

## Weekly Brief (July 3 – 7, 2023)

### Summary:

#### Last week review:

**The first half of 2023** has passed with some market turmoil. How has the global financial sector handled the recessionary year so far? To reflect, the year started with high optimism over China's recovery post COVID lockdowns, expectations over the resilience of the global economy, and relief that perhaps Inflation had peaked. Since then, the US banking crisis, the collapse of Credit Suisse, and the struggle to control Inflation have made the last six months feel like a long time in the markets. Long story short, **since the start of the year the S&P500 has gained 15.9% and the Nasdaq Composite has bagged a 31.7% gain** (the biggest semi-annual increase in 40 years). While their 2nd quarter performance was very solid as follows: **The S&P500 posted a gain of 8.3%, the Nasdaq soared 12.8%, and the Dow gained 3.4%**. On a weekly basis, last week's sterling performance for **the S&P500 was up 2.35%, while the Nasdaq rallied 2.2%, and the Dow perched 2.02% higher**. It seems that market participants are quite confident that *the US economy can avoid a severe recession despite the US central bank's tight monetary policy*.

**Highlighting the last week of June** which was full of important economic data across the globe, number one came from the US where a myriad of reports such as: May's Durable Goods Orders and New Home Sales, as well as Building Permits which all showed significant gains on a monthly basis; inevitably pushing Consumer Confidence (June) up to 109.7, higher than expected at 104 & even higher than the previous month's 102.5. On Thursday, **Initial Jobless Claims fell the most in 20 months to 239k** (from 265k in the previous week); the latest sign of resilience in the US economy that could encourage the Federal Reserve to resume interest rate hikes in July. **The 1Q23 GDP** even managed to report growth to 2% on a quarterly basis, higher than the predicted 1.4%. Fortunately, the May **Personal Consumption Expenditure (PCE)** index which is the Fed's benchmark in assessing the tame level of Inflation is now growing weaker than expected; in line with Personal Spending (May) which did increase below expectations.

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**How about Europe? The German Current Assessment** of business in June showed optimism, but businesses in Germany are still uncertain about the business climate in the next 6 months: **the German Ifo Business Climate Index** came in lower than expected & even the previous period. **ECB President Christine Lagarde** has confirmed that the ECB will raise interest rates once again in July, after referring to the release of **Inflation data for the entire Eurozone and neighboring European countries**. Eurozone CPI figures for June came in at 5.5% yoy, slightly better than expected and down from 6.1% last month. In good news, French inflation followed Spain and Italy in dropping to a 14-month low, while German consumer price gains accelerated this June. Average house prices in the UK fell by the most in June on an annualized basis since 2009. It is still possible for prices to continue to fall as most of the housing market activity in June will occur before the Bank of England authorizes a 50 bps rate hike, bringing the benchmark rate to 5% while Inflation is still heating up at 8.7% in May, more than four times the BOE's 2% target. In terms of **employment data**, **the German Unemployment Rate (June)** stands at 5.7% (slightly up from May) while in **the Eurozone, the Unemployment Rate (May)** remains unchanged at 6.5%.

Lastly from **the Asia, Retail Sales in Japan** strengthened further at 5.7% yoy in May, but **goods & services prices in Tokyo in June** have not risen as predicted; presumably because **Industrial Production (May)** was also sluggish compared to the previous month. **China** seems unable to pump up its economic momentum as they reported **Composite PMI (June)** at 52.3; still weaker than the previous period's 52.9. In contrast, **South Korea** managed to post its **first Trade Balance surplus** after 15 months of deficit this June at USD 1.13 billion. Although exports dropped by 6% and imports plunged by 11.7%, both declines managed to slow down from the previous month. The relevant ministry said that this Trade Balance achievement may pause in July and August due to seasonal factors but is expected to return to its growth path soon.

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Speaking of **global commodities, crude oil prices** posted weakness for the fourth consecutive quarter on investors' concerns that sluggish global economic activity will weaken demand. So far, global oil prices have been pressured by rising interest rates in the largest economies, and exacerbated by weak economic recovery in China. However, signs of a strengthening US economy and a drop in US oil inventories last week have provided support for oil prices; plus **Saudi Arabia plans an additional production cut** of 1 million barrels/day, outside of the general OPEC+ production cut agreement until 2024.

On the other hand, **the US Dollar** remained steady on track for a quarterly gain as market participants anticipate the US Federal Reserve's move to raise interest rates again. Fed Chairman Jerome Powell has repeatedly reiterated his hawkish tone over the past few weeks, including at the European Central Bank's annual meeting in Portugal last week, that the US central bank is likely to continue its upward trend in interest rates after the rate pause in June.

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### This week's outlook:

**July has a history of high bull market volatility potential**, as there will also be many economic reports to look forward to. Global & domestic investors will focus on **US employment data, June Inflation, as well as the outcome of the FOMC Meeting on July 25-26, as the 2Q23 earnings season begins**. To begin with, **Indonesia will first release its Inflation data (June)** which is expected to ease back to 3.64% yoy, lower than 4% in May. Next Tuesday, it's **South Korea's** turn to announce their June Inflation data which is also expected to ease to 2.9% from May's 3.3% yoy. At the end of the week, **Indonesia will report its Foreign Exchange Reserves figures (June)**.

**From the US, Friday's Nonfarm Payrolls and June's FOMC Meeting Minutes** which are due to be published on Wednesday will highlight **the US Independence Day week: 4th of July**. Economists had expected 200k new jobs in the US Nonfarm Payrolls (June) report; this should be lower than May's 339k as the Unemployment Rate has been perched at 3.7% (a 7-month high) indicating the labor market has eased. But before that, the market will monitor **private sector employment data ADP Nonfarm Employment Change (which is expected to decline as well), JOLTS Job Openings, and weekly jobless claims** as usual.

**The Federal Reserve** on Wednesday will publish **the June 13-14 meeting minutes** where they put the brakes on interest rate hikes after implementing 10 consecutive hikes, but at the same time hinted at two more hikes this year, one of which is expected to materialize in July.

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### This week's outlook:

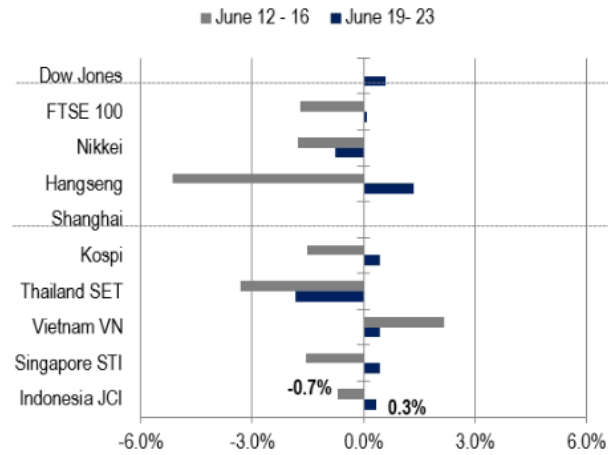
This week will also be filled with **Composite PMI and Manufacturing PMI (June)** data from Germany, Eurozone, & UK, as well as the US; followed by **German Trade Balance (May)**. **Factory Orders from the US & Germany** will complete the update on the economic health of the two Western powerhouses.

**The Reserve Bank of Australia** is also scheduled to announce its latest interest rate policy; while **China's Caixin Purchasing Managers Index data** will update the strength of the post Covid manufacturing sector in the world's second largest economy. FYI, **the Chinese Yuan** has lost 5% to the US Dollar this year, making it one of the worst performing Asian currencies; due to widening sovereign bond yields between the US & China.

JCI Index	: 6,661.88 (0.3%)
Foreign Flow	: Net Buy of IDR 192 Billion (Vs. last week's net sell of IDR 1.7 Trillion)
USD/IDR	: 14,993 (-0.01%)

# Last Week's JCI Movement

## Global Market Movement



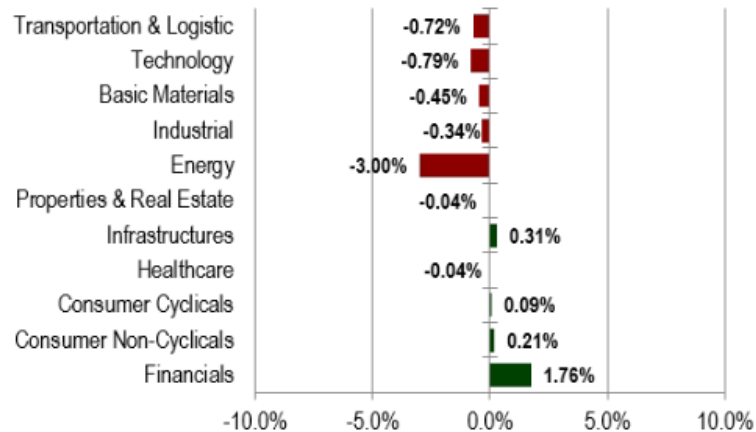
Source: Bloomberg, NHKSI Research

## Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

## JCI Sector Movement



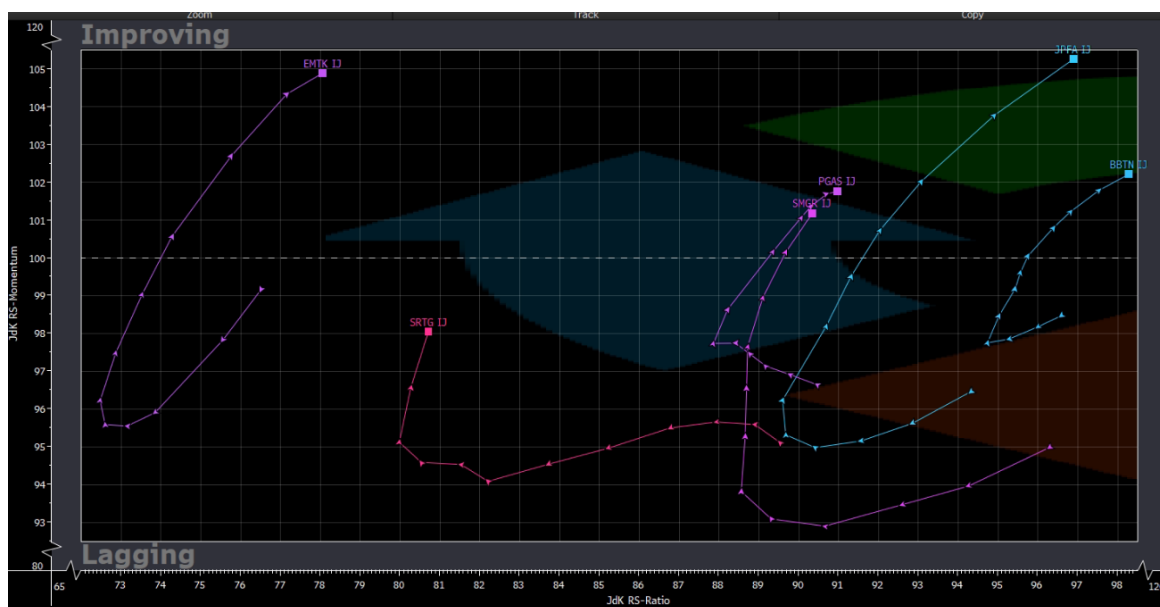
Source: Bloomberg, NHKSI Research

## JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BMRI	253,919	AMRT	80,502
ICBP	129,270	GOTO	76,044
BBRI	124,584	MDKA	70,300
MFIN	103,996	GGRM	31,815
BBCA	48,689	PGAS	28,642

Source: Bloomberg, NHKSI Research

# Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
JPFA	1385-1395 / 1420 / 1500-1530	1250
EMTK	775-790 / 800-810 / 840	670
PGAS	1360-1375 / 1400 / 1450-1475 / 1520-1560	1280
SMGR	6475-6550 / 6800 / 7000-7100	5950
BBTN	1390-1400 / 1415-1430	1290
SRTG	1745 / 1780-1800 / 1900 / 2000	1630

Source: Bloomberg, NHKSI Research

# JCI Index

Support	6620-6600 / 6560-6550	Resistance	6670-6680 / 6745-6765 / 6950-6960 / 7000-7040
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Source: NHKSI Research, Bloomberg



## Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
<b>Monday</b>	US	20:45	S&P Global US Manufacturing PMI	Jun F	—	46.3
<i>3 – July</i>	US	21:00	ISM Manufacturing	Jun	47.1	46.9
	CH	08:45	Caixin China PMI Mfg	Jun	50.0	50.9
	ID	07:30	S&P Global Indonesia PMI Mfg	Jun	—	50.3
	ID	11:00	CPI YoY	Jun	3.68%	4.00%
	GE	14:55	HCOB Germany Manufacturing PMI	Jun F	—	41.0
	KR	07:30	S&P Global South Korea PMI Mfg	Jun	—	48.4
	JP	06:50	Tankan Large Mfg Index	2Q	3	1
	JP	06:50	Tankan Large Non-Mfg Index	2Q	22	20
	JP	06:50	Tankan Large Mfg Outlook	2Q	4	3
	JP	06:50	Tankan Large All Industry Capex	2Q	9.9%	3.2%
	JP	07:30	Jibun Bank Japan PMI Mfg	Jun F	—	49.8
<b>Tuesday</b>	KR	06:00	CPI YoY	Jun	—	3.3%
<i>4 – July</i>	JP	06:50	Monetary Base YoY	Jun	—	-1.1%
<b>Wednesday</b>	US	21:00	Factory Orders	May	—	0.4%
<i>5 – July</i>	US	21:00	Durable Goods Orders	May F	—	—
<b>Thursday</b>	US	18:00	MBA Mortgage Applications	Jun 30	—	—
<i>6 – July</i>	US	19:15	ADP Employment Change	Jun	—	278K
	US	19:30	Trade Balance	May	-70.5bn	-74.6bn
	US	19:30	Initial Jobless Claims	Jul 1	—	—
	GE	13:00	Factory Orders MoM	May	—	-0.4%
<b>Friday</b>	US	19:30	Change in Nonfarm Payrolls	Jun	213K	339K
<i>7 – July</i>	US	19:30	Unemployment Rate	Jun	3.7%	3.7%
	ID	10:00	Foreign Reserves	Jun	—	\$139.3
	GE	13:00	Industrial Production SA MoM	May	—	0.3%

Source: Bloomberg, NHKSI Research

# Corporate Action Calendar

Date	Event	Company
<b>Monday</b>	RUPS	—
3 – July	Cum Dividend	ALDO, CBPE, CHIP, CRAB, IFII, LSIP, MAPA, MAPI, MICE, RMKE, SHIP, SIMP
<b>Tuesday</b>	RUPS	—
4 – July	Cum Dividend	ACES, AXIO, CAMP, DPNS, INDS, IPCM, KKG, MFMI, MKPI, LAJU, RUIS
<b>Wednesday</b>	RUPS	—
5 – July	Cum Dividend	AMAG, AMFG, ASRM, BIRD, CFIN, DVLA, LSIP, SIMP, TRJA, UNVR
<b>Thursday</b>	RUPS	—
6 – July	Cum Dividend	BLUE, ICBP, INDF, INDR, PANS, PMJS, SOHO, IDPR
<b>Friday</b>	RUPS	—
7 – July	Cum Dividend	GGRM

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
<b>Finance</b>							3,608.7							
BBCA	9,150	8,550	10,050	Overweight	9.8	26.2	1,128.0	25.5x	5.3x	21.8	2.2	22.1	44.6	0.9
BBRI	5,425	4,940	6,000	Overweight	10.6	31.0	822.2	15.0x	2.9x	19.8	5.3	10.3	28.8	1.1
BBNI	9,150	9,225	12,000	Buy	31.1	16.6	170.6	8.7x	1.2x	14.7	4.3	12.5	31.6	1.3
BMRI	5,200	4,963	6,300	Buy	21.2	36.8	485.3	11.1x	2.2x	21.2	5.1	16.0	25.1	1.3
<b>Consumer Non-Cyclicals</b>							1,192.4							
ICBP	11,325	10,000	13,000	Overweight	14.8	21.1	132.1	20.0x	3.3x	17.3	1.9	11.4	104.2	0.4
UNVR	4,260	4,700	4,850	Overweight	13.8	(11.8)	162.5	34.2x	30.4x	81.0	3.6	(2.2)	(30.2)	0.5
MYOR	2,610	2,500	3,200	Buy	22.6	34.2	58.4	24.6x	4.4x	19.1	1.3	11.4	135.7	0.7
CPIN	5,275	5,650	5,500	Hold	4.3	(11.0)	86.5	43.6x	3.3x	7.5	2.0	1.9	(79.5)	0.5
JPFA	1,340	1,295	1,300	Hold	(3.0)	(13.5)	15.7	27.5x	1.2x	4.5	3.7	(3.2)	N/A	0.7
AAJI	7,475	8,025	9,200	Buy	23.1	(22.5)	14.4	9.8x	0.7x	6.8	5.4	(27.7)	(53.5)	1.0
<b>Consumer Cyclicals</b>							391.7							
ERAA	476	392	600	Buy	26.1	(6.7)	7.6	7.9x	1.1x	14.2	4.8	28.9	(21.1)	0.8
MAPI	1,690	1,445	2,000	Buy	18.3	84.7	28.1	14.0x	3.3x	27.1	N/A	32.5	(30.6)	0.7
<b>Healthcare</b>							285.7							
KLBF	2,050	2,090	2,300	Overweight	12.2	21.7	96.1	27.9x	4.5x	16.4	1.9	12.2	3.1	0.4
SIDO	730	755	1,000	Buy	37.0	(26.3)	21.9	19.7x	7.0x	35.8	5.0	3.0	1.8	0.6
MIKA	2,690	3,190	3,000	Overweight	11.5	(0.4)	38.3	38.7x	6.6x	17.9	1.4	(6.0)	(14.5)	0.2
<b>Infrastructure</b>							875.99							
TLKM	4,000	3,750	5,000	Buy	25.0	(0.5)	396.2	18.8x	2.9x	16.0	4.2	2.5	5.0	0.8
JSMR	3,800	2,980	5,100	Buy	34.2	8.6	27.6	9.7x	1.2x	13.2	2.0	21.2	34.3	0.8
EXCL	1,955	2,140	3,800	Buy	94.4	(23.6)	25.7	18.3x	1.0x	5.1	2.1	11.9	23.1	0.8
TOWR	1,055	1,100	1,370	Buy	29.9	(3.7)	53.8	15.8x	3.5x	23.8	2.3	9.4	(11.8)	0.3
TBIG	2,010	2,300	2,390	Buy	18.9	(30.9)	45.5	29.1x	3.9x	14.5	1.8	(1.4)	(25.6)	0.4
MTEL	665	800	865	Buy	30.1	(4.3)	55.5	31.7x	1.6x	5.3	3.2	9.9	9.1	N/A
WIKA	505	800	1,280	Buy	153.5	(46.8)	4.5	N/A	0.4x	(4.6)	N/A	37.4	N/A	1.2
PTPP	605	715	1,700	Buy	181.0	(34.9)	3.8	13.3x	0.3x	2.5	N/A	1.9	20.0	1.1

Source : Bloomberg, NH KSI Research

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<b>Property &amp; Real Estate</b>							255.0							
CTRA	1,060	940	1,500	Buy	41.5	27.7	19.6	10.6x	1.0x	10.2	1.3	(4.6)	(4.3)	0.9
PWON	488	456	690	Buy	41.4	6.6	23.5	13.3x	1.3x	10.3	0.8	5.9	60.5	1.1
<b>Energy</b>							1,072.3							
PGAS	1,305	1,760	1,770	Buy	35.6	(18.4)	31.6	6.9x	0.8x	10.9	10.8	11.6	(20.0)	0.9
PTBA	2,680	3,690	4,900	Buy	82.8	(28.0)	30.9	2.7x	1.0x	41.1	40.8	21.4	(48.9)	1.0
ADRO	2,230	3,850	3,900	Buy	74.9	(18.0)	71.3	1.8x	0.7x	46.2	21.8	50.1	15.3	1.3
<b>Industrial</b>							447.7							
UNTR	23,275	26,075	32,000	Buy	37.5	(12.2)	86.8	3.9x	1.0x	27.2	30.1	24.7	26.6	0.9
ASII	6,775	5,700	8,000	Buy	18.1	3.8	274.3	8.9x	1.4x	16.3	9.4	15.5	27.2	1.1
<b>Basic Ind.</b>							939.9							
SMGR	6,075	6,575	9,500	Buy	56.4	(11.4)	41.0	15.4x	0.9x	6.1	4.0	4.5	(2.1)	0.8
INTP	9,925	9,900	12,700	Buy	28.0	5.6	36.5	16.8x	1.7x	10.0	1.6	19.3	109.8	0.8
INCO	6,300	7,100	8,200	Buy	30.2	17.8	62.6	18.0x	1.7x	9.9	1.4	54.5	45.6	1.2
ANTM	1,950	1,985	3,450	Buy	76.9	11.4	46.9	11.7x	1.8x	16.9	4.1	18.9	13.5	1.4

Source : Bloomberg, NH KSI Research

# PT NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

## Head of Research

**Liza Camelia Suryanata**

Equity Strategy, Macroeconomics,  
Technical

T +62 21 5088 ext 9134

E liza.camelia@nhsec.co.id

## Analyst

**Cindy Alicia Ramadhania**

Consumer, Healthcare

T +62 21 5088 ext 9129

E cindy.alicia@nhsec.co.id

## Analyst

**Leonardo Lijuwardi**

Banking, Infrastructure

T +62 21 5088 ext 9127

E leonardo.lijuwardi@nhsec.co.id

## Research Support

**Amalia Huda Nurfalalah**

Editor & Translator

T +62 21 5088 ext 9132

E amalia.huda@nhsec.co.id

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# PT NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

## Head Office :

Treasury Tower 51th Floor, District 8, SC  
BD Lot 28, Jl. Jend. Sudirman No. Kav 52-  
53, RT.5/RW.3, Senayan, Kebayoran Bar  
u, South Jakarta City, Jakarta 12190  
No. Telp : +62 21 5088 9102

## **BANDENGAN (Jakarta Utara)**

Jl. Bandengan Utara Kav. 81  
Blok A No. 01, Lt. 1 Kel. Penjaringan,  
Kec. Penjaringan Jakarta Utara,  
DKI Jakarta 14440  
No. Telp : +62 21 66674959

## **BANDUNG**

Paskal Hypersquare blok A1  
Jl. Pasirkaliki no 25-27 Bandung 40181  
No. Telp : +62 22 860 22122

## **BALI**

Jl. Cok Agung Tresna  
Ruko Griya Alamanda no. 9 Renon  
Denpasar, Bali 80226  
No. Telp : +62 361 209 4230

## **ITC BSD (Tangerang Selatan)**

BSD Serpong: ITC BSD Blok R No. 48  
Jalan Pahlawan Seribu, Lekong Wetan,  
Kec. Serpong, Kel. Serpong Tangerang  
Selatan – Banten 15311  
No. Telp : +62 21 509 20230

## **KAMAL MUARA (Jakarta Utara)**

Rukan Exclusive Mediterania Blok F  
No.2, Kel. Kamal Muara,  
Kec. Penjaringan, Jakarta Utara 14470  
No. Telp : +62 21 5089 7480

## **MAKASSAR**

Jl. Gunung Latimojong No. 120A  
Kec. Makassar Kel. Lariang Bangi  
Makassar, Sulawesi Selatan  
No. Telp : +62 411 360 4650

## **MEDAN**

Jl. Asia No. 548 S Medan  
Sumatera Utara 20214  
No. Telp : +62 61 415 6500

## **PEKANBARU**

Sudirman City Square  
Jl. Jend. Sudirman Blok A No. 7  
Pekanbaru, Riau  
No. Telp : +62 761 801 1330