

Weekly Brief (July 17 – 21, 2023)

Summary:

Last week review:

Highlight of the week: Global CPI data. Starting with China which revealed mounting deflationary pressures, their PPI (June) recorded the sharpest decline since 2015 triggered by both weak domestic & foreign demand; and CPI (June) which also remained flat at 0% YoY, the slowest growth since 2021. The data release strengthens speculation that China's central bank will continue to cut interest rates and unveil new stimulus measures to provide fuel for the post-pandemic economic recovery. On the other hand, at least there are starting to be bright spots from China which reported that new credit disbursed to individual consumers & corporations in June managed to rise significantly to CNY 3.05 trillion, far exceeding expectations and more than twice the amount in the previous month.

Global investors welcomed the US Inflation rate which in June successfully eased to 3% YoY, compared to 4% in May. However, what becomes an obstacle is the position of Core CPI (June) which is still at 4.8% YoY (although it has cooled down from May at 5.3%); which is still twice as high as the Federal Reserve's 2% target. The data underscores the expectation that the Federal Reserve does not need to raise interest rates again after the 25bps planned for the July FOMC Meeting.

From Europe, Germany reported its CPI (Jun) heating up at 6.4% yoy and 0.3% mom. It's no surprise that the German ZEW Current Conditions & Economic Sentiment (Jul) depicts that market participants in Germany are still looking a little pessimistic about the economic situation & business sentiment in the next 6 months. France reported the good news that their Inflation rate (June) eased to 4.5% yoy, compared to May at 5.1%. Overall, Industrial Production for all Euro Zone countries recorded a weakening in May at -2.2% yoy compared to the previous month's positive 0.2%.

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Another sentiment that moved the market was the rise in the S&P500 banks index where market participants are looking forward to the release of performance from major banks such as JPMorgan Chase on Friday which will start the 2Q23 earnings season. The US banking sector is expected to report higher earnings in 2Q23, as higher lending rates offset lower loan volumes.

From the East, South Korea reported Unemployment Rate (June) grew at 2.6% (vs 2.5% on May). They reported Export & Import Price Index (June) which dropped further below estimates. South Korea's central bank has also set interest rates to remain flat at 3.5%. Meanwhile, Japan reported Core Machine Orders (May) which fell unexpectedly sharp on both an annual and monthly basis. Not surprisingly, their PPI (June) figure also missed expectations, and even still saw monthly deflation of 0.2% MoM (following -0.7% in May).

Bank Indonesia (BI) noted that consumer confidence towards economic conditions has decreased slightly, reflected in the June Consumer Confidence Index (CCI) at 127.1, down slightly from 128.3 in May. BI believes that the reading is still maintained in the strong zone, supported by consumer optimism for a solid Current Economic Conditions Index and Consumer Expectations Index. The Healthcare sector was one of the top gainers last week after the passing of the Health Law by the House of Representatives (which was marred by demonstrations by a number of health professional organizations). Positive sentiment for the JCI last week which managed to record a gain of 2.28% (supported by Foreign Net Buy of IDR 563.17bn) also came from the comments of Finance Minister Sri Mulyani Indrawati who expects Indonesia's economic growth to reach a range of 5.0 - 5.3% by the end of 2023. For the first semester of 2023, the Indonesian economy is estimated to reach a range of 5.0 - 5.2%, while for the second semester of 2023 it is estimated to reach 5.0 - 5.3%. Sri Mulyani said that the economic growth will be supported by consumption and exports that are maintained until the end of the year.

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This week's outlook:

2Q23 corporate performance reports will color the market this week, plus economic data related to economic growth and Inflation data from European countries will still grab the attention of financial market participants; meanwhile Crude Oil is expected to be able to book another weekly gain. US Retail sales (June) is expected to increase 0.5% mom, driven by rebounding auto sales and higher gas station sales, suggesting that consumer demand remains resilient. Investors will also get an update on the health of the housing sector with the Building Permits, Housing Starts, & Existing Home Sales reports. There will also be regional manufacturing activity reports, which are expected to remain sluggish along with weekly Initial Jobless Claims data.

A series of economic data from China on Monday is expected to further show China's post-pandemic economic revival is still losing momentum rapidly, fueling expectations that Beijing will soon need to implement more stimulus measures. China's GDP is expected to grow by 7.3% yoy in Q2/2023, compared to 4.5% growth in the first quarter. Meanwhile Japan expects to reduce its Trade Balance deficit to JPY 46.7bn on the back of Export growth. Japan expects economic growth to be reflected in National CPI (June) data which is predicted to rise to 3.5% yoy (vs previous 3.2%) The UK will release June inflation data on Wednesday and investors will be watching closely as it is likely to determine the size of the Bank of England's next interest rate hike. UK CPI (May) is expected to fall to 8.2% yoy from 8.7% in May as food and fuel prices fell. Core inflation is also expected to be slightly lower, but the services component is expected to remain stable at a post-COVID high of 7.4%. The UK will see if their Retail Sales (June) are able to curb the long-running decline to -1.5% yoy, from the last level of -2.1%. The Euro Zone itself will also face the reality of whether their Inflation figure (June) is able to cool further to 5.5% yoy, lower than May's 6.1%.

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This week's outlook:

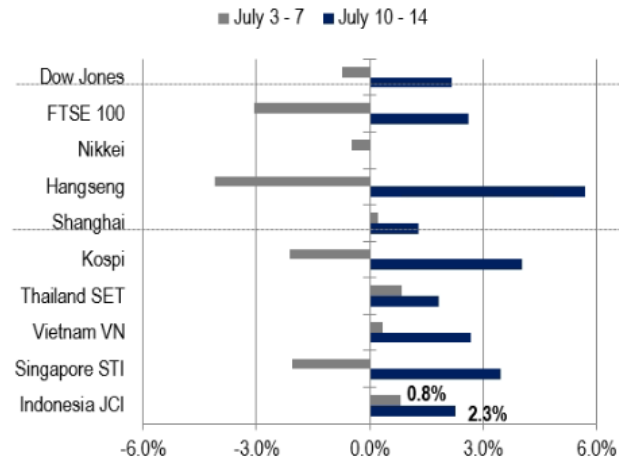
Indonesia itself will start the week with the Trade Balance (June) reading where the figure is expected to expand by USD 1.35 billion, after a drop of USD 440 million last month. However, the achievement holds a big question mark regarding Export & Import growth in June. Indonesia will also monitor Retail Sales growth which the other day slowed to -4.5%.

World crude oil prices recorded a third consecutive weekly gain last week of almost 2% and the rally could continue this week on the back of easing inflation, plans to replenish US strategic reserves, as well as production cuts by OPEC+ and inventory disruptions in Libya & Nigeria.

JCI Index : 6,869.57 (2.3%)
Foreign Flow : Net Buy of IDR 1.2 Trillion (Vs. last week's net buy of IDR 631 billion)
USD/IDR : 14,958 (-1.17%)

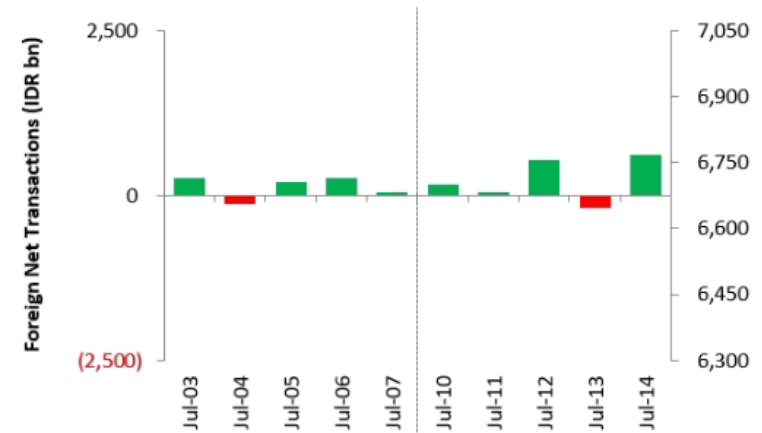
Last Week's JCI Movement

Global Market Movement



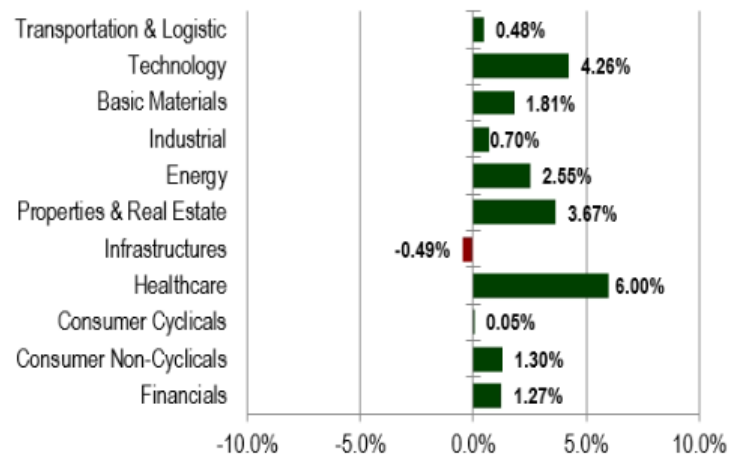
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



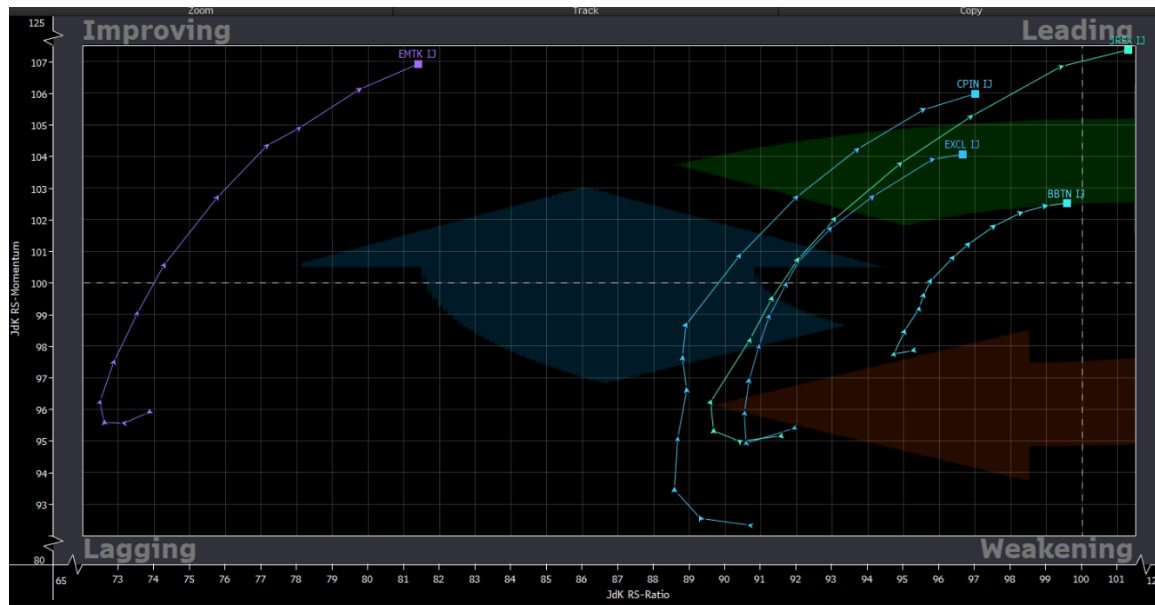
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BBRI	432,417	BBNI	570,116
BBCA	428,555	INDF	43,260
KLBF	107,772	BMRI	26,406
ASII	87,046	AKRA	20,725
ICBP	34,868	ITMG	14,631

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
JPFA	1395-1410 / 1500-1530	1340
CPIN	5950-6000	5275
EMTK	800 / 840 / 1000 / 1110	730
BBTN	1340-1350 / 1400 / 1415-1430	1300
EXCL	2100-2130 / 2240-2270	1980

Source: Bloomberg, NHKSI Research

JCI Index

Support	6765-6745 / 6710-6700 / 6620-6600 / 6560-6550	Resistance	6900 / 6960-6970 / 7000
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Source: NHKSI Research, Bloomberg

Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
Monday	US	19:30	Empire Manufacturing	Jul	0.0	6.6
<i>17 – July</i>	CH	09:00	GDP YoY	2Q	7.1%	4.5%
	CH	09:00	Industrial Production YoY	Jun	2.5%	3.5%
	CH	09:00	Retail Sales YoY	Jun	3.2%	12.7%
	ID	11:00	Trade Balance	Jun	\$1162m	\$440m
Tuesday	US	19:30	Retail Sales Advance MoM	Jun	0.5%	0.3%
<i>18 – July</i>	US	20:15	Industrial Production MoM	Jun	0.0%	-0.2%
	JP	11:30	Tertiary Industry Index MoM	May	0.4%	1.2%
Wednesday	US	18:00	MBA Mortgage Applications	Jul 14	—	0.9%
<i>19 – July</i>	US	19:30	Housing Starts	Jun	1465K	1631K
	US	19:30	Building Permits	Jun	1483K	1491K
Thursday	US	19:30	Initial Jobless Claims	Jul 15	—	237K
<i>20 – July</i>	US	21:00	Existing Home Sales	Jun	4.25m	4.30m
	US	21:00	Leading Index	Jun	-0.6%	-0.7%
	JP	06:50	Trade Balance	Jun	-¥46.7b	-¥1372.5b
	JP	13:00	Machine Tool Orders YoY	Jun F	—	-21.7%
Friday	KR	04:00	PPI YoY	Jun	—	0.6%
<i>21 – July</i>	JP	06:30	Natl CPI YoY	Jun	3.3%	3.2%
	JP	06:30	Natl CPI Ex Fresh Food YoY	Jun	3.2%	3.2%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	DEAL, TAXI
<i>17 – July</i>	Cum Dividend	—
Tuesday	RUPS	GMCW
<i>18 – July</i>	Cum Dividend	—
Wednesday	RUPS	—
<i>19 – July</i>	Cum Dividend	—
Thursday	RUPS	MDIA, TRIS, VIVA, YELO
<i>20 – July</i>	Cum Dividend	—
Friday	RUPS	AMIN
<i>21 – July</i>	Cum Dividend	—

Source: NHKSI Research

NH KSI Stocks Coverage

	Last Price	End of Last Year Price	Target Price*	Rating	Upside Potential (%)	1 Year Change (%)	Market Cap (IDR tn)	Price / EPS (TTM)	Price / BVPS	Return on Equity (%)	Dividend Yield TTM (%)	Sales Growth Yoy (%)	EPS Growth Yoy (%)	Adj. Beta
Finance							3,664.6							
BBCA	9,250	8,550	10,050	Overweight	8.6	32.1	1,140.3	25.8x	5.4x	21.8	2.2	22.1	44.6	0.9
BBRI	5,600	4,940	6,000	Overweight	7.1	36.3	848.7	15.5x	3.0x	19.8	5.1	10.3	28.8	1.1
BBNI	9,000	9,225	12,000	Buy	33.3	23.7	167.8	8.6x	1.2x	14.7	4.4	12.5	31.6	1.2
BMRI	5,450	4,963	6,300	Buy	15.6	51.9	508.7	11.6x	2.3x	21.2	4.9	16.0	25.1	1.3
AMAR	298	232	392	Buy	31.5	3.5	5.5	N/A	1.3x	(4.3)	N/A	0.7	N/A	0.9
Consumer Non-Cyclicals							1,222.3							
INDF	7,425	6,725	8,600	Buy	15.8	7.6	65.2	8.3x	1.1x	14.4	3.5	11.3	62.8	0.5
ICBP	11,725	10,000	13,000	Overweight	10.9	25.4	136.7	20.7x	3.4x	17.3	1.6	11.4	104.2	0.5
UNVR	4,270	4,700	4,850	Overweight	13.6	(11.6)	162.9	34.3x	30.5x	81.0	3.3	(2.2)	(30.2)	0.5
MYOR	2,540	2,500	3,200	Buy	26.0	34.4	56.8	23.9x	4.3x	19.1	1.4	11.4	135.7	0.7
CPIN	5,475	5,650	5,500	Hold	0.5	(2.2)	89.8	45.3x	3.4x	7.5	2.0	1.9	(79.5)	0.5
JPFA	1,385	1,295	1,300		(6.1)	(4.8)	16.2	28.4x	1.3x	4.5	3.6	(3.2)	N/A	0.7
AALI	7,900	8,025	9,200	Buy	16.5	(11.5)	15.2	10.4x	0.7x	6.8	5.1	(27.7)	(53.5)	1.0
Consumer Cyclicals							411.4							
ERAA	482	392	600	Buy	24.5	(1.6)	7.7	8.0x	1.1x	14.2	3.9	28.9	(21.1)	0.8
MAPI	1,820	1,445	2,000	Overweight	9.9	103.4	30.2	15.0x	3.6x	27.1	0.4	32.5	(30.6)	0.8
Healthcare							296.7							
KLBF	2,060	2,090	2,300	Overweight	11.7	22.6	96.6	28.1x	4.5x	16.4	1.8	12.2	3.1	0.4
SIDO	730	755	1,000	Buy	37.0	(24.4)	21.9	19.7x	7.0x	35.8	5.0	3.0	1.8	0.6
MIKA	2,910	3,190	3,000	Hold	3.1	5.8	41.5	41.9x	7.2x	17.9	1.3	(6.0)	(14.5)	0.3
Infrastructure							873.02							
TLKM	3,960	3,750	5,000	Buy	26.3	(4.6)	392.3	18.6x	2.9x	16.0	4.2	2.5	5.0	0.8
JSMR	3,920	2,980	5,100	Buy	30.1	12.0	28.5	10.0x	1.3x	13.2	1.9	21.2	34.3	0.8
EXCL	2,050	2,140	3,800	Buy	85.4	(11.6)	26.9	19.2x	1.0x	5.1	2.0	11.9	23.1	0.8
TOWR	1,075	1,100	1,370	Buy	27.4	(5.7)	54.8	16.0x	3.5x	23.8	2.2	9.4	(11.8)	0.3
TBIG	1,985	2,300	2,390	Buy	20.4	(34.3)	45.0	28.8x	3.8x	14.5	1.8	(1.4)	(25.6)	0.4
MTEL	670	800	865	Buy	29.1	(6.3)	56.0	30.5x	1.6x	5.3	3.2	9.9	9.1	N/A
WIKA	510	800	1,280	Buy	151.0	(44.0)	4.6	N/A	0.4x	(4.6)	N/A	37.4	N/A	1.2
PTPP	635	715	1,700	Buy	167.7	(28.7)	3.9	14.0x	0.4x	2.5	N/A	1.9	20.0	1.1

Source : Bloomberg, NH KSI Research

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Property & Real Estate							269.1							
CTRA	1,100	940	1,500	Buy	36.4	33.3	20.4	11.0x	1.1x	10.2	1.4	(4.6)	(4.3)	0.9
PWON	496	456	690	Buy	39.1	15.3	23.9	13.5x	1.3x	10.3	1.3	5.9	60.5	1.1
Energy							1,226.7							
PGAS	1,375	1,760	1,770	Buy	28.7	(10.1)	33.3	7.3x	0.8x	10.9	10.3	11.6	(20.0)	0.9
PTBA	2,800	3,690	4,900	Buy	75.0	(28.9)	32.3	2.8x	1.1x	41.1	39.1	21.4	(48.9)	1.0
ADRO	2,390	3,850	3,900	Buy	63.2	(13.4)	76.4	1.9x	0.8x	46.2	20.4	50.1	15.3	1.3
Industrial							437.0							
UNTR	24,325	26,075	32,000	Buy	31.6	(16.2)	90.7	4.1x	1.0x	27.2	28.8	24.7	26.6	0.9
ASII	6,775	5,700	8,000	Buy	18.1	13.9	274.3	8.9x	1.4x	16.3	9.4	15.5	27.2	1.1
Basic Ind.							1,091.3							
SMGR	6,850	6,575	9,500	Buy	38.7	7.7	46.3	17.4x	1.1x	6.1	3.6	4.5	(2.1)	0.9
INTP	10,300	9,900	12,700	Buy	23.3	12.9	37.9	17.4x	1.8x	10.0	1.6	19.3	109.8	0.8
INCO	6,425	7,100	8,200	Buy	27.6	34.7	63.8	18.4x	1.7x	9.9	1.4	54.5	45.6	1.2
ANTM	2,010	1,985	3,450	Buy	71.6	30.5	48.3	12.0x	1.9x	16.9	4.0	18.9	13.5	1.4

Source : Bloomberg, NH KSI Research

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