

Weekly Brief (Oct. 16 – 20, 2023)

Summary:

Last week review:

US TREASURY YIELD surged to its highest level, following the release of US economic data, which proved the US economy is still resilient and reignited concerns that the Federal Reserve needs to raise interest rates one more time before the end of the year. Bond yields continued their gains where the 2-year Treasury yield jumped to a 17-year high and the 10-year Treasury yield approached 5% for the first time since 2007. US Retail Sales rose 0.7% mom in September, above economists' forecast of 0.3%. Industrial Production (Sept.) also recorded growth of 0.3% mom, stronger than the 0.1% forecast. New home construction for young families apparently rebounded in September, Building Permits (Sept.) were released still larger than predicted and Existing Home Sales (Sept.) also showed new home housing in September increased by 3.96 million units, also higher than the estimate of 3.89 million. Initial Jobless Claims showed that the labor market remains strong: this week's jobless claims were last out at 198k, lower than the prediction of 212k & the previous week's 211k and the lowest point in 9 months. All of the above data further supports the thought that the Federal Reserve may need to keep interest rates high for a longer time. New York Federal Reserve President John Williams agrees with this in order to achieve the Fed's Inflation target of 2%. Federal Reserve Chairman Jerome Powell himself said that the US central bank will continue its cautious monetary policy following the spike in Treasury yields that contributed to significantly tightening financial conditions, but he also said that continued economic growth could force the Fed to tighten its policy further. A pause in the November rate hike is almost entirely expected (99.3% chance), according to Investing.com's Fed Rate Monitor Tool survey. However, the probability of a rate hike in December jumped to 42% this week from 26% last week. Wall Street's most monitored investor "fear" index, the CBOE Volatility Index, closed Friday at its highest level in nearly seven months. For the week, the Dow fell 1.6%, the S&P 500 declined 2.4% and the Nasdaq fell 3.2%.

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No doubt, the strong US economic data has caused the US DOLLAR to strengthen against other major world currencies, including the Indonesian Rupiah. The Rupiah exchange rate plummeted as low as IDR15,889/USD last week, despite Bank Indonesia's latest attempt to unexpectedly raise its benchmark BI7DRR rate by 25 bps to 6.0%. Indonesia's Trade Balance surplus increased to USD3.4 billion in September 2023 (which is the 41st consecutive month of surplus), was also unable to lift the Rupiah exchange rate, despite the contraction in Exports & Imports starting to ease. A number of unfavorable market sentiments dropped JCI 1.1% last week, to the Support area of the previous Low level last August. Foreign transaction in Indonesian equity market last week recorded net sell of IDR3.01 trillion (all market).

The political map of the 2024 presidential candidates will also make market players calculate, where Mahfud MD has been announced as the vice presidential candidate of Ganjar Pranowo's side; and finally the announcement of Gibran Rakabuming as Prabowo Subianto's vice presidential candidate on Sunday night.

EUROPE MARKETS: Speaking of Trade Balance, Eurozone bagged its 3rd consecutive month of surplus at EUR6.7bn in August, higher than July's position at EUR6.3 billion. ZEW Economic Sentiment in Germany and the Eurozone region forecast more optimistic economic conditions for the next 6 months. The UK reported Inflation (Sept.) which turned out to be sticky at 6.7% yoy, the same as last month's position. Meanwhile, the Eurozone region's overall CPI actually proved to be able to flatten to 4.3% yoy (as estimated), softening from August at 5.2%. ECB President Christine Lagarde began to consider the central bank needs to move into digital currencies and is ready to launch the Digital Euro in the near future.

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COMMODITIES: WTI OIL prices (New York) increased 2% last week, adding to the previous week's gain of around 6%; as the growing escalation of the MIDDLE EAST CONFLICT has started to spread to other countries. Meanwhile, the benchmark BRENT LOW OIL (London) was boosted by 1.4% after the previous week's 7.5% surge. US President Joe Biden flew to Israel to express solidarity with Israel, shortly after the US sent the largest aircraft carrier to Israeli waters to support troops there. Last Sunday, it was China's turn to send 6 warships to emphasize their support for Palestine. 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. The escalating Middle East conflict also made market participants avoid risky assets again. Gold as a safe-haven asset touched a 2-month high. The CBOE Volatility Index, also known as the Wall Street "fear" index, surged to a March high. As an offset, potential supply shortages may be addressed from Venezuela, after the United States granted a six-month waiver of economic sanctions imposed on them, in exchange for the South American country's promise to hold free and fair elections. Meanwhile, GOLD continued to shine in the safe haven on Friday, briefly touching back the USD 2,000/troy ounce level for the first time since August and eventually hitting a three-month high, triggered by fears of a widening Israeli-Palestine (Hamas) war and the Federal Reserve's hesitation to raise US interest rates again. After a relentless four-day rally, the benchmark gold futures contract ended the week up USD52.90, or 2.7% to USD1,994.4/troy ounce - adding to the previous week's gain of 5.2%.

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CHINA DATA: China recorded 3Q23 GDP growth of 4.9% yoy, beating analysts' expectations at 4.4% although it was lower than Q2 at 6.3%. On a quarterly basis, GDP actually rose 1.3% in Q3, up from 0.5% in Q2 and also surpassed the 1.0% forecast. At the same time, Chinese Industrial Production and Retail Sales for September both grew further in the positive direction and exceeded forecasts, thereby lowering China's Unemployment Rate (Sept.) to 5.0% from 5.2% in August. China 5Y Loan Prime Rate and PBoC Loan Prime Rate were held at 4.20% and 3.45% respectively. The Chinese government vowed to promote a sustained economic recovery, focusing on boosting domestic demand, while minimizing financial risks. The governor of China's central bank said that it will guide the policies of financial institutions to cut real lending rates and reduce financing costs for companies and individuals.

Weekly Brief (Oct. 16 – 20, 2023)

This week's outlook:

The risk aversion that dominates markets is likely to continue this week, while four of the seven US mega-capital companies will dominate earnings season by reporting Q3 earnings. The US data will give markets an update on the further strength of their economy. Oil Prices are likely to remain volatile and the European Central Bank will announce its latest interest rate decision.

A risk-off atmosphere dominates the market as investors are concerned about the prospects of further interest rate hikes and the escalating Israel-Hamas conflict. Benchmark 10-year Treasury yields fell on Friday, a day after surpassing 5% for the first time since July 2007 following Fed Chair Jerome Powell's comments (see below). This could cause investors to pile back into other traditional safe-haven assets such as the US Dollar and Gold, as well as short-term Treasury bonds or money market funds, which have provided more attractive yields since interest rates began rising early last year.

Market observers will get an update on the strength of the US economy this week from the 3rd quarter GDP data, as well as the Fed's preferred inflation measure, the Core Personal Consumer Expenditures price index. Economists expect Q3 US GDP to reach an annualized rate of 4.1%, driven by strong consumer spending. The Core PCE Price index, which excludes volatile food and fuel costs, is expected to increase 3.7% yoy. Fed Chairman Jerome Powell on Thursday said a stronger-than-expected US economy may warrant tighter monetary policy, although the current rise in Treasury yields may make it unnecessary for the central bank to do so.

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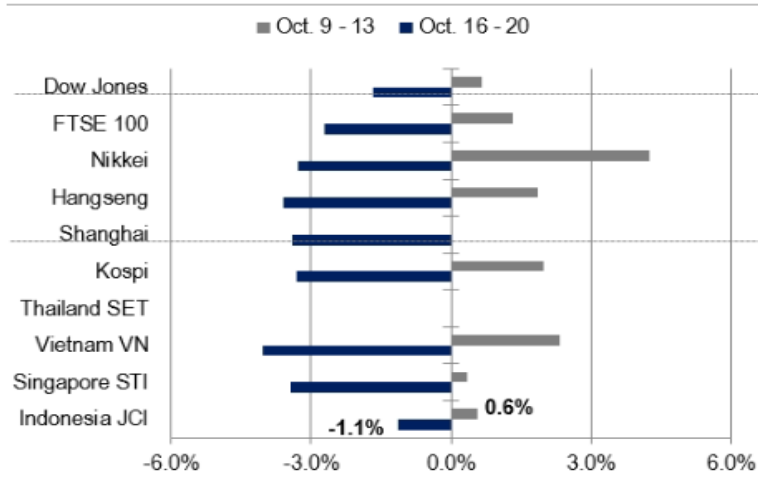
Oil prices will still be of interest to traders as there is little hope that the Israeli-Palestinian (Hamas) War can subside without engulfing the rest of the Middle East and disrupting oil supplies, following the latest developments in the conflict escalation.

The European Central Bank (ECB) holds its latest policy meeting on Thursday, with the broad consensus that interest rates will remain on hold. Market participants will be on the lookout for indications of a possible rate hike later this year in December. Ahead of Thursday's meeting, the Eurozone will release its October PMI data which will be closely watched on Tuesday. Recent economic data has raised concerns over the bloc's economic outlook amid weakening consumer spending as inflation remains high.

JCI Index	: 6,849.17 (-1.1%)
Foreign Flow	: Net Sell of IDR 3.3 Trillion (Vs. last week's net buy of IDR 272 Billion)
USD/IDR	: 15,857 (1.22%)

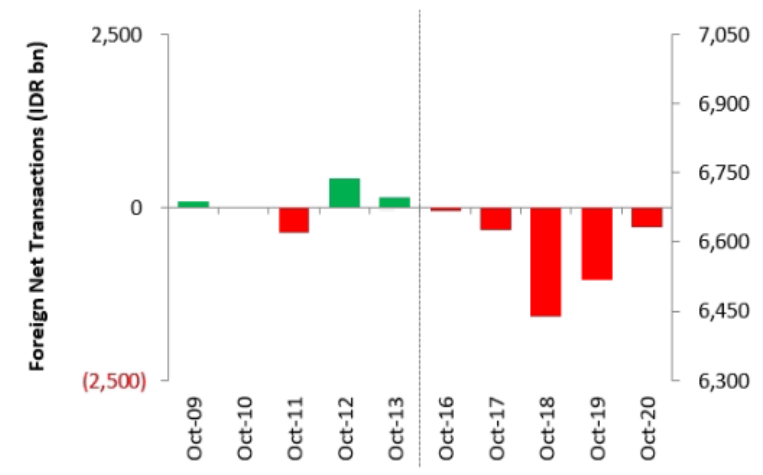
Last Week's JCI Movement

Global Market Movement



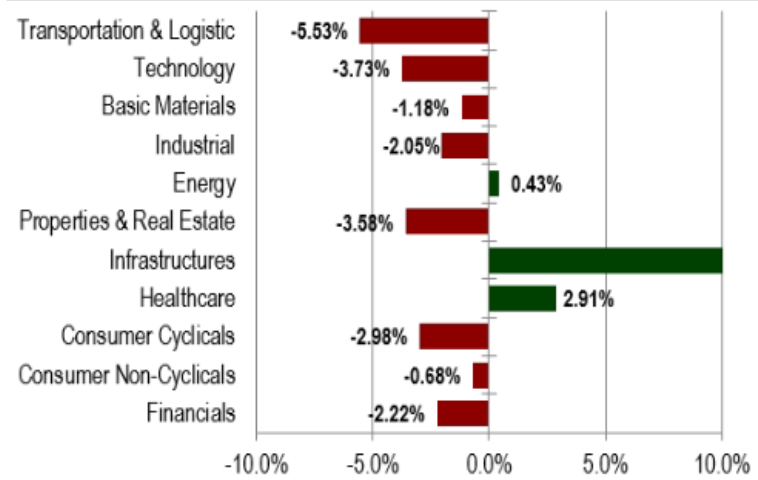
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



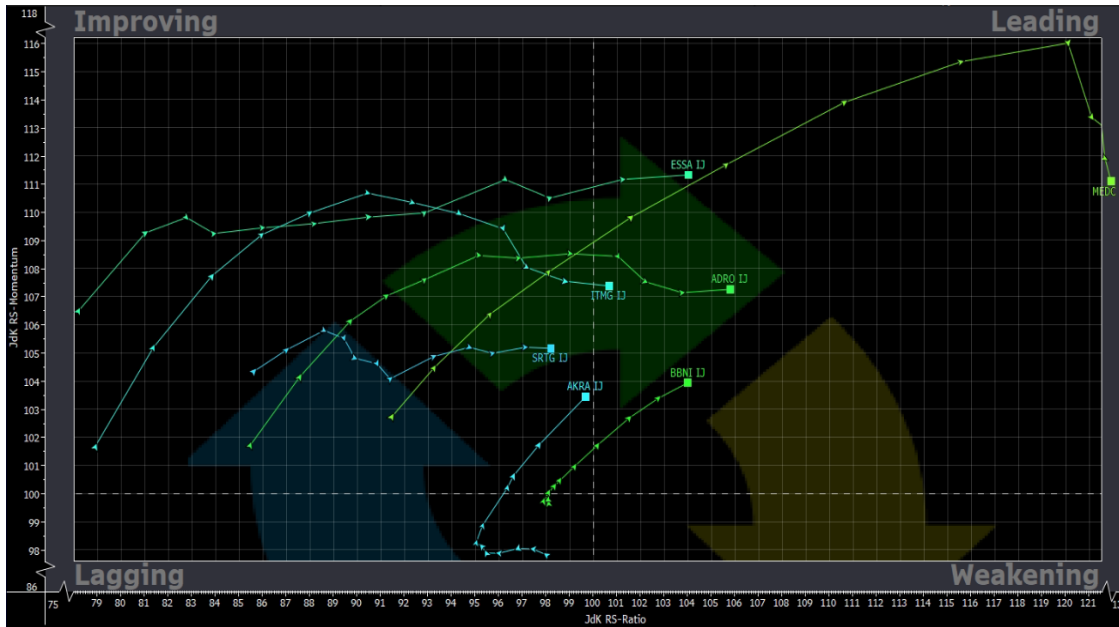
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
AMMN	125,321	BBCA	1,023,067
TLKM	105,253	BMRI	668,415
INKP	97,696	BBRI	617,321
BRPT	68,381	ASII	307,644
UNTR	63,020	BREN	170,821

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
ESSA	740 / 800	670
ADRO	2860 / 2980	2740
ITMG	29300 / 31700	27250
BBNI	5050 / 5200	4850
AKRA	1510 / 1560	1410
MEDC	1685-1705	1500
SRTG	1685 / 1750 / 1920	1530

Source: Bloomberg, NHKSI Research

JCI Index

Support	6840-6825 / 6780-6745	Resistance	6900-6930 / 6950-6970 / 7000-7060
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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 23 – Oct.	US	19:30	Chicago Fed Nat Activity Index	Sep	-\$166.0B	-\$429.8B
	KR	07:00	Imports 20 Days YoY	Oct	—	-1.5%
	KR	07:00	Exports 20 Days YoY	Oct	—	9.8%
Tuesday 24 – Oct.	US	20:45	S&P Global US Manufacturing PMI	Oct P	49.5	49.8
	GE	14:30	HCOB Germany Manufacturing PMI	Oct P	—	39.6
	KR	04:00	PPI YoY	Sep	—	1.0%
	JP	07:30	Jibun Bank Japan PMI Mfg	Oct P	—	48.5
Wednesday 25 – Oct.	US	18:00	MBA Mortgage Applications	Oct 20	—	-6.9%
	US	21:00	New Home Sales	Sep	684K	675K
Thursday 26 – Oct.	US	19:30	GDP Annualized QoQ	3Q A	4.3%	2.1%
	US	19:30	Durable Goods Orders	Sep P	1.1%	0.1%
	US	19:30	Initial Jobless Claims	Oct 21	—	198K
	KR	06:00	GDP YoY	3Q A	1.1%	0.9%
Friday 27 – Oct.	US	19:30	Personal Income	Sep	0.4%	0.4%
	US	19:30	Personal Spending	Sep	0.4%	0.4%
	US	21:00	U. of Mich. Sentiment	Oct F	63.2	63.0
	JP	06:30	Tokyo CPI Ex-Fresh Food YoY	Oct	2.5%	2.5%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	JAWA, ELTY
23 – Oct.	Cum Dividend	AVIA
Tuesday	RUPS	LUCY
24 – Oct.	Cum Dividend	—
Wednesday	RUPS	HAIS, ETWA, EDGE
25 – Oct.	Cum Dividend	—
Thursday	RUPS	DNET
26 – Oct.	Cum Dividend	KMDS, BOBA
Friday	RUPS	TBLA, HITS, GSMF, FMII
27 – Oct.	Cum Dividend	MPXL

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							3,530.3							
BBCA	8,850	8,550	10,200	Buy	15.3	2.3	1,091.0	22.6x	4.6x	21.5	2.3	20.5	25.5	0.9
BBRI	5,025	4,940	6,100	Buy	21.4	13.4	761.6	13.6x	2.6x	19.4	5.7	12.0	18.9	1.0
BBNI	4,970	4,613	12,000	Buy	141.4	10.4	185.4	9.4x	1.3x	14.9	4.0	12.2	17.0	1.1
BMRI	5,650	4,963	6,750	Buy	19.5	9.2	527.3	11.4x	2.3x	21.3	4.7	16.9	24.8	1.2
AMAR	322	232	392	Buy	21.7	14.9	5.9	191.8x	1.4x	0.7	N/A	12.3	N/A	0.8
Consumer Non-Cyclicals							1,191.5							
INDF	6,650	6,725	8,600	Buy	29.3	6.0	58.4	6.5x	1.0x	16.7	3.9	6.3	92.1	0.4
ICBP	10,600	10,000	13,600	Buy	28.3	12.5	123.6	14.7x	3.1x	22.2	1.8	5.8	195.8	0.4
UNVR	3,780	4,700	4,200	Overweight	11.1	(28.7)	144.2	30.7x	36.6x	110.4	3.7	(5.5)	(20.0)	0.1
MYOR	2,610	2,500	3,200	Buy	22.6	7.9	58.4	23.2x	4.5x	20.2	1.3	3.1	89.7	0.6
CPIN	5,025	5,650	5,500	Overweight	9.5	(9.5)	82.4	43.5x	3.0x	7.1	N/A	7.9	(42.9)	0.5
JPFA	1,190	1,295	1,400	Buy	17.6	(17.1)	14.0	35.4x	1.1x	3.1	4.2	(1.3)	(92.7)	0.6
AALI	7,075	8,025	8,000	Overweight	13.1	(16.8)	13.6	10.6x	0.6x	6.1	5.7	(14.4)	(54.6)	1.0
Consumer Cyclicals							396.6							
ERAA	410	392	600	Buy	46.3	(4.7)	6.5	6.7x	0.9x	14.7	4.6	23.5	(9.2)	0.9
MAPI	1,885	1,445	2,400	Buy	27.3	53.9	31.3	14.7x	3.5x	27.0	0.4	#N/A	N/A	0.6
HRTA	426	202	590	Buy	38.5	106.8	2.0	6.4x	1.1x	17.8	2.8	92.0	39.3	0.5
Healthcare							278.1							
KLBF	1,770	2,090	2,200	Buy	24.3	(10.4)	83.0	25.0x	4.1x	16.7	2.1	9.4	(6.4)	0.4
SIDO	570	755	700	Buy	22.8	(15.6)	17.1	15.4x	5.2x	34.0	6.4	2.6	0.6	0.6
MIKA	2,800	3,190	3,000	Overweight	7.1	(1.8)	39.9	41.9x	7.3x	18.1	1.3	(1.2)	(15.5)	0.3
Infrastructure							1,411.35							
TLKM	3,650	3,750	4,800	Buy	31.5	(16.3)	361.6	17.9x	2.9x	16.6	4.6	2.1	(4.2)	0.8
JSMR	4,290	2,980	5,100	Buy	18.9	23.6	31.1	9.9x	1.4x	14.5	1.8	18.3	56.3	0.9
EXCL	2,140	2,140	3,800	Buy	77.6	(13.4)	28.1	22.2x	1.1x	5.0	2.0	12.0	(13.8)	0.9
TOWR	880	1,100	1,260	Buy	43.2	(22.8)	44.9	13.3x	2.9x	23.7	2.7	8.7	(8.8)	0.4
TBIG	1,880	2,300	2,390	Buy	27.1	(27.1)	42.6	28.3x	4.0x	12.9	1.9	(0.7)	(18.6)	0.4
MTEL	640	800	860	Buy	34.4	(9.9)	53.5	27.7x	1.6x	5.8	3.3	10.8	12.3	0.5
WIKA	384	800	1,280	Buy	233.3	(57.6)	3.4	N/A	0.3x	(16.0)	N/A	28.8	(13975.2)	1.1
PTPP	680	715	1,700	Buy	150.0	(21.4)	4.2	14.8x	0.4x	2.5	N/A	(10.8)	14.3	1.0

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Property & Real Estate							254.0							
CTRA	995	940	1,300	Buy	30.7	5.9	18.4	11.3x	1.0x	8.9	1.5	(4.2)	(22.4)	0.8
PWON	400	456	600	Buy	50.0	(8.3)	19.3	10.2x	1.1x	10.8	1.6	5.3	45.8	1.1
Energy							1,347.4							
PGAS	1,350	1,760	1,770	Buy	31.1	(27.8)	32.7	8.4x	0.8x	9.1	10.4	2.5	(40.0)	0.7
PTBA	2,690	3,690	4,900	Buy	82.2	(29.8)	31.0	3.4x	1.7x	45.1	40.7	2.4	(54.9)	0.9
ADRO	2,680	3,850	3,900	Buy	45.5	(32.3)	85.7	2.4x	0.8x	37.4	18.2	(1.8)	(27.6)	1.3
Industrial							397.1							
UNTR	25,325	26,075	32,000	Buy	26.4	(20.9)	94.5	4.2x	1.3x	29.2	27.2	13.6	11.2	0.9
ASII	5,675	5,700	8,000	Buy	41.0	(13.7)	229.7	8.1x	1.2x	15.2	11.5	13.0	(4.0)	1.0
Basic Ind.							1,481.9							
SMGR	6,300	6,575	9,500	Buy	50.8	(16.9)	42.7	16.4x	1.0x	6.1	3.9	2.0	(9.0)	0.9
INTP	9,625	9,900	12,700	Buy	31.9	4.1	35.4	14.7x	1.7x	11.8	1.7	15.3	141.8	0.7
INCO	5,625	7,100	8,200	Buy	45.8	(14.4)	55.9	16.0x	1.4x	9.2	1.6	16.7	12.6	1.2
ANTM	1,795	1,985	2,350	Buy	30.9	(0.3)	43.1	10.3x	1.8x	18.5	4.4	#N/A	N/A	1.4

Source : Bloomberg, NHKSI Research

PT NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

Head of Research

Liza Camelia Suryanata

Equity Strategy, Macroeconomics,
Technical

T +62 21 5088 ext 9134

E liza.camelia@nhsec.co.id

Research Support

Amalia Huda Nurfalih

Editor & Translator

T +62 21 5088 ext 9132

E amalia.huda@nhsec.co.id

Analyst

Leonardo Lijuwardi

Banking, Infrastructure

T +62 21 5088 ext 9127

E leonardo.lijuwardi@nhsec.co.id

Analyst

Cindy Alicia Ramadhania

Consumer, Healthcare

T +62 21 5088 ext 9129

E cindy.alicia@nhsec.co.id

Analyst

Axell Ebenhaezer

Mining, Property

T +62 21 5088 ext 9133

E Axell.Ebenhaezer@nhsec.co.id

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PT NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

Head Office :

Treasury Tower 51th Floor, District 8, SC
BD Lot 28, Jl. Jend. Sudirman No. Kav 52-
53, RT.5/RW.3, Senayan, Kebayoran Bar
u, South Jakarta City, Jakarta 12190
No. Telp : +62 21 5088 9102

BANDENGAN (Jakarta Utara)

Jl. Bandengan Utara Kav. 81
Blok A No. 01, Lt. 1 Kel. Penjaringan,
Kec. Penjaringan Jakarta Utara,
DKI Jakarta 14440
No. Telp : +62 21 66674959

BANDUNG

Paskal Hypersquare blok A1
Jl. Pasirkaliki no 25-27 Bandung 40181
No. Telp : +62 22 860 22122

BALI

Jl. Cok Agung Tresna
Ruko Griya Alamanda no. 9 Renon
Denpasar, Bali 80226
No. Telp : +62 361 209 4230

ITC BSD (Tangerang Selatan)

BSD Serpong: ITC BSD Blok R No. 48
Jalan Pahlawan Seribu, Lekong Wetan,
Kec. Serpong, Kel. Serpong Tangerang
Selatan – Banten 15311
No. Telp : +62 21 509 20230

KAMAL MUARA (Jakarta Utara)

Rukan Exclusive Mediterania Blok F
No.2, Kel. Kamal Muara,
Kec. Penjaringan, Jakarta Utara 14470
No. Telp : +62 21 5089 7480

MAKASSAR

Jl. Gunung Latimojong No. 120A
Kec. Makassar Kel. Lariang Bangi
Makassar, Sulawesi Selatan
No. Telp : +62 411 360 4650

MEDAN

Jl. Asia No. 548 S Medan
Sumatera Utara 20214
No. Telp : +62 61 415 6500

PEKANBARU

Sudirman City Square
Jl. Jend. Sudirman Blok A No. 7
Pekanbaru, Riau
No. Telp : +62 761 801 1330