

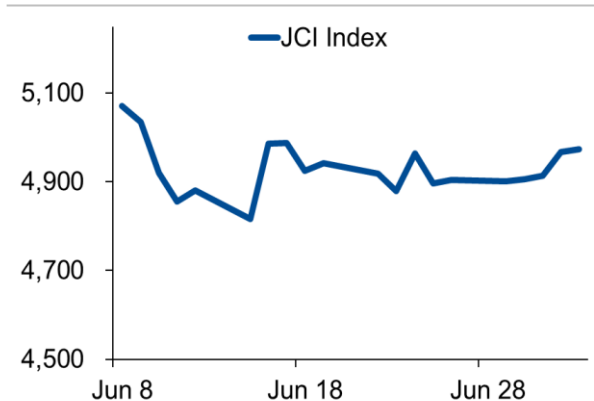
Weekly Brief (July 06th – July 10th)

Summary:

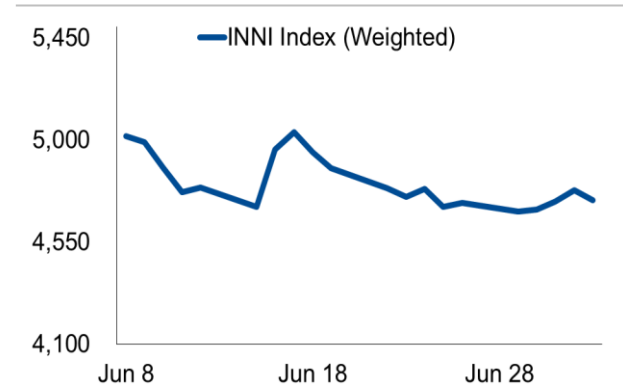
Last week review: The release of macroeconomics data such as Inflation and Purchasing Manager Index (PMI) Indonesia supports the JCI movement throughout the week until it ended in the green. Meanwhile, JCI also still recorded foreign net sell for the past week.

This week's outlook: Market movements this week will be influenced by the release of domestic economics data such as the Consumer Confidence Index (CCI) and foreign exchange reserves. We project that the June 2020 CCI will be better, as some business activities are reopened. The consumer confidence is also supported by better Indonesian manufactures. IHS Markit records that the Indonesian manufacturing PMI in June is at level 39.1. Meanwhile, the increase of economic activities are expected to push loan demands for business. The government through PMK Number 70/PMK.05/2020 is trying to facilitate loans to MSMEs, and subsidized home ownership loans with long tenure. On the other hand, with the low loan demands, this policy is facing the challenge of NPL. Until the end of May 2020, BBKA has received loan restructure requests amounting to IDR92.09 trillion. With that in mind, we recommend BBKA as our stock pick with a target price of IDR30,100 using forward assumption P/B 4.4x.

JCI - one month



INNI Index – one month



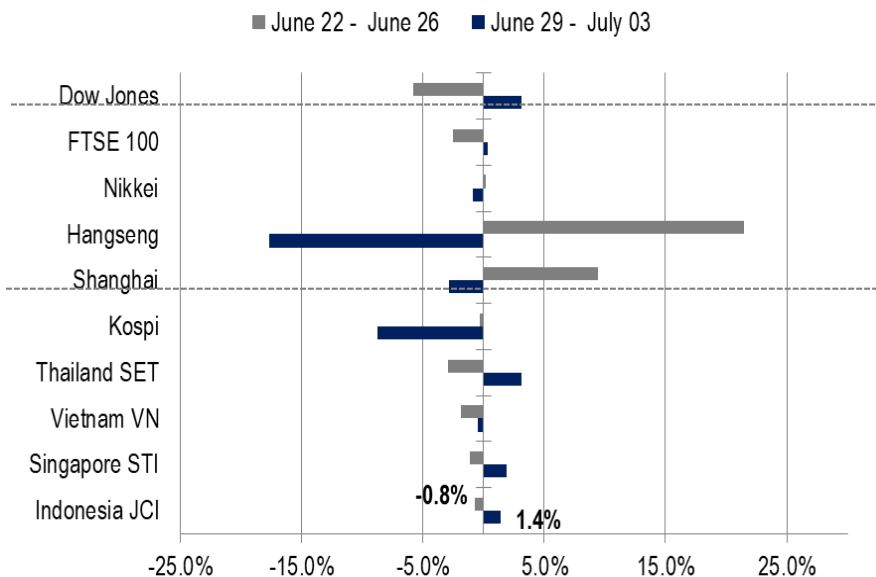
Last Week's JCI Movement

- JCI Index : 4,973.79 (+1.4%)
- Foreign Flow : Net sell of IDR1.6 trillion (vs. last week's net sell of IDR2.2 trillion)
- USD/IDR : 14,523 (+2.13%)
- Yields of sovereign bond with 10-years tenor : 7.224% (+3.00 bps)

JCI Gained for the Week

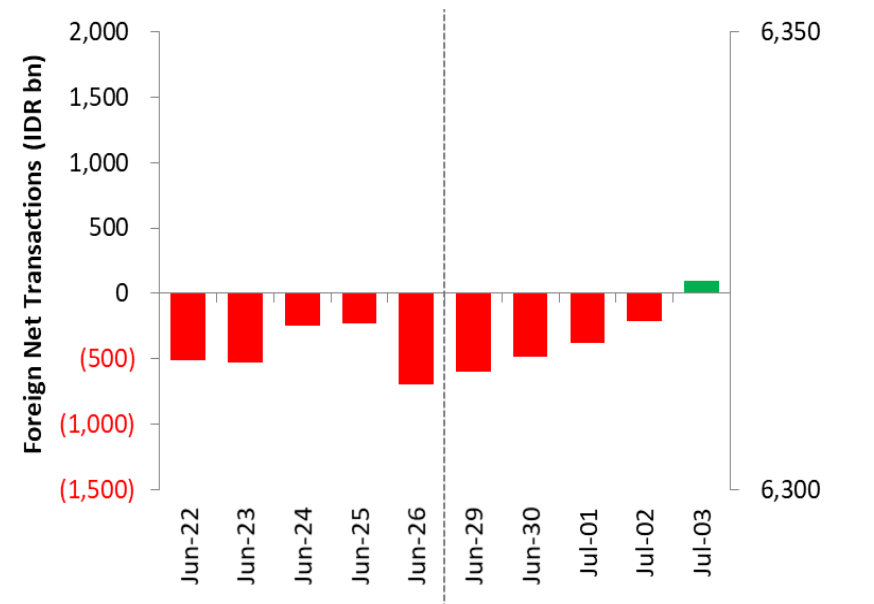
The JCI recorded slight decline in the beginning of last week due to the lack of positive sentiments domestically, followed by the flow of foreign capital out of the IDX. Currently, investors tend to take a wait and see approach ahead of the 2Q20 financial statement season. On July 1, the Jakarta Composite Index closed higher after the release of inflation data by the Central Statistics Agency (BPS). Annually, June 2020 inflation was 1.96%, lower than in May 2020 which was at the level of 2.19%. On the following day, the JCI continued to strengthen, supported by the Indonesian Purchasing Managers' Index (PMI) data at the 39.1 level, up from May 2020 which was 28.6. This increase was caused by business activities that have begun to gradually open. On July 3, the JCI closed slightly higher, supported by the mining sector and basic industries. Over the past week, the JCI closed stronger by 1.4% to 4,973.

Global Market Movement



Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

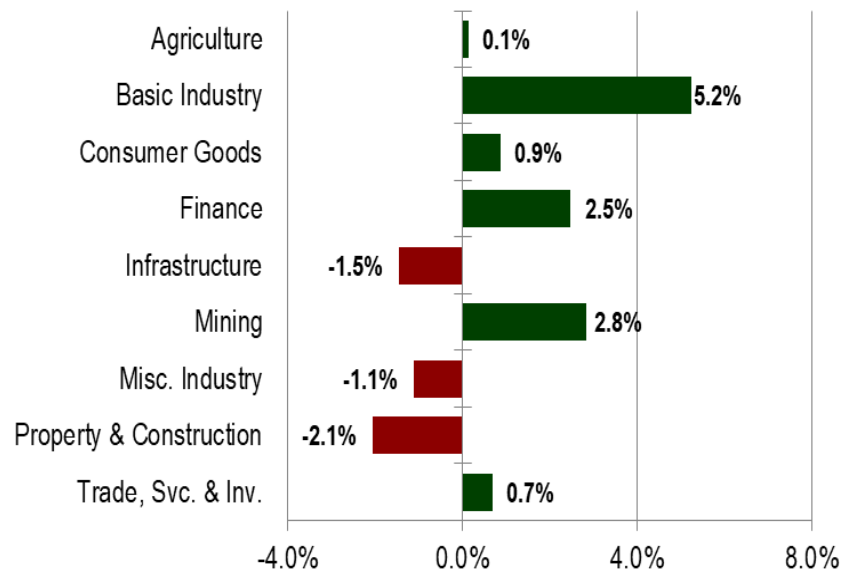
Last Week's INNI Movement

•INNI Index	: 4,736.17
Last week's INNI Index	: 4,722.49
Change (%)	: 13.68 (+0.3%)

INNI Index in the Green

At the beginning of the week (29/06), INNI Index closed lower, depressed by construction stocks ---WIKA (-2.8%). As a note, WIKA booked a new contract amounting to IDR2.9 trillion until the end of May. However, the next day, INNI Index rebounded with the support of mining stocks ---ANTM (+1.7%) as rally on gold price futures for the August 2020 contract in the Comex exchange. The surge on INNI index continued until 3 July, supported by the property segment---CTRA (+6.6%). The strengthening of property stocks was caused by the Ministry of Public Works and Public Housing that ensures all construction project continues amid the Covid-19 pandemic. Meanwhile, on July 3rd, INNI index closed weaker, with one of the pressures coming from retail stocks ---MAPI (-3.3%) after the release of 1Q20 financial report that booked a 94% drop of net profit due to the decrease in same stores sales growth (SSSG). For the past week, INNI index still recorded a slight increase of 0.3% to level 4,736.

JCI Sector Movement



Source: Bloomberg, NHKSI Research

INNI Index's Top Gainers & Losers

Gainers	%	Losers	%
UNTR	4.1%	MAPI	-6.3%
INCO	3.9%	TLKM	-2.5%
BBCA	3.9%	WIKA	-1.6%
SMGR	3.2%	ASII	-1.0%
KLBF	2.8%	CTRA	-0.8%

Source: Bloomberg, NHKSI Research

This Week's Outlook: Domestic and Global's Market Direction

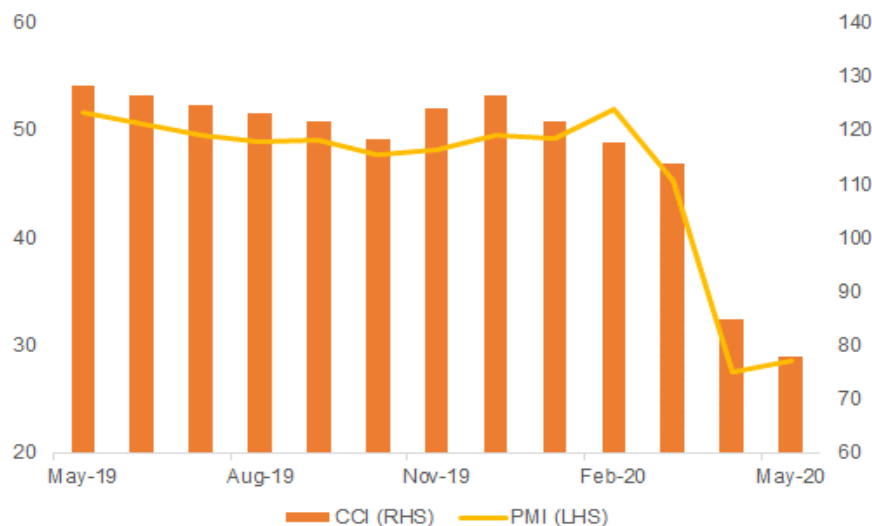
- **Public Beginning to be Optimistic**

On Monday (06/07), BI will announce the June 2020 Consumer Confidence Index. Previously, the 2020 May CCI was recorded at 77.8 or lower than the previous month at 84.8. The perception of Indonesians to the domestic economy has made the CCI level move further away from the optimistic level, which is more than 100. We project that the June 2020 CCI will be better, after a number of business activities reopened. The consumer confidence is also supported by better Indonesian manufactures. IHS Markit records that the Indonesian manufacturing PMI in June is at level 39.1. This number is higher by 10.5 points from the previous month at 28.6. The increase in PMI this June is an indication that the easing of restrictions put in place to control the Covid-19 pandemic can improve manufacturing industry activity. On the other hand, the increase of economic activity is expected to drive credit demand for businesses.

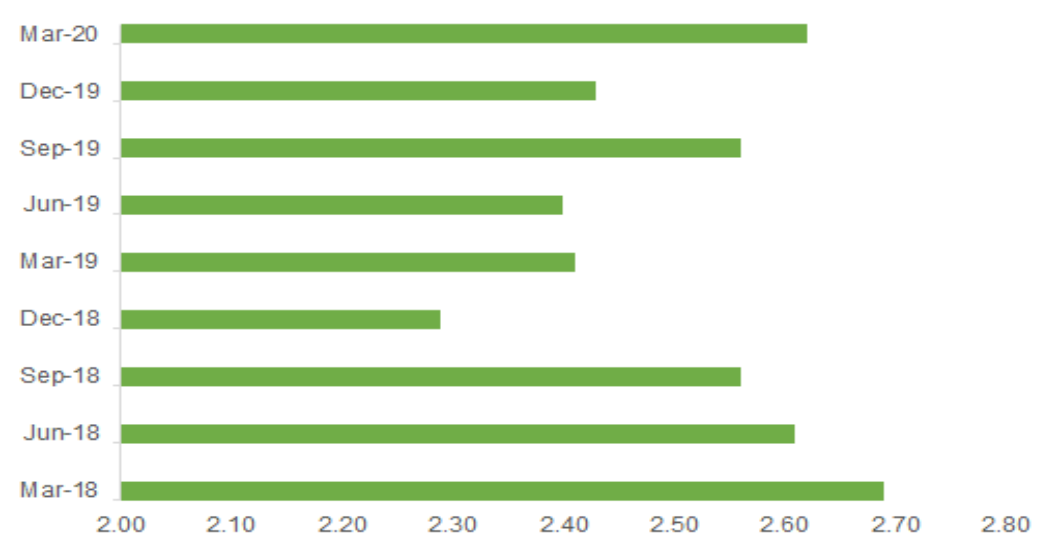
- **PMK Number 70/PMK.05/2020 Facilitates Business**

Regulation of Minister of Finance number 70/PMK.03/2017 on placement of government funds amounting to IDR30 trillion to government-owned banks under State-owned Banks Association (Himbara). This policy which functions to accelerate economic recovery, must be followed by credit demands from the business world. Other than low credit demand, this regulation also faces the challenge of non-performing loans (NPL) in the banking industry. The Financial Services Authority (OJK) reports that the commercial banks NPLs rose from 2.89% in April to 3.01 in May 2020. As a solution, banking can provide soft loans with longer tenure. Banking can offer credit rates of around 1%-3% in 10 to 30 years. As a note, the current banking credit rates are around 10%-12%.

Indonesian CCI vs PMI Manufacturing | May 19 – May 20



Indonesian Bank NPL (%) | Mar. 18 – Mar. 20



This Week's Outlook : Banking Sector

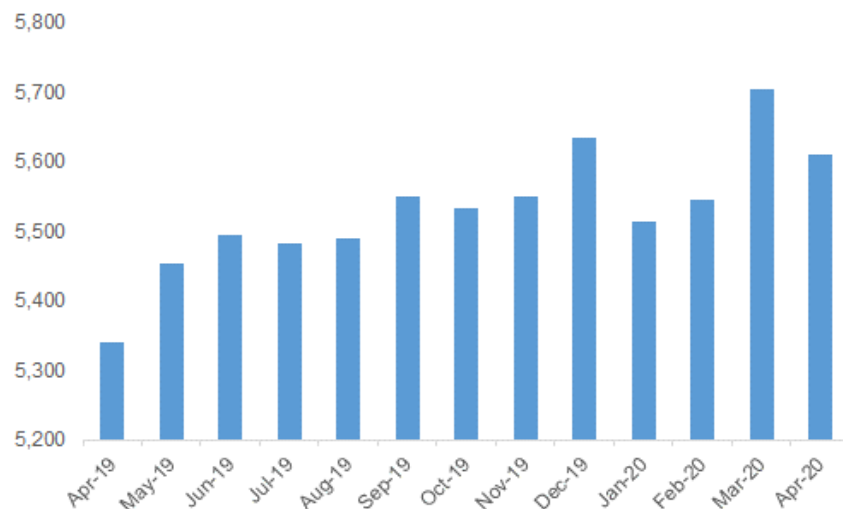
- **Different Loan Distribution Targets**

Banks under Himbara such as Bank Mandiri, Bank Rakyat Indonesia, Bank Negara Indonesia, and Bank Tabungan Negara have all had their own loan distribution targets in applying PMK Number 70/PMK/05/2020. The four banks will mostly distribute loans to the Micro, Small and Medium Enterprises (UMKM), and subsidized home ownership credit (KPR) with longer tenures. Meanwhile, the government funds in the four banks are placed for 3 months with deposit rate of 3.42%. With this placement, Himbara banks target to channel loans amounting to IDR188.57 trillion until the end of 2020.

- **No Need for Large Funds**

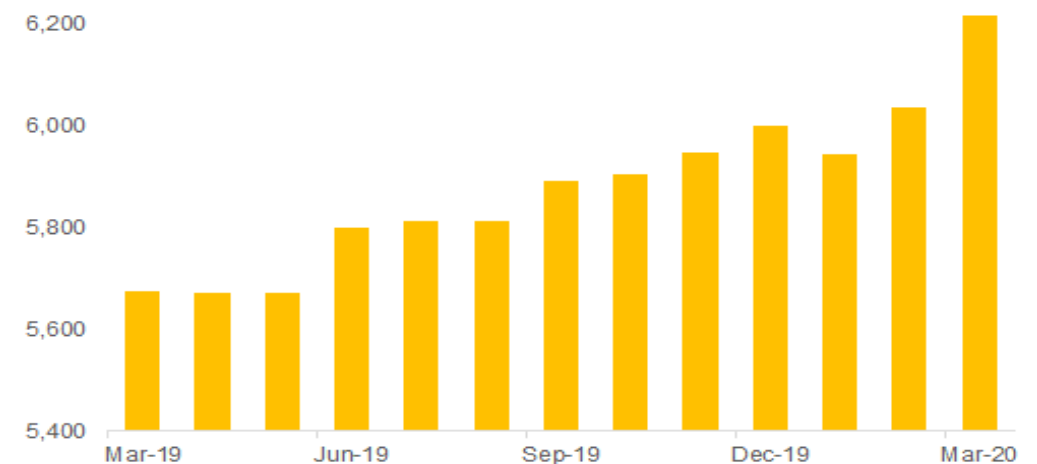
The domestic economy that has not fully recovered means that there is no demand for large funding amounts. While only state-owned banks will receive fund placements (PMK Number 70/PMK.05/2020), private banks such as Bank Central Asia Tbk (BBCA) also still have high liquidity. BBCA continues to book an increase of third party funding (DPK), in the forms of savings, current accounts, or deposits. BBCA booked DPK amounting to IDR741.02 trillion in 1Q20, or up by 5.1% QoQ or 16.8 YoY. We see that BBCA's liquidity growth is quite good amid the decreasing loan demands, followed by selective lending, so there is little need for liquidity. On the other hand, the banking sector is focusing on credit restructuring for debtors affected by the Covid-19 outbreak, while also keeping NPL at a safe level.

Indonesian Bank Loan (IDR Tn) | Apr. 19 – Apr. 20



Source: OJK, Bank Indonesia, NHKSI Research

Indonesian Bank Third Party Fund (IDR Tn) | Apr. 19 – Apr. 20



Source: Bank Indonesia, NHKSI Research

Bank Central Asia Tbk (BBCA IJ – Banking)

Target Price	30,100
Consensus Price	30,057
Last Price (IDR) as of July 3, 2020	29,350
TP vs. Last Price (%)	2.6%

Liquidity:	
LDR	77.6%
CASA Ratio	76.7%

IDR bn	FY2018	FY2019	FY2020E	FY2021E
Int. Income	57,767	63,838	64,384	69,770
y-y (%)	5.6	12.5	0.9	8.4
Op. Revenue	63,034	71,623	74,927	83,940
Net Profit	25,848	28,565	27,380	27,932
EPS (IDR)	1,048	1,159	1,111	1,133
P/E (x)	24.8	28.8	30.1	29.5
P/BV (x)	4.2	4.7	4.4	3.9

- **NHKSI** recommends BBCA as a stock pick with the target price of IDR30,100 with forward P/B assumption of 4.4x. Supported by the balance sheet and the maintained ratio of CASA, BBCA is worthy of a higher valuation. Meanwhile, BBCA's CAR ratio is far beyond the minimum requirement of 18.5% at 22.5%. The high CAR indicates that BBCA have a strong capital in facing the restructuring of loans affected by Covid-19.

- **Net Profit Growth amid Pandemic**

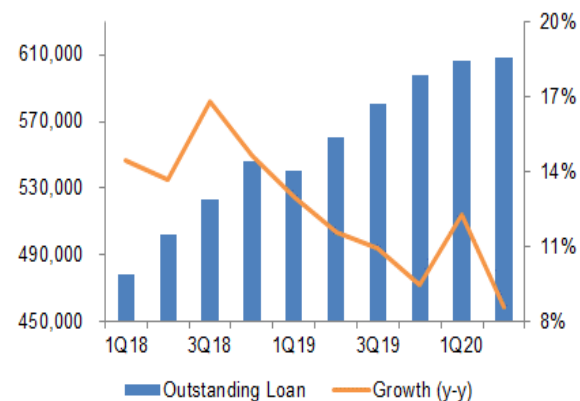
BBCA has consolidated net profit of IDR6.58 trillion in 1Q20 or growing by 8.6% compared to 8.6% in 1Q19. This growth is in the midst of Indonesian economy which has begun to be affected by the Covid-19 pandemic in March 2020. As of March, BBCA recorded a loan distribution of IDR612.16 trillion, growing 12.3% YoY. The corporation segment as the largest portion continues to grow significantly by 25.4% to IDR260.4% at the end of March. Then followed by the commercial and SME loans, and consumers, each growing 5% and 3% YoY. Meanwhile, BBCA is still capable of keeping the NPL ratio low at 1.6%

3-Year P/BV Trailing Band



Source : Bloomberg, NHKSI Research

Outstanding Loan (IDR bn) | 1Q18 - 1Q20



Source : Company Data, NHKSI Research

Net Profit (IDR bn) | 1Q18 - 1Q20



Source: Company Data, NHKSI Research

INNI Index's Stocks List

	Last Price	Last Week's Price	2020's Price Target	Rating	Upside Potential (%)	One-Week Change (%)	Market Cap. (IDR tn)	Price / EPS (TTM)	Price / BVPS	Return on Equity (%)	Dividend Yield TTM (%)	Sales Growth Yoy (%)	EPS Growth Yoy (%)
Finance													
BBCA	27,875	28,350	28,950	Hold	3.9	-1.7%	697.1	24.0x	4.1x	17.6	2.0	13.9	8.5
BBRI	3,100	3,030	3,010	Hold	(2.9)	2.3%	375.0	10.8x	2.1x	18.6	5.5	13.0	(0.3)
Consumer													
GGRM	49,000	47,200	59,550	Buy	21.5	3.8%	90.3	8.2x	1.7x	21.8	5.5	4.1	3.9
KINO	3,400	3,130	2,950	Hold	(13.2)	8.6%	4.8	17.6x	1.8x	10.5	3.2	11.1	(81.3)
ICBP	8,925	8,600	9,850	Hold	10.4	3.8%	107.6	18.9x	3.9x	22.6	1.5	6.7	47.8
KLBF	1,460	1,380	1,630	Hold	11.6	5.8%	68.0	26.3x	4.1x	16.3	1.4	8.0	12.5
Infrastructure													
TLKM	3,280	3,030	3,800	Buy	15.9	8.3%	316.0	16.9x	3.2x	18.8	5.1	3.7	3.5
JSMR	4,130	3,980	4,600	Hold	11.4	3.8%	31.9	14.4x	1.6x	12.0	0.3	(45.3)	0.5
Trade													
UNTR	17,850	16,450	19,000	Hold	6.4	8.5%	61.6	6.1x	1.0x	16.9	7.3	(19.0)	(40.2)
MAPI	775	750	820	Hold	5.8	3.3%	13.0	14.0x	2.1x	16.1	1.3	14.0	27.3
Property													
CTRA	715	685	810	Hold	13.3	4.4%	11.8	11.1x	0.8x	7.2	1.6	(8.3)	(33.3)
WSKT	745	730	960	Buy	28.9	2.1%	9.8	36.9x	0.6x	1.5	0.5	(51.9)	(94.1)
WIKA	1,265	1,260	1,840	Buy	45.5	0.4%	11.0	5.3x	0.8x	14.3	4.1	(35.4)	(65.3)
Basic Ind.													
SMGR	9,500	9,400	10,925	Hold	15.0	1.1%	56.3	21.9x	1.7x	8.0	2.2	5.6	66.7
Misc Ind.													
ASII	4,890	4,790	5,800	Buy	18.6	2.1%	198.8	9.3x	1.3x	14.4	4.4	(9.4)	(7.8)
Mining													
TINS	605	590	830	Buy	37.2	2.5%	4.4	N/A	0.8x	(10.7)	4.2	3.5	N/A
PTBA	2,280	2,390	2,900	Buy	27.2	-4.6%	23.7	6.0x	1.2x	20.6	15.8	(4.0)	(25.0)
INCO	2,890	2,830	3,500	Buy	21.1	2.1%	27.9	18.4x	1.0x	5.6	N/A	38.1	N/A
ANTM	610	580	600	Hold	(1.6)	5.2%	14.7	75.7x	0.8x	1.1	0.5	29.4	(88.1)
Agriculture													
AALI	8,400	8,275	10,000	Buy	19.0	1.5%	16.3	29.9x	0.9x	2.9	0.6	13.3	891.7

Source : Bloomberg, NHKS Research

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