

Weekly Brief (July 31 – August 4, 2023)

Summary:

Last week review:

Last week was dominated by a number of central bank meetings, where the Federal Reserve and European Central Bank raised US & Eurozone interest rates by 25 bps to 5.25-5.50% and 4.25% respectively, with market participants expecting them to move closer to the end of the rate hike cycle; while Bank Indonesia's Board of Governors Meeting kept the BI7DRR rate unchanged at 5.75%. The Bank of Japan on Friday adjusted its yield curve control scheme, offering to buy 10-year Japanese government bonds beyond the previous 0.5% target rate while keeping the benchmark short-term interest rate unchanged at -0.1% and the long-term bond yield at zero. The move brings the BOJ more in line with other major central banks, which have been raising interest rates aggressively to reduce inflation.

For the previous week, the Nasdaq surged 2.02%, the S&P500 rose 1.01%, and the Dow Jones gained 0.66%. The gains put the S&P500 at its highest close since April 4, 2022. On Wednesday, Federal Reserve Chairman Jerome Powell said the Fed does not foresee the US economy heading into recession, yet did not rule out the possibility of further interest rate hikes, with decisions to be made based on future economic data. He also emphasized that a rate cut is highly unlikely this year as US (core) inflation is still far from the Fed's target of 2%. Confidence in the US being able to be free from recession was supported by the US GDP report for Q2/2023 which turned out to be released stronger than expected (grew 2.4% yoy) despite the upward trend in interest rates by the Federal Reserve and European Central Bank. Meanwhile, the Labor Department announced weekly Initial Jobless Claims which was also better than expected (actual: 221k vs forecast: 235k, previous: 228k) as fewer people filed unemployment claims. One more data from the property sector, namely Pending Home Sales (June) which also turned out to be able to grow into positive territory from a minus position in May. As a result, US Consumer Confidence for July was able to perch at the highest level in 11 months.

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Adding to the positive sentiment of US bourses in the past week, more than half of the companies listed on the S&P500 have reported second-quarter earnings on Friday, of which 78.7% have exceeded analysts' expectations, according to Refinitiv data. The corporate earnings reports grabbed traders' attention to the exclusion of the S&P Global Composite PMI (July) survey that showed July US business activity remained at a five-month low contraction, dragged down by slowing growth in the services sector. Speaking of Global PMIs, from Japan, as well as Germany, France, Euro Zone, and the UK; none of them showed any expansionary business activity in July, from either the manufacturing or services sectors, all of which showed weakness from the previous month which was already wallowing in contractionary territory. However, the US Consumer Confidence (July) report did jump to 117 (the highest level in 2 years), as optimism regarding the tight labor market overcame fears of an impending recession. Unfortunately, the optimistic view was not felt by Germany, which described the business climate and economic outlook for the next 6 months as still gloomy as the German IFO Business Climate Index (July) was released lower than expected & unable to exceed the level of June's reading.

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From Europe, ECB President Christine Lagarde stated in her press conference that the ECB will make decisions regarding the trend of interest rates by monitoring economic data reports; and determine whether to pause or hike gradually (meeting by meeting), or at one meeting at a time. Similar to the Fed, she also emphasized that a rate cut is not possible for now. On Sunday, Lagarde said that the latest data on 2Q23 GDP in France, Germany and Spain were encouraging and confirmed the European Central Bank's expectation that they are able to support the GDP growth scenario of 0.9% in the Euro Zone. No surprise that the Gfk German Consumer Climate (Aug) explains a slightly more optimistic consumer confidence over economic activity in August. Finally the IMF released its latest global economic projections where they cut global economic growth from the previous 3.5% to 3% this year and next year. The IMF also expects developed countries' economic growth to drop to 1.5% this year 2023 from 2.7% in 2022, and will still drop to 1.4% in 2024; less than the achievements of developing countries which are predicted this year to stay at the same 4% level as last year and even increase to 4.1% in 2024.

New York West Texas Intermediate, or WTI, crude oil, along with London-based Brent oil have both ended gaining for the fifth consecutive week, under the catalyst of tighter supply versus OPEC+ production cut plans; plus the key to China's continued stimulus implementation plans to further stimulate its economy. On Friday, WTI for September delivery settled at \$80.58, up 49 cents, or 0.6%. The US crude benchmark hit a 3-month high of \$80.69. For the past week, WTI prices rose 4.6% after a cumulative gain of 11.4% over the previous four weeks. With only one session left for July, WTI has climbed 14% this month. Brent for October delivery closed Friday's session at \$84.99 - up 75 cents, or 0.9%. Brent appreciated by 4.8% last week, adding to the previous four weeks' price increase of 9.8%. For the month of July, Brent has jumped more than 12%.

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This week's outlook:

Performance reports from major Tech companies and US employment data for July will be the main highlights of the week. Investors will also focus on the Bank of England's latest interest rate decision and a host of economic data from the Eurozone and China. Friday's US Nonfarm Payrolls are expected to show that the economy added 184,000 jobs in July, while the unemployment rate remained at a historical low of 3.6% and Average hourly wages declined. The strength of the labor market has been a key factor in shaping the view that the economy is heading towards a so-called soft landing where inflation is able to cool amid fairly solid economic growth.

US corporate earnings sentiment will still grab the attention of market participants, but some investors are wary that the rally in technology stocks, partly driven by optimism over developments in artificial intelligence (AI), may soon falter as the tech-heavy Nasdaq 100 index is up nearly 44% this year, while the S&P 500 information technology sector has gained nearly 46%.

The Bank of England will hold a meeting to set its latest interest rate on Thursday and market participants are divided on whether policymakers will return to a 25 basis point rate hike after a 50 bps increase in June. UK inflation has not risen since February and there are signs that price pressures are easing. But June inflation at 7.9% is the highest among major European economies and remains well above the BOE's 2% target, so markets should not rule out the possibility of a 50-bps hike, especially if policymakers think they may need to raise again in September. As for the BOE, it has been criticized for being behind the curve (inflation cooling) after inflation continued to rise higher than expected, despite 13 consecutive rate hikes since December 2021 which raised the possibility of a recession.

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The Eurozone will release preliminary estimates of July inflation and second-quarter GDP on Monday which will be closely watched amid debate over whether the European Central Bank could raise interest rates again at its next meeting in September. The GDP data is expected to show that the bloc's economy returned to growth in the second quarter, while inflation is expected to moderate slightly. Inflation in the Eurozone has halved since its peak last October, but the 5.5% level is still well above the ECB's target of 2%.

PMI data from China earlier this week is likely to show a contraction in manufacturing activity for the fourth consecutive month in July, underscoring the need for stimulus measures to support the post-pandemic recovery in the world's second-largest economy. The manufacturing PMI which mostly focuses on large and state-owned enterprises, as well as a survey for the services sector, will be released on Monday. The Caixin Manufacturing PMI, which focuses on small and medium-sized enterprises, will be released on Tuesday. As for China's economy, it grew at a slow pace in the second quarter as demand weakened at home and abroad, but most analysts say the Chinese government is unlikely to provide aggressive stimulus amid growing concerns over growing debt risks.

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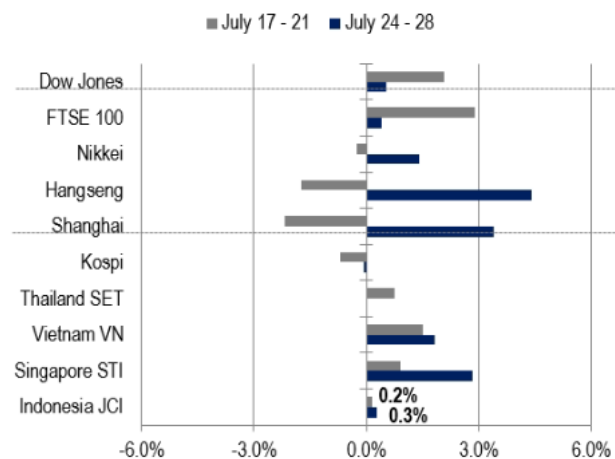
This week's outlook:

On Tuesday, Indonesian investors/traders will pay attention to the Inflation (July) report which is expected to ease further to 3.11% yoy (from 3.52% in June), while Core Inflation will cool back to 2.5% yoy (from 2.58% in June). A day later, South Korea will release July CPI data where the annual and monthly positions are predicted to be at 2.4% yoy and 0.2% mom. Following that, Indonesia & South Korea release Foreign Exchange Reserves (July) data on Thursday and Friday respectively.

JCI Index	: 6,900.23 (0.3%)
Foreign Flow	: Net Sell of IDR 473 Billion (Vs. last week's net buy of IDR 2.1 Trillion)
USD/IDR	: 15,095 (0.47%)

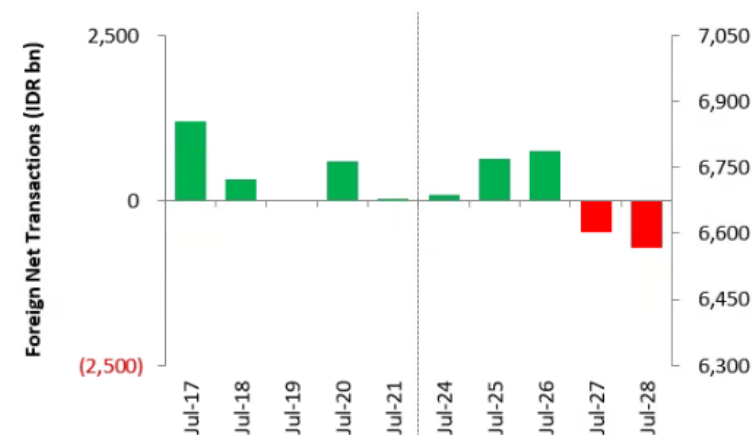
Last Week's JCI Movement

Global Market Movement



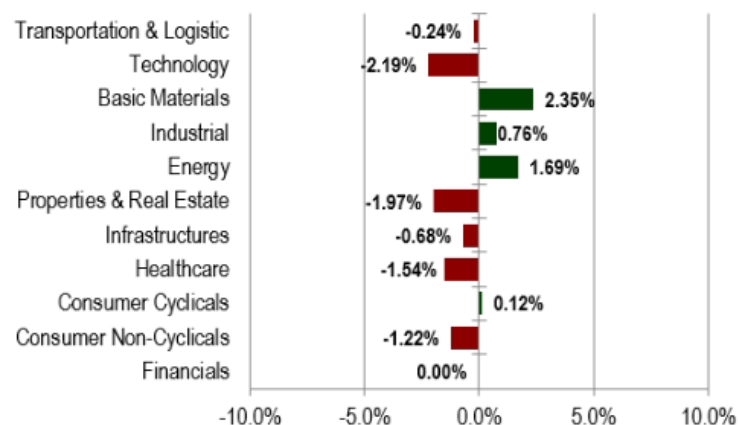
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



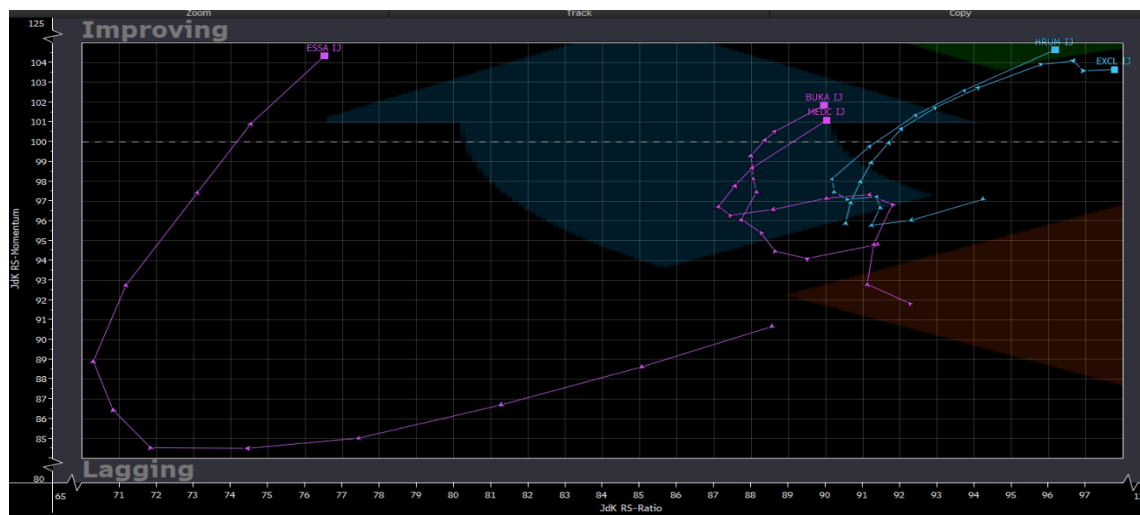
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BMRI	484,434	BBNI	499,339
BBRI	449,753	ADRO	216,413
BBCA	270,404	UNVR	209,301
FILM	154,149	TLKM	206,859
UNTR	107,518	SIDO	79,894

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
BUKA	248 / 266	216
ESSA	730 / 745 / 815	605
EXCL	2400 / 2560-2570	2010
HRUM	1785 / 1820 / 1975	1570
MEDC	1170 / 1200 / 1300-1330	1050

Source: Bloomberg, NHKSI Research

JCI Index

Support	6888 / 6812 / 6765-6740 / 6670 / 6620-6600 / 6560-6550	Resistance	6950-6970 / 7000
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Source: NHKSI Research, Bloomberg

Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
Monday	US	20:45	MNI Chicago PMI	Jul	43.5	41.5
<i>31 – July</i>	CH	08:30	Manufacturing PMI	Jul	48.9	49.0
	GE	15:00	GDP SA QoQ	2Q P	0.1%	-0.3%
	JP	06:50	Industrial Production MoM	Jun P	2.4%	-2.2%
Tuesday	US	20:45	S&P Global US Manufacturing PMI	Jul F	49.0	49.0
<i>1 – Aug</i>	US	21:00	ISM Manufacturing	Jul	46.9	46.0
	CH	08:45	Caixin China PMI Mfg	Jul	49.8	50.5
	GE	14:55	Unemployment Change (000's)	Jul	25.0K	28.0K
	GE	14:55	HCOB Germany Manufacturing PMI	Jul F	38.8	38.8
	KR	07:00	Trade Balance	Jul	—	\$1130m
	KR	07:30	S&P Global South Korea PMI Mfg	Jul	—	47.8
	JP	06:30	Jobless Rate	Jun	2.6%	2.6%
	JP	06:30	Job-To-Applciant Ratio	Jun	1.32	1.31
	JP	07:30	Jibun Bank Japan PMI Mfg	Jul F	—	49.4
	ID	07:30	S&P Global Indonesia PMI Mfg	Jul	—	52.5
	ID	11:00	CPI YoY	Jul	3.21%	3.52%
Wednesday	US	18:00	MBA Mortgage Applications	Jul 28	—	-1.8%
<i>2 – Aug</i>	US	19:15	ADP Employment Change	Jul	185K	497K
	KR	06:00	CPI YoY	Jul	2.4%	2.7%
	JP	06:50	Monetary Base YoY	Jul	—	-1.0%
Thursday	US	19:30	Initial Jobless Claims	Jul 29	—	221K
<i>3 – Aug</i>	US	21:00	Factory Orders	Jun	0.1%	0.3%
	US	21:00	Durable Goods Orders	Jun F	—	4.7%
	JP	07:30	Jibun Bank Japan PMI Composite	Jul F	—	52.1
	JP	07:30	Jibun Bank Japan PMI Services	Jul F	—	53.9
Friday	US	19:30	Change in Nonfarm Payrolls	Jul	190K	209K
<i>4 – Aug</i>	US	19:30	Unemployment Rate	Jul	3.6%	3.6%
	GE	13:00	Factory Orders MoM	Jun	-2.4%	6.4%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	AWAN, DEAL, KRAS, YELO
<i>31 – July</i>	Cum Dividend	—
Tuesday	RUPS	HOTL, ICON
<i>1 – Aug</i>	Cum Dividend	—
Wednesday	RUPS	WIFI
<i>2 – Aug</i>	Cum Dividend	XCID
Thursday	RUPS	ITIC, TEBE
<i>3 – Aug</i>	Cum Dividend	AKRA
Friday	RUPS	AKSI, SRSN
<i>4 – Aug</i>	Cum Dividend	—

Source: NHKSI Research

NHKS Stock 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							3,701.6							
BBCA	9,175	8,550	10,200	Overweight	11.2	24.8	1,131.0	24.1x	5.0x	21.9	2.2	22.2	34.2	0.9
BBRI	5,675	4,940	6,000	Overweight	5.7	30.2	860.1	15.7x	3.1x	19.8	5.1	10.3	28.8	1.0
BBNI	8,900	9,225	12,000	Buy	34.8	13.4	166.0	8.4x	1.2x	14.9	4.4	12.2	17.0	1.2
BMRI	5,650	4,963	6,300	Overweight	11.5	36.6	527.3	11.4x	2.4x	21.2	4.7	#N/A	66.4	1.3
AMAR	296	232	392	Buy	32.4	4.9	5.4	N/A	1.3x	(4.3)	N/A	0.7	N/A	0.8
Consumer Non-Cyclicals							1,193.0							
INDF	7,350	6,725	8,600	Buy	17.0	8.1	64.5	8.2x	1.1x	14.4	3.5	11.3	62.8	0.5
ICBP	11,250	10,000	13,000	Buy	15.6	27.5	131.2	19.9x	3.3x	17.3	1.7	11.4	104.2	0.4
UNVR	3,840	4,700	4,200	Overweight	9.4	(14.9)	146.5	31.2x	37.2x	110.4	3.6	(5.5)	(20.0)	0.5
MYOR	2,470	2,500	3,200	Buy	29.6	40.3	55.2	21.9x	4.1x	19.1	1.4	3.1	88.0	0.6
CPIN	5,050	5,650	5,500	Overweight	8.9	(9.8)	82.8	41.8x	3.1x	7.5	2.1	1.9	(79.5)	0.5
JPFA	1,305	1,295	1,300	Hold	(0.4)	(9.7)	15.3	26.8x	1.2x	4.5	3.8	(3.2)	N/A	0.6
AALI	7,750	8,025	9,200	Buy	18.7	(19.7)	14.9	11.6x	0.7x	6.1	5.2	(14.4)	(54.6)	1.0
Consumer Cyclicals							420.0							
ERAA	496	392	600	Buy	21.0	(0.4)	7.9	8.2x	1.1x	14.2	3.8	28.9	(21.1)	0.8
MAPI	1,980	1,445	2,000	Hold	1.0	122.5	32.9	15.4x	3.7x	27.0	0.4	27.3	(5.2)	0.7
Healthcare							287.2							
KLBF	1,920	2,090	2,300	Buy	19.8	18.5	90.0	26.2x	4.2x	16.4	2.0	12.2	3.1	0.4
SIDO	655	755	1,000	Buy	52.7	(27.6)	19.7	17.7x	6.0x	34.0	5.6	2.6	0.6	0.6
MIKA	2,910	3,190	3,000	Hold	3.1	16.9	41.5	41.9x	7.2x	17.9	1.3	(6.0)	(14.5)	0.3
Infrastructure							849.54							
TLKM	3,700	3,750	5,000	Buy	35.1	(12.5)	366.5	18.1x	3.0x	16.6	4.5	#N/A	N/A	0.8
JSMR	3,860	2,980	5,100	Buy	32.1	8.4	28.0	9.8x	1.3x	13.2	2.0	21.2	34.3	0.8
EXCL	2,290	2,140	3,800	Buy	65.9	(3.4)	30.1	23.7x	1.2x	5.0	1.8	12.0	(13.8)	0.8
TOWR	1,020	1,100	1,370	Buy	34.3	(13.2)	52.0	15.2x	3.3x	23.8	2.4	9.4	(11.8)	0.3
TBIG	1,925	2,300	2,390	Buy	24.2	(37.3)	43.6	27.9x	3.7x	14.5	1.8	(1.4)	(25.6)	0.4
MTEL	655	800	865	Buy	32.1	(10.3)	54.7	28.3x	1.6x	5.8	3.3	#N/A	N/A	N/A
WIKA	458	800	1,280	Buy	179.5	(51.0)	4.1	N/A	0.3x	(4.6)	N/A	37.4	N/A	1.2
PTPP	610	715	1,700	Buy	178.7	(33.0)	3.8	13.4x	0.3x	2.5	N/A	1.9	20.0	1.1

Source : Bloomberg, NHKS Research

NHKSJ 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
Property & Real Estate							277.3							
CTRA	1,100	940	1,500	Buy	36.4	18.9	20.4	11.0x	1.1x	10.2	1.4	(4.6)	(4.3)	0.9
PWON	484	456	690	Buy	42.6	6.1	23.3	13.2x	1.3x	10.3	1.3	5.9	60.5	1.1
Energy							1,292.4							
PGAS	1,375	1,760	1,770	Buy	28.7	(18.2)	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	(34.9)	32.3	2.8x	1.1x	41.1	39.1	21.4	(48.9)	1.0
ADRO	2,460	3,850	3,900	Buy	58.5	(24.3)	78.7	2.0x	0.8x	46.2	19.8	50.1	15.3	1.3
Industrial							440.0							
UNTR	27,250	26,075	32,000	Buy	17.4	(15.6)	101.6	4.6x	1.4x	29.2	25.7	13.6	11.2	0.9
ASII	6,875	5,700	8,000	Buy	16.4	8.7	278.3	9.0x	1.4x	16.3	9.3	15.5	27.2	1.1
Basic Ind.							1,156.7							
SMGR	6,700	6,575	9,500	Buy	41.8	3.0	45.2	17.0x	1.0x	6.1	3.7	4.5	(2.1)	0.8
INTP	10,275	9,900	12,700	Buy	23.6	10.5	37.8	17.4x	1.8x	10.0	1.6	19.3	109.8	0.7
INCO	6,825	7,100	8,200	Buy	20.1	11.9	67.8	20.6x	1.8x	9.2	1.3	16.7	12.6	1.2
ANTM	1,980	1,985	3,450	Buy	74.2	1.3	47.6	11.8x	1.9x	16.9	4.0	18.9	13.5	1.4

Source : Bloomberg, NHKSJ Research

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