

Weekly Brief (Sep. 4 – Sep. 8, 2023)

Summary:

Last week review:

A number of US employment data were the focus of attention for market participants last week. The Job Openings & Labor Turnover Survey (JOLTs) which measures labor demand, came in at 8.8 million in July, below expectations of 9.46 million. The JOLTs figure from the US Department of Labor has fallen for 3 consecutive months, signaling that pressure on the labor market is fading. The ADP National Employment report showed new private sector jobs added by 177k in August, missing the prediction of 195k, and clearly lower than July's 371k. Speaking of the third labor data, US Nonfarm Payrolls, the US economy created 187,000 jobs in August, up from 157,000 in the previous month, beating economists' forecast of 170,000. Average hourly earnings slowed to 0.2% in August from 0.4% previously, slower than economists' forecast of 0.3% due to an increase in labor supply (or participation rate); at the same time pushing the Unemployment Rate (Aug.) unexpectedly higher to 3.8% from 3.5% in July. Conference Board (CB) US Consumer Confidence also fell to 106.1 in August from 114 in July, missing economists' forecasts of a reading of 116.

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The US Commerce Department reported that the Personal Consumption Expenditures (PCE) price index, which is the Federal Reserve's favorite inflation benchmark, rose 3.3% yoy in July, in line with expectations. While the Core PCE price index (which excludes volatile food & energy prices) also rose as predicted at 4.2% yoy in the same month. On the other hand, Consumer Spending rose 0.8% mom in July, the fastest growth in 6 months and implying resilient consumer spending power. Investors/traders' expectation that the Fed will hold rates at its September meeting remains at 93% probability, as captured by the CME Group FedWatch tool. Investors believe that the Fed will always refer to economic data in making this interest rate decision. While the data that has been released is quite in line with market expectations, thus aligning with the purpose of the interest rate hike trend that has been carried out since 2022. To top it all off, the US 2Q23 GDP data was also revised to 2.1% yoy, slower than the initial estimate at around 2.4%. The US stock market closed August with a total monthly decline of 1.8% for the S&P500, 2.4% for the Dow, and 2.2% for the Nasdaq. The 10-year US Treasury yield automatically reacted by flattening to 4.09% and provided an opportunity for Tech sector megacap stocks to take the stage. Bank giant UBS is quite confident in the S&P500's ability to reach the 4700 level by June 2024, compared to its 2023 year-end target of around 4500. According to UBS, stock growth in 2024 could be higher as profits improve and the market begins to anticipate the prospect of interest rate cuts by the Fed if inflation continues to move towards the 2% target level desired by the US central bank. UBS also added that it is possible that the S&P500 will be able to reach 5200, if artificial intelligence (AI) really proves to be a game-changer next year.

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What about Asia & Europe? Consumer Confidence outlook in Japan, Germany, France, and Eurozone are still relatively in the pessimistic area in seeing the business outlook going forward. Germany reported Retail Sales in July fell on a monthly and annual basis, unable to meet expectations and clearly showing a downward trend compared to the previous month. Meanwhile, the unemployment rate of Europe's largest economy was recorded at 5.7% in August, in line with expectations that the level had increased from the previous month at 5.6%. A total of 18,000 new unemployed people emerged in August, much higher than only 1,000 in the previous month. The Eurozone gave a preliminary estimate of the August Inflation rate at 5.3% yoy, above expectations of 5.1%; they also released their July Unemployment Rate unchanged at 6.4%. Even Japan released their Unemployment Rate expanded to 2.7% in July, from 2.5% in the previous month. South Korea released a number of economic data that fell into the negative growth zone including: Industrial Production and Retail Sales both for July; fortunately there was still the Services sector that released positive numbers as reported in Service Sector Output (July) which beat expectations of stagnating at 0% by actually growing by 0.4%. Meanwhile, Japan's Industrial Production also grew negatively by minus 2.0% mom in July; clearly plummeting compared to the previous month which still recorded positive growth of 2.4%. On one hand, Japan's Retail Sales for July looked more vibrant as it rose to 6.8% (above forecast & previous month).

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China tries everything to stimulate its stock market. Shares of Chinese companies listed on Wall Street enjoyed a rally of over 2% as China cut the stamp duty on stock trading (in addition to softening margin requirements) effective last Monday. China released Manufacturing PMI data (Aug.) which looks increasingly vibrant at 49.7, although not yet crossing into expansionary territory but the reading has exceeded expectations & last month's position at 49.3. Unfortunately China's Non-Manufacturing PMI retreated to 51.0 (missing expectations and lower than the previous month); bringing the Chinese Composite PMI up just 0.2 points to 51.3 in August. Although seemingly mini, the Manufacturing PMI growth also added positive sentiment to energy commodity prices, assuming that demand from China will pick up soon. WTI crude oil prices surged 7% last week, closing at USD 86.5/barrel, initially in reaction to three consecutive weeks of falling US oil inventories and expectations that the Saudi production cut of one million barrels per day will enter its fourth month in October. The Idalia tropical agency in Florida also added an upward push to West Texas Intermediate (WTI) oil prices due to production disruptions. Speaking of other commodities, Gold approached a 1-month high last Friday, consolidating a weekly gain of 1% after the US released a batch of labor data for the month of August; where the Unemployment Rate rose to an 18-month high, implying the Fed may not need to raise interest rates further (where they still have 3 opportunities in the rest of the year at the FOMC Meetings scheduled for September 20, November 1, and December 13).

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Domestically, Indonesia published the August Inflation rate at 3.27%, below the prediction of 3.33%, but indeed higher than the previous month at 3.08%. Meanwhile, Indonesia had no issues with the Manufacturing PMI (Aug.), which proved to be more expansionary at 53.9. Foreign investment in Indonesia's stock market has been in a net buy position of IDR 12.43 trillion since the beginning of the year, although the monthly position turned out to be a net sell of IDR 1.14 trillion. The Rupiah exchange rate managed to close last week at its strongest level in almost 2 months at IDR 15,235/USD, and there is still potential for USD/IDR to continue consolidation until around IDR 15,180.

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This week's outlook:

After last Friday's US labor report further strengthened expectations that the Federal Reserve will be able to hold interest rates unchanged at this month's FOMC Meeting, the economic calendar will be lighter with a shorter trading week due to the US holiday. As for Indonesia, the month of September opens with the arrival of a number of ASEAN Summit delegates to Jakarta who will fill the main activities on September 4-7. Entering September, stocks posted strong weekly gains last week, with the JCI testing the 7000 mark for the first time this year. Data from China may add to concerns over the outlook for the world's number two economy; while on the commodities front supply concerns are likely to remain supportive of oil prices.

On Wednesday, the Institute for Supply Management will release its August service sector activity data, with economists expecting it to weaken slightly. On the same day the Fed will publish its Beige Book, a survey of economic activity in the bank's 12 districts. Investors will also get the chance to hear from several Fed speakers during the week. Investors now see a 94% chance the US central bank will keep rates on hold at 5.25%-5.5% at its September 19-20 meeting, according to Investing.com's Fed rate monitor tool.

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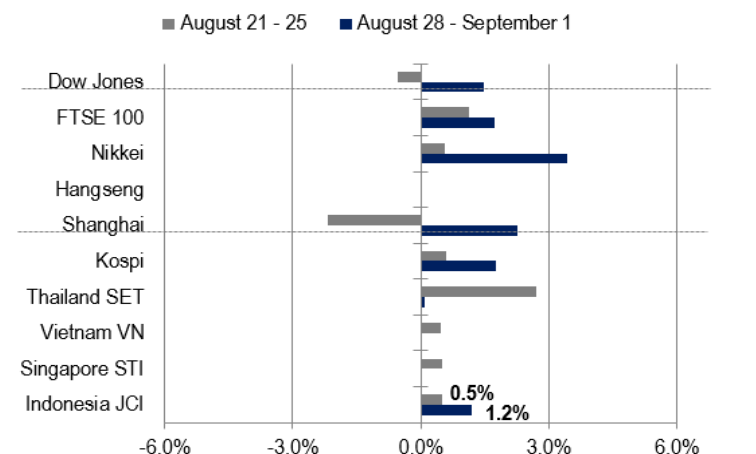
China's economic data this week is likely to indicate that the economic recovery in the world's second-largest economy remains fragile amid weak demand in key export markets and the worsening domestic property crisis adding pressure to growth. The Caixin services PMI for August will be released on Tuesday and is expected to show expansion in the services sector slowed slightly last month. Trade data on Thursday is expected to show exports and imports contracted again in August on a year-on-year basis, albeit at a slower pace than in July. Market observers will also be watching August CPI data on Saturday with consumer prices expected to increase after slipping into deflationary territory in July. Chinese authorities have launched a series of policy measures aimed at reviving the weakening economy, but many analysts see little chance for more drastic stimulus amid concerns over rising debt risks.

Oil prices surged to the highest level in more than seven months on Friday, snapping a two-week run of declines on concerns over the tight supply outlook. For the past week, Brent rose about 4.8%, the biggest one-week gain since late July. WTI Crude rallied 7.2%, the biggest weekly surge since March. Saudi Arabia is expected to extend voluntary oil production cuts of 1 million barrels per day through October, extending supply curbs designed by the Organization of the Petroleum Exporting Countries (OPEC) and its allies, collectively known as OPEC+, to support prices. The demand outlook in the US remains strong, while commercial crude inventories declined in five of the last six weeks according to data from the US Energy Information Administration.

JCI Index	: 6,977.65 (+1.2%)
Foreign Flow	: Net Sell of IDR 1.6 Trillion (Vs. last week's net sell of IDR 2.7 Trillion)
USD/IDR	: 15,240 (-0.6%)

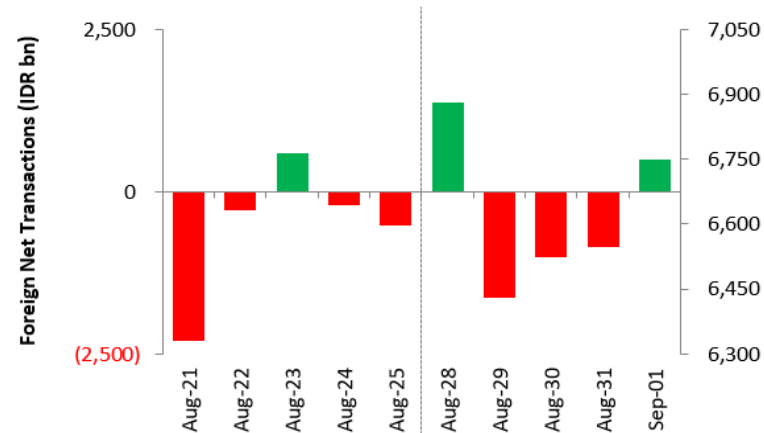
Last Week's JCI Movement

Global Market Movement



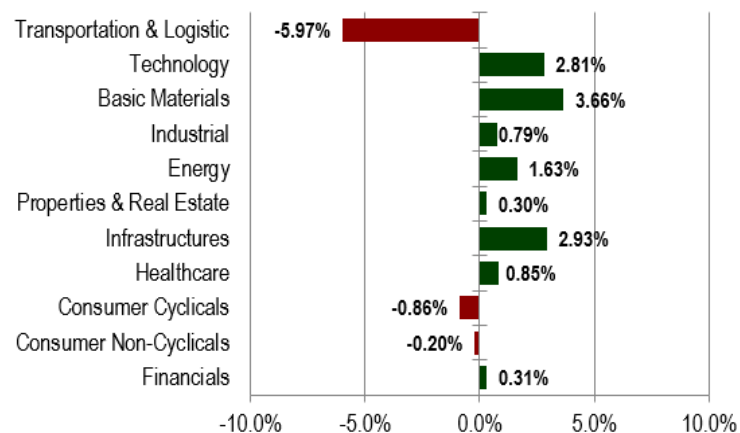
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



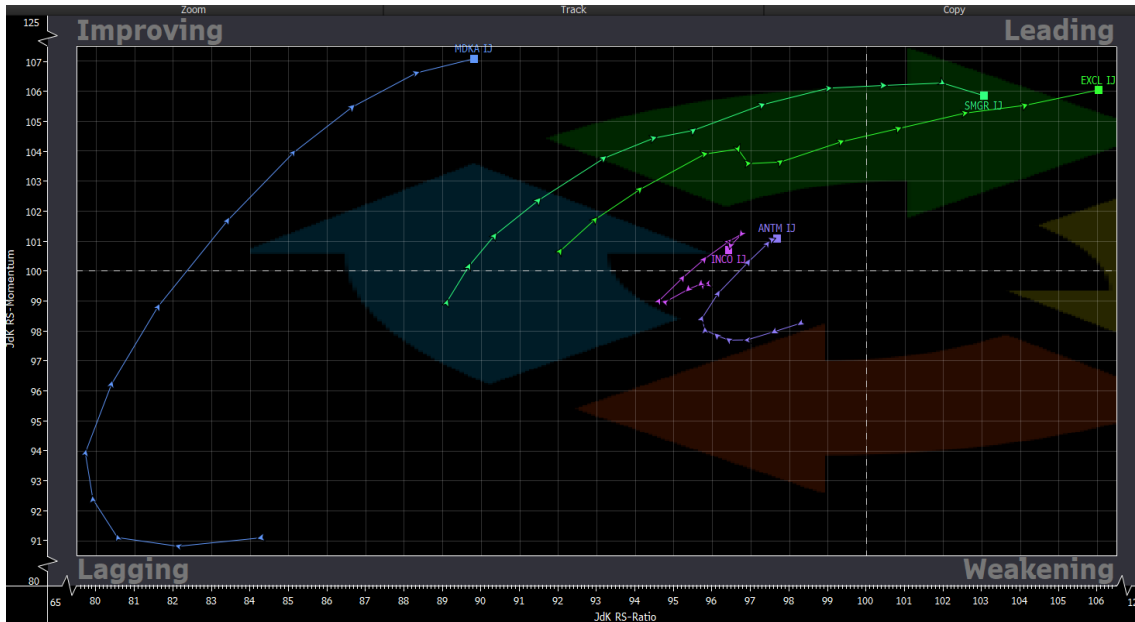
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
GOTO	162,964	BBCA	635,718
BMRI	146,424	TLKM	439,221
MEDC	127,693	BBRI	383,151
JSMR	110,852	ADRO	70,535
BRMS	96,812	PGEO	66,525

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
SMGR	7000 / 7225-7250	6700
EXCL	2560 / 2780-2800 / 3000-3060	2380
INCO	6100 / 6200 / 6375 -6425	5750
MDKA	3500-3520 / 3580-3610 / 3670-3700	3200
ANTM	2000-2010 / 2060 / 2100 / 2150	1895

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 4 – Sep	JP	06:50	Monetary Base YoY	Aug	—	-1.3%
Tuesday 5 – Sep	US	21:00	Factory Orders	Jul	-2.5%	2.3%
	US	21:00	Durable Goods Orders	Jul F	—	-5.2%
	CH	08:45	Caixin China PMI Composite	Aug	—	51.9
	CH	08:45	Caixin China PMI Services	Aug	53.5	54.1
	GE	14:55	HCOB Germany Services PMI	Aug F	—	47.3
	GE	14:55	HCOB Germany Composite PMI	Aug F	—	44.7
	KR	06:00	GDP YoY	2Q P	0.9%	0.9%
	KR	06:00	GDP SA QoQ	2Q P	0.6%	0.6%
	KR	06:00	CPI YoY	Aug	2.8%	2.3%
	JP	07:30	Jibun Bank Japan PMI Composite	Aug F	—	52.6
	JP	07:30	Jibun Bank Japan PMI Services	Aug F	—	54.3
Wednesday 6 – Sep	US	18:00	MBA Mortgage Applications	Sep 1	—	2.3%
	US	19:30	Trade Balance	Jul	-\$67.5b	-\$65.5b
	GE	13:00	Factory Orders MoM	Jul	-5.0%	7.0%
Thursday 7 – Sep	US	19:30	Initial Jobless Claims	Sep 2	—	228K
	CH		Trade Balance	Aug	\$73.53b	\$80.60b
	CH		Foreign Reserves	Aug	—	\$3204.27b
	ID	10:00	Foreign Reserves	Aug	—	\$137.70b
	GE	13:00	Industrial Production SA MoM	Jul	-0.6%	-1.5%
Friday 8 – Sep	US	21:00	Wholesale Inventories MoM	Jul F	—	-0.1%
	GE	13:00	CPI MoM	Aug F	—	0.3%
	GE	13:00	CPI YoY	Aug F	—	6.1%
	KR	06:00	BoP Current Account Balance	Jul	—	\$5873.7m
	JP	06:50	GDP Annualized SA QoQ	2Q F	5.7%	6.0%
	JP	06:50	GDP SA QoQ	2Q F	1.4%	1.5%
	JP	06:50	GDP Deflator YoY	2Q F	3.4%	3.4%
	JP	06:50	BoP Current Account Balance	Jul	¥2263.2b	¥1508.8b

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	BOSS
4 – Sep	Cum Dividend	IKBI, SGER
Tuesday	RUPS	IPCC, POLY
5 – Sep	Cum Dividend	—
Wednesday	RUPS	ERAA, FAPA, KAEF, MFMI, MKTR, SMIL, WAPO
6 – Sep	Cum Dividend	—
Thursday	RUPS	JAZZ
7 – Sep	Cum Dividend	—
Friday	RUPS	INPS, NAYZ, VICO
8 – 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							3,710.9							
BBCA	9,225	8,550	10,200	Overweight	10.6	12.2	1,137.2	24.2x	5.1x	21.9	2.2	22.2	34.2	0.9
BBRI	5,600	4,940	6,000	Overweight	7.1	25.8	848.7	15.2x	2.9x	19.4	5.1	12.0	18.9	1.0
BBNI	9,275	9,225	12,000	Buy	29.4	6.6	173.0	8.7x	1.2x	14.9	4.2	12.2	17.0	1.2
BMRI	6,125	4,963	6,750	Overweight	10.2	38.4	571.7	13.6x	2.5x	21.3	4.3	16.9	24.8	1.3
AMAR	278	232	392	Buy	41.0	6.5	5.1	66.7x	1.2x	(4.3)	N/A	#N/A	N/A	0.7
Consumer Non-Cyclicals							1,200.5							
INDF	7,025	6,725	8,600	Buy	22.4	9.8	61.7	6.8x	1.1x	16.7	3.7	6.3	92.1	0.5
ICBP	11,275	10,000	13,600	Buy	20.6	29.2	131.5	15.7x	3.3x	22.2	1.7	5.8	195.8	0.4
UNVR	3,680	4,700	4,200	Overweight	14.1	(19.1)	140.4	29.9x	35.7x	110.4	3.8	(5.5)	(20.0)	0.4
MYOR	2,580	2,500	3,200	Buy	24.0	38.7	57.7	22.9x	4.4x	20.2	1.4	3.1	89.7	0.6
CPIN	5,050	5,650	5,500	Overweight	8.9	(14.8)	82.8	43.7x	3.0x	7.1	N/A	7.9	(42.9)	0.5
JPFA	1,310	1,295	1,400	Overweight	6.9	(15.5)	15.4	39.0x	1.2x	3.1	3.8	(1.3)	(92.7)	0.6
AALI	7,675	8,025	8,000	Hold	4.2	(15.0)	14.8	11.5x	0.7x	6.1	5.3	(14.4)	(54.6)	1.0
Consumer Cyclicals							431.6							
ERAA	480	392	600	Buy	25.0	1.7	7.7	7.9x	1.1x	14.7	4.0	23.5	(9.2)	0.8
MAPI	1,970	1,445	2,000	Hold	1.5	87.6	32.7	15.4x	3.7x	27.0	0.4	27.3	(5.2)	0.7
Healthcare							277.4							
KLBF	1,750	2,090	2,200	Buy	25.7	4.5	82.0	24.8x	4.0x	16.7	2.2	9.4	(6.4)	0.4
SIDO	625	755	700	Overweight	12.0	(12.6)	18.8	16.9x	5.7x	34.0	5.8	2.6	0.6	0.6
MIKA	2,840	3,190	3,000	Overweight	5.6	6.0	40.5	42.5x	7.4x	18.1	1.3	(1.2)	(15.5)	0.3
Infrastructure							893.96							
TLKM	3,730	3,750	4,800	Buy	28.7	(18.9)	369.5	18.3x	3.0x	16.6	4.5	2.1	(4.2)	0.8
JSMR	4,350	2,980	5,100	Buy	17.2	26.1	31.6	10.0x	1.4x	14.5	1.7	18.3	56.3	0.9
EXCL	2,430	2,140	3,800	Buy	56.4	(7.6)	31.9	25.2x	1.2x	5.0	1.7	12.0	(13.8)	0.8
TOWR	1,040	1,100	1,260	Buy	21.2	(16.8)	53.1	15.7x	3.4x	23.7	2.3	8.7	(8.8)	0.3
TBIG	2,040	2,300	2,390	Buy	17.2	(29.9)	46.2	30.7x	4.3x	12.9	1.7	(0.7)	(18.6)	0.4
MTEL	735	800	860	Buy	17.0	(8.7)	61.4	31.8x	1.8x	5.8	2.9	#N/A	N/A	0.5
WIKA	394	800	1,280	Buy	224.9	(62.5)	3.5	N/A	0.3x	(4.6)	N/A	#N/A	N/A	1.2
PTPP	575	715	1,700	Buy	195.7	(42.2)	3.6	12.5x	0.3x	2.5	N/A	(10.8)	14.3	1.1

Source : Bloomberg, NH KSI 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
Property & Real Estate							281.9							
CTRA	1,125	940	1,500	Buy	33.3	15.4	20.9	12.8x	1.1x	8.9	1.3	(4.2)	(22.4)	0.9
PWON	452	456	600	Buy	32.7	(7.8)	21.8	11.6x	1.2x	10.8	1.4	5.3	45.8	1.1
Energy							1,312.4							
PGAS	1,365	1,760	1,770	Buy	29.7	(24.8)	33.1	8.9x	0.8x	9.1	10.3	2.5	(40.0)	0.8
PTBA	2,910	3,690	4,900	Buy	68.4	(31.7)	33.5	3.6x	1.8x	45.1	37.6	#N/A	N/A	1.0
ADRO	2,710	3,850	3,900	Buy	43.9	(28.3)	86.7	2.6x	0.9x	37.4	18.0	(1.8)	(27.6)	1.3
Industrial							434.9							
UNTR	26,650	26,075	32,000	Buy	20.1	(21.4)	99.4	4.5x	1.3x	29.2	26.3	13.6	11.2	0.9
ASII	6,550	5,700	8,000	Buy	22.1	(5.4)	265.2	9.4x	1.4x	15.2	9.8	13.0	(4.0)	1.1
Basic Ind.							1,364.2							
SMGR	6,900	6,575	9,500	Buy	37.7	7.7	46.8	18.0x	1.1x	6.1	3.6	2.0	(9.0)	0.8
INTP	10,650	9,900	12,700	Buy	19.2	12.4	39.2	16.3x	1.9x	11.8	1.5	15.3	141.8	0.7
INCO	6,000	7,100	8,200	Buy	36.7	3.9	59.6	17.9x	1.6x	9.2	1.5	16.7	12.6	1.2
ANTM	1,965	1,985	3,450	Buy	75.6	3.4	47.2	11.3x	2.0x	18.5	4.0	15.4	23.8	1.4

Source : Bloomberg, NH KSI Research

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