

Weekly Brief (August 21 - 25, 2023)

Summary:

Last week review:

The Nasdaq recorded its biggest weekly decline of about 2.6%. In the last three weeks, the Nasdaq has declined by about 7.2%. This is the biggest three-week decline since the end of December. Meanwhile, the S&P 500 dropped for the three weeks by 4.6%. This is the biggest drop since the three weeks ending on March 10. Last week was full of economic data that showed US economic growth is still capable of heating up, despite their ongoing trend of interest rate hikes since 2022 to combat inflation. USD RETAIL SALES (July) 3.17% yoy, came out twice as strong as expected and also well above the previous month. Other signs of strength in the US economy came from the US BUILDING PERMITS (July) & HOUSING STARTS (July) data which grew positively from a negative position in the previous month, signaling the US housing market is starting to improve. US INDUSTRIAL PRODUCTION (July) improved to 1% mom, much higher than expected and from a negative position in the previous month, although on an annual basis it is still in negative territory and still slowing down from the previous month. No wonder US INITIAL JOBLESS CLAIMS was only released at 239k, slightly lower than the forecast of 240k and lower than last week's 250k. PHILADELPHIA FED MANUFACTURING INDEX (August) came in at 12.0, this reading was above expectations and the previous period which was still in negative territory. The US economic data readings above are in line with the FOMC MEETING MINUTES from the last THE FED meeting, which although the votes are divided, most of THE FED officials still believe interest rates need to continue to rise (higher for longer). Not surprisingly, this thought pushed the US Treasury yield to rise to a 16-year high. The 10-year US Treasury yield reached 4.328%.

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From continental Europe, signs of an economic slowdown were even more apparent, as the UK reported a labor market that began to show growth in the unemployment rate. GBP CLAIMANT COUNT CHANGE (July) was recorded at 29,000, much higher than forecast and previous; putting the GBP UNEMPLOYMENT RATE (June) increased to 4.2%. The UK's labor shortage is starting to cause wage growth as represented by the GBP AVERAGE EARNINGS INDEX+BONUS (June) data which rose 8.2% above forecast and previous month. As more UK workers faced income cuts, GBP RETAIL SALES (July) grew by a larger negative than both the estimate and the previous month. In short, rising unemployment and declining purchasing power in the UK is in line with their CPI (July) at 6.8% yoy, managing to ease from 7.9% in June, although CORE CPI is still stuck at 6.9% yoy. Germany is also still pessimistic about business conditions in the next 6 months as reflected in the GERMAN ZEW CURRENT CONDITION & ECONOMIC SENTIMENT (august) data. Similarly, EUROZONE released ZEW ECONOMIC SENTIMENT (August) still in negative numbers although it has started to slow down from the previous trend. The EUROZONE announced Q2 GDP at 0.6% yoy in line with expectations but down from previous 1.1%. EUR INDUSTRIAL PRODUCTION (June) was still negative but better than expected and the previous month, finally settling at -1.2% yoy. Finally, EUROZONE TRADE BALANCE (June) was a surplus of EUR 23bn, much higher than the previous month's deficit of EUR 0.3bn. This is the third surplus since January 2022. The good news was also followed by EUR CPI (July) managed to fall to 5.3% from 5.5% previous, although CORE CPI is still at 5.5%.

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From the eastern side of the world, JPY GDP Q2: surged to 6% yoy, almost twice above expectations, vs previous quarter's 3.7%. Japan INDUSTRIAL PRODUCTION also came in at 4% yoy, above forecast & previous - 2.2%. But on the other hand, JPY EXPORTS & IMPORTS (July) actually grew negatively compared to the previous month, resulting in a TRADE BALANCE deficit of JPY 78.7 billion, a plummeting performance from the previous month which had a surplus of JPY 43.1 billion. The lackluster economic situation again came from China which reported CNY INDUSTRIAL PRODUCTION (July) only grew 3.7%, below estimates & the previous month at 4.4%. Similarly, CNY RETAIL SALES (July) dropped 3 months in a row this time to 2.5%. On the other hand, JPY NATIONAL CPI (jul) 3.3% yoy, still not moving from June's position. Meanwhile from South Korea, TRADE BALANCE (July) surplus of KRW 1.65 billion was slightly above previous KRW 1.63 billion, with export and import growth still in the same negative territory. Slower export and import growth was also felt by Indonesia who reported July TRADE BALANCE at USD 1.31 billion, below the massive June figure of USD 3.46 billion.

A lot is happening in the global crude oil market at the same time: Economic problems in China; unexpectedly higher-than-expected US crude oil production; and Saudi-Russian production cuts that could remove nearly 68 million barrels from the market over the next 45 days according to cargo tracking data. These dynamics pushed down oil prices from yesterday's high of USD 84.89/barrel and landed at a low of USD 78.95/barrel.

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This week's outlook:

There is not much to look forward to this week therefore investors will be focusing on Federal Reserve Chairman Jerome Powell's speech at Friday's Jackson Hole meeting, regarding the economic outlook and the following direction on the trend of interest rate movements; whether the Fed still believes that tight monetary policy will still prevail going forward to combat Inflation, or whether it feels there has been enough progress to hold interest rates where they are. Market participants will also be monitoring for any clues that imply the possibility of the Fed cutting rates in 2024. So far the market has estimated 89% probability that the US central bank will keep interest rates at the current position at the upcoming FOMC Meeting in September.

Meanwhile, **China is expected to cut interest rates even further**, which will push down mortgage rates, amid the mounting debt crisis in its property sector. The growing crisis is feared to have a contagious effect on China's overall economy as the world's second-largest economy, which is already experiencing economic weakness due to declining domestic and foreign demand, thus reducing manufacturing output & increasing unemployment.

In terms of Manufacturing data, in addition to the au Jibun Bank Japan Manufacturing PMI & Services PMI (August), France, Germany, Eurozone and the UK will simultaneously release PMI data on Wednesday, which will give an idea of how the European Central Bank will decide on interest rate policy again in September, and whether the Bank of England should set a larger rate hike. ECB President Christine Lagarde is also scheduled to speak at the Jackson Hole symposium on Friday; before that she will receive updates on German GDP for Q2/2023 where annualized growth is predicted to remain in recession at negative 0.2%. Not to be outdone, the US will also release the S&P Global Composite PMI (August) data on Wednesday evening, while announcing Building Permits & New Home Sales which will shed light on the health of the housing sector.

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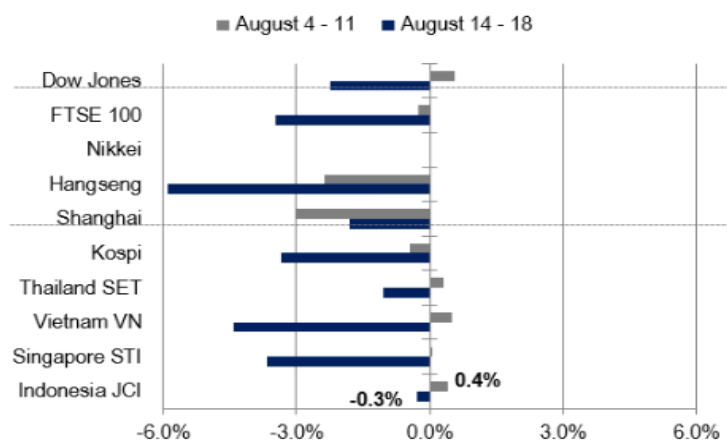
As noted, the global crude oil price last week posted its first weekly loss since June as growing concerns over weakening global demand prospects overshadowed the fact that there was also tightening inventories due to production cuts by OPEC+. In addition, surging US Treasury yields & the US Dollar Index also made oil prices more expensive for non-US buyers.

Domestically, Indonesia will report its Balance of Payments for Q2/2023 on Tuesday, followed by Bank Indonesia's Board of Governors meeting on Thursday to announce the benchmark interest rate where BI7DRR is expected to remain at 5.75%.

JCI Index	: 6,859.91 (-0.3%)
Foreign Flow	: Net Sell of IDR 3.4 Trillion (Vs. last week's net sell of IDR 16.3 Trillion)
USD/IDR	: 15,285 (0.46%)

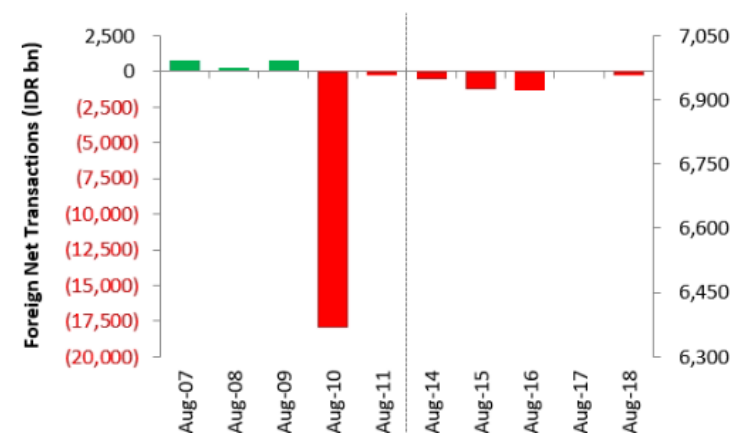
Last Week's JCI Movement

Global Market Movement



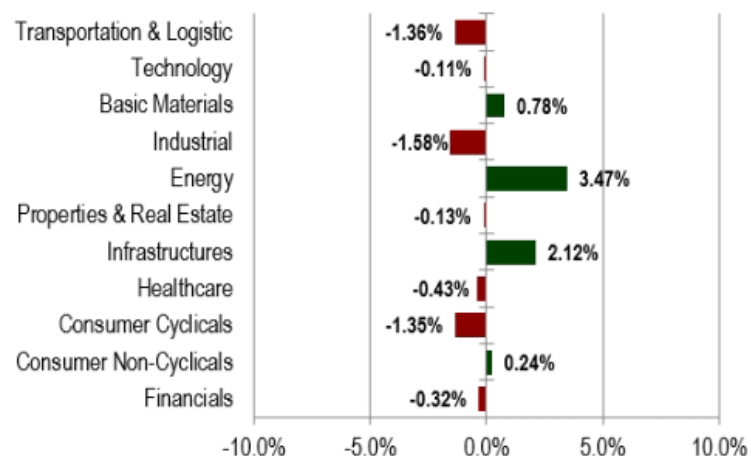
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



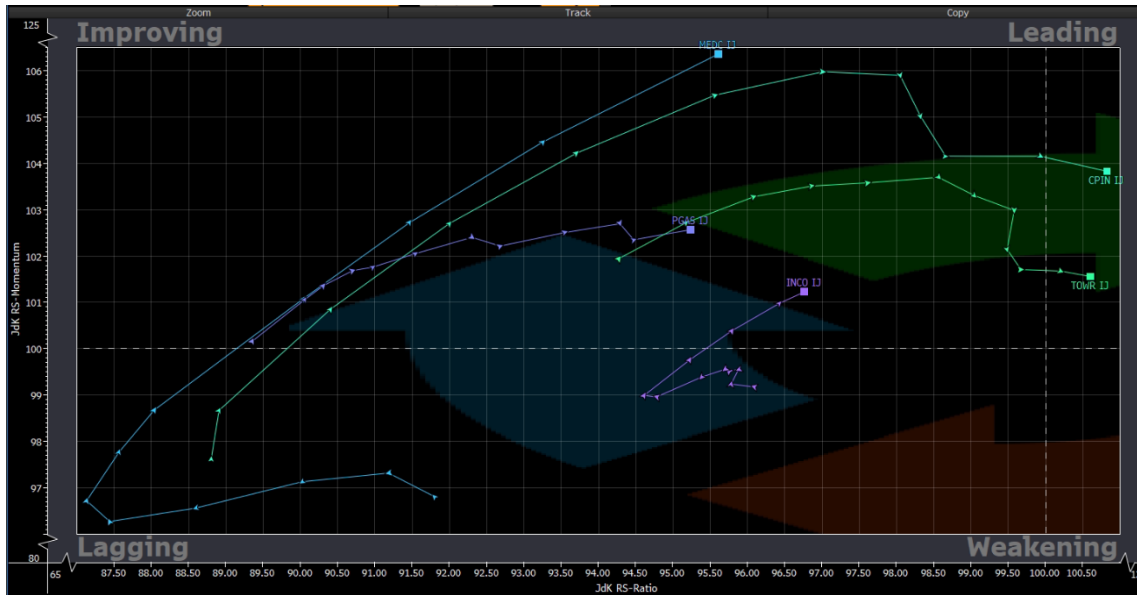
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
ADRO	117,384	BBRI	731,132
BUMI	70,298	TLKM	349,936
EXCL	57,110	BBCA	307,619
BUKA	52,635	INCO	305,199
AMRT	10,082	ASII	153,629

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
TOWR	1060	950
CPIN	5500	5025
MEDC	1160 / 1182 / 1200 / 1235	1010
INCO	6450 / 6500 / 6800	6000
PGAS	1575	1450

Source: Bloomberg, NHKSI Research

JCI Index

Support

6850 / 6825-6810 / 6765-6740

Resistance

6885-6895 / 6920 / 6950-6970 / 7000



Source: NHKSI Research, Bloomberg

Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
Monday	GE	13:00	PPI MoM	Jul	—	-0.3%
<i>21 – Aug</i>	GE	13:00	PPI YoY	Jul	—	0.1%
Tuesday	US	21:00	Existing Home Sales	Jul	4.15m	4.16m
<i>22 – Aug</i>	US	21:00	Richmond Fed Manufact. Index	Aug	—	-9
Wednesday	US	18:00	MBA Mortgage Applications	Aug 18	—	-0.8%
<i>23 – Aug</i>	US	20:45	S&P Global US Manufacturing PMI	Aug P	49.0	49.0
	US	21:00	New Home Sales	Jul	707k	697k
	GE	14:30	HCOB Germany Manufacturing PMI	Aug P	—	38.8
	JP	07:30	Jibun Bank Japan PMI Mfg	Aug P	—	49.6
Thursday	US	19:30	Initial Jobless Claims	Aug 19	—	239k
<i>24 – Aug</i>	US	19:30	Durable Goods Orders	Jul P	-4.0%	4.6%
	ID	14:20	Bank Indonesia 7D Reverse Repo	Aug 23	5.75%	5.75%
	KR	04:00	PPI YoY	Jul	—	-0.2%
	KR		BOK Base Rate	Aug 24	3.50%	3.50%
Friday	US	21:00	U. of Mich. Sentiment	Aug F	71.2	71.2
<i>25 – Aug</i>	GE	15:00	IFO Business Climate	Aug	86.8	87.3
	GE	15:00	IFO Expectations	Aug		83.5
	JP	06:30	Tokyo CPI Ex-Fresh Food YoY	Aug	2.9%	3.0%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	BULL, HMSF, LUCY, SAPX
<i>21 – Aug</i>	Cum Dividend	—
Tuesday	RUPS	BRAU, GDYR, ROCK, TSPC
<i>22 – Aug</i>	Cum Dividend	—
Wednesday	RUPS	BNLI, SKBM, TELE
<i>23 – Aug</i>	Cum Dividend	—
Thursday	RUPS	GTBO, MBTO
<i>24 – Aug</i>	Cum Dividend	—
Friday	RUPS	CFIN, FOOD, IKBI
<i>25 – Aug</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							3,694.7							
BBCA	9,225	8,550	10,200	Overweight	10.6	16.8	1,137.2	24.2x	5.1x	21.9	2.2	22.2	34.2	1.0
BBRI	5,550	4,940	6,000	Overweight	8.1	29.1	841.2	15.4x	3.0x	19.8	5.2	10.3	28.8	1.1
BBNI	9,075	9,225	12,000	Buy	32.2	6.8	169.2	8.5x	1.2x	14.9	4.3	12.2	17.0	1.2
BMRI	5,825	4,963	6,750	Buy	15.9	37.1	543.7	13.0x	2.4x	21.3	4.5	16.9	24.8	1.3
AMAR	290	232	392	Buy	35.2	7.1	5.3	69.5x	1.2x	(4.3)	N/A	#N/A N/A	N/A	0.8
Consumer Non-Cyclicals							1,197.8							
INDF	7,000	6,725	8,600	Buy	22.9	6.5	61.5	6.8x	1.1x	16.7	3.7	6.3	92.1	0.5
ICBP	11,700	10,000	13,000	Overweight	11.1	34.5	136.4	16.3x	3.4x	22.2	1.6	5.8	195.8	0.4
UNVR	3,710	4,700	4,200	Overweight	13.2	(21.6)	141.5	30.1x	36.0x	110.4	3.8	(5.5)	(20.0)	0.5
MYOR	2,640	2,500	3,200	Buy	21.2	39.7	59.0	23.4x	4.5x	20.2	1.3	3.1	89.7	0.6
CPIN	5,225	5,650	5,500	Overweight	5.3	(11.4)	85.7	45.2x	3.1x	7.1	N/A	7.9	(42.9)	0.5
JPFA	1,330	1,295	1,400	Overweight	5.3	(17.4)	15.6	39.6x	1.3x	3.1	3.8	(1.3)	(92.7)	0.6
AALI	7,650	8,025	9,200	Buy	20.3	(17.7)	14.7	11.5x	0.7x	6.1	5.3	(14.4)	(54.6)	1.0
Consumer Cyclicals							437.1							
ERAA	500	392	600	Buy	20.0	(1.0)	8.0	8.2x	1.2x	14.7	3.8	23.5	(9.2)	0.8
MAPI	1,885	1,445	2,000	Overweight	6.1	76.2	31.3	14.7x	3.5x	27.0	0.4	27.3	(5.2)	0.7
Healthcare							278.8							
KLBF	1,835	2,090	2,300	Buy	25.3	14.0	86.0	26.0x	4.2x	16.7	2.1	9.4	(6.4)	0.4
SIDO	650	755	700	Overweight	7.7	(15.6)	19.5	17.6x	6.0x	34.0	5.6	2.6	0.6	0.6
MIKA	2,710	3,190	3,000	Overweight	10.7	4.2	38.6	40.6x	7.0x	18.1	1.4	(1.2)	(15.5)	0.3
Infrastructure							878.24							
TLKM	3,760	3,750	4,800	Buy	27.7	(18.3)	372.5	18.4x	3.0x	16.6	4.5	2.1	(4.2)	0.8
JSMR	3,660	2,980	5,100	Buy	39.3	4.6	26.6	9.3x	1.2x	13.2	2.1	21.2	34.3	0.9
EXCL	2,390	2,140	3,800	Buy	59.0	(8.1)	31.4	24.8x	1.2x	5.0	1.8	12.0	(13.8)	0.8
TOWR	1,020	1,100	1,370	Buy	34.3	(14.6)	52.0	15.4x	3.4x	23.7	2.4	8.7	(8.8)	0.3
TBIG	2,070	2,300	2,390	Buy	15.5	(29.8)	46.9	31.1x	4.4x	12.9	1.7	(0.7)	(18.6)	0.4
MTEL	740	800	860	Buy	16.2	(5.7)	61.8	32.0x	1.8x	5.8	2.9	#N/A N/A	N/A	0.5
WIKA	384	800	1,280	Buy	233.3	(63.3)	3.4	N/A	0.3x	(4.6)	N/A	#N/A N/A	N/A	1.2
PTPP	570	715	1,700	Buy	198.2	(43.8)	3.5	12.4x	0.3x	2.5	N/A	(10.8)	14.3	1.1

Source : Bloomberg, NH KSI Research

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Property & Real Estate							282.7							
CTRA	1,120	940	1,500	Buy	33.9	14.3	20.8	12.7x	1.1x	8.9	1.3	(4.2)	(22.4)	0.9
PWON	470	456	690	Buy	46.8	(4.9)	22.6	12.0x	1.2x	10.8	1.4	5.3	45.8	1.1
Energy							1,259.8							
PGAS	1,485	1,760	1,770	Buy	19.2	(12.6)	36.0	7.7x	0.9x	10.9	9.5	11.6	(20.0)	0.9
PTBA	2,800	3,690	4,900	Buy	75.0	(33.5)	32.3	2.8x	1.1x	41.1	39.1	21.4	(48.9)	1.0
ADRO	2,560	3,850	3,900	Buy	52.3	(21.2)	81.9	2.0x	0.8x	46.2	19.0	50.1	15.3	1.3
Industrial							436.5							
UNTR	27,100	26,075	32,000	Buy	18.1	(14.4)	101.1	4.5x	1.4x	29.2	25.8	13.6	11.2	0.9
ASII	6,500	5,700	8,000	Buy	23.1	(6.8)	263.1	9.3x	1.4x	15.2	9.8	13.0	(4.0)	1.1
Basic Ind.							1,219.6							
SMGR	6,800	6,575	9,500	Buy	39.7	3.7	46.1	17.7x	1.1x	6.1	3.6	2.0	(9.0)	0.9
INTP	11,075	9,900	12,700	Overweight	14.7	20.4	40.8	16.9x	1.9x	11.8	1.4	15.3	141.8	0.8
INCO	6,050	7,100	8,200	Buy	35.5	(6.9)	60.1	17.9x	1.6x	9.2	1.5	16.7	12.6	1.2
ANTM	1,955	1,985	3,450	Buy	76.5	(5.1)	47.0	11.7x	1.9x	16.9	4.1	18.9	13.5	1.4

Source : Bloomberg, NH KSI Research

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