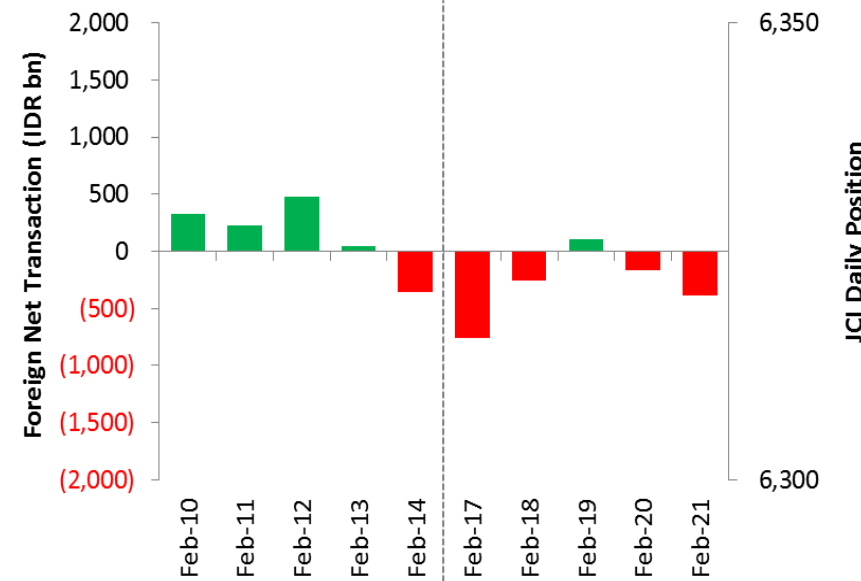
JCI was bullish in the early week prior to its bearish state. Statistic Indonesia (BPS) released Jan. 2020 trade balance to show a narrower deficit of USD864 million compared to Jan. 2019 deficit. Imports of consumption & capital goods to change little and non-oil and gas exports to show modest performance narrowed Jan. 2020 deficits. In the US, retail sales came out with sound data along with picking up home sales. JCI was still bullish in the mid-week as BI patiently held looser monetary stance of trimming BI 7-DRRR by 25 bps to 4.75% after a two-day Board of Governors Meeting (RDG) from 19 to 20 Jan. 2020. That pre-emptive stance maintains nationwide economic growth as the coronavirus outbreak leaves the global economy ailing. On Friday of Feb. 21, JCI was in the red zone.

## Global Market Movement



Source: Bloomberg, NHKSI Research

## Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

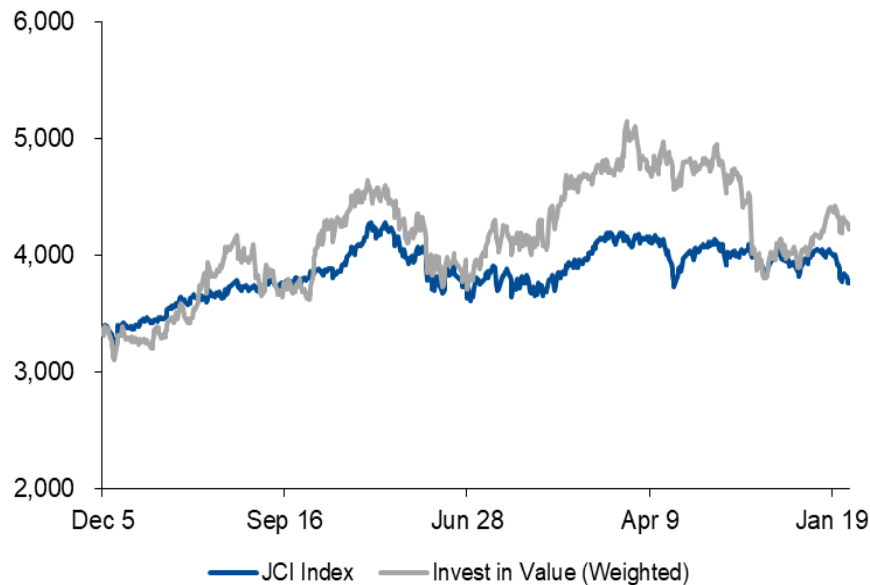
# Last Week's INNI Movement

•INNI Index	: 5,688.59 (+0.3%)
INNI Theme 1 (Value)	: 4,252.88 (+0.6%)
INNI Theme 2 (Trend)	: 6,645.73 (+0.2%)

## INNI Index Picked Up

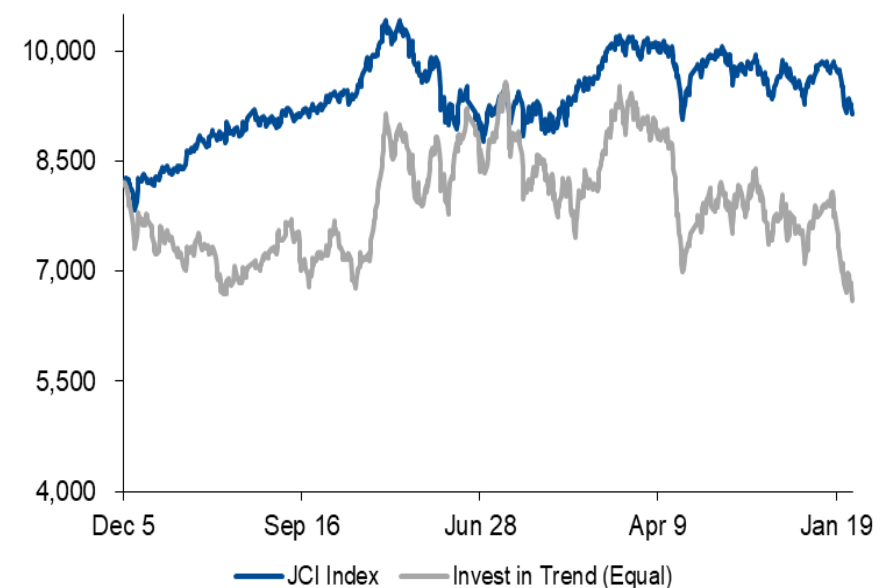
INNI index advanced, underpinned by stocks of the property sector. The projection of looser BI 7-DRRR was a driver for the property stocks to rally in the early week. Meanwhile, ASII's leading momentum was in mid-week as the national automotive makers are confident in achieving ~5% growth. The death toll from coronavirus to kill 2 thousand people created lustrous momentum for gold as safe haven. Comex gold Feb' 20 futures price to rally further and bearish ANTM pictured the yellow metal's outshining performance. On Friday's trading session of Feb. 21, INNI index diminished as WSKT, the construction sector stock, gave up the largest gains of 5.3%.

**Theme 1. Invest in Value (10 Stocks) – Market Cap Base**



Source: Bloomberg, NHKSI Research

**Theme 2. Invest in Trend (10 Stocks) – Policy Base**



Source: Bloomberg, NHKSI Research

# Last Week Sectoral Review

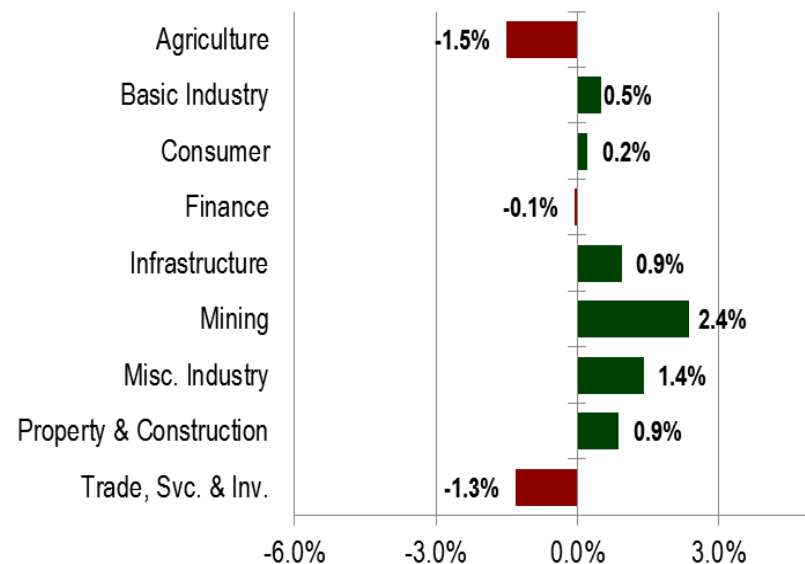
- JCI's Top Gainers**

JCI's all across sectors advanced with stocks of the mining sector won the largest gains of 2.4%. Surging prices of gold due to the mounting fears of coronavirus pandemic left mining stocks bullish. Reuters date narrates that gold price in the spot market is at USD1,623 per ounce: the highest level within the last 7 years; infact, gold's lustrous momentum was strong footing for ANTM's last week rally (+3.7%) and MDKA (+9.8%).

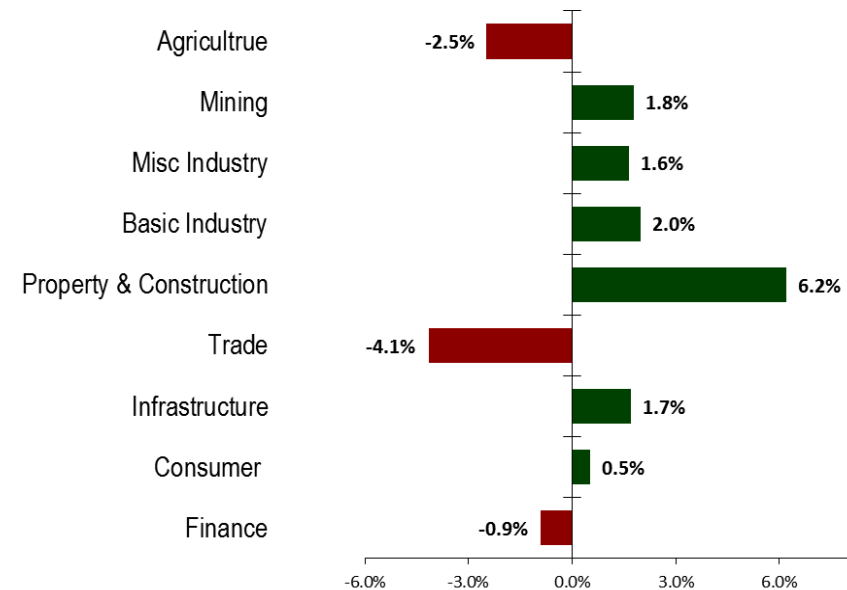
- INNI Index's Top Gainers**

The property sector secured the largest gains of 6.2%. BI's pre-emptive monetary stance of trimming BI 7-DRRR and 2019's relaxed Loan to Value (LTV) are expected to stimulate the solid growth of the property sector. CTRA's last week rebound of 10.2% portrayed how those two positive catalysts proved to boost stocks of the property sector. To date, CTRA is focusing on launching a new project: Citra Landmark to target the millennial buyers.

**JCI's Last Week Sectoral Movements**



**INNI's Last Week Sectoral Movements**



# This Week Outlook: Banking Sector

- BI Trims Jan. BI 7-DRRR by 25 Bps**

Bank Indonesia (BI) trimmed Jan. 2020's BI 7-DRRR by 25 bps to 4.75%. The looser monetary stance was on grounds of adequate rooms for more relaxed benchmark rates to continue 100 bps cut rates to 5% in 2019. The more accommodative benchmark rates are expected to stimulate credit growth and investments to result in robust nationwide economic growth. Of note, Indonesia's GDP in 2019 only grew by 5,02% lower than 5,17% in 2018 and the lowest growth within the last three years. Indeed, the 4Q19 GDP at 4,97% YoY was more lethargic than that of 5.18% YoY in 4Q18. BI remained patiently to held BI 7-DRRR looser concurrent with Jan. 2020 inflation increasing little to 0.39% MoM from 0.34% in December 2019 and 0.32% MoM in Jan. 2019. NHKSI's research oversees BI to possibly trim its benchmark rates to the lowest level of 4.25% during Sept. 2017-Apr. 2018 when the banking industry's NPL hiked following weaker global and domestic economic growth.

- Banks Stay Alert to Coronavirus' Impacts on NPL**

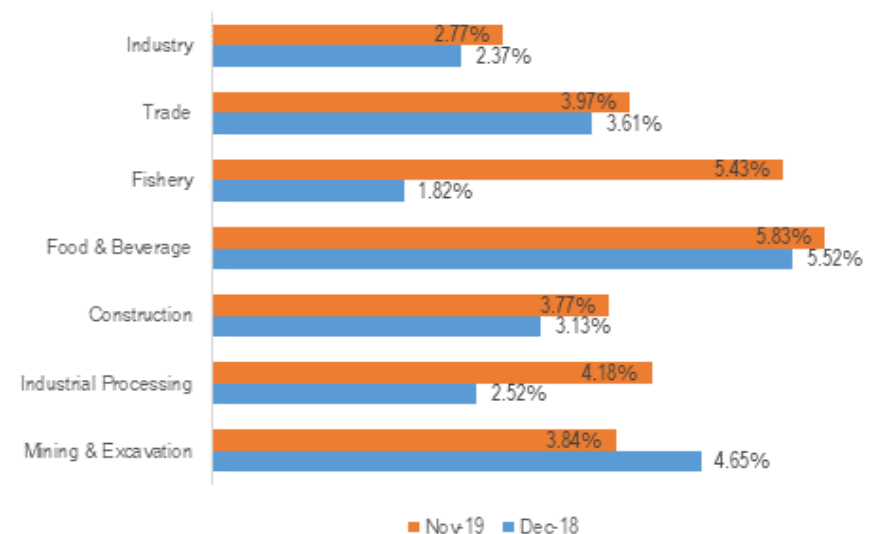
The globally deteriorated state spooks all across the industries, including Indonesia's banking industry to put concerted endeavors to keep NPL stable. Indonesia's banking industry eyes on internal and external economic dynamics (e.g., coronavirus outbreaks to thrown worldwide economies into disarray). Indonesia's manufacturing sector is hit hardest by the pandemic, for most of raw materials, semi-finished goods, and finished goods are imported from China. NHKSI's Research oversees that the pharmaceutical & health industry and the iron & steel industry are also suffered from the lack of those China-imported goods. Both the manufacturing and banking industries monitor the pandemic's impacts on the tourism industry to cover airline, hotel, trading, restaurants, and entertainment business sectors. Indeed, the pandemic to spook global economies paints a gloomier outlook for plantation commodities---CPO in particular and the mining sector as well (i.e., coal, nickel, bauxite, and copper).

## BI 7-DRRR Movement (%)



Source: Bloomberg, NHKSI Research

## Bank's Sector NPL



Source: Financial Service Authority, NHKSI Research

# This Week Outlook: Banking Sector

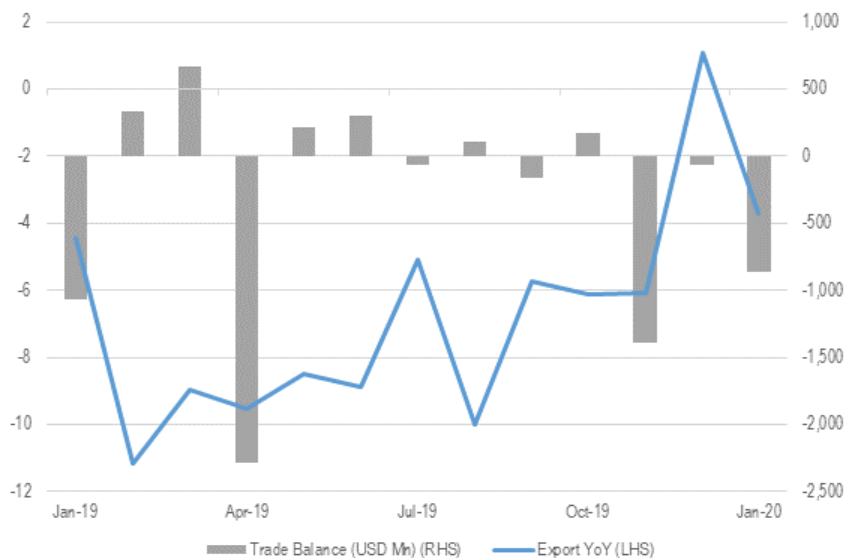
- Fiscal and BI's Monetary Stances Stimulates National Economy**

BI's dovish stance responds to the banking industry's NPL and counters lethargic economic growth. Statistics Indonesia (BPS) recorded Jan. exports to account for USD13.21 billion lower than imports of USD14.28 billion, hence, early-year balance sheet to record deficits of USD864 million narrower than USD1.06 billion in January 2019. Narrower deficits balanced well with exports to decline by 3.71% YoY or 7.16% MoM or imports to decrease by 4.78% YoY or 1.6% MoM. The coronavirus outbreak to spread global fears and leave international trading activities idle, including Indonesia's lethargic trading activities. Indonesia's Jan. exports of ore, slag, ash; animal or vegetable fats; and organic chemicals to China plunged by USD211.9 million from Dec. 2019's exports. Indeed, Chinese imported goods in Jan. 2020 also declined by USD125.2 million from Dec. 2019's imports.

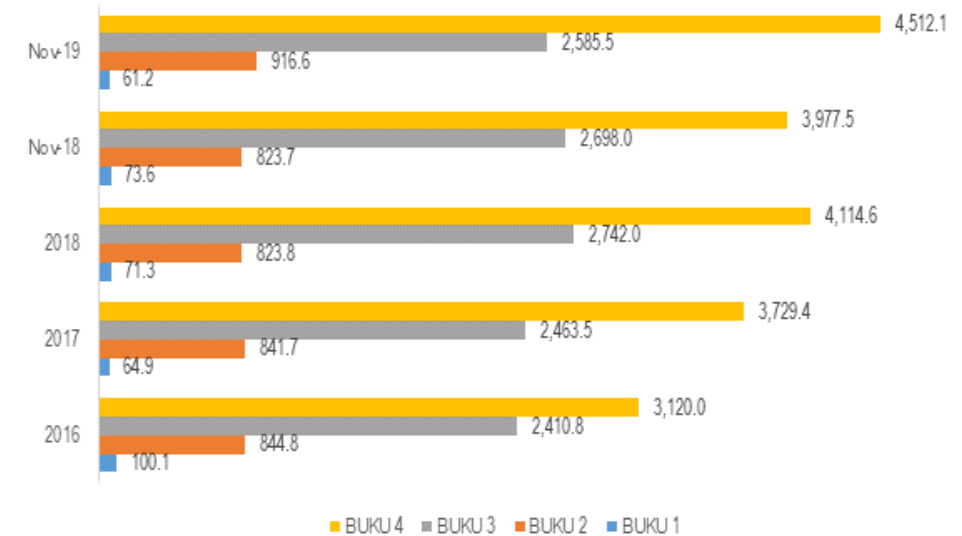
- Banks' Assets Are at Conservative Growth**

Banks' selective requirements prior to credit distribution lag the growth of their assets as the Financial Service Authority (OJK) explains Indonesia's banking assets per November 2019 to grow by 6.8% YoY declining from 9.2% and 9.8% in 2018 and 2017, respectively. Banks categorized into BUKU 4 showing a 13.4% YoY increase in assets and contributing the largest portion to the total banking asset growth. Higher-than-the Industry CASA, solid and broad networks, e-transactions are strong footings for BUKU 4 banks to achieve greater asset growth than that of BUKU 3, BUKU 2, and BUKU 1 banks. Bank Central Asia Tbk as one of BUKU 4 banks proved the 3Q19's CASA growth of 7.6% surpassing 7.4% achieved by the banking industry. BBKA's capability of maintaining CASA ratio to the total DPK of 75.2% higher than 54.7% achieved by the industry is the key to low CoF.

## Trade Balance Vs Export



## Bank's Asset (IDR Trn)

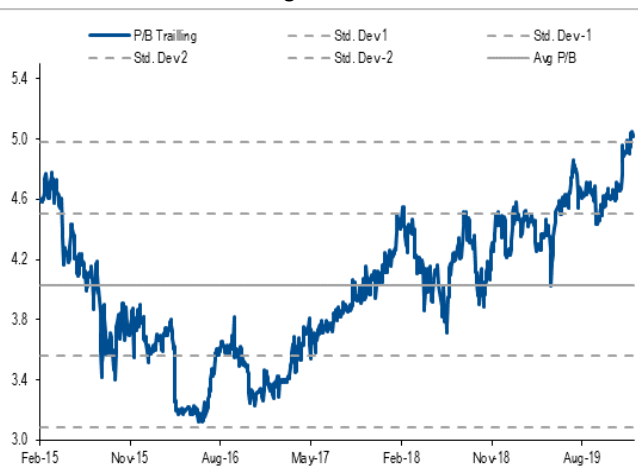


# Bank Central Asia Tbk (BBCA IJ – Bank)

<b>Dec. 2020 Price Target</b>	<b>32,000</b>
Consensus Price	33,041
Last Price (IDR) as of Feb. 21, 2020	33,075
PT vs. Last Price	-3.2%
<b>Liquidity:</b>	
LDR	80.6%
CASA	75.0%

IDR Bn	FY18A	FY19E	FY20E	FY2021E
Revenues	74,702	70,301	77,307	85,670
y-y	8.7%	-5.9%	9.9%	10.8%
Op. Profits	32,620	36,038	40,671	45,665
Net Income	25,855	28,670	32,353	35,888
ROE	18.3%	17.7%	17.5%	17.4%
P/E	25.7x	28.8x	25.5x	23.1x
P/BV	4.9x	4.8x	4.2x	3.8x

Last 3-Year P/BV Trailing Band



Source : Bloomberg, NHKS Research

- **NHKS** recommends BBCA as this week's top-pick stock since stable NPL and high CoF and CASA maintain stable NIM. The banking industry currently faces setback (i.e., tighter liquidity and higher NPL). Despite the tighter liquidity and the trend of rising NPL, BBCA is persistently selective in giving loan facilities to the corporate segment in particular.

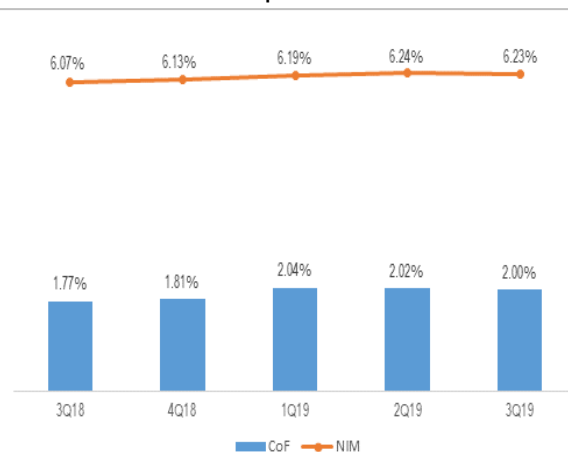
- **NIM Surges 16 Bps YoY**

BBCA succeeded to better NIM performance nudged up from 6.07% to 6.23% amid the increase of 23 bps in CoF. Its agile responses to any changes in third-party funds (DPK) control CoF. A 10.4% YoY growth in DPK to IDR683.05 trillion and a 7.6% YoY growth in CASA to IDR513.88 trillion as the first-largest contributor of 75.2% to the total DPK proved its agile response. BI's looser monetary stance of trimming BI 7-DRRR by 100 bps during July-October of 2019 benefits BBCA. NHKS estimates BBCA's margins in 4Q19 and 2020 to better perform as well as a small downside in lending rates amid lower rates of DPK; 12-month time deposit rates to decline in 4Q19 pictures the small downside.

- **NPL Is Maintainable at 1,6%**

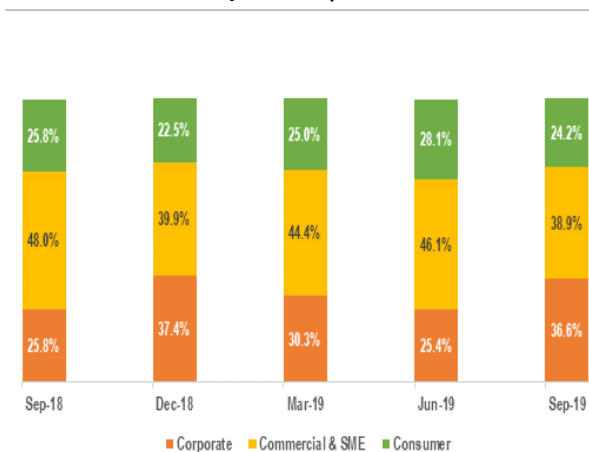
The 3Q19 financial statements recorded NPL at 1.6% or a little increase from 2Q19 and 3Q18 NPL of 1.4%, respectively. The prudent business development to take into account shrewd business moves and optimizing opportunities are the fundamentals for its well-below-the industry NPL. The 3Q19 NPL of 1.6% was attributable to the steel industry's surging NPL and Palu earthquake in September 2018. Of note, the 3Q19's total distributed credits grew by 10.9% YoY to IDR585.49 trillion, backed by the growth of 16.5% in corporate credits and the increase of 10.5% YoY in commercial & SMEs credits.

BBCA's CoF vs. NIM | 3Q18 – 9Q19



Source : Company Data, NHKS Research

BBCA's NPL Composition | 3Q18 – 9Q19



Source : Company Data, NHKS Research

# INNI Index's Stocks List

	Theme 1/2	Last Price	Last Week Price	2020 Target Price	Rating	Upside Potential (%)	1 Week Change (%)	Market Cap (IDR tn)	Price / EPS (TTM)	Price / BVPS	Return on Equity (%)	Dividend Yield TTM (%)	Sales Growth Yoy (%)	EPS Growth Yoy (%)
<b>Finance</b>														
BBCA	Theme 1	33,075	33,400	32,000	Hold	(3.3)	-1.0%	815.5	28.5x	4.7x	17.5	1.1	14.0	10.5
BBRI	Theme 1	4,510	4,550	4,950	Hold	9.8	-0.9%	556.3	16.1x	2.7x	17.7	2.9	11.1	6.3
<b>Consumer</b>														
GGRM	Theme 1	55,975	54,575	61,800	Hold	10.4	2.6%	107.7	11.6x	2.3x	20.5	4.6	16.9	25.8
KINO	Theme 1	3,070	3,080	4,680	Buy	52.4	-0.3%	4.4	8.9x	1.7x	21.2	1.6	34.1	323.0
ICBP	Theme 1	10,950	10,775	12,875	Buy	17.6	1.6%	127.7	25.6x	5.3x	22.2	1.3	11.2	11.4
KLBF	Theme 1	1,365	1,390	1,780	Buy	30.4	-1.8%	64.0	24.9x	4.2x	17.6	1.9	7.3	6.2
<b>Infrastructure</b>														
TLKM	Theme 1	3,690	3,640	4,700	Buy	27.4	1.4%	365.5	18.0x	3.7x	21.3	4.4	3.5	15.6
JSMR	Theme 1	5,000	4,900	6,000	Buy	20.0	2.0%	36.3	18.8x	2.0x	11.3	0.9	(22.8)	(15.2)
<b>Trade</b>														
UNTR	Theme 2	18,225	18,325	26,300	Buy	44.3	-0.5%	68.0	6.4x	1.2x	19.8	6.8	7.3	(4.8)
MAPI	Theme 2	835	905	1,300	Buy	55.7	-7.7%	13.9	16.9x	2.3x	14.8	1.2	11.4	14.7
<b>Property</b>														
CTRA	Theme 2	970	880	1,390	Buy	43.3	10.2%	18.0	17.8x	1.2x	7.2	1.0	(0.7)	(28.9)
WSKT	Theme 2	1,150	1,095	2,600	Buy	126.1	5.0%	15.6	11.3x	0.9x	7.8	6.3	(39.2)	(69.4)
WIKA	Theme 2	2,010	1,945	2,500	Buy	24.4	3.3%	18.0	8.1x	1.1x	15.3	1.9	(12.9)	57.3
<b>Basic Ind.</b>														
SMGR	Theme 1	11,600	11,375	14,300	Buy	23.3	2.0%	68.8	30.1x	2.2x	7.5	1.8	31.1	(38.1)
<b>Misc Ind.</b>														
ASII	Theme 1	6,200	6,100	8,600	Buy	38.7	1.6%	251.0	12.3x	1.8x	14.9	3.4	1.2	(7.1)
<b>Mining</b>														
TINS	Theme 2	685	670	800	Buy	16.8	2.2%	5.1	36.1x	0.8x	1.6	3.6	114.6	N/A
PTBA	Theme 2	2,410	2,330	2,300	Hold	(4.6)	3.4%	27.8	6.1x	1.6x	26.4	14.1	1.4	(24.9)
INCO	Theme 2	3,060	3,130	4,200	Buy	37.3	-2.2%	30.4	38.1x	1.2x	0.3	N/A	0.7	(4.9)
ANTM	Theme 2	700	675	1,100	Buy	57.1	3.7%	16.8	20.9x	0.8x	4.1	1.8	23.0	(11.1)
<b>Agriculture</b>														
AALI	Theme 2	10,825	11,100	15,600	Buy	44.1	-2.5%	20.8	48.9x	1.1x	2.3	2.1	(10.0)	(90.1)

Source : Bloomberg, NHKS Research



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