

Weekly Brief (Oct. 2 – 6, 2023)

Summary:

Last week review:

The Dow Jones Industrial Average fell about 2.7% for the third quarter, while the Nasdaq and S&P 500 were still able to end the quarter with gains of about 3.6% and 3.7%, respectively. The 10-year US Treasury yield rose to its highest level since 2007, as investors digested hawkish comments by Federal Reserve officials who implied that there will be one more interest rate hike before 2023 ends, and that the trend of high interest rates will persist for a longer time than expected. The same statement also led the Dollar to hit an 11-month high against the Japanese Yen, as well as a 10-month high against other major world currencies. Federal Reserve Chairman Jerome Powell also laid out a number of risks to the US economy, including a strike by auto workers (for which labor unions are working on an agreement with all three companies: Ford, General Motors, and Stellantis), a possible US government shutdown, the resumption of student loan repayments, rising energy prices, and rising interest rates on long-term loans. Rating agency Moody's had warned that if a US government shutdown should occur, it would severely harm the country's credit rating. Latest news: The US Congress passed a temporary funding bill on Saturday night with massive Democratic support, after Republican House Speaker Kevin McCarthy backed away from earlier demands from his party's hardliners.

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US ECONOMIC DATA: The latest Building Permits were released at 1.541 million units, almost matching expectations at 1.543 million units and apparently still able to climb from the previous period at 1.443 million units. However, this was not the case for New Home Sales in August, which dropped to 675k, compared to the forecast of 700k and lower than the previous month at 739k. The US also reported the lowest Consumer Confidence Index in 3 months at 103, unable to meet the estimate of 105.5 and clearly slipping from August at 108.7. This index number implies that consumers (who support two-thirds of the economy) are starting to feel the economic pressure from both high Inflation and the unending trend of rising interest rates. Core Durable Goods Orders for August jumped to 0.4% mom, above predictions & previous month at 0.1%. Data also showed that the US economy maintained a fairly solid growth rate in the second quarter, as evidenced by the 2Q23 GDP which was able to meet expectations at 2.1% qoq. Initial Jobless Claims came in at 204k, below the 215k forecast; while Pending Home Sales in August plunged much deeper than expected. The important Inflation data that investors were waiting for last week was the Personal Consumption Expenditures (PCE) price index which finally came in as expected at 3.9% yoy in August, down from the previous month's 4.3%. On a monthly basis, this reading was also lower, with 0.1% mom (vs forecast & previous period 0.2%).

EUROPEAN MARKETS: The German Ifo Business Climate Index (Sept.) appeared quite favorable, with an above expected release, implying optimism is starting to emerge over the business climate for the next 6 months. UK GDP for the second quarter of the year was seen picking up with 0.6% yoy growth, while the Eurozone is still struggling with Inflation which proved to be slipping further to 4.3% yoy in Sept.

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ASIA MARKETS: Japan reported consistent BOJ Core CPI at 3.3% yoy, which was higher than the forecast of 3.2%; in line with the Bank Of Japan's prediction that high inflation will continue to persist which could threaten the existence of their super-loose monetary policy. At the end of the week, China reported Manufacturing PMI was finally able to stay in expansionary territory, in line with forecast at 50.2.

COMMODITIES: Russia recently loosened a fuel export ban that was initially imposed to stabilize the domestic market. Analysts had expected the restrictions to be short-lived as they could impact refinery operations and affect customer relations. WTI (New York) rose 0.8% on the week, continuing its rally from late August. For September, the US crude benchmark rose 8.5%, making September the best month since July's gain of nearly 16%. When the WTI rose 26.5% during the July-September period, it also marked the best quarter for US benchmark crude since the first three months of 2022; at which time it was trading at a high of USD 130/barrel due to the outbreak of the Russia-Ukraine war. Currently, WTI is again approaching triple-digit prices, reaching a 13-month high of USD 95.03 on September 28. While Brent (London) for the most active December contract ended at USD 92.09/barrel. Brent rose 0.3% in a week, 6.8% in a month and 23% in the third quarter. The global crude benchmark hit a 13-month high of USD 95.35/barrel on September 28.

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This week's outlook:

After 11 hours of negotiations successfully averted the US government shutdown, investors will now focus on economic data such as: employment data and speeches by Federal Reserve Chairman Jerome Powell and European Central Bank (ECB) President Christine Lagarde in the week ahead. Central bank meetings in Australia & New Zealand will also take the spotlight as market participants are still digesting the trend of higher interest rates for a longer period of time.

The US is scheduled to release Nonfarm Payrolls data for September on Friday where economists expect there will be an addition of 163k new workers last month, down from 187k in August. If the data released turns out to be higher, then this will further strengthen the Fed's hawkish position, and potentially become a market ballast. But before that, there will also be a JOLTS jobs report for August which will be announced on Tuesday, followed by ADP Nonfarm Employment Change that detects employment changes in the private sector, which is also expected to fall to 155 thousand, from 177 thousand in the previous month. The Institute for Supply Management (ISM) will publish its Manufacturing PMI (Sept.) data this Monday, which is expected to remain in contraction territory for the eleventh consecutive month. However, the ISM Non-Manufacturing PMI, aka the services sector, is indicated to have a slower expansion this time.

Market participants will also be awaiting the comments of Federal Reserve officials who will determine the next step of monetary policy, amid the latest inflation update which was able to cool down below the 4% level for the first time in 2 years; but the threat of inflationary pressures such as rising global crude oil prices still haunts, thus it seems that the road to the Fed's inflation target of 2% still seems long.

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This week's outlook:

Equity markets opened the final quarter of the year after a weak third quarter. For 3Q23, the S&P 500 fell about 3.6%, the Dow lost 2.6% and the Nasdaq slumped 4.1%. In September, the S&P 500 fell 4.9%, the Dow dropped 3.5%, and the Nasdaq plunged 5.8%. Soaring bond yields rattled the stock market, and some investors are worried that bloated valuations of megacaps, including Apple, Microsoft, Alphabet and Amazon may be a weak spot likely to be hit especially when US Treasury yields rise. Nonetheless, the fourth quarter will bring earnings season amidst the hype about AI, although there are still some important questions regarding the major boost to profits.

EUROPEAN MARKETS: Christine Lagarde, ECB President, is scheduled to give a speech on Wednesday where investors are looking for indications of future interest rate policy after last Friday's data showed Eurozone Inflation managed to flatten to its lowest point in 2 years. The data fostered hopes that the ECB had raised interest rates enough to bring Inflation down to the 2% target. As noted, the ECB has raised interest rates to a high of 4.0% from an initial minus 0.5% in just a year, after a decade of trying to suppress Inflation through loose monetary policy.

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This week's outlook:

ASIA - PACIFIC MARKETS: Chinese markets will be closed for most of the week for the Golden Week holiday, and investors will certainly welcome the break amidst a series of potentially market-crushing negative sentiments, such as: the plummeting property sector, capital outflows from Chinese assets, an under pressure currency, and a struggling economy. On the other hand, Monday's PMI reports will come from Australia, Japan, and Indonesia. September Inflation data arrives from Indonesia, South Korea, Philippines, Thailand, and Taiwan. The Reserve Bank of Australia will hold its first meeting with first female Governor Michele Bullock on Tuesday, where consensus expects the Australian central bank to hold interest rates at the current 4.10%. Meanwhile, the Reserve Bank of New Zealand will hold their policy meeting on Wednesday; where they are also not expected to raise interest rates or remain at 5.5%, but market participants are more focused on what officials will do in November. Similarly, the Reserve Bank of India is expected to hold interest rates at 6.5%.

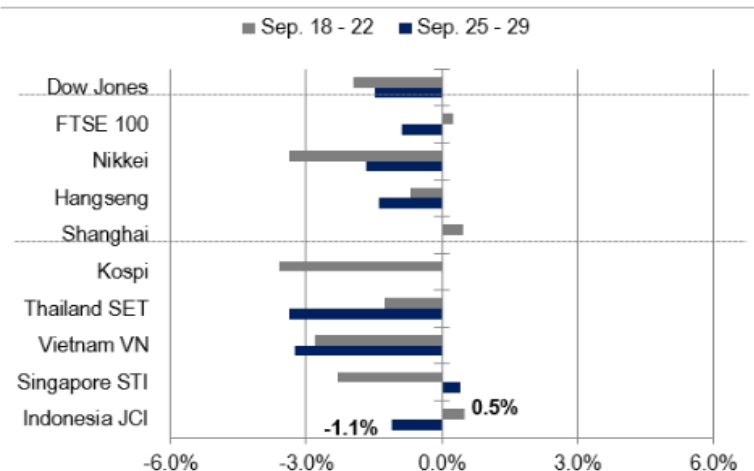
JCI Index : 6,939.9 (-1.1%)

Foreign Flow : Net Sell of IDR 2.8 Trillion (Vs. last week's net buy of IDR 1.7 Trillion)

USD/IDR : 15,455 (0.52%)

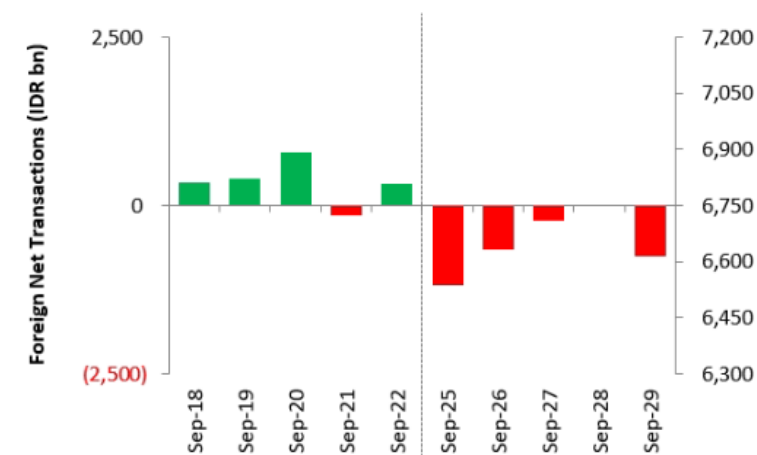
Last Week's JCI Movement

Global Market Movement



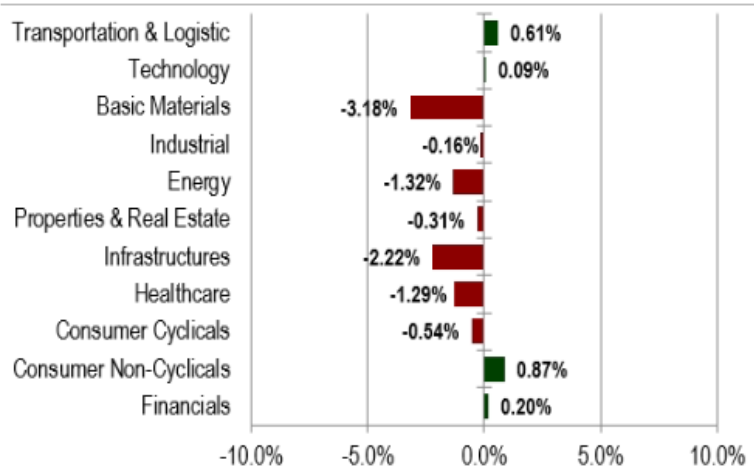
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



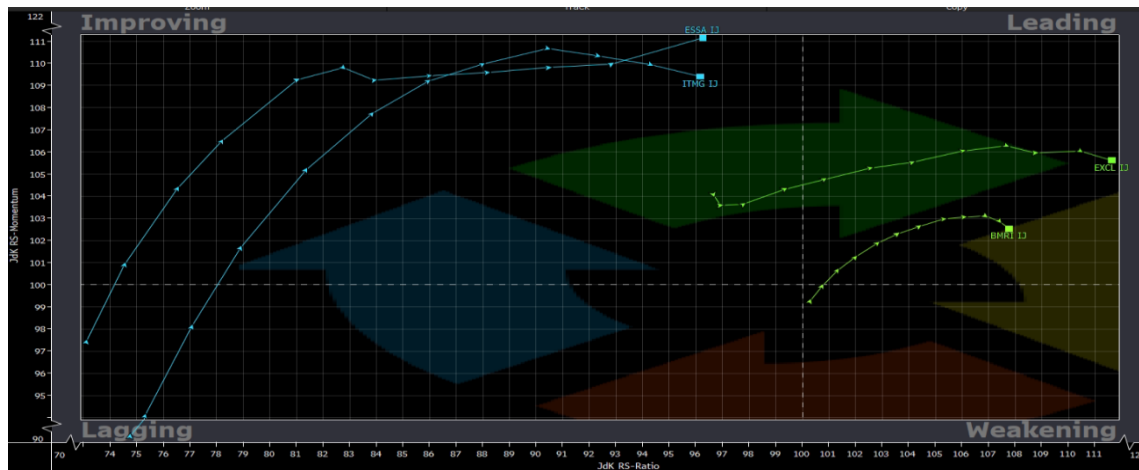
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BBNI	699,803	BBCA	968,609
AMMN	95,491	BBRI	765,426
ASII	84,570	GOTO	335,674
ADRO	41,361	PGEO	56,347
BRPT	31,280	MEDC	42,071

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
EXCL	2500 / 2560-2600	2320
ESSA	830 / 870	770
BMRI	6150 / 6300	5800
ITMG	30000 / 30850 / 33000 / 33600-34150	28200

Source: Bloomberg, NHKSI Research

JCI Index

Support	6930-6900 / 6800	Resistance	6970 / 7000-7060 / 7100-7130 / 7175
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Source: NHKSI Research, Bloomberg

Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
Monday	US	20:45	S&P Global US Manufacturing PMI	Sep F	48.9	48.9
<i>2 – Oct.</i>	US	21:00	ISM Manufacturing	Sep	47.8	47.6
	ID	07:30	S&P Global Indonesia PMI Mfg	Sep	—	53.9
	ID	11:00	CPI YoY	Sep	2.22%	3.27%
	GE	14:55	HCOB Germany Manufacturing PMI	Sep F	—	39.8
	EC	15:00	HCOB Eurozone Manufacturing PMI	Sep F	—	43.4
	JP	07:30	Jibun Bank Japan PMI Mfg	Sep F	—	48.6
Tuesday	US	21:00	JOLTS Job Openings	Aug	8,900K	8,827K
<i>3 – Oct.</i>	JP	06:50	Monetary Base YoY	Sep	—	1.2%
Wednesday	US	18:00	MBA Mortgage Applications	Sep 29	—	1.3%
<i>4 – Oct.</i>	US	19:15	ADP Employment Change	Sep	150K	177K
	US	21:00	Factory Orders	Aug	0.2%	-2.1%
	US	21:00	Durable Goods Orders	Aug F	—	0.2%
Thursday	US	19:30	Trade Balance	Aug	-\$65.2 Bn	-\$65.0 Bn
<i>5 – Oct.</i>	US	19:30	Initial Jobless Claims	Sep 30	—	204K
Friday	US	19:30	Change in Nonfarm Payrolls	Sep	170K	187K
<i>6 – Oct.</i>	US	19:30	Unemployment Rate	Sep	3.7%	3.8%
	ID	10:00	Foreign Reserves	Sep	—	\$137.09 Bn
	GE	13:00	Factory Orders MoM	Aug	2.5%	-11.7%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	MAYA
2 – Oct.	Cum Dividend	—
Tuesday	RUPS	CITY, AGRO
3 – Oct.	Cum Dividend	—
Wednesday	RUPS	GEMS, ESSA
4 – Oct.	Cum Dividend	—
Thursday	RUPS	SBAT, LPKR, LPCK, BEEF
5 – Oct.	Cum Dividend	HEXA
Friday	RUPS	BACA
6 – Oct.	Cum Dividend	AALI

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							3,605.5							
BBCA	9,000	8,550	10,200	Overweight	13.3	5.3	1,109.5	23.6x	4.9x	21.9	2.3	22.2	34.2	0.9
BBRI	5,300	4,940	6,100	Buy	15.1	18.0	803.3	14.3x	2.7x	19.4	5.4	12.0	18.9	1.0
BBNI	10,450	9,225	12,000	Overweight	14.8	16.4	194.9	9.8x	1.4x	14.9	3.8	12.2	17.0	1.1
BMRI	6,050	4,963	6,750	Overweight	11.6	28.4	564.7	13.5x	2.4x	21.3	4.4	16.9	24.8	1.2
AMAR	290	232	392	Buy	35.2	20.8	5.3	172.7x	1.2x	0.7	N/A	12.3	N/A	0.8
Consumer Non-Cyclicals							1,218.6							
INDF	6,700	6,725	8,600	Buy	28.4	11.2	58.8	6.5x	1.0x	16.7	3.8	6.3	92.1	0.4
ICBP	11,150	10,000	13,600	Buy	22.0	28.9	130.0	15.5x	3.3x	22.2	1.7	5.8	195.8	0.4
UNVR	3,720	4,700	4,200	Overweight	12.9	(23.0)	141.9	30.2x	36.1x	110.4	3.8	(5.5)	(20.0)	0.2
MYOR	2,530	2,500	3,200	Buy	26.5	38.3	56.6	22.5x	4.3x	20.2	1.4	3.1	89.7	0.6
CPIN	5,475	5,650	5,500	Hold	0.5	(3.1)	89.8	47.4x	3.2x	7.1	N/A	7.9	(42.9)	0.5
JPFA	1,305	1,295	1,400	Overweight	7.3	(13.9)	15.3	38.9x	1.2x	3.1	3.8	(1.3)	(92.7)	0.6
AALI	7,500	8,025	8,000	Overweight	6.7	(9.1)	14.4	11.2x	0.7x	6.1	5.4	(14.4)	(54.6)	0.9
Consumer Cyclicals							408.3							
ERAA	446	392	600	Buy	34.5	7.7	7.1	7.3x	1.0x	14.7	4.3	23.5	(9.2)	0.8
MAPI	1,845	1,445	2,000	Overweight	8.4	74.1	30.6	14.4x	3.4x	27.0	0.4	#N/A	N/A	0.7
Healthcare							272.6							
KLBF	1,770	2,090	2,200	Buy	24.3	(3.3)	83.0	25.0x	4.1x	16.7	2.1	9.4	(6.4)	0.4
SIDO	590	755	700	Buy	18.6	(16.9)	17.7	16.0x	5.4x	34.0	6.2	2.6	0.6	0.6
MIKA	2,690	3,190	3,000	Overweight	11.5	(7.2)	38.3	40.3x	7.0x	18.1	1.4	(1.2)	(15.5)	0.3
Infrastructure							897.13							
TLKM	3,740	3,750	4,800	Buy	28.3	(16.1)	370.5	18.3x	3.0x	16.6	4.5	2.1	(4.2)	0.8
JSMR	4,300	2,980	5,100	Buy	18.6	32.7	31.2	9.9x	1.4x	14.5	1.8	18.3	56.3	0.9
EXCL	2,390	2,140	3,800	Buy	59.0	(2.8)	31.4	24.8x	1.2x	5.0	1.8	12.0	(13.8)	0.9
TOWR	955	1,100	1,260	Buy	31.9	(22.7)	48.7	14.4x	3.2x	23.7	2.5	8.7	(8.8)	0.4
TBIG	2,010	2,300	2,390	Buy	18.9	(29.0)	45.5	30.2x	4.3x	12.9	1.8	(0.7)	(18.6)	0.4
MTEL	670	800	860	Buy	28.4	(7.6)	56.0	29.0x	1.7x	5.8	3.2	10.8	12.3	0.5
WIKA	450	800	1,280	Buy	184.4	(51.4)	4.0	N/A	0.4x	(16.0)	N/A	28.8	(13975.2)	1.2
PTPP	735	715	1,700	Buy	131.3	(16.9)	4.6	16.0x	0.4x	2.5	N/A	(10.8)	14.3	1.0

Source : Bloomberg, NH KSI Research

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Property & Real Estate							261.3							
CTRA	1,035	940	1,500	Buy	44.9	8.9	19.2	11.8x	1.0x	8.9	1.4	(4.2)	(22.4)	0.8
PWON	438	456	600	Buy	37.0	(3.1)	21.1	11.2x	1.2x	10.8	1.5	5.3	45.8	1.1
Energy							1,338.1							
PGAS	1,385	1,760	1,770	Buy	27.8	(21.1)	33.6	8.9x	0.8x	9.1	10.2	2.5	(40.0)	0.7
PTBA	2,820	3,690	4,900	Buy	73.8	(32.4)	32.5	3.5x	1.8x	45.1	38.8	2.4	(54.9)	0.9
ADRO	2,810	3,850	3,900	Buy	38.8	(29.0)	89.9	2.6x	0.9x	37.4	17.3	(1.8)	(27.6)	1.3
Industrial							428.8							
UNTR	28,150	26,075	32,000	Overweight	13.7	(14.2)	105.0	4.7x	1.4x	29.2	24.9	13.6	11.2	0.8
ASII	6,300	5,700	8,000	Buy	27.0	(4.9)	255.0	9.0x	1.4x	15.2	10.2	13.0	(4.0)	1.0
Basic Ind.							1,492.4							
SMGR	6,450	6,575	9,500	Buy	47.3	(13.5)	43.7	16.8x	1.0x	6.1	3.8	2.0	(9.0)	0.9
INTP	10,050	9,900	12,700	Buy	26.4	5.8	37.0	15.4x	1.7x	11.8	1.6	15.3	141.8	0.8
INCO	5,650	7,100	8,200	Buy	45.1	(11.7)	56.1	16.6x	1.5x	9.2	1.6	16.7	12.6	1.2
ANTM	1,820	1,985	3,450	Buy	89.6	(6.2)	43.7	10.5x	1.8x	18.5	4.4	#N/A	N/A	1.5

Source : Bloomberg, NH KSI Research

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