

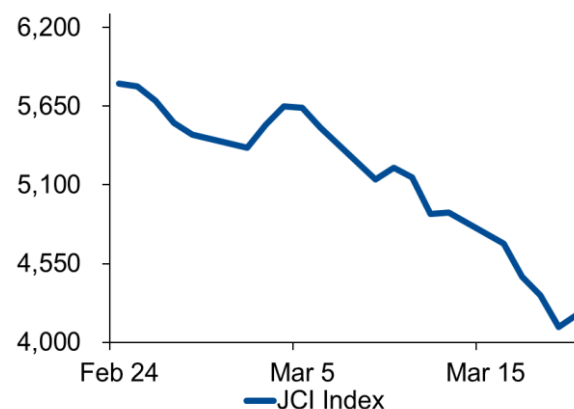
## Weekly Brief (March 23rd – 27th)

### Summary:

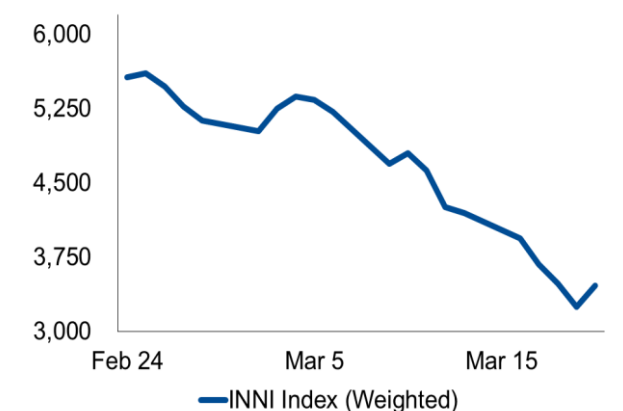
**Last week review:** Indonesia's better-performing macroeconomic data and looser BI 7-DRRR proved futile to strengthen Indonesia Stock Exchange (IDX). But, state-owned and publicly listed companies directly responding to the Financial Service Authority (OJK) regulations of trading halt and stock buyback with no preliminary-required AGM eased the pain in wrecked JCI.

**This week's outlook:** BI's second dovish monetary tones of trimming its benchmark rate (BI 7-DRRR) by 25 bps to 4.50% imitating other central banks' accommodative stance, i.e., Bank of England (BoE) and the Fed to slash their benchmark rates by 50 bps and 100 bps, respectively. BI had to face horns of dilemmas over its dovish stance bounded in a paradox--economic stimulus tangled in worst-depreciated rupiah. The second cut rates left the rupiah exchange rate for USD sinking to deepest at 15,913 or the worst-depreciated level as of June 1998. Mounting anxieties about the spread of lethal COVID-19 shatter the global economies as BI revised lower its projection of 2020's loan growth from 10%-12% to 9%-11%. BBRI to focus on disbursing microloans for daily-needs producers posts hiking demands for this-type of loans.

JCI - one month



INNI Index – one month



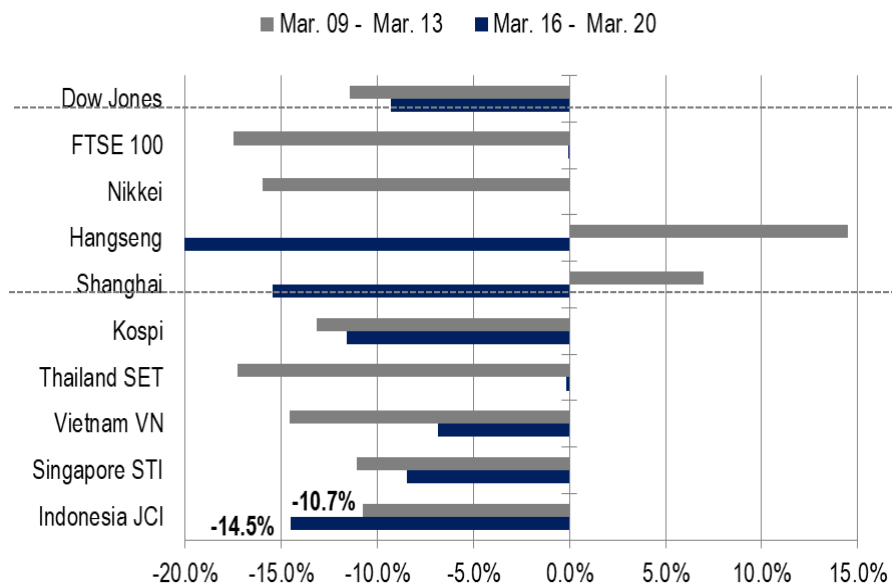
# Last Week's JCI Movement

- JCI Index : 4,175.66 (-14.5%)
- Foreign Flow : *Net sell* of IDR2,4 trillion (vs. *net sell* last week of IDR1,3 trillion )
- USD/IDR : 15,968 (-8.05%)
- Yields of sovereign bond with 10-years tenor : 8.093% (+75.50 bps)

## JCI Remains Lethargic

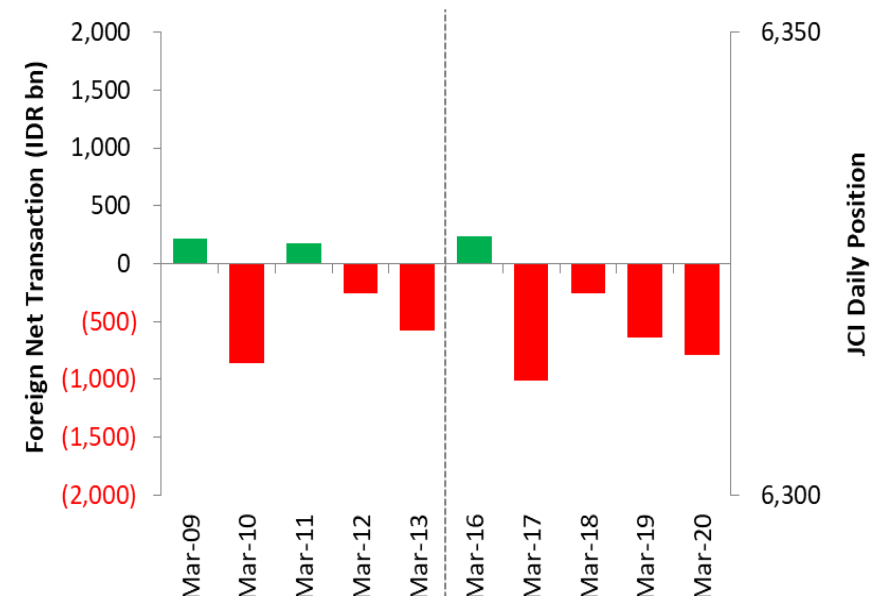
Feb. 2020 trade balance was in surplus of USD2.34 billion as Feb. exports hiking by 11% y-y to USD13.94 billion topped imports to decline by 5,1% y-y to USD11.60 billion or lower than Jan. number. Although the surplus was futile to rescue JCI from the red zone, the early week's stock buyback gave JCI a record of foreign inflows. Wrecked JCI grew away from the green zone as in the midweek, large-cap. banking stocks gave up the largest foreign funds. Rupiah's exchange rate against USD did not revive, and its depreciation was even exacerbated by wider deficits in the state budget (APBN). To retain economic momentum--stable financial markets--Bank Indonesia (BI) patiently trimmed BI 7-DRRR by 25 bps to 4.5%. The wrecked JCI was too weak to arrive at the green-- not even any mighty global and domestic catalysts could revive it-- as its two times trading halts on Tuesday (03/17/2020) and Thursday (03/19/2020) were tumbling blocks, indeed. On Friday of (03/20/2020), INNI index was rebound, underpinned by stocks of miners.

### Global Market Movement



Source: Bloomberg, NHKSI Research

### Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

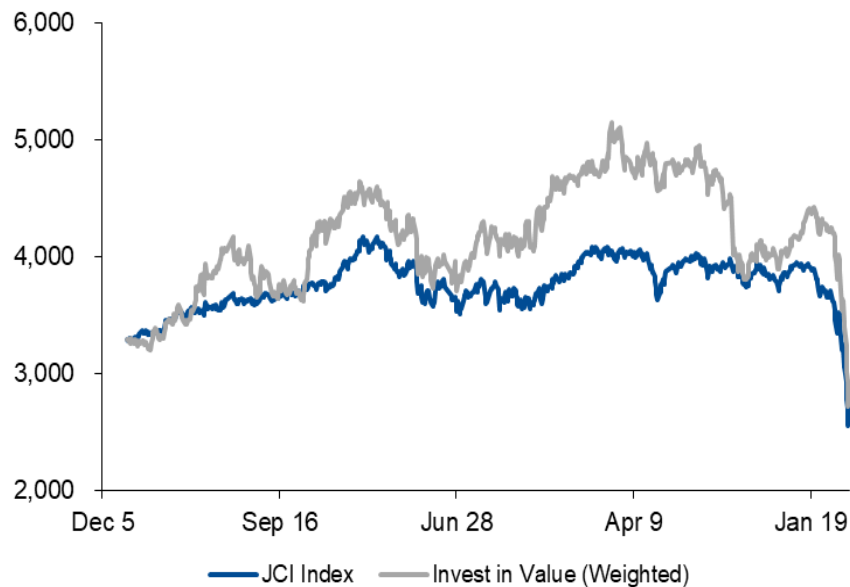
# Last Week's INNI Movement

•INNI Index	: 3,462.48 (-17.5%)
INNI Theme 1 (Value)	: 2,934.14 (-13.7%)
INNI Theme 2 (Trend)	: 3,814.70 (-19.4%)

## INNI Index Was in Bearish Mood

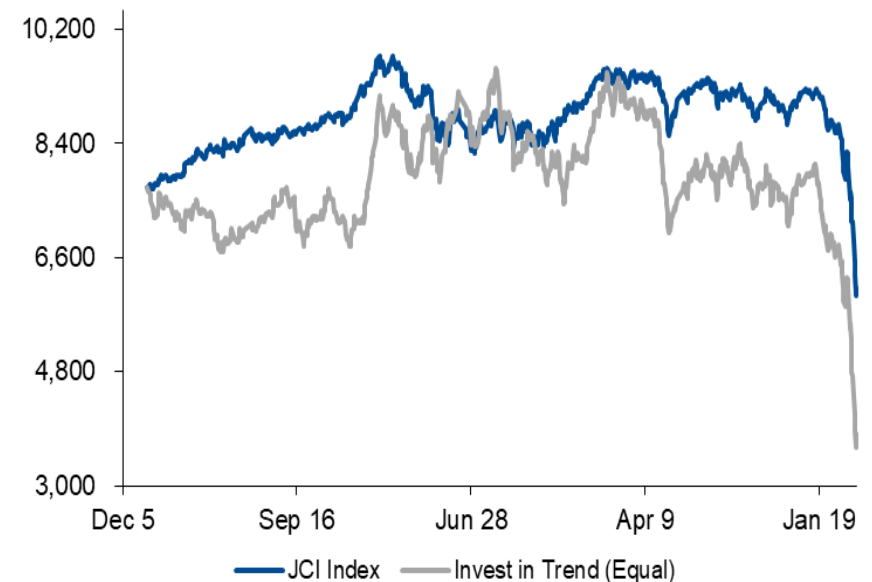
State-owned and publicly listed companies directly responded to OJK's regulation of no required AGM preliminary to stock buyback. Stocks of those companies are listed in INNI index. They are KLBF, the consumer stock; JSMR, the infrastructure stock; WSKT and WIKA, the construction stocks; TINS, ANTM, and PTBA, the mining stocks. In the early week, INNI index's all stocks retreated as they virtually were prone to below auto rejection, hence, INNI's bearish mood was inevitable. Excluding its retreated peers in INNI, KLBF was in the green driven by a 5% increase in the midweek. Mounting fears of COVID-19 crisis left massive sell-off to tank large cap. stocks. Finally, on Friday's trading session of March 20, 2020, INNI index was rebound, backed by stocks of miners.

**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

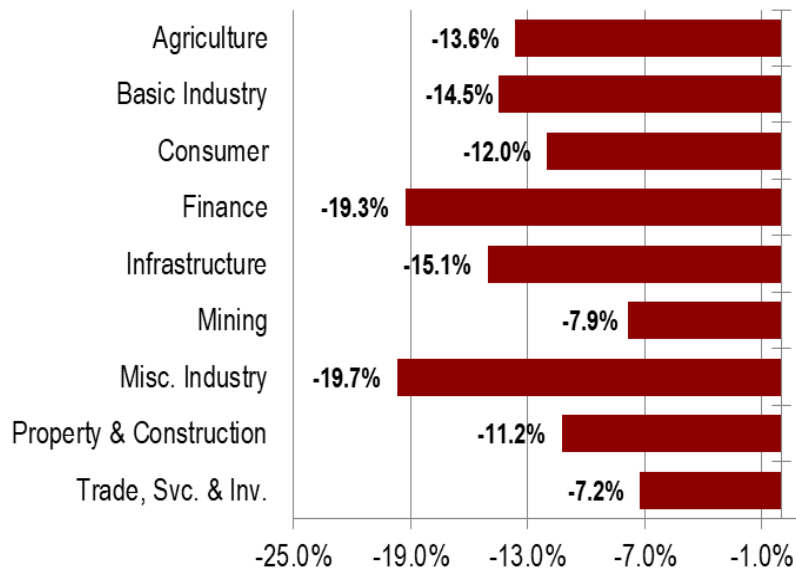
- JCI's Top Losers**

Stocks of the miscellaneous industry recorded the worst lost within a week ago. ASII tanked 22.6% even though the Association of Indonesian Automotive Manufacturers (Gaikindo) disclosed that Astra Group recorded 4W sales of 43,065 units or a 5.76% hike from January's sales.

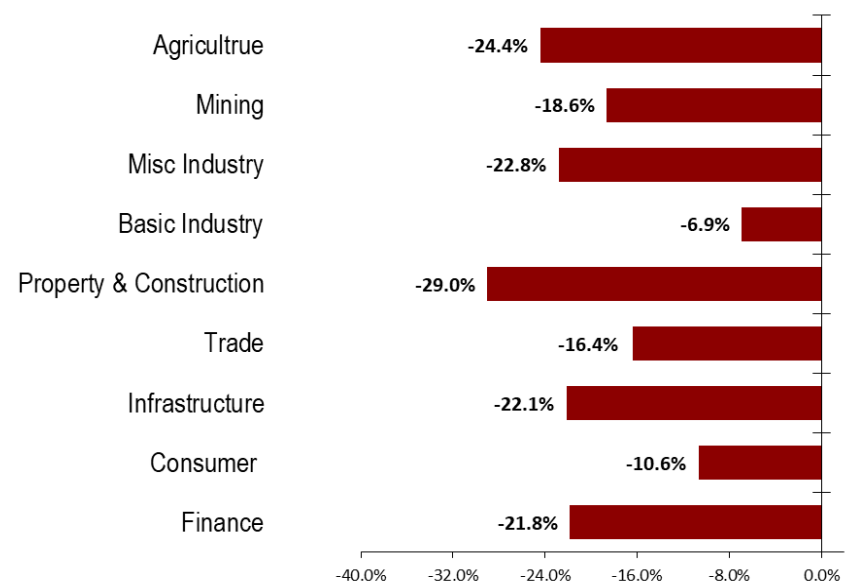
- INNI Index's Top Losers**

Stocks of property and construction tanked 29% within a week ago. The worldwide spread of lethal COVID-19 dramatically slashes stockpiles of China-imported construction raw materials. But, OJK's regulation of stock buyback stands for WSKT and WIKA's rally and gives leading momentum for construction stocks.

**JCI's Last Week Sectoral Movements**



**INNI's Last Week Sectoral Movements**



# This Week Outlook: Banking Sector

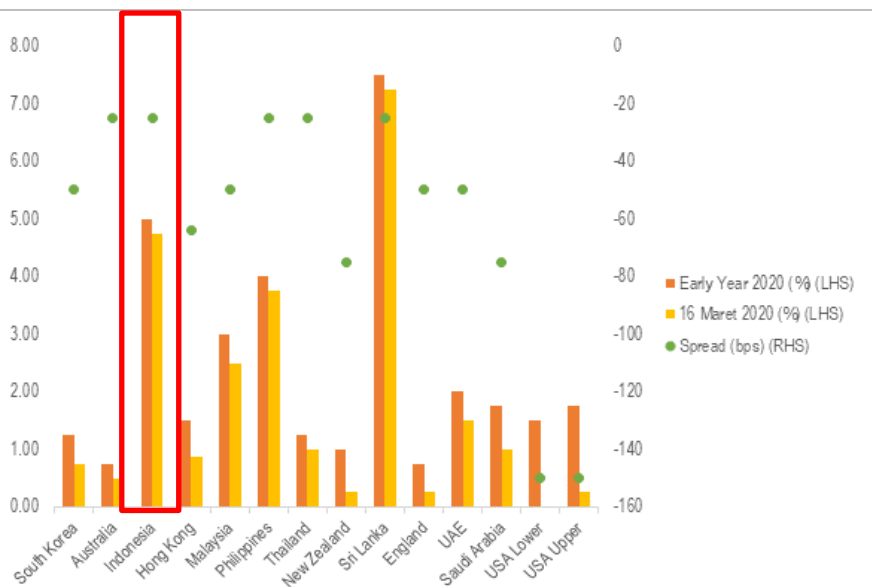
- **BI Remains Cautious**

Bank Indonesia (BI) accommodative stance of cutting BI 7-DRRR by 25 bps to 4.50% imitating other central banks' dovish stance, i.e., Bank of England (BoE) and the Fed to trim their benchmark rates by 50 bps and 100 bps, respectively. BI's dovish monetary policy was a paradox-- a stimulus to the economic growth momentum tangled with worse-weakened rupiah's exchange rate. Prior to this second dovish tones, BI had revised lower its projection of 2020 and 2021 national economy to hover at 4.2%-4.6% and 5.2%-5.6%. BI's pre-emptive stance covered also relaxed deposit and lending rates respectively by 25 bps to 3.75% and 5.25%, not to mention its concerted attempts to strengthen triple interventions, prolong tenors of the government bonds (SBN), increase frequencies of forex swap auctions, strengthen forex instruments, strengthen rupiah underlying transactions in DNDP, widen rooms for more relaxed average primary reserve requirement (GWM), improve the payment system.

- **BI Is on Horns of Dilemma**

BI had to face horns of dilemmas over its dovish stance bounded in a paradox--economic stimulus bounded in the momentum of worst-depreciated rupiah as of June 1998. The rupiah exchange rate for USD sank deepest to 15,913/USD at time BI trimmed BI 7-DRRR to 25 bps. BI's second dovish tones in 2020 left the rupiah tumbling to 4.53% much lower than one-prior-day level and worse than its worst level of June 17, 1998. The rupiah's exchange rate against USD showed its depreciation of 14.76% YTD as early as at the beginning of 2020. Its depreciated state is subsequent to Indonesia's highest death toll of COVID-19 infection among ASEAN countries.

## Global Interest Rates Movement



## USD/IDR Depreciation



# This Week Outlook: Banking Sector

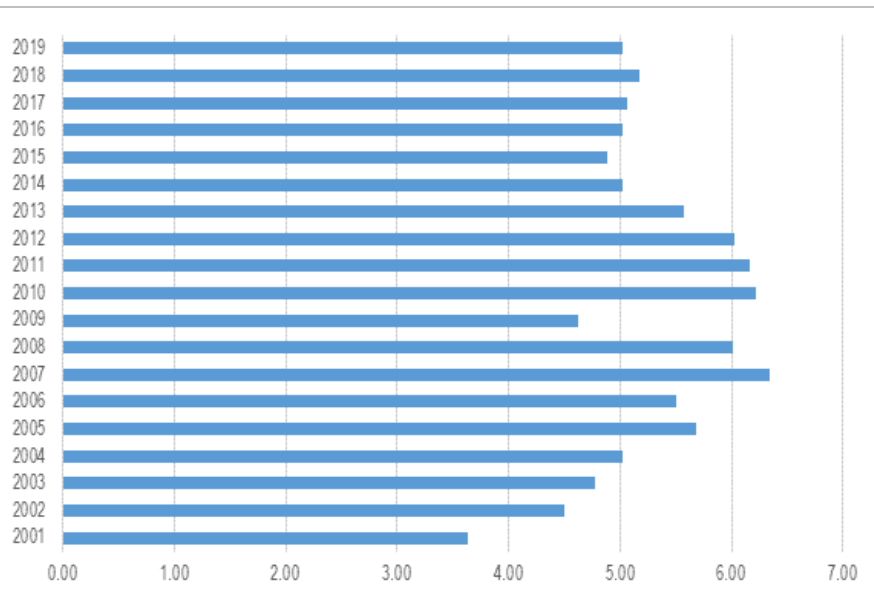
- **R&I Upgrades Indonesia's Debt Rating to BBB+**

Another to BI's second dovish tones, Indonesia's upgraded debt rating ease burdened domestic equity markets. Rating and Investment Information, Inc (R&I) on Tuesday of March 17, 2020 upgraded Indonesia's Sovereign Credit Rating from BBB/Stable Outlook into BBB+/Stable Outlook (Investment Grade). The upgraded rating is on grounds of stable growth in the middle-term domestic economy, supported by the conducive political backdrop, stable fiscal deficit at 1.76% of the GDP, an adequate ratio of Indonesia's forex reserves against short-term debts to finance 7.4 months of imports and settle Indonesia's foreign debts.

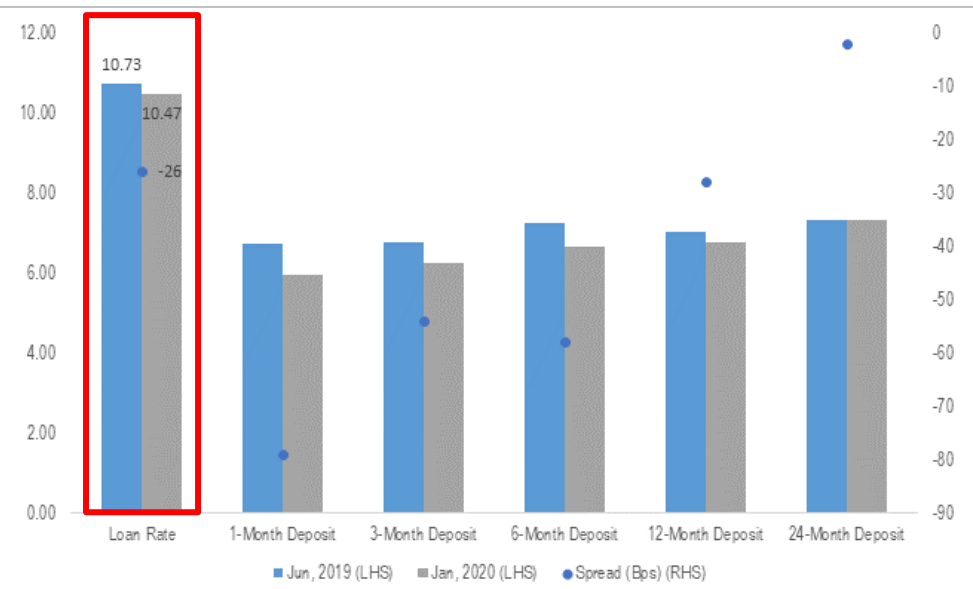
- **Lending Rates Slip by 26 Bps**

BI's data disclosed lending rates of January 2020 were at 10.47% or declining by 25 bps from lending rates of June 2019: the first cut of BI 7-DRRR as much as 100 bps from 6.00% to 5.00% appropriate for 2019. Lending rates slide little amid the devastating impacts of 2019's trade war and 2020's corona crisis on the global economy. As a matter of fact, a one percent decline in Chinese economic growth necessarily means Indonesia's economic deceleration from 5.3% to 4.7%. Discerning cautiously the worldwide shattered economies, BI revised lower the outlook of 2020's lending rates from 10%-12% to 9%-11%. Albeit the wrecked global economies, microloans remain resilient as demands for microloans surge. BBRI focusing on distributing microloans consistently records demands for lending applied by producers of stable food, culinary business, and apparel producers.

**Indonesia Annual GDPs (%)**



**Loan and Deposit Interest Rates Movement**



Source: Bloomberg, NHKSI Research

Source: Bank Indonesia, NHKSI Research

# Bank Rakyat Indonesia Tbk (BBRI IJ – Banking Sector)

<b>Dec 2020 Target Price</b>	<b>4,950</b>
Consensus Price	4,671
Last Price (IDR) as of Mar 20, 2020	2,810
TP vs. Last Price	76.1%

## Liquidity:

LDR	88.9%
CASA	57.7%

IDR bn	FY2019A	FY2020F	FY2021F	FY2022F
Net. Rev	104,105	118,506	130,450	141,128
y-y	8.6%	13.8%	10.1%	8.2%
Op. Rev	43,446	49,642	55,780	61,725
Net profit	34,373	38,864	43,816	48,801
EPS (IDR)	281	316	354	399
y-y	6.4%	12.4%	12.0%	12.7%
ROE	17.6%	18.3%	18.9%	19.3%
P/E	9.1x	8.9x	7.9x	7.1x
P/BV	1.7x	1.6x	1.4x	1.3x

- **NHCSI** recommended BBRI as this week's preferred stock projected to reach the target price of Rp4,950 with the PBV target of 1.6x. The projection is on the grounds of rising demands for microloans and surging commission income, accelerated efficiency, and stable low-cost funds (CASA). However, its non-performing loan (NPL) rising to 2.62% YoY is subject to foreign investors' critical review and a hiccup in BBRI's optimum net profits and lending disbursement.

- **NIM Tops Industry**

BBRI in 2019 posted a 6.73% increase in NIM even though the percentage was lower than that of 7.22% in 2018. Its CASA dominating third party funds (DPK) reached Rp589.46 trillion or 57.71% of the total DPK of Rp1,021.39 trillion. CASA dominance better performed its NIM to stand above 4.9% and 5.00%: the industry's average NIM level in 2019 and 2018. BBRI consistently focuses on CASA by optimizing funds growth through banking transactions in one-tier cities, micro-savings, and micro-payments in the micro-segment. However, increasing NPL remains a major hiccup in better-increased NIM. Of note, the corporate segment to record 327 bps increase to 8.76% YoY in its NPL contributed the largest surge in BBRI's total NPL even though the segment recorded a 0.74% YoY decline to IDR191.02 trillion in disbursed loans.

- **Net Profits Hike by 6.15% YoY**

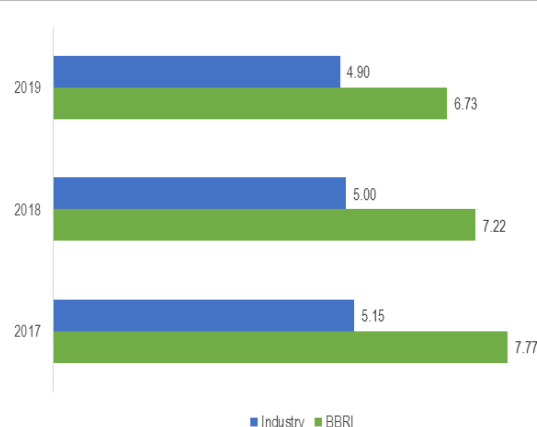
BBRI succeeded to secure the net profits of Rp34.41 trillion or a 6.15% growth, supported by the growth in disbursed microloans and commission income. BBRI in 2019 succeeded in disbursing microloans of Rp307.72 trillion or a 12.19% YoY growth. Of note, BBRI's disbursed microloans reached 35.8% of its total portfolios. Meanwhile, BBRI's disbursed loans grew by 8.44% to Rp908.88 trillion, backed by a 12.08% increase to Rp269.64 trillion in retail and loans disbursed to retailers and medium-sized enterprises. Therefore, BBRI recorded net interest income of IDR81.70 trillion or a 5.2% YoY growth. In addition, BBRI's net profits were backed by a 20.1% YoY growth to Rp14.29 trillion in commission income.

## 5-Year P/BV Trailing Band



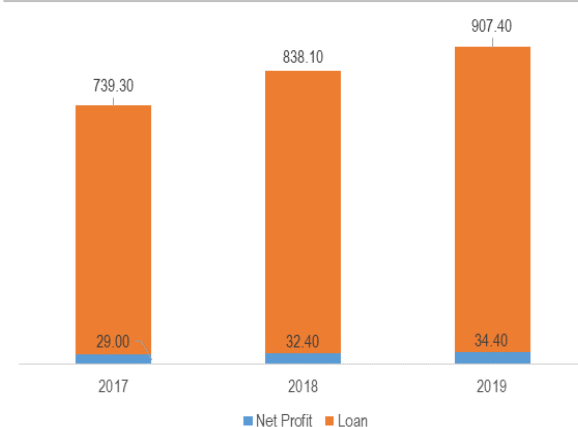
Source : Bloomberg, NHKS Research

## BBRI's NIM vs. Industry's NIM



Source : Company Data, NHKSI Research

## BBRI's Net Profit vs. Loan



Source : Company Data, NHKSI 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	23,675	28,300	32,000	Buy	35.2	-16.3%	583.7	20.4x	3.4x	17.5	1.5	13.7	10.5
BBRI	Theme 1	2,810	3,720	4,950	Buy	76.2	-24.5%	346.6	10.0x	1.7x	17.7	6.0	11.1	6.3
<b>Consumer</b>														
GGRM	Theme 1	39,475	41,600	61,800	Buy	56.6	-5.1%	76.0	8.2x	1.6x	20.5	6.6	16.9	25.8
KINO	Theme 1	2,350	2,790	4,680	Buy	99.1	-15.8%	3.4	6.8x	1.3x	21.2	2.1	34.1	323.0
ICBP	Theme 1	8,975	10,975	12,875	Buy	43.5	-18.2%	104.7	21.0x	4.4x	22.2	1.5	11.2	11.4
KLBF	Theme 1	980	1,040	1,430	Buy	45.9	-5.8%	45.9	17.9x	3.0x	17.6	2.7	7.3	6.2
<b>Infrastructure</b>														
TLKM	Theme 1	2,880	3,390	4,700	Buy	63.2	-15.0%	285.3	14.1x	2.9x	21.3	5.7	3.5	15.6
JSMR	Theme 1	2,690	3,700	6,000	Buy	123.0	-27.3%	19.5	10.1x	1.1x	11.3	1.7	(22.8)	(15.2)
<b>Trade</b>														
UNTR	Theme 2	14,850	15,600	20,000	Buy	34.7	-4.8%	55.4	4.9x	1.0x	20.2	8.3	(0.2)	1.7
MAPI	Theme 2	476	670	1,300	Buy	173.1	-29.0%	7.9	9.7x	1.3x	14.8	2.1	11.4	14.7
<b>Property</b>														
CTRA	Theme 2	555	710	1,390	Buy	150.5	-21.8%	10.3	10.2x	0.7x	7.2	1.8	(0.7)	(28.9)
WSKT	Theme 2	452	635	2,600	Buy	475.2	-28.8%	6.1	6.5x	0.3x	5.2	16.1	(35.7)	(76.3)
WIKA	Theme 2	830	1,180	2,500	Buy	201.2	-29.7%	7.4	3.3x	0.5x	15.3	4.7	(12.7)	32.0
<b>Basic Ind.</b>														
SMGR	Theme 1	7,050	7,575	14,300	Buy	102.8	-6.9%	41.8	17.5x	1.3x	7.5	2.9	31.5	(22.4)
<b>Misc Ind.</b>														
ASII	Theme 1	3,780	4,870	8,600	Buy	127.5	-22.4%	153.0	7.0x	1.0x	15.2	5.6	(0.9)	0.2
<b>Mining</b>														
TINS	Theme 2	380	468	800	Buy	110.5	-18.8%	2.8	20.0x	0.5x	1.6	6.6	114.6	N/A
PTBA	Theme 2	1,800	1,970	2,300	Buy	27.8	-8.6%	20.7	4.8x	1.1x	23.7	18.9	2.9	(22.2)
INCO	Theme 2	1,510	1,910	4,200	Buy	178.1	-20.9%	15.0	16.3x	0.5x	3.0	N/A	0.7	(4.9)
ANTM	Theme 2	374	478	1,100	Buy	194.1	-21.8%	9.0	11.2x	0.5x	4.1	3.4	23.0	(11.1)
<b>Agriculture</b>														
AALI	Theme 2	4,730	6,375	15,600	Buy	229.8	-25.8%	9.1	43.1x	0.5x	1.1	4.7	(8.5)	(85.3)

Source : Bloomberg, NHKS Research



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