

Weekly Brief (Aug. 28 – Sep. 1, 2023)

Summary:

Last week review:

Federal Reserve Chairman Jerome Powell's hawkish speech at the Jackson Hole - Wyoming symposium summed up the focus of investors last week. Powell said tight monetary policy is needed to achieve the Inflation target at 2%, which in the process is already expected to bring down economic growth and weaken the labor market. The statement automatically pushed up the US Treasury yield in anticipation of the high interest rate trend continuing. The 2-year US Treasury yield closed at a high of 5.12%; while the 10-year US Treasury yield even touched its highest point, which is equivalent to the Great Financial Crisis of 2007. While many countries are raising interest rates, China cut its benchmark interest rate for the second time in 3 months in an effort to boost its economic growth post COVID. The Peoples Bank of China (PBOC) lowered the 1-year (short-term) lending rate to 3.45% from 3.55%; and kept the 5-year lending rate in place at 4.2%.

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The economic slowdown is indeed noticeable in the release of several economic data, such as the US which reported lower than expected Existing Home Sales (July) of 4.07 million units (vs previous month's 4.16 million units). Economic data also showed business activity weakening in the US & Euro Zone region as well as several other major European countries such as France, Germany, and the UK; as illustrated by their Composite PMI data which appeared stagnant in August or even contraction widened. Germany reported PPI (July) at an above-expected deflationary rate of minus 6% yoy. On the other hand, the Eurozone announced Current Account (June) which managed to record a massive surplus of EUR 35.8 billion, a sharp contrast to both the expected deficit and the previous month's result of EUR 7.9 billion. The easing of Inflation in the UK also made consumer confidence there improve, at least the Gfk Consumer Confidence data for August did not fall as deep as expected at -29, but managed to be released at -25 only, a more optimistic step than the previous month at -30. German GDP 2Q23 has not been able to move from the same -0.2% recession zone as the previous quarter. Businesses in Germany are still pessimistic about their business expectations & business climate for the next 6 months as reflected in the German IFO Business Climate Index (August). **It is reasonable if the US central bank will still continue the tight monetary policy**, considering that the US economy is still heating up, especially with the US New Home Sales report in July experienced an above-expected increase of 714 thousand units and rose massively on a monthly basis by 4.4% mom. US Core Durable Goods Orders rose 0.5% mom in July, higher than forecast & previous month at 0.2%. Similarly, Initial Jobless Claims turned out to be only 230k (3-week lows), below the expected jobless claims to at least remain the same as in the last position of 240k; signaling the labor market is still tight.

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From the eastern side of the world, Japan released BOJ Core CPI at 3.3% yoy, heating up above estimates & previous period at 3%. Inflation in the Tokyo area turned out to flatten slightly to 2.9% yoy (has been on a downtrend for the past 4 months), although nationally their August CPI rate seems to have risen slightly to 2.6% yoy. Japan also reported growth in both the manufacturing and services sectors as au Jibun Bank Japan Manufacturing PMI for August was recorded closer to the expansionary border at 49.7, while the Services PMI was firmly in expansionary territory at 54.3. However, on the one hand, Japan noted that foreign investment in their bonds and stock market experienced a significant decline. Meanwhile, South Korea released its July producer-level Inflation data which turned out to increase 0.3% on a monthly basis, but slipped -0.2% yoy on an annualized basis. South Korea also announced the Consumer Confidence level (August) at 103.1 which was above expectations although slightly down from the previous month. **In terms of domestic news**, Indonesia recorded a current account deficit of USD 7.4 billion in Q2/2023 and the position of foreign exchange reserves at the end of June was still high at USD 137.5 billion. Bank Indonesia explained that the current account deficit was still under control due to the impact of high uncertainty in global financial markets, amidst conditions of falling commodity prices and a slowdown in the global economy as well as rising domestic demand. Bank Indonesia also again set the benchmark interest rate to remain at 5.75%, which has happened for 7 consecutive months, considering that the current BI7DRR position is sufficient to control inflation plus strengthen efforts to stabilize the Rupiah exchange rate. USD/IDR closed at IDR 15,290/USD, having slipped from a 5-month high at the Independence Day high point on August 17th at IDR 15,391/USD.

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This week's outlook:

Approaching the end of the month, several US employment data will certainly be of interest to market participants. Starting from JOLTs Job Openings (July), then ADP Nonfarm Employment Change (August) which is predicted to grow by 195K smaller than the previous month at 324K, and at the end of the month the US monitored Average Hourly Earnings (August), Nonfarm Payrolls (August) is estimated to grow by 170K, also smaller than last month at 187K. However, the Unemployment Rate (August) is expected to remain sticky at 3.5%. In addition to all that, market participants will also monitor US Consumer Confidence (August) US GDP 2Q23, Pending Home Sales (July); and also the PCE (Personal Consumption Expenditure) PRICE index (July) predicted to rise again to 3.35 yoy, from 3.0% in June. This index is closely related to the future trend of US inflation and will give the central bank some idea of where monetary policy is heading. S&P Global US Manufacturing PMI (August) is expected to contract further to 47, down from July's reading of 49.

From Europe, Gfk German Consumer Climate (Sept) is predicted to remain relatively pessimistic in the negative zone. EU Economic Forecasts will also be highlighted this week in addition to EUROZONE Business Climate (Aug) & Consumer Confidence (Aug) which are expected to be even more pessimistic about the business & economic climate at minus 16, increasing from minus 15.1 in the previous month. At the end of August Inflation rates for a number of countries will be announced: German CPI (Aug). French 2Q23 GDP & CPI (Aug), Eurozone CPI (Aug); similarly, Indonesian Inflation is predicted to rise to 3.37% yoy in August, from 3.08% yoy the previous month.

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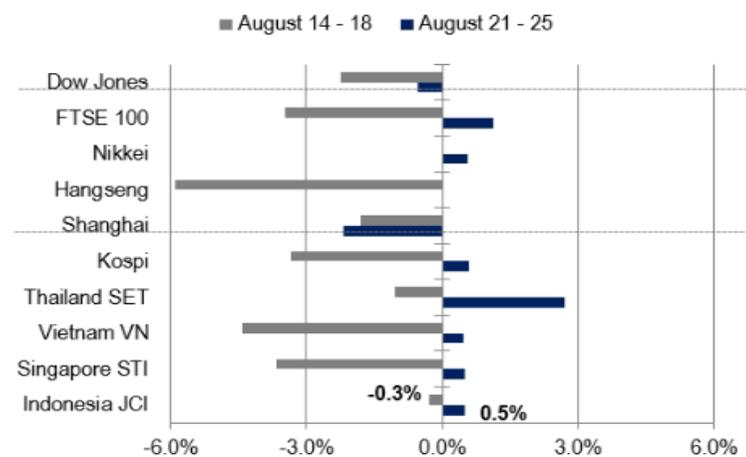
This week's outlook:

PMI data remains a concern for market participants in the Asian region, where the Chinese Composite PMI (Aug) is predicted to remain in contraction zone at 49.5, but is expected to improve slightly from the previous month at 49.3. Investors in Indonesia will also monitor the Manufacturing PMI (Aug). From a neighboring country, South Korea will report Trade Balance (Aug) on Friday which is predicted to be back in deficit by KRW 1.2 billion after recording 3 consecutive months of surplus.

JCI Index : 6,895.44 (+0.5%)
Foreign Flow : Net Sell of IDR 2.7 Trillion (Vs. last week's net sell of IDR 3.4 Trillion)
USD/IDR : 15,295 (+0.07%)

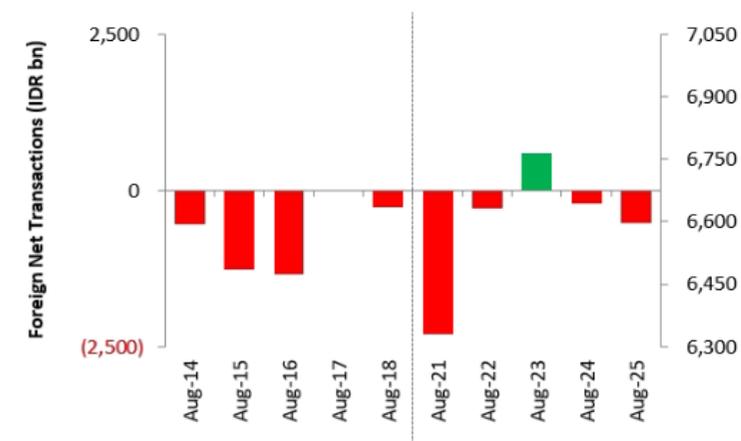
Last Week's JCI Movement

Global Market Movement



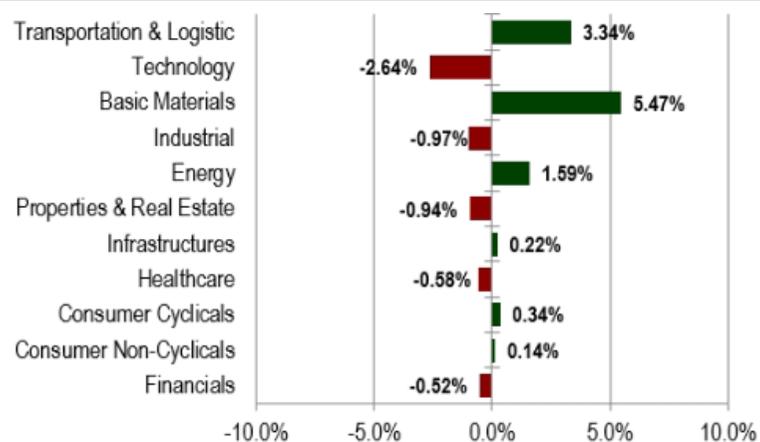
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



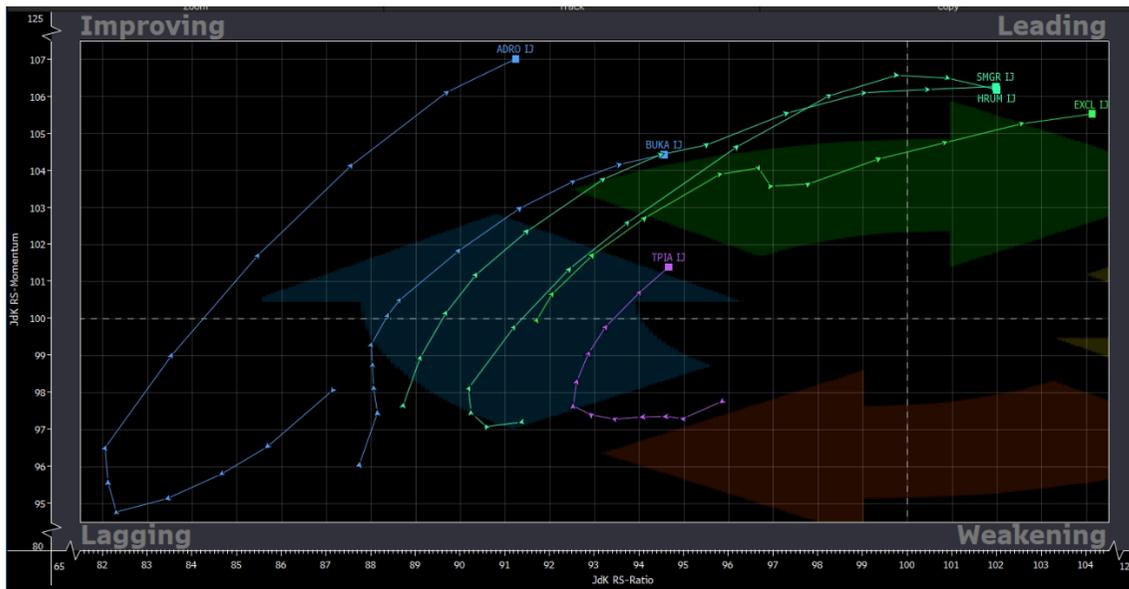
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BMRI	265,940	GOTO	248,536
BRMS	180,854	UNTR	247,072
BUMI	112,506	BBCA	232,198
TLKM	58,480	INCO	134,999
BBNI	56,360	ASII	70,775

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
ADRO	3000	2350
BUKA	244-248 / 260 / 268	220
EXCL	2500 / 2560-2600 / 3000-3060	2220
TPIA	2330 / 2360 / 2400-2430	2100
SMGR	7225 / 7250	6650
HRUM	1700-1710 / 1760 / 1800-1815	1550

Source: Bloomberg, NHKSI Research

JCI Index

Support	6850 / 6825-6810 / 6765-6740	Resistance	6885-6895 / 6920 / 6950-6970 / 7000
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Jakarta Stock Exchange Composite Index, Indonesia, Jakarta:JKSE, D

MA (10, close, 0)
MA (20, close, 0)
MA (50, close, 0)



Source: NHKSI Research, Bloomberg

Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
Monday 28 – Aug	US	21:30	Dallas Fed Manf. Activity	Aug	—	-20.0
Tuesday 29 – Aug	US	21:00	Conf. Board Consumer Confidence	Aug	116.6	117.0
	GE	13:00	Gfk Consumer Confidence	Sep	-24.4	-24.4
	JP	06:30	Jobless Rate	Jul	2.5%	2.5%
	JP	06:30	Job-To-Applclicant Ratio	Jul	1.30	1.30
Wednesday 30 – Aug	US	18:00	MBA Mortgage Applications	Aug 25	—	-4.2%
	US	19:15	ADP Employment Change	Aug	200K	324K
	US	19:30	GDP Annualized QoQ	2Q S	2.4%	2.4%
	GE	19:00	CPI MoM	Aug P	0.2%	0.3%
	GE	19:00	CPI YoY	Aug P	6.0%	6.2%
Thursday 31 – Aug	US	19:30	Initial Jobless Claims	Aug 26	—	230K
	US	19:30	Personal Income	Jul	0.3%	0.3%
	US	19:30	Personal Spending	Jul	0.7%	0.5%
	US	20:45	MNI Chicago PMI	Aug	44.1	42.8
	CH	08:30	Manufacturing PMI	Aug	49.1	49.3
	GE	14:55	Unemployment Change (000's)	Aug	10.0K	-4.0K
	KR	06:00	Industrial Production YoY	Jul	-5.4%	-5.6%
	JP	06:50	Industrial Production MoM	Jul P	-1.2%	2.4%
Friday 1 – Sep	US	19:30	Change in Nonfarm Payrolls	Aug	168K	187K
	US	19:30	Unemployment Rate	Aug	3.5%	3.5%
	US	20:45	S&P Global US Manufacturing PMI	Aug F	—	47.0
	US	21:00	ISM Manufacturing	Aug	46.9	46.4
	CH	08:45	Caixin China PMI Mfg	Aug	49.2	49.2
	ID	07:30	S&P Global Indonesia PMI Mfg	Aug	—	53.3
	ID	09:00	CPI YoY	Aug	3.34%	3.08%
	GE	14:55	HCOB Germany Manufacturing PMI	Aug F	—	39.1
	KR	07:00	Trade Balance	Aug	-\$1200m	\$1630m
	KR	07:30	S&P Global South Korea PMI Mfg	Aug	—	49.4
	JP	06:50	Capital Spending YoY	2Q	8.0%	11.0%
	JP	07:30	Jibun Bank Japan PMI Mfg	Aug F	—	49.7

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	—
28 – Aug	Cum Dividend	—
Tuesday	RUPS	—
29 – Aug	Cum Dividend	—
Wednesday	RUPS	BTEL, UNVR
30 – Aug	Cum Dividend	XBNI
Thursday	RUPS	LTLS
31 – Aug	Cum Dividend	GEMS
Friday	RUPS	MDLN
1 – Sep	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							3,700.7							
BBCA	9,250	8,550	10,200	Overweight	10.3	15.6	1,140.3	24.3x	5.1x	21.9	2.2	22.2	34.2	1.0
BBRI	5,600	4,940	6,000	Overweight	7.1	31.1	848.7	15.5x	3.0x	19.8	5.1	10.3	28.8	1.1
BBNI	9,100	9,225	12,000	Buy	31.9	9.6	169.7	8.6x	1.2x	14.9	4.3	12.2	17.0	1.2
BMRI	5,925	4,963	6,750	Overweight	13.9	39.4	553.0	13.2x	2.4x	21.3	4.5	16.9	24.8	1.3
AMAR	280	232	392	Buy	40.0	(0.1)	5.1	67.1x	1.2x	(4.3)	N/A	#N/A	N/A	0.8
Consumer Non-Cyclicals							1,201.3							
INDF	7,125	6,725	8,600	Buy	20.7	9.6	62.6	6.9x	1.1x	16.7	3.6	6.3	92.1	0.5
ICBP	11,350	10,000	13,000	Overweight	14.5	30.1	132.4	15.8x	3.3x	22.2	1.7	5.8	195.8	0.4
UNVR	3,770	4,700	4,200	Overweight	11.4	(18.2)	143.8	30.6x	36.5x	110.4	3.7	(5.5)	(20.0)	0.4
MYOR	2,650	2,500	3,200	Buy	20.8	42.5	59.3	23.5x	4.5x	20.2	1.3	3.1	89.7	0.6
CPIN	5,175	5,650	5,500	Overweight	6.3	(11.9)	84.9	44.8x	3.1x	7.1	N/A	7.9	(42.9)	0.5
JPFA	1,320	1,295	1,400	Overweight	6.1	(17.0)	15.5	39.3x	1.2x	3.1	3.8	(1.3)	(92.7)	0.6
AAJI	7,625	8,025	8,000	Hold	4.9	(16.4)	14.7	11.4x	0.7x	6.1	5.3	(14.4)	(54.6)	1.0
Consumer Cyclicals							437.3							
ERAA	492	392	600	Buy	22.0	(1.2)	7.8	8.1x	1.1x	14.7	3.9	23.5	(9.2)	0.8
MAPI	1,970	1,445	2,000	Hold	1.5	99.0	32.7	15.4x	3.7x	27.0	0.4	27.3	(5.2)	0.7
Healthcare							276.1							
KLBF	1,820	2,090	2,200	Buy	20.9	12.3	85.3	25.7x	4.2x	16.7	2.1	9.4	(6.4)	0.4
SIDO	645	755	700	Overweight	8.5	(9.8)	19.4	17.5x	5.9x	34.0	5.7	2.6	0.6	0.6
MIKA	2,770	3,190	3,000	Overweight	8.3	9.9	39.5	41.5x	7.2x	18.1	1.3	(1.2)	(15.5)	0.3
Infrastructure							878.81							
TLKM	3,740	3,750	4,800	Buy	28.3	(16.7)	370.5	18.3x	3.0x	16.6	4.5	2.1	(4.2)	0.8
JSMR	3,660	2,980	5,100	Buy	39.3	5.5	26.6	8.4x	1.2x	14.5	2.1	18.3	56.3	0.9
EXCL	2,420	2,140	3,800	Buy	57.0	(10.4)	31.8	25.1x	1.2x	5.0	1.7	12.0	(13.8)	0.8
TOWR	1,020	1,100	1,260	Buy	23.5	(17.4)	52.0	15.4x	3.4x	23.7	2.4	8.7	(8.8)	0.3
TBIG	2,090	2,300	2,390	Overweight	14.4	(28.2)	47.4	31.4x	4.4x	12.9	1.7	(0.7)	(18.6)	0.4
MTEL	740	800	860	Buy	16.2	(6.9)	61.8	32.0x	1.8x	5.8	2.9	#N/A	N/A	0.5
WIKA	378	800	1,280	Buy	238.6	(63.1)	3.4	N/A	0.3x	(4.6)	N/A	#N/A	N/A	1.2
PTPP	595	715	1,700	Buy	185.7	(39.9)	3.7	13.0x	0.3x	2.5	N/A	(10.8)	14.3	1.1

Source : Bloomberg, NH KSI Research

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Property & Real Estate							280.8							
CTRA	1,130	940	1,500	Buy	32.7	15.3	20.9	12.8x	1.1x	8.9	1.3	(4.2)	(22.4)	0.9
PWON	462	456	600	Buy	29.9	(6.1)	22.2	11.8x	1.2x	10.8	1.4	5.3	45.8	1.1
Energy							1,295.1							
PGAS	1,465	1,760	1,770	Buy	20.8	(24.5)	35.5	7.6x	0.9x	10.9	9.6	11.6	(20.0)	0.8
PTBA	2,950	3,690	4,900	Buy	66.1	(32.3)	34.0	3.0x	1.1x	41.1	37.1	21.4	(48.9)	1.0
ADRO	2,640	3,850	3,900	Buy	47.7	(22.6)	84.4	2.5x	0.8x	37.4	18.5	(1.8)	(27.6)	1.3
Industrial							430.6							
UNTR	26,500	26,075	32,000	Buy	20.8	(19.9)	98.8	4.4x	1.3x	29.2	26.4	13.6	11.2	0.9
ASII	6,450	5,700	8,000	Buy	24.0	(6.2)	261.1	9.3x	1.4x	15.2	9.9	13.0	(4.0)	1.1
Basic Ind.							1,299.4							
SMGR	6,950	6,575	9,500	Buy	36.7	6.4	47.1	18.1x	1.1x	6.1	3.5	2.0	(9.0)	0.8
INTP	11,300	9,900	12,700	Overweight	12.4	21.5	41.6	17.3x	2.0x	11.8	1.4	15.3	141.8	0.8
INCO	5,950	7,100	8,200	Buy	37.8	(2.9)	59.1	17.7x	1.6x	9.2	1.5	16.7	12.6	1.2
ANTM	2,000	1,985	3,450	Buy	72.5	2.3	48.1	12.0x	1.9x	16.9	4.0	18.9	13.5	1.4

Source : Bloomberg, NH KSI Research

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