

Weekly Brief (Oct. 16 – 20, 2023)

Summary:

Last week review:

US INFLATION and how that information affects the US central bank's decision on the continuation of their monetary policy, was in the spotlight last week after mixed employment data in the previous week still raised debate on whether the Federal Reserve will go ahead with plans for one more interest rate hike before the year ends. US inflation came in at 3.7% yoy in September, higher than the 3.6% forecast; while Core Inflation matched expectations of 4.1% yoy. US PPI came in at 2.2% yoy, higher than the expected 1.6% due to higher energy prices. On the other hand, Initial Jobless Claims was lower than expected (actual: 209k, forecast 210k). Despite the resilient US economic data, the chances of the Fed raising interest rates next month are detected to remain low at 12%, according to Investing.com's Fed Rate Monitor Tool. The 10-year US Treasury yield had risen again as high as 4.887% and the 2-year tenor was pushed above the 5% level last week before some dovish Fed officials argued that the recent rise in long-term US Treasury bond yields, which directly affects household and business financing credit, may lead the Fed not to raise interest rates further. In the FOMC Meeting Minutes of the Fed's September meeting, most policymakers were still of the belief that one more rate hike is needed before the year ends, but they have recently toned down the hawkish tone that the US has managed to avoid recession and its economy is headed for a soft landing, although the struggle to tame Inflation is not yet over.

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MIDDLE EAST CONFLICT absolutely caught the global attention when it didn't take long for Israel to retaliate to Hamas' deadly attack and further increase the casualties on both sides. Global markets are concerned if other countries play a role in this conflict and what the economic consequences will be if the war escalates. The US has sent its largest aircraft carrier, the USS Gerald R. Ford Carrier Strike Group, moving towards the Israeli coast to support Israeli defense forces. So far, the Israel-Hamas war has moved global crude oil prices up 7 percent and gold as a safe-haven asset up 5 percent last week; but on the other hand, it has crushed the Israeli Shekel stock market & currency, as well as exchange-traded funds (ETFs) that have exposure to Israel.

EUROPEAN MARKETS: Germany reported CPI (Sept.) at 4.5% yoy, in line with expectations and successfully eased from the previous month's 6.1%. However, this achievement came at the cost of German Industrial Production (Aug.) plummeting to -1.75% yoy, reflecting a clear economic slowdown in Europe's largest economy. Meanwhile, UK GDP for August rose as expected to 0.5% yoy from 0.3% in July, on a monthly basis they also avoided deflation of -0.6% in the previous month to 0.2% mom. Unfortunately, the UK Industrial & Manufacturing Production is still immersed in negative growth territory, worse than expected; although the decline has started to slow down from the previous month. On the other hand, Eurozone Industrial Production (Agus.) unexpectedly strengthened significantly to 0.6% mom. Meanwhile, one of the European Central Bank (ECB) officials made a speech at the IMF meeting in Morocco that it is a bit too early to declare victory over Inflation management, due to the changing economic conditions in the Euro-zone region. The ECB official underlined the need for patience to further monitor the state of the world, and the importance of paying attention to Wage Growth data at the beginning of next year to better understand where Inflation is heading in continental Europe.

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ASIA MARKETS: South Korea has released Unemployment Rate (Sept.) data which increased to 2.6%. Meanwhile, foreign investment in Japanese stocks is suspected to have increased significantly to JPY1436.1 billion, up 20x from the previous period. China is still struggling with its economic recovery problem as China's inflation lost its grip again and fell to 0.0% yoy and 0.2% mom, which was lower than expected; while China's PPI has not been able to get out of the deflationary territory of -2.5%. New Loans that occurred in China was indeed able to increase significantly compared to the previous period but the actual figure of CNY2310 billion was still lower than the estimate of CNY2500 billion. China's Exports & Imports, which are lined up to be the drivers of the global economy, are struggling to recover from negative growth but so far only its Exports have managed to reduce the decline; resulting in China's Trade Balance managed to surplus USD77.71 billion (higher than expected & August).

INDONESIA: announced Consumer Confidence (Sept.) at 121.7, down from the previous month's 125.2 and the lowest reading since the start of the year. USD/IDR exchange rate closed at IDR15703/USD after rocketing to almost IDR15800. Indonesia reported Retail Sales (Sept.) growth slowed to 1.1% yoy; while Motorcycle sales (Sept.) fell -0.9% yoy, Car sales plunged -20.1% (Sept.) which is the 4th consecutive month of weakness and almost matches this year's low in May which fell -28.8%. FOREIGN NET BUY/SELL INDONESIA: Foreign started accumulating Indonesian stocks on a NET SELL basis much narrower to just IDR12.28bn at the end of last week, YTD position still relatively unmoving at IDR8.94 trillion.

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This week's outlook:

Q3 earnings season will contribute to market sentiment as major US companies are expected to show improved earnings. To kick things off, JPMorgan Chase, Wells Fargo and Citigroup on Friday reported profit growth above analysts' expectations, supported by higher interest rates.

US ECONOMIC DATA: US Retail Sales (Sept.) will provide a snapshot of the strength of public spending, which controls about two-thirds of the US economy. Economists expect retail sales to increase 0.2% last month. A stronger-than-expected actual result could raise fears of a return of inflation and add to the belief that the Federal Reserve needs to keep interest rates higher for a longer period of time. Market participants will also be watching Fed Chairman Jerome Powell's comments on Thursday when he speaks at an Economic Club of New York event; as well as comments from several Federal Reserve officials scheduled for this week.

COMMODITIES: WTI Oil prices surged nearly 6% last Friday while Brent posted its biggest weekly gain since February. Although Israel is not a major global oil producer, traders & speculators are anticipating the possibility of the conflict spilling over into other parts of the Middle East. One more move from the US that helped push Oil prices up was: the US on Thursday imposed sanctions for the first time on the owner of a tanker carrying Oil from Russia above the G7 price limit of USD60/barrel. Another factor of concern is the weekly update of US Oil inventories on Wednesday, where the issue of supply shortages on all fronts will further push the price of this commodity upwards.

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This week's outlook:

CHINA DATA: China's GDP in the third quarter of 2020 is expected to slope back to 4.4% yoy (lower than the government's annual target of 5%) from the massive growth of 6.3% in the previous quarter. Other reports from China related to Industrial Production, Retail Sales, and Unemployment Rate are expected to show slight improvement. At the end of this week, the PBoC Loan Prime Rate will be announced again whether it remains the same as the previous period at 3.45%.

EUROPE DATA: The employment report and Inflation rate (Sept.) will feed into the Bank of England's November meeting. Eurozone CPI (Sept.) is expected to ease to 4.3% yoy from 5.2% the previous month.

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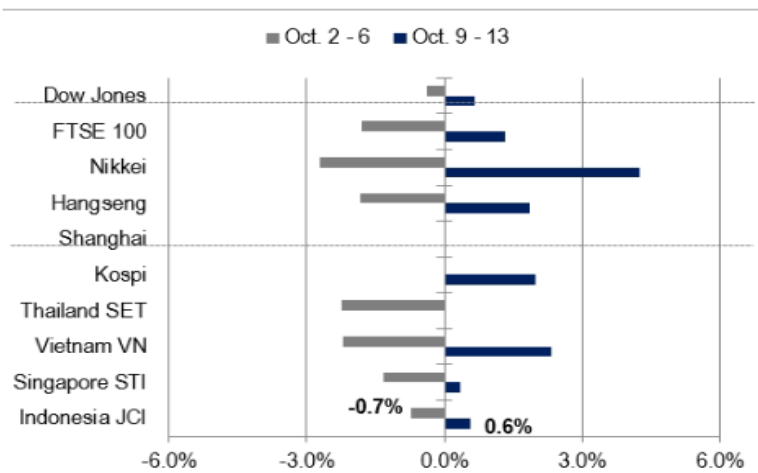
This week's outlook:

INDONESIA: here are a handful of economic data worth monitoring for Indonesian investors/traders, namely: Trade Balance (Sept.) and Export & Import growth. However, the highlight of the week will be Bank Indonesia's decision on Thursday regarding lending & deposit rates in light of the current Inflation rate and in order to stabilize the Rupiah exchange rate.

JCI Index : 6,926.78 (+0.6%)
Foreign Flow : Net Buy of IDR 272 Billion (Vs. last week's net sell of IDR 11 Billion)
USD/IDR : 15,683 (0.47%)

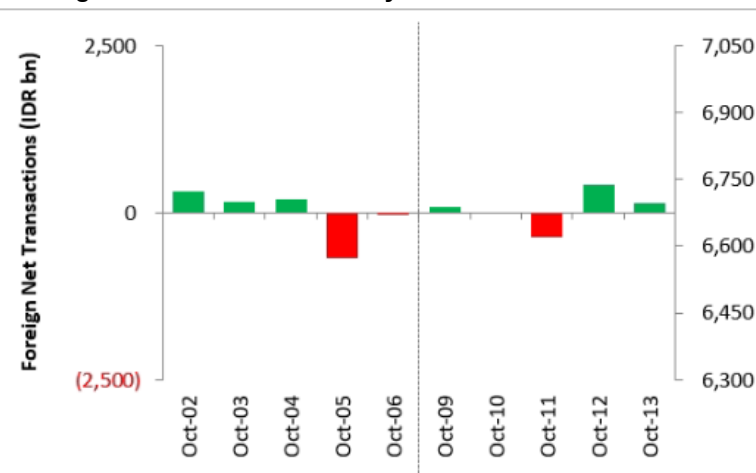
Last Week's JCI Movement

Global Market Movement



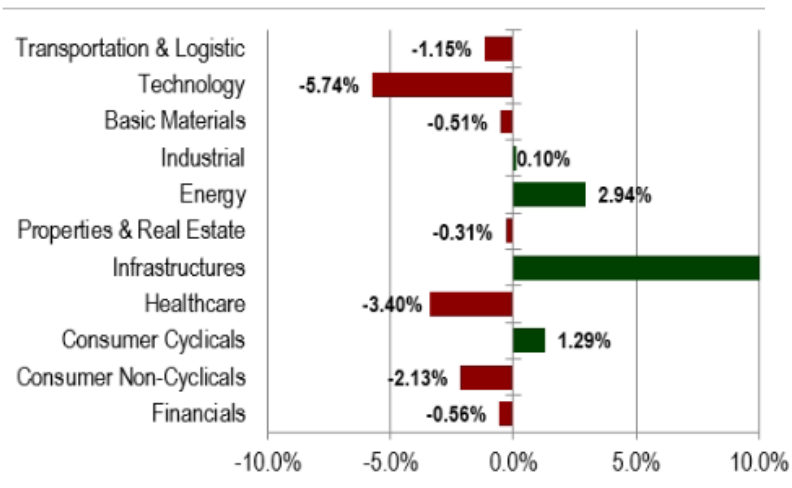
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



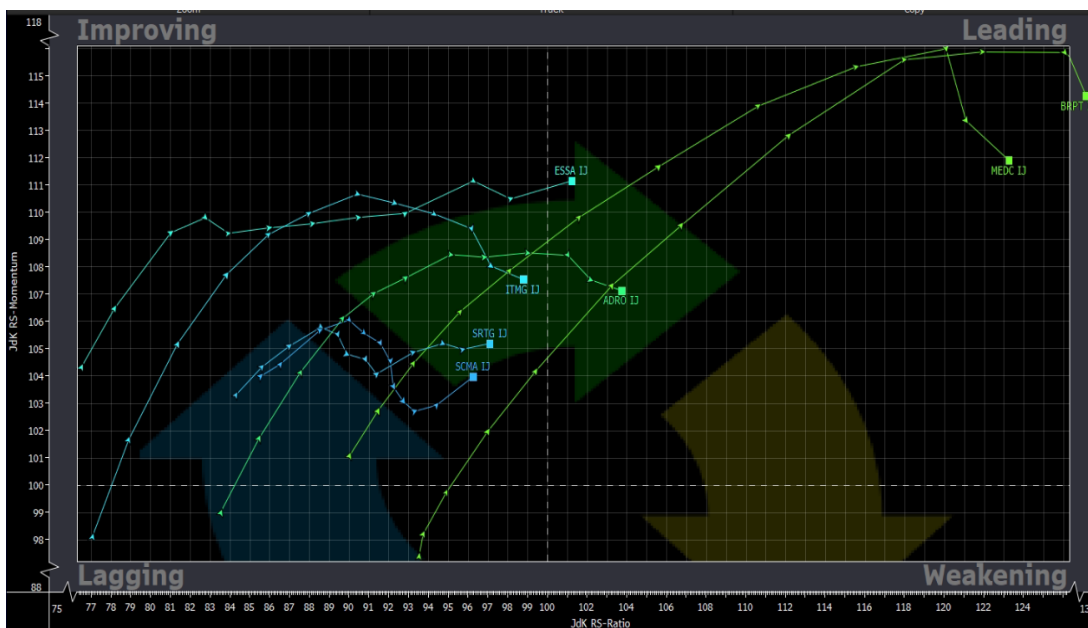
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BBNI	423,525	MEDC	305,224
TLKM	304,810	BBCA	300,117
FILM	156,556	GOTO	190,737
AMRT	93,187	BBRI	185,220
ASII	52,699	BMRI	140,362

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
MEDC	1525 / 1600 / 1685	1440
BRPT	1255 / 1290 / 1340 / 1460	1090
ESSA	745-770 / 800 / 815-830	675
ITMG	28000 / 29300-29400 / 30000	26700
ADRO	2800-2840 / 3970-3000	2690
SRTG	1685 / 1715-1740 / 1770-1805	1590
SCMA	163-167 / 174-177	152

Source: Bloomberg, NHKSI Research

JCI Index

Support	6915 / 6890-6870 / 6835-6825 / 6780-6745	Resistance	6950-6970 / 7000-7060
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Jakarta Stock Exchange Composite Index, Indonesia, Jakarta:JKSE, D



Source: NHKSI Research, Bloomberg

Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
Monday 16 – Oct.	US	19:30	Empire Manufacturing	Oct	-5.0	1.9
	ID	11:00	Trade Balance	Sep	\$2,349M	\$3,120M
	ID	11:00	Exports YoY	Sep	-13.80%	-21.21%
	ID	11:00	Imports YoY	Sep	-5.50%	-14.77%
	JP	11:30	Industrial Production MoM	Aug F	—	0.0%
Tuesday 17 – Oct.	US	19:30	Retail Sales Advance MoM	Sep	0.3%	0.6%
	US	20:15	Industrial Production MoM	Sep	-0.1%	0.4%
	JP	11:30	Tertiary Industry Index MoM	Aug	0.2%	0.9%
Wednesday 18 – Oct.	US	18:00	MBA Mortgage Applications	Oct 13	—	0.6%
	US	19:30	Housing Starts	Sep	1,393K	1,283K
	CH	09:00	GDP YoY	3Q	4.5%	6.3%
	CH	09:00	Industrial Production YoY	Sep	4.3%	4.5%
	CH	09:00	Retail Sales YoY	Sep	4.8%	4.6%
Thursday 19 – Oct.	US	19:30	Initial Jobless Claims	Oct 14	—	209K
	US	21:00	Existing Home Sales	Sep	3.90M	4.04M
	US	21:00	Leading Index	Sep	-0.4%	-0.4%
	ID	14:20	Bank Indonesia 7D Reverse Repo	Oct 19	5.75%	5.75%
	KR	—	BOK Base Rate	Oct 19	3.50%	3.50%
Friday 20 – Oct.	US	20:00	Bloomberg Oct. US Economic Survey			
	JP	06:30	Natl CPI YoY	Sep	3.0%	3.2%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	DCII
16 – Oct.	Cum Dividend	ASGR
Tuesday	RUPS	—
17 – Oct.	Cum Dividend	SMMT
Wednesday	RUPS	PNGO, ARNA
18 – Oct.	Cum Dividend	—
Thursday	RUPS	SOHO, BABP, ARTI, AIMS
19 – Oct.	Cum Dividend	—
Friday	RUPS	SOSS, MBMA
20 – Oct.	Cum Dividend	—

Source: NHKSI Research

NHKSJ 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							3,632.8							
BBCA	9,100	8,550	10,200	Overweight	12.1	10.3	1,121.8	23.9x	5.0x	21.9	2.3	22.2	34.2	0.9
BBRI	5,300	4,940	6,100	Buy	15.1	24.1	803.3	14.3x	2.7x	19.4	5.4	12.0	18.9	1.0
BBNI	5,250	4,613	12,000	Buy	128.6	24.6	195.8	9.9x	1.4x	14.9	3.7	12.2	17.0	1.1
BMRI	6,050	4,963	6,750	Overweight	11.6	28.7	564.7	13.5x	2.4x	21.3	4.4	16.9	24.8	1.2
AMAR	326	232	392	Buy	20.2	16.3	6.0	194.2x	1.4x	0.7	N/A	12.3	N/A	0.8
Consumer Non-Cyclicals							1,197.8							
INDF	6,775	6,725	8,600	Buy	26.9	12.0	59.5	6.6x	1.0x	16.7	3.8	6.3	92.1	0.4
ICBP	10,875	10,000	13,600	Buy	25.1	25.0	126.8	15.1x	3.2x	22.2	1.7	5.8	195.8	0.4
UNVR	3,670	4,700	4,200	Overweight	14.4	(23.7)	140.0	29.8x	35.6x	110.4	3.8	(5.5)	(20.0)	0.2
MYOR	2,590	2,500	3,200	Buy	23.6	19.9	57.9	23.0x	4.4x	20.2	1.4	3.1	89.7	0.6
CPIN	5,250	5,650	5,500	Hold	4.8	(0.9)	86.1	45.4x	3.1x	7.1	N/A	7.9	(42.9)	0.5
JPFA	1,290	1,295	1,400	Overweight	8.5	(7.5)	15.1	38.4x	1.2x	3.1	3.9	(1.3)	(92.7)	0.6
AALI	7,275	8,025	8,000	Overweight	10.0	(8.2)	14.0	10.9x	0.7x	6.1	5.5	(14.4)	(54.6)	0.9
Consumer Cyclicals							409.7							
ERAA	442	392	600	Buy	35.7	10.0	7.0	7.2x	1.0x	14.7	4.3	23.5	(9.2)	0.8
MAPI	1,920	1,445	2,400	Buy	25.0	61.3	31.9	15.0x	3.6x	27.0	0.4	#N/A	N/A	0.6
Healthcare							274.5							
KLBF	1,765	2,090	2,200	Buy	24.6	(4.3)	82.7	25.0x	4.1x	16.7	2.2	9.4	(6.4)	0.4
SIDO	585	755	700	Buy	19.7	(10.7)	17.6	15.9x	5.4x	34.0	6.2	2.6	0.6	0.6
MIKA	2,740	3,190	3,000	Overweight	9.5	(0.4)	39.0	41.0x	7.1x	18.1	1.4	(1.2)	(15.5)	0.3
Infrastructure							1,219.03							
TLKM	3,840	3,750	4,800	Buy	25.0	(10.5)	380.4	18.8x	3.1x	16.6	4.4	2.1	(4.2)	0.8
JSMR	4,540	2,980	5,100	Overweight	12.3	38.0	33.0	10.4x	1.5x	14.5	1.7	18.3	56.3	0.9
EXCL	2,390	2,140	3,800	Buy	59.0	0.4	31.4	24.8x	1.2x	5.0	1.8	12.0	(13.8)	0.8
TOWR	940	1,100	1,260	Buy	34.0	(20.0)	48.0	14.2x	3.1x	23.7	2.6	8.7	(8.8)	0.4
TBIG	1,960	2,300	2,390	Buy	21.9	(22.5)	44.4	29.5x	4.2x	12.9	1.8	(0.7)	(18.6)	0.4
MTEL	655	800	860	Buy	31.3	(8.4)	54.7	28.3x	1.6x	5.8	3.3	10.8	12.3	0.5
WIKA	406	800	1,280	Buy	215.3	(56.6)	3.6	N/A	0.3x	(16.0)	N/A	28.8	(13975.2)	1.1
PTPP	750	715	1,700	Buy	126.7	(15.7)	4.6	16.3x	0.4x	2.5	N/A	(10.8)	14.3	1.0

Source : Bloomberg, NHKSJ Research

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Property & Real Estate							265.6							
CTRA	1,025	940	1,300	Buy	26.8	7.9	19.0	11.7x	1.0x	8.9	1.5	(4.2)	(22.4)	0.8
PWON	424	456	600	Buy	41.5	(4.5)	20.4	10.8x	1.1x	10.8	1.5	5.3	45.8	1.1
Energy							1,304.2							
PGAS	1,405	1,760	1,770	Buy	26.0	(21.9)	34.1	8.9x	0.8x	9.1	10.0	2.5	(40.0)	0.6
PTBA	2,720	3,690	4,900	Buy	80.1	(35.7)	31.3	3.4x	1.7x	45.1	40.2	2.4	(54.9)	1.0
ADRO	2,770	3,850	3,900	Buy	40.8	(29.9)	88.6	2.5x	0.8x	37.4	17.6	(1.8)	(27.6)	1.3
Industrial							410.8							
UNTR	26,350	26,075	32,000	Buy	21.4	(21.9)	98.3	4.4x	1.3x	29.2	26.1	13.6	11.2	0.9
ASII	5,925	5,700	8,000	Buy	35.0	(6.7)	239.9	8.5x	1.3x	15.2	11.0	13.0	(4.0)	1.0
Basic Ind.							1,502.7							
SMGR	6,525	6,575	9,500	Buy	45.6	(9.1)	44.2	17.0x	1.1x	6.1	3.8	2.0	(9.0)	0.9
INTP	10,075	9,900	12,700	Buy	26.1	11.3	37.1	15.4x	1.8x	11.8	1.6	15.3	141.8	0.7
INCO	5,550	7,100	8,200	Buy	47.7	(17.2)	55.1	16.1x	1.4x	9.2	1.6	16.7	12.6	1.2
ANTM	1,805	1,985	3,450	Buy	91.1	(0.8)	43.4	10.4x	1.8x	18.5	4.4	#N/A	N/A	1.5

Source : Bloomberg, NH KSI Research

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