

Weekly Brief (Oct. 30 – Nov 3, 2023)

Summary:

Last week review:

The S&P 500 has slumped more than 10% from its July peak of 4,588.96, ending in correction territory as the Technology sector lost positive sentiment despite a rally in Amazon and Intel stocks ahead of Q3 earnings season. Here is a weekly recap of the 3Q23 performance of the largest Tech companies over the past week: Microsoft, Meta, and Amazon's earnings were stronger than expected - but Amazon had concerns about its forecast going forward. Intel, on the other hand, had a brighter projection; Alphabet, meanwhile, missed expectations. Analysts now expect year-on-year S&P 500 earnings growth to come in at 2.6% (higher than the initial 1.6% estimate), as reported by LSEG.

The risk-off mood still dominates the market as investors are concerned about the prospects of further interest rate hikes and the escalating Israel-Hamas conflict. As for the release of good US economic data, it was not responded with open arms, instead, it was more concerned that the Federal Reserve should hold high-interest rates for longer. The 10-year US Treasury yield briefly climbed back near the psychological level of 5.0% even after the famous investor Bill Ackman announced that he would start closing short positions (meaning buying) on bond prices citing "too much risk circulating in the market right now". However, in reality, the S&P Global Composite PMI (Oct.) where both the Manufacture and Services sectors successfully crossed into expansionary territory (above 50 points), after 5 months of being immersed in contractionary territory. US New Home Sales data turned out to be stronger than expected; and mortgage rates hit a 23-year high. The biggest impact was that US GDP in Q3 grew 4.9% qoq (3.5% yoy, exceeding expectations of 2.5%), the highest figure in almost 2 years. In addition, Durable Goods Orders (Sept.) saw a significant increase of 4.7% mom, compared to the 1.7% forecast and minus 0.1% in the previous month. Pending Home Sales also showed massive growth, from -7.1% in August to a positive 1.1% in September. To put the cherry on top, the PCE Price Index, which is the Fed's favorite reference in determining the future Inflation trend, strengthened by 0.4% mom in September, higher than the projection of 0.3%; although on an annual basis, it appears stagnant at 3.4% yoy. The US people showed a still robust spending pattern where Personal Spending proved to be up 0.75% yoy in September, compared to 0.4% in August. Analysts believe that the US has made a soft landing, and it is likely that the recent high US Treasury yield will be able to replace the need to raise interest rates further.

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EUROPE MARKETS: The UK reported a number of signs of a more noticeable economic slowdown along with their Inflation rate outlook, such as: Claimant Count Change (Sept.), which explains the unemployment rate has increased significantly by almost 10x above estimates. Labor Productivity in the 2nd quarter of this year also dropped lower than expected. Their revised S&P Global UK Composite PMI is also still struggling in contractionary territory, both Manufacture and Services sectors. PMI results that are still struggling in contractionary territory also happened in Germany and the Eurozone. However, Germany published an increasingly optimistic view of the business climate in October, reflected in the German Ifo Business Climate Index which moved expansively at 86.9, higher than the previous month's estimate. This economic slowdown in continental Europe led the European Central Bank to announce the decision to hold the benchmark interest rate at 4.5%, a first braking move after 10x ECB rate hikes since July 2022.

ASIAN MARKETS: The sluggish PMI situation was also felt in Japan, where the au Jibun Bank Japan Manufacturing PMI (Oct.) data did not budge from contraction territory, and the Services sector started to lose grip in expansion territory. The threat of Inflation in Japan is still tangible, with BoJ Core CPI reported to have increased to 3.4% yoy, slightly above the 3.3% projection. On the other hand, the development of the current global situation has also made South Korea pessimistic about the future economic outlook, which is reflected in the Consumer Confidence level (Oct.) weakening to 98.1, (from 99.7 in September), even though they actually reported a stronger-than-expected 3/2023 quarterly GDP at 1.4% yoy. What about INDONESIA? Indonesia reported a fairly reasonable increase in the currency in circulation as the election campaign season approached, after the complete declaration of the three 2024 presidential candidates. The government is trying to stimulate the property sector where President Jokowi announced property VAT incentives for houses below IDR 2 billion, and simple houses in the price range of IDR 200-300 million. However, all of the above sentiments were not able to stop the JCI from plummeting to a 3-month low of 6,705.23, especially as the Rupiah exchange rate did not strengthen even after the BI RDG unexpectedly raised BI7DRR by 25 bps to 6.0%. With Rupiah nearing IDR 16,000/USD and 10-year Treasury yields breaching the psychological 7.0% level, it couldn't be denied that market participants were nervous.

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COMMODITIES: OIL ended in one of the most volatile weeks of the year with a 3 percent drop as traders/speculators went from one news story to another regarding the MIDDLE EAST CONFLICT where the warring parties, Israel and Hamas, have not been able to reach a peaceful solution despite intense mediation from the United States and other countries. WTI crude oil (New York) closed at USD 85.54/barrel, ending last week with a 3.6% decline. Brent crude (London) for the most active December contract closed at USD 90.48, down almost 2% last week. On the other hand, there has been a renewed surge in safe-haven assets such as the US Dollar, US bonds, and Gold - which reached the USD 2,000 per ounce mark on Friday's trading after the expected imminent large-scale Israeli ground offensive into the Gaza region.

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This week's outlook:

It's going to be a very busy week for investors, where the Federal Reserve meeting, the latest US labor report, and earnings from leading tech company Apple could determine the direction of stock and bond markets for the rest of the year. Market participants will focus their attention on Wednesday's FOMC Meeting, to hear policymakers' views on the economic condition and the interest rate outlook. Most investors are betting that there is a 98% chance the Fed will put the brakes on interest rate hikes (based on Investing.com's Fed Rate Monitor Tool), after Federal Reserve Chairman Jerome Powell said that rising long-term bond yields reduced the need for further rate hikes, although some believe another rate hike could occur at the December FOMC Meeting.

This week's important labor data is the October US Nonfarm Payrolls report due on Friday. After adding 336,000 jobs in September, economists expect a more moderate job growth of 182,000, which is still consistent with a strong labor market. The Unemployment Rate is expected to remain at 3.8%, while Wage growth is expected to fall to 4% yoy, which marks a post-pandemic low. This could help reinforce the Fed's view that Inflationary pressures have eased and there is no need to raise interest rates. But before that, market participants will be watching the 2023's third quarter labor cost data on Tuesday for signs that wage growth is indeed softening.

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This week's outlook:

EUROPE: The Bank of England will hold its penultimate meeting of the year on Thursday, where officials need to decide whether to resume rate hikes, having kept them on hold last September after 14x consecutive hikes. Investors expect the BoE to keep interest rates at a 15-year high of 5.25%, but leave open the possibility of further hikes (if needed). Policy makers are expected to reiterate that interest rates should remain at current levels for some time to come despite signs that the economy is sluggish. The BoE will also update its quarterly forecasts which in August showed economic growth is projected to be just 0.5% in 2023 and 2024. Governor Andrew Bailey earlier this month spoke of a "very weak" economic outlook.

The European Central Bank (ECB) will look forward to Inflation and GDP data on Tuesday ahead of its final meeting of the year. Preliminary data on its Consumer Price Inflation is expected to slow to 3.2% in October, close to the ECB's target of 2%, although high energy costs continue to pose upside risks. GDP data on the same day is expected to show that the Eurozone economy contracted by 0.1% in Q3/2023, with an annualized growth rate of just 0.2%. As for last Thursday, ECB President Christine Lagarde has signaled a stable monetary policy in the future and is unlikely to meet expectations for a rate cut.

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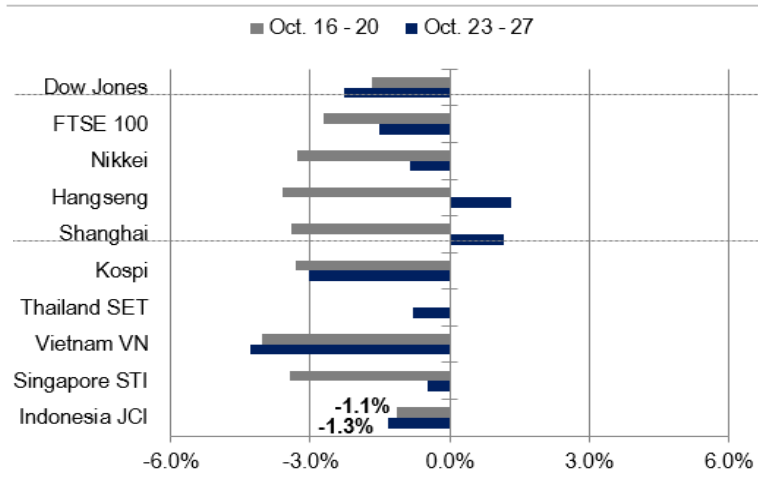
This week's outlook:

From the ASIA continent, China will release its October Manufacturing PMI figures which should be able to stay in expansionary territory. Similarly, Indonesia will monitor the Nikkei Manufacturing PMI (Oct.) data followed by the Inflation (Oct.) figure which is expected to heat up to 2.6% yoy from 2.28% in September, while Core Inflation is projected to remain at 2.0% yoy.

JCI Index : 6,758.79 (-1.3%)
Foreign Flow : Net Sell of IDR 3.1 Trillion (Vs. last week's net sell of IDR 3.3 Trillion)
USD/IDR : 15,940 (0.41%)

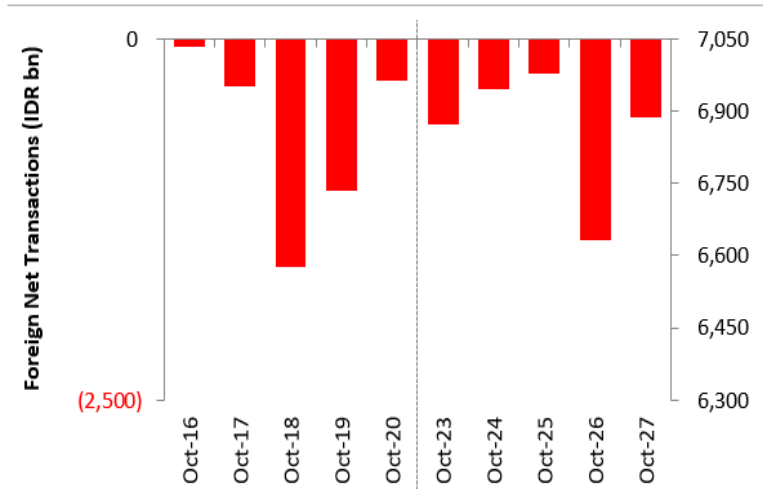
Last Week's JCI Movement

Global Market Movement



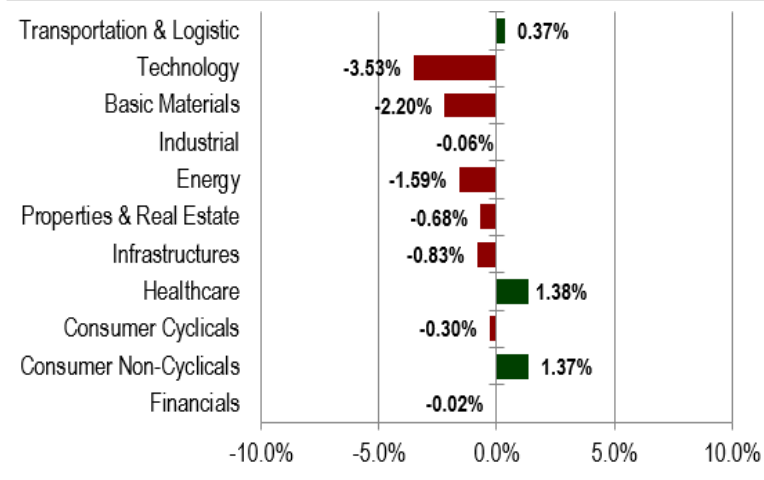
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



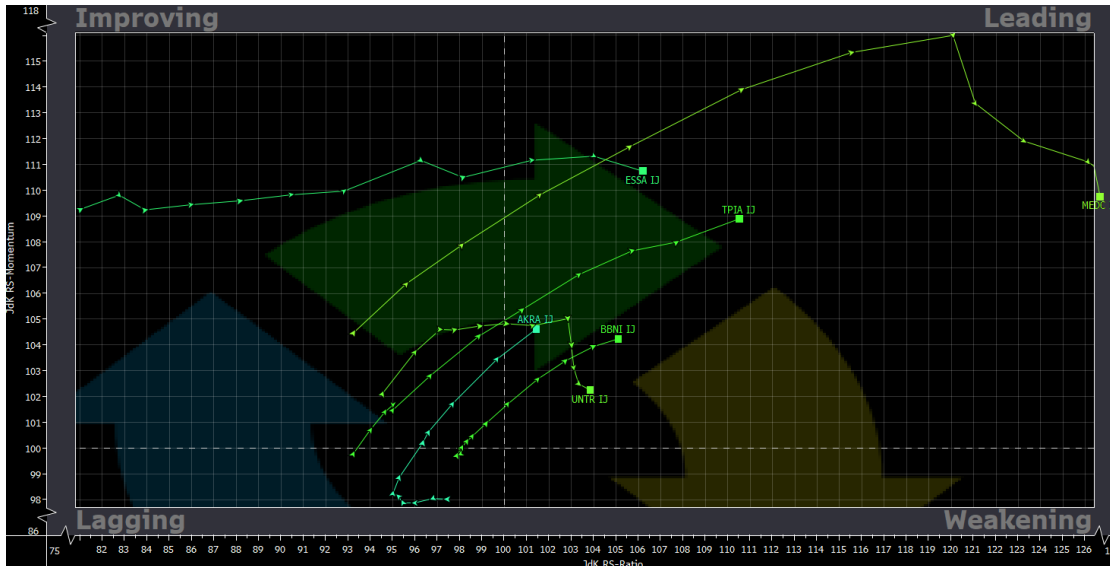
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
FILM	157,364	BBRI	939,646
INKP	132,820	BBCA	818,107
AMMN	117,072	BMRI	553,917
UNTR	77,759	TLKM	341,158
INDF	53,476	MEDC	140,326

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
ESSA	685-695 / 740-760 / 810-820	615
TPIA	2900-2920	2720
BBNI	5025-5050 / 5125 / 5250	4750
AKRA	1475-1480 / 1500-1510 / 1550-1560	1395
MEDC	1500 / 1600-1610 / 1680-1700	1330
UNTR	26400-26500 / 26800 / 27750-28000	24800

Source: Bloomberg, NHKSI Research

JCI Index

Support	6700 / 6620-6600 / 6565-6550	Resistance	6760 / 6825-6840 / 6850-6880 / 6920-6950 / 7000-7050
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Source: NHKSI Research, Bloomberg

Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
Monday 30 – Oct.	GE	16:00	GDP SA QoQ	3Q P	—	0.0%
	GE	16:00	GDP NSA YoY	3Q P	—	-0.6%
Tuesday 31 – Oct.	US	20:45	MNI Chicago PMI	Oct	44.8	44.1
	US	21:00	Conf. Board Consumer Confidence	Oct	100.0	103.0
	CH	08:30	Manufacturing PMI	Oct	50.2	50.2
	KR	06:00	Industrial Production YoY	Sep	-0.4%	-0.5%
Wednesday 1 – Nov.	US	18:00	MBA Mortgage Applications	Oct 27	—	-1.0%
	US	19:15	ADP Employment Change	Oct	135K	89K
	US	20:45	S&P Global US Manufacturing PMI	Oct F	—	50.0
	US	21:00	ISM Manufacturing	Oct	49.0	49.0
	CH	08:45	Caixin China PMI Mfg	Oct	50.8	50.6
	ID	07:30	S&P Global Indonesia PMI Mfg	Oct	—	52.3
	ID	11:00	CPI YoY	Oct	—	2.28%
	KR	07:00	Trade Balance	Oct	-\$1,435Mn	-\$3,697Mn
	KR	07:30	S&P Global South Korea PMI Mfg	Oct	—	49.9
Thursday 2 – Nov.	US	01:00	FOMC Rate Decision (Upper Bound)	Nov 1	5.50%	5.50%
	US	01:00	FOMC Rate Decision (Lower Bound)	Nov 1	5.25%	5.25%
	US	19:30	Initial Jobless Claims	Oct 28	—	210K
	US	21:00	Factory Orders	Sep	1.0%	1.2%
	US	21:00	Durable Goods Orders	Sep F	—	4.7%
	KR	06:00	CPI YoY	Oct	3.6%	3.7%
Friday 3 – Nov.	US	19:30	Change in Nonfarm Payrolls	Oct	168K	336K
	US	19:30	Unemployment Rate	Oct	3.8%	3.8%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	CKRA, META
30 – Oct.	Cum Dividend	MARK
Tuesday	RUPS	SGER, ENZO
31 – Oct.	Cum Dividend	SIDO
Wednesday	RUPS	POLU, BMSR
1 – Nov.	Cum Dividend	MBAP
Thursday	RUPS	—
2 – Nov.	Cum Dividend	AKRA
Friday	RUPS	BIPP, BATA
3 – Nov.	Cum Dividend	SMSM, XCID

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							3,484.1							
BBCA	8,700	8,550	10,300	Buy	18.4	(0.6)	1,072.5	22.2x	4.5x	21.5	2.4	20.5	25.5	0.9
BBRI	4,980	4,940	6,100	Buy	22.5	7.6	754.8	13.4x	2.5x	18.6	5.8	14.9	12.7	1.0
BBNI	4,850	4,613	12,000	Buy	147.4	4.0	180.9	9.1x	1.3x	14.9	4.0	12.2	17.0	1.1
BMRI	5,700	4,963	6,750	Buy	18.4	11.8	532.0	11.5x	2.3x	21.3	4.6	16.9	24.8	1.2
AMAR	320	232	392	Buy	22.5	10.4	5.9	190.6x	1.4x	0.7	N/A	12.3	N/A	0.8
Consumer Non-Cyclicals							1,209.6							
INDF	6,750	6,725	8,600	Buy	27.4	5.9	59.3	6.6x	1.0x	16.7	3.8	6.3	92.1	0.4
ICBP	10,525	10,000	13,600	Buy	29.2	7.4	122.7	14.6x	3.1x	22.2	1.8	5.8	195.8	0.4
UNVR	3,970	4,700	4,200	Overweight	5.8	(20.3)	151.5	30.6x	28.1x	89.0	3.5	(3.3)	(9.1)	0.1
MYOR	2,680	2,500	3,200	Buy	19.4	10.3	59.9	20.7x	4.3x	22.5	1.3	3.0	85.7	0.6
CPIN	5,450	5,650	5,500	Hold	0.9	(3.5)	89.4	47.2x	3.2x	7.1	N/A	7.9	(42.9)	0.5
JPFA	1,225	1,295	1,400	Overweight	14.3	(11.9)	14.4	36.5x	1.2x	3.1	4.1	(1.3)	(92.7)	0.6
AALI	7,075	8,025	8,000	Overweight	13.1	(16.3)	13.6	10.6x	0.6x	6.1	5.7	(14.4)	(54.6)	0.9
Consumer Cyclicals							391.7							
ERAA	422	392	600	Buy	42.2	(0.5)	6.7	6.9x	1.0x	14.7	4.5	23.5	(9.2)	0.8
MAPI	1,820	1,445	2,400	Buy	31.9	47.4	30.2	14.2x	3.4x	27.0	0.4	#N/A	N/A	0.6
HRTA	438	202	590	Buy	34.7	114.7	2.0	6.6x	1.1x	17.8	2.7	92.0	39.3	0.5
Healthcare							278.7							
KLBF	1,750	2,090	2,200	Buy	25.7	(13.4)	82.0	24.8x	4.0x	16.7	2.2	9.4	(6.4)	0.4
SIDO	575	755	700	Buy	21.7	(22.3)	17.3	15.6x	5.3x	34.0	6.3	2.6	0.6	0.6
MIKA	2,900	3,190	3,000	Hold	3.4	(1.0)	41.3	43.4x	7.5x	18.1	1.3	(1.2)	(15.5)	0.3
Infrastructure							1,393.72							
TLKM	3,500	3,750	4,800	Buy	37.1	(21.3)	346.7	17.2x	2.8x	16.6	4.8	2.1	(4.2)	0.8
JSMR	4,250	2,980	5,100	Buy	20.0	25.4	30.8	9.8x	1.4x	14.5	1.8	18.3	56.3	0.9
EXCL	2,110	2,140	3,800	Buy	80.1	(13.9)	27.7	21.9x	1.1x	5.0	2.0	12.0	(13.8)	0.9
TOWR	830	1,100	1,260	Buy	51.8	(27.5)	42.3	12.5x	2.7x	23.7	2.9	8.7	(8.8)	0.4
TBIG	2,100	2,300	2,390	Overweight	13.8	(15.7)	47.6	31.6x	4.5x	12.9	1.7	(0.7)	(18.6)	0.4
MTEL	635	800	860	Buy	35.4	(11.8)	53.0	27.5x	1.6x	5.8	3.4	10.8	12.3	0.5
WIKA	376	800	1,280	Buy	240.4	(58.7)	3.4	N/A	0.3x	(16.0)	N/A	28.8	(13975.2)	1.1
PTPP	590	715	1,700	Buy	188.1	(33.0)	3.7	12.8x	0.3x	2.5	N/A	(10.8)	14.3	1.0

Source : Bloomberg, NH KSI Research

NH KSI Stocks Coverage

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Property & Real Estate							252.1							
CTRA	1,035	940	1,300	Buy	25.6	12.5	19.2	11.8x	1.0x	8.9	1.4	(4.2)	(22.4)	0.8
PWON	402	456	600	Buy	49.3	(9.0)	19.4	10.3x	1.1x	10.8	1.6	5.3	45.8	1.1
Energy							1,320.2							
PGAS	1,325	1,760	1,770	Buy	33.6	(30.6)	32.1	9.0x	0.8x	8.2	10.6	1.9	(35.9)	0.7
PTBA	2,660	3,690	4,900	Buy	84.2	(29.8)	30.6	3.3x	1.7x	45.1	41.1	2.4	(54.9)	1.0
ADRO	2,640	3,850	3,900	Buy	47.7	(32.5)	84.4	2.4x	0.8x	37.4	18.5	(1.8)	(27.6)	1.3
Industrial							396.9							
UNTR	25,525	26,075	32,000	Buy	25.4	(20.9)	95.2	4.3x	1.3x	29.2	27.0	13.6	11.2	0.9
ASII	5,750	5,700	8,000	Buy	39.1	(12.2)	232.8	8.3x	1.2x	15.2	11.3	13.0	(4.0)	1.0
Basic Ind.							1,481.2							
SMGR	6,150	6,575	9,500	Buy	54.5	(20.4)	41.7	16.0x	1.0x	6.1	4.0	2.0	(9.0)	0.9
INTP	9,250	9,900	12,700	Buy	37.3	(0.3)	34.1	14.1x	1.6x	11.8	1.7	15.3	141.8	0.7
INCO	5,175	7,100	8,200	Buy	58.5	(20.4)	51.4	12.8x	1.3x	10.5	1.7	7.3	32.0	1.2
ANTM	1,730	1,985	2,350	Buy	35.8	(5.7)	41.6	9.9x	1.8x	18.5	4.6	#N/A	N/A	1.4

Source : Bloomberg, NH KSI Research

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