

Weekly Brief (August 14 - 18, 2023)

Summary:

Last week review:

The three standouts that took center stage last week were US Inflation (July), China Inflation, and Indonesia's 2Q23 GDP. The Dow Jones Industrial Average posted a record performance last week by rising 0.6%. On the other hand, the Nasdaq fell for the first time for two consecutive weeks in 2023, causing the Nasdaq to drop 1.9% last week, while the S&P 500 fell 0.3%. Meanwhile, market participants' attention was on the US CPI (July) which showed headline and core inflation rose 3.2% yoy and 4.7% yoy respectively; on a monthly basis both rose 0.2% mom. With Inflation managing to flatten below the estimated levels, there is an expectation that the US Federal Reserve will soon end its tight monetary policy in 2023 and could start cutting interest rates as early as next year. Fed officials' comments on the results were divided between interest rates probably being kept at current levels at the September FOMC Meeting (where market participants have priced in an 86.5% probability, according to the CME FedWatch Tool), and other voices wanting to be more cautious by saying that while Inflation is moving in the right direction, more data is needed before the central bank feels at ease to impose a rate pause. The latter view sent the 10-year US Treasury yield soaring above the 4.150% level and automatically pressured the tech giants' stock prices. As a complement, US Inflation at the producer level, aka July PPI jumped higher than expected to 0.8% yoy and 0.3% mom. On the other hand, Initial Jobless Claims were released rising above expectations by 248k (vs forecast 230k; vs previous 227k).

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The negative sentiment was added by credit rating agency Moody's which downgraded 10 small-medium US banks by 1 notch and reviewed 6 giant banks including Bank of New York Mellon, US Bancorp, State Street, and Truist Financial for possible rating cuts as well. This has again raised concerns over the health of the US banking sector and the US economy as a whole. Moody's also warned that the strength of the sector will be tested by credit risk and weak profitability. The US also released Trade Balance (June) data with a deficit of USD 65.5 billion, more or less in line with expectations and naturally the deficit was lower than the previous month as US Exports were little changed while the decline in Imports was greater, reflecting the real economic slowdown evident. Last but not least, US President Joe Biden also contributed to the unfavorable factors on the market by signing an executive order regarding the trade war with China; where he banned some new US investments in China in sensitive technology sectors such as computer chips; as well as authorizing provisions that investments in other technology sectors require government notification. China is still struggling with a very slow post Covid economic recovery, China's CPI experienced deflation in July to -0.3% yoy (the first deflation since March 2021), further weakening from June's position which was already at zero percent; however, the good news is that on a monthly basis there was a slight increase to 0.2% mom from minus 0.2% in the previous month (the first positive growth in 6 months). Another disappointing Chinese economic data was when China reported a Trade Balance (July) surplus of USD 80.6 billion, exceeding expectations and the previous month's position of around USD 70.6 billion; but recorded a much below-expected decline in Exports & Imports for July. It is known that crude oil Imports into China (which is the world's second largest importer and consumer of oil) plummeted 18.8% below June's figure; although already up 17% from the lows of a year ago.

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Last week was also a week full of macroeconomic data for Indonesia, with the highlight being Indonesia's Q2/2023 GDP which managed to surprise us with a 5.17% yoy economic growth, above expectation of 4.9% and from the previous quarter at 5.04%, although the good news was unable to lift the JCI to the 7000 realm and only moved barely 0.1% over the past week. However, this marks the 9th consecutive expansionary period, supported by increased consumption during the Idul Fitri festivities. Indonesia's foreign exchange reserves also climbed to USD 137.7 billion in July, up slightly from USD 137.5 billion, thanks to tax and service receipts. Indonesia also announced its Consumer Confidence Index (July) at 123.5, (the lowest level in 4 months); although still in the optimistic zone (>100) but down from June at 127.1. Indonesia's Retail Sales turned out to be stronger in June at 7.9% compared to the previous month at -4.5%.

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From Europe, Germany reported July Inflation figures which came in at the expected 6.2%, finally managing to be lower than June's 6.4%. On the commodities side, global Crude Oil has been rallying for almost 2 months now and there's no sign of it stopping, supported by forecasts of record global oil demand this month - as closely monitored by the International Energy Agency; resulting in Crude Oil prices ending up on a 7-week winning streak. It was the longest winning streak for Crude Oil bulls since June 2022. Nevertheless, WTI rose less than 0.5% in the last week, which was the smallest weekly gain for US crude oil compared to the nearly 5% gain two weeks ago. The US produced 12.6 million barrels of oil per day during the last week (Aug 4), as reported by the EIA's Weekly Petroleum Status Report; a 3-year high. Interestingly, this did not prevent the price of US West Texas Intermediate or WTI, from crawling up to USD 84.89 / barrel, its highest point since last November. Gold, on the other hand, had its worst week in 7 weeks, pressured by an overall stronger US Dollar and rising bond yields as investors digested the latest US inflation figures and awaited more economic data. For the past week, benchmark US Gold futures fell USD 29.50, or 1.5%; while Gold spot price settled at USD 1,913.88, down USD 27.74, or 1.4% on a weekly basis.

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This week's outlook:

The minutes of the Federal Reserve's July meeting on Wednesday will be closely watched by investors as they look for guidance on the future path of benchmark interest rates. Data on retail sales and retail earnings will also provide insight into the health of consumer spending, while data from China is expected to underscore concerns over the faltering economic recovery of the world's second-largest economy. Before markets begin to turn their attention to the Fed's annual meeting in Jackson Hole, Wyoming at the end of the month, investors will first focus on the release of the July meeting minutes on Wednesday. As noted, the Fed raised interest rates by 25 basis points last month and left the door open for another hike in September. The minutes will help investors gauge the need for further rate hikes, although markets are betting on a pause in September. Last week's data showed that although US consumer and producer prices increased modestly in July, the overall trend suggests that inflationary pressures are easing. The US central bank has raised interest rates by 5.25 percentage points since March 2022 to bring inflation down to its 2% target. **Meanwhile, a slew of economic data will be released in the US this week**, starting with July retail sales data on Tuesday which is expected to show an increase in demand at the start of the third quarter after a below-expectation gain in June. Other data is also expected to show that the manufacturing sector is still struggling: The Empire State Manufacturing Index is expected to fall into negative territory, while the Philly Fed Manufacturing Index is expected to remain in negative territory. Housing sector data is expected to be more positive with the Building Permits & Housing Starts report on Wednesday expected to show signs of stabilization. The US will also announce the weekly Initial Jobless Claims report on Thursday which is now expected to fall after an unexpected rise last week. Not to forget the Q2/2023 earnings reports from US companies which will be dominated by retail sector issuers that will provide a snapshot of the health of consumer spending, a key driver of the US economy. So far, the excitement of the second quarter earnings season has died down with S&P 500 companies' results presenting a mixed picture: companies beat analysts' profit expectations at the highest level in almost 2 years even as revenues fell to the lowest level since early 2020.

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This week's outlook:

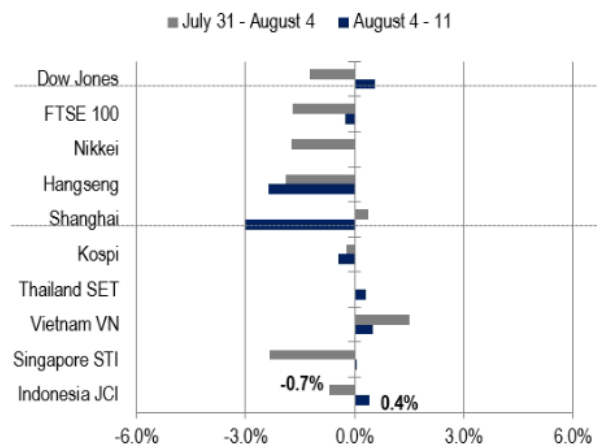
China's post-COVID economic recovery has been quite stuttering in recent months after a strong first quarter, weighed down by weak demand at both domestic and foreign levels. Beijing will release data on Retail Sales, Industrial Production, and Fixed Asset Investment on Tuesday, which are expected to show only modest gains. Data last week showed that Chinese consumer prices posted their first deflation in more than two years in July, adding pressure on policymakers to do more to prop up the economy. The Chinese government has pledged to roll out stimulus packages to support the economy, although the unclear details of this have somewhat disappointed investors.

Indonesia will again be laden with economic data in this Independence Day week as tomorrow Tuesday will be characterized by Retail Sales and Trade Balance (July) data which is expected to record a surplus for the umpteenth time but this time at USD 2.53 billion, lower than the previous month's USD 3.46 billion; expected due to still plummeting Exports & Imports although the decline is predicted to start slowing. The UK will report Inflation figures (July) which is expected to tame to 6.8% yoy, from June's 7.9%. On Friday, Eurozone CPI (July) will follow which is also expected to soften to 5.3% yoy, from 5.5% the previous month.

JCI Index : 6,879.98 (+0.4%)
Foreign Flow : Net Sell of IDR 16.3 Trillion (Vs. last week's net sell of IDR 3.0 Trillion)
USD/IDR : 15,215 (0.30%)

Last Week's JCI Movement

Global Market Movement



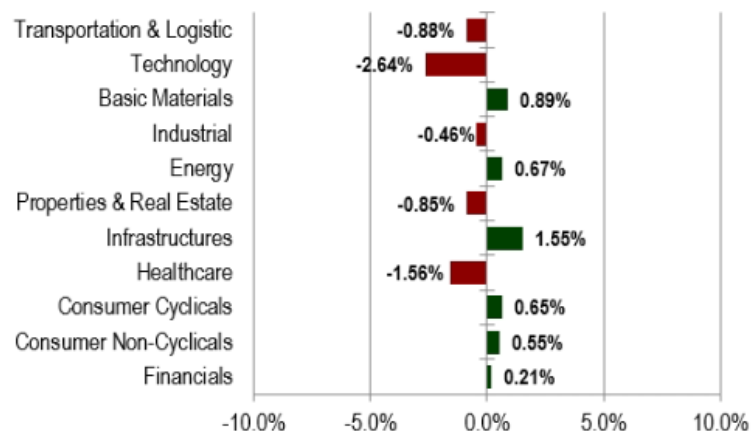
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



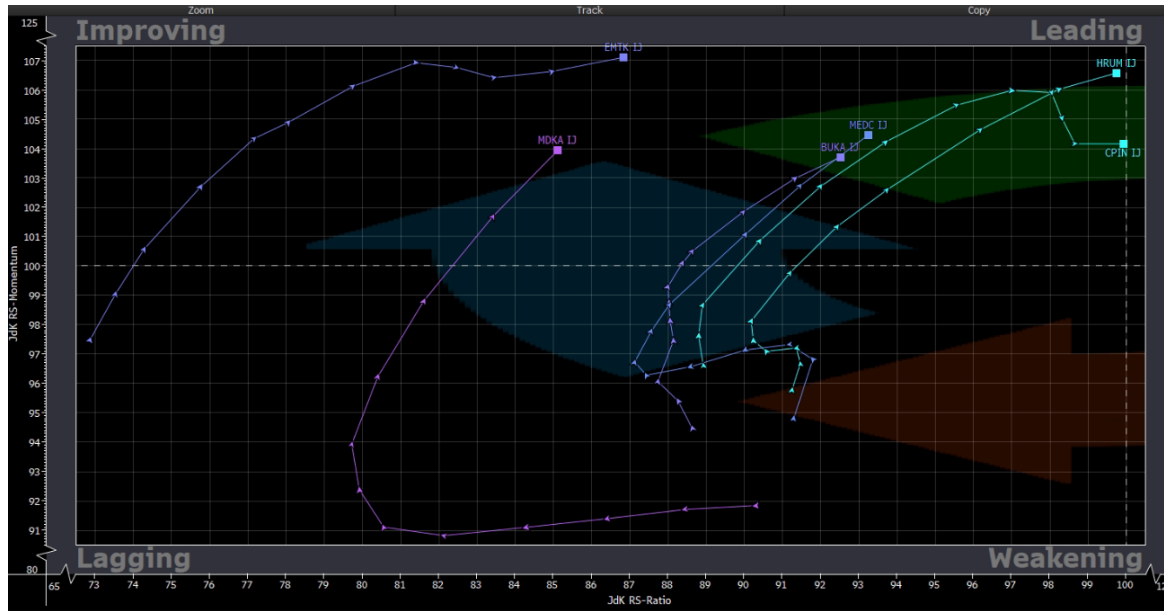
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BBCA	914,541	GOTO	314,022
BMRI	536,869	AKRA	112,758
BBNI	259,056	UNVR	45,073
BBRI	183,109	ADRO	40,706
TLKM	133,677	GGRM	38,964

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
BUKA	234 / 246-248 / 258	218
CPIN	5500-5600 / 5900-6000	5125
EMTK	680-710 / 780-800	595
HRUM	1695-1710 / 1785-1825	1590
MEDC	1160	1025
MDKA	3400 / 3610-3650	3210

Source: Bloomberg, NHKSI Research

JCI Index

Support	6885-6880 / 6850 / 6765-6740 / 6670 / 6620-6600 / 6560-6550	Resistance	6900-6910 / 6950-6970 / 7000
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Source: NHKSI Research, Bloomberg

Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
Monday						
<i>14 – Aug</i>						
Tuesday	US	19:30	Retail Sales Advance MoM	Jul	0.4%	0.2%
<i>15 – Aug</i>	US	19:30	Empire Manufacturing	Aug	-0.7	1.1
	CH	09:00	Industrial Production YoY	Jul	4.3%	4.4%
	CH	09:00	Retail Sales YoY	Jul	4.2%	3.1%
	ID	11:00	Trade Balance	Jul	\$2516m	\$3460m
	GE	16:00	ZEW Survey Expectations	Aug	-12.0	-14.7
	GE	16:00	ZEW Survey Current Situation	Aug	-62.1	-59.5
	JP	06:50	GDP Annualized SA QoQ	2Q P	2.9%	2.7%
	JP	06:50	GDP SA QoQ	2Q P	0.7%	0.7%
	JP	06:50	GDP Deflator YoY	2Q P	3.8%	2.0%
	JP	11:30	Industrial Production MoM	Jun F	—	2.0%
Wednesday	US	18:00	MBA Mortgage Applications	Aug 11	—	-3.1%
<i>16 – Aug</i>	US	19:30	Housing Starts	Jul	1440k	1434k
	US	20:15	Industrial Production MoM	Jul	0.4%	-0.5%
Thursday	US	19:30	Initial Jobless Claims	Aug 12	—	248k
<i>17 – Aug</i>	US	21:00	Leading Index	Jul	-0.4%	-0.7%
	JP	06:50	Trade Balance	Jul	¥43.7b	¥43.0b
	JP	06:50	Core Machine Orders MoM	Jun	3.5%	-7.6%
	JP	06:50	Tertiary Industry Index MoM	Jun	-0.2%	1.2%
Friday	JP	06:30	Natl CPI YoY	Jul	3.3%	3.3%
<i>18 – Aug</i>	JP	06:30	Natl CPI Ex Fresh Food YoY	Jul	3.1%	3.3%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	ASII, VICI, WIFI
14 – Aug	Cum Dividend	—
Tuesday	RUPS	FUTR, GOOD, GTSI, MPMX
15 – Aug	Cum Dividend	—
Wednesday	RUPS	DOOH, URBN
16 – Aug	Cum Dividend	—
Thursday	RUPS	—
17 – Aug	Cum Dividend	—
Friday	RUPS	DPUM
18 – Aug	Cum Dividend	RSGK

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							3,734.3							
BBCA	9,300	8,550	10,200	Overweight	9.7	17.4	1,146.5	24.4x	5.1x	21.9	2.2	22.2	34.2	1.0
BBRI	5,625	4,940	6,000	Overweight	6.7	30.2	852.5	15.6x	3.0x	19.8	5.1	10.3	28.8	1.1
BBNI	9,200	9,225	12,000	Buy	30.4	7.9	171.6	8.7x	1.2x	14.9	4.3	12.2	17.0	1.2
BMRI	5,850	4,963	6,750	Buy	15.4	38.1	546.0	13.0x	2.4x	21.3	4.5	16.9	24.8	1.3
AMAR	288	232	392	Buy	36.1	5.6	5.3	69.1x	1.2x	(4.3)	N/A	#N/A	N/A	0.8
Consumer Non-Cyclicals							1,190.5							
INDF	7,050	6,725	8,600	Buy	22.0	6.4	61.9	6.9x	1.1x	16.7	3.6	6.3	92.1	0.5
ICBP	11,350	10,000	13,000	Overweight	14.5	30.8	132.4	15.8x	3.3x	22.2	1.7	5.8	195.8	0.4
UNVR	3,700	4,700	4,200	Overweight	13.5	(22.4)	141.2	30.0x	35.9x	110.4	3.8	(5.5)	(20.0)	0.4
MYOR	2,600	2,500	3,200	Buy	23.1	38.7	58.1	23.1x	4.5x	20.2	1.3	3.1	89.7	0.6
CPIN	5,250	5,650	5,500	Hold	4.8	(7.5)	86.1	45.4x	3.1x	7.1	N/A	7.9	(42.9)	0.5
JPFA	1,350	1,295	1,400	Hold	3.7	(10.6)	15.8	40.2x	1.3x	3.1	3.7	(1.3)	(92.7)	0.6
AALI	7,675	8,025	9,200	Buy	19.9	(18.6)	14.8	11.5x	0.7x	6.1	5.3	(14.4)	(54.6)	1.0
Consumer Cyclicals							444.3							
ERAA	498	392	600	Buy	20.5	(2.4)	7.9	8.2x	1.1x	14.7	3.8	23.5	(9.2)	0.8
MAPI	2,040	1,445	2,000	Hold	(2.0)	100.0	33.9	15.9x	3.8x	27.0	0.4	27.3	(5.2)	0.7
Healthcare							279.9							
KLBF	1,835	2,090	2,300	Buy	25.3	13.6	86.0	26.0x	4.2x	16.7	2.1	9.4	(6.4)	0.4
SIDO	645	755	700	Overweight	8.5	(16.2)	19.4	17.5x	5.9x	34.0	5.7	2.6	0.6	0.6
MIKA	2,730	3,190	3,000	Overweight	9.9	4.6	38.9	40.9x	7.1x	18.1	1.4	(1.2)	(15.5)	0.3
Infrastructure							869.72							
TLKM	3,790	3,750	4,800	Buy	26.6	(16.7)	375.4	18.6x	3.0x	16.6	4.4	2.1	(4.2)	0.8
JSMR	3,700	2,980	5,100	Buy	37.8	6.0	26.9	9.4x	1.2x	13.2	2.0	21.2	34.3	0.9
EXCL	2,260	2,140	3,800	Buy	68.1	(18.4)	29.7	23.4x	1.1x	5.0	1.9	12.0	(13.8)	0.8
TOWR	975	1,100	1,370	Buy	40.5	(21.4)	49.7	14.7x	3.2x	23.7	2.5	8.7	(8.8)	0.3
TBIG	2,020	2,300	2,390	Buy	18.3	(32.7)	45.8	30.4x	4.3x	12.9	1.7	(0.7)	(18.6)	0.4
MTEL	715	800	860	Buy	20.3	(8.9)	59.7	30.9x	1.8x	5.8	3.0	#N/A	N/A	N/A
WIKA	382	800	1,280	Buy	235.1	(63.6)	3.4	N/A	0.3x	(4.6)	N/A	#N/A	N/A	1.2
PTPP	565	715	1,700	Buy	200.9	(42.6)	3.5	12.3x	0.3x	2.5	N/A	(10.8)	14.3	1.1

Source : Bloomberg, NH KSI Research

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	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							282.8							
CTRA	1,090	940	1,500	Buy	37.6	12.4	20.2	12.4x	1.1x	8.9	1.4	(4.2)	(22.4)	0.9
PWON	470	456	690	Buy	46.8	(4.1)	22.6	12.0x	1.2x	10.8	1.4	5.3	45.8	1.1
Energy							1,230.5							
PGAS	1,395	1,760	1,770	Buy	26.9	(14.4)	33.8	7.2x	0.8x	10.9	10.1	11.6	(20.0)	0.9
PTBA	2,770	3,690	4,900	Buy	76.9	(33.3)	31.9	2.8x	1.1x	41.1	39.5	21.4	(48.9)	1.0
ADRO	2,360	3,850	3,900	Buy	65.3	(26.0)	75.5	1.9x	0.7x	46.2	20.6	50.1	15.3	1.3
Industrial							447.3							
UNTR	27,150	26,075	32,000	Buy	17.9	(14.1)	101.3	4.5x	1.4x	29.2	25.8	13.6	11.2	0.9
ASII	6,700	5,700	8,000	Buy	19.4	(3.6)	271.2	9.6x	1.5x	15.2	9.6	13.0	(4.0)	1.1
Basic Ind.							1,198.4							
SMGR	6,725	6,575	9,500	Buy	41.3	(4.0)	45.6	17.5x	1.1x	6.1	3.6	2.0	(9.0)	0.9
INTP	11,000	9,900	12,700	Buy	15.5	12.8	40.5	16.8x	1.9x	11.8	1.5	15.3	141.8	0.8
INCO	6,275	7,100	8,200	Buy	30.7	(10.4)	62.4	18.6x	1.7x	9.2	1.4	16.7	12.6	1.2
ANTM	1,980	1,985	3,450	Buy	74.2	(10.8)	47.6	11.8x	1.9x	16.9	4.0	18.9	13.5	1.4

Source : Bloomberg, NH KSI Research

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