

Weekly Brief (Oct. 9 – 13, 2023)

Summary:

Last week review:

US stock indexes ended a volatile trading week on the back of important employment data reports from the US, leaving US Treasury yields still perched at 16-year highs; amidst a heated debate over whether the Federal Reserve needs to raise interest rates one more time before the close of 2023. The S&P 500 managed to break its previous four-week losing streak with a weekly gain of 0.5%, while the Dow Jones erased all of its year-to-date gains to fall slightly by 0.3% last week. The CBOE Volatility index, Wall Street's "fear" index, briefly hit its highest level since May 24. On the other hand, the Nasdaq Composite managed to increase by 1.6%. There were at least three main stars of the US labor report that were highlighted by market participants last week where the results tended to be mixed: two reports released results above expectations, namely the Job Openings & Labor Turnover Survey (JOLTs) which measures labor demand, and Nonfarm Payroll on Friday which released results quite far above expectations, namely the creation of 336 thousand new workers in the government sector, compared to 187 thousand previous estimates. Meanwhile, ADP National Employment for September came in slightly below the forecast and also fell sharply from the previous month to its lowest level since January 2021 (32 months ago). Hourly wages (Sept.) rose by the same amount as the previous month at 0.2% mom, signaling a return to the pre-pandemic wage growth rate. Both the public and private sectors contributed to this job creation, with the hospitality and healthcare industries leading the way. The labor force participation rate remained stable at a post-pandemic high of 62.8%, reflecting consistent demand for goods and services during the GDP surge in the third quarter. On the other hand, the latest weekly Initial Jobless Claims data again came in below expectations, where there were only 207k jobless claims compared to the market forecast of 210k, but this figure was still an increase from the previous week at 205k. As such, the Unemployment Rate (Sept.) appears unchanged at 3.8%.

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In terms of other economic data: The US released Composite PMI (Sept.) data which was close to expansionary territory (50) at 49.8, exceeding expectations and the previous month. In the same week, the US reported higher Exports and weaker Imports in August, leaving their Trade Balance at a narrowing deficit of USD58.3 billion.

Q3 earnings sentiment also dominated investors' attention, as analysts expect corporate profits to increase 1.6% from the same quarter last year, after falling 2.8% in the second quarter of the year.

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In this week of global PMI data, each continent reported as follows: In Asia, Japan started to release its Manufacturing Outlook Index which experienced significant growth above expectations in Q3, especially for large manufacturers; although they are still struggling to get out of contraction territory. While in Europe, unfortunately the German Manufacturing PMI was still unable to meet expectations, although the Services sector has successfully crossed into expansion territory. The Eurozone and UK Composite PMIs were also able to meet estimates; but certainly they are still struggling in contractionary territory. The Eurozone released the Unemployment Rate in August at 6.4% as predicted, lower than July at 6.5%. On the other hand, the Eurozone reported August producer-level inflation was still relatively deflationary at -11.5%, not far from the forecast of -11.6%; these producer-level prices have only softened from -7.6% in the previous month. Eurozone Retail Sales in August also appeared to be weakening further with purchasing power at minus 2.1% yoy, even worse than expected and from the previous month. Germany was able to post a Trade Balance surplus of EUR16.6bn, better than the EUR15bn estimate, although on both fronts August Exports & Imports appeared to drop more than expected, but at least the decline was slower than the previous month. Talking about September's Construction PMI: Germany, Eurozone and the UK are still sinking deeper into contraction territory.

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INDONESIA: Indonesia released Nikkei Manufacturing PMI data which turned out to be slightly slower to 52.3 in September, compared to 53.9 in August. The September Inflation rate cooled further to 2.28% YoY from 3.27% in August, although on a monthly basis the growth heated up to 0.19% MoM compared to -0.02% deflation in the previous month. For Core Inflation data (inflation data that excludes volatile commodity prices such as fuel and food) was fairly stable below Bank Indonesia's safe level of 3% (declined to 2.0% yoy) and managed to be lower than expectations & August's position at 2.18%. What has been weighing on the index lately is the Rupiah exchange rate which fell drastically and briefly touched IDR 15800/USD; a level last seen at the beginning of the March-April 2020 pandemic. USD/IDR closed at IDR 15605/USD on Friday. This effort to stabilize the Rupiah eroded the position of Foreign Exchange Reserves (Sept) to USD 134.9 billion, from USD 137.1 billion in the previous month.

COMMODITIES: at the OPEC+ ministers meeting on Wednesday, it was decided that they will not change the production level; meaning they will maintain the production cut until the end of the year. The production cuts are still necessary to offset weak global demand and in the interest of supporting prices. The WTI (New York) contract for November plunged 7% last week, while the Brent Oil (London) contract for the most active month (December) plunged 10% this week. The escalation of Palestinian (Hamas) attacks on Israel million led to speculation of possible influence on global oil prices.

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This week's outlook:

US Inflation data may provide further clarify regarding the future path of interest rates following Friday's strong Nonfarm Payroll report, while the minutes of the Federal Reserve's latest meeting on Wednesday will also be closely examined. Meanwhile, the third quarter earnings season is underway and Energy prices are increasingly the focus of attention for market participants as the Israeli - Palestinian war erupts.

The US will release its much-anticipated September CPI & PPI data this week as investors continue to weigh the Fed's "hawkish mantra" of interest rates which are set to stay high for a longer period of time. August's CPI report showed the fastest rise in 14 months as gasoline prices surged, although core inflation, which excludes food and fuel costs, rose at the slowest pace in almost two years. The US CPI (Sept.) is expected to tame slightly to 3.6% yoy (compared to 3.7% the previous month). A high inflation figure could further convince the Fed that interest rates should remain higher for a longer period of time. There is a 73% chance that the Fed is expected to hold rates steady at the Oct 31 - Nov 1 FOMC Meeting, as reported by Investing.com's Fed Rate Monitor Tool.

The US central bank will publish the minutes of its September meeting on Wednesday with market watchers looking for clues as to whether policy makers are leaning towards a rate hike before the end of the year. Investors will also get a chance to hear comments from several Fed officials during the week.

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The third quarter earnings season kicks off with reports from several major banks with Wall Street investors eager for positive catalysts to reignite a depressed stock market amid surging bond yields. Corporate earnings season could determine the direction of near-term equity market movements, with the S&P 500 still holding on to a 10% gain for the year even after its recent decline.

Last week oil prices recorded their sharpest weekly decline since March, after the partial lifting of Russia's fuel export ban added to demand concerns due to macroeconomic headwinds. On Friday, Brent futures closed up 51 cents to USD84.58 per barrel. US West Texas Intermediate crude futures rebounded 48 cents to USD82.79. For the past week, Brent recorded a decline of about 11% and WTI recorded a decline of more than 8%, amid concerns that high interest rates will slow global growth and hit fuel demand, even if supply is squeezed by Saudi Arabia and Russia, which said they will continue supply cuts until the end of the year. Rising geopolitical risks in the Middle East could impact oil prices this week.

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Global financial officials and central bankers are heading to the Moroccan city of Marrakesh for the IMF & World Bank annual meetings. The meetings are being held amid concerns over whether inflation can be brought back under control without bringing major economies into crisis.

EUROPE MARKETS: Similar to the US, Germany will release CPI & PPI figures (Sept.), while the UK will release GDP figures (Aug.).

INDONESIA: will release Consumer Confidence (Sept.), Retail Sales figures, and Car & Motorcycle Sales (Sept.).

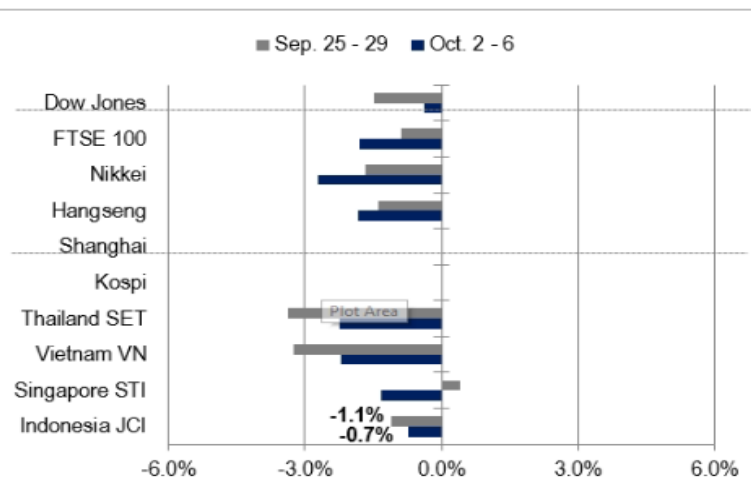
JCI Index : 6,888.5 (-0.7%)

Foreign Flow : Net Sell of IDR 11 Billion (Vs. last week's net sell of IDR 2.8 Trillion)

USD/IDR : 15,610 (1.00%)

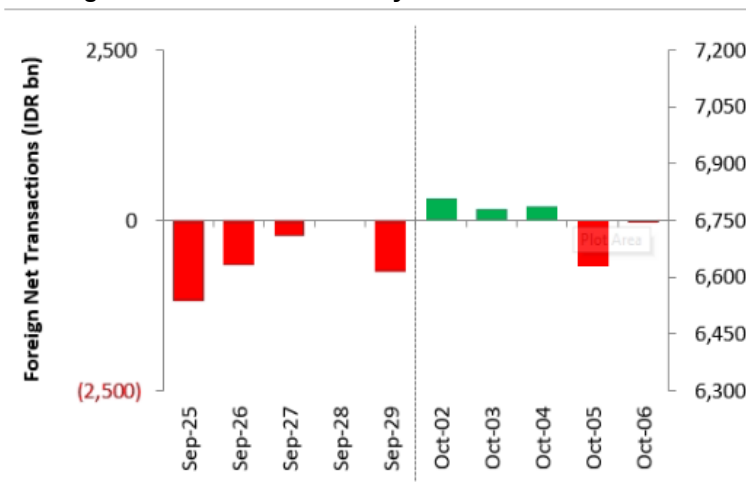
Last Week's JCI Movement

Global Market Movement



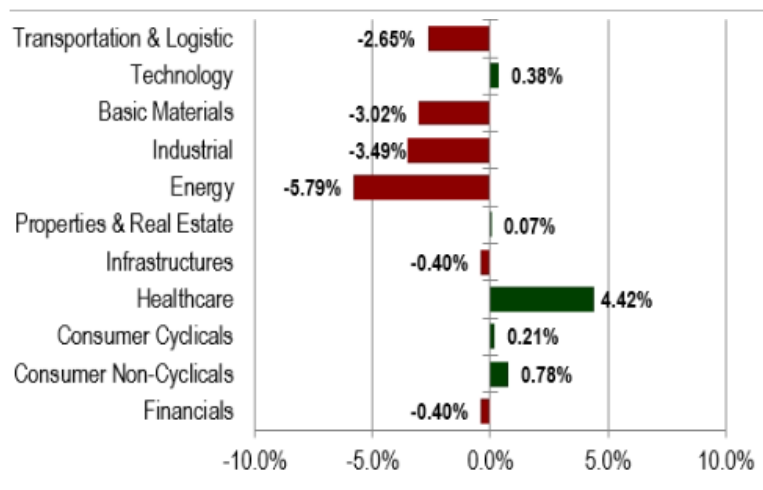
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



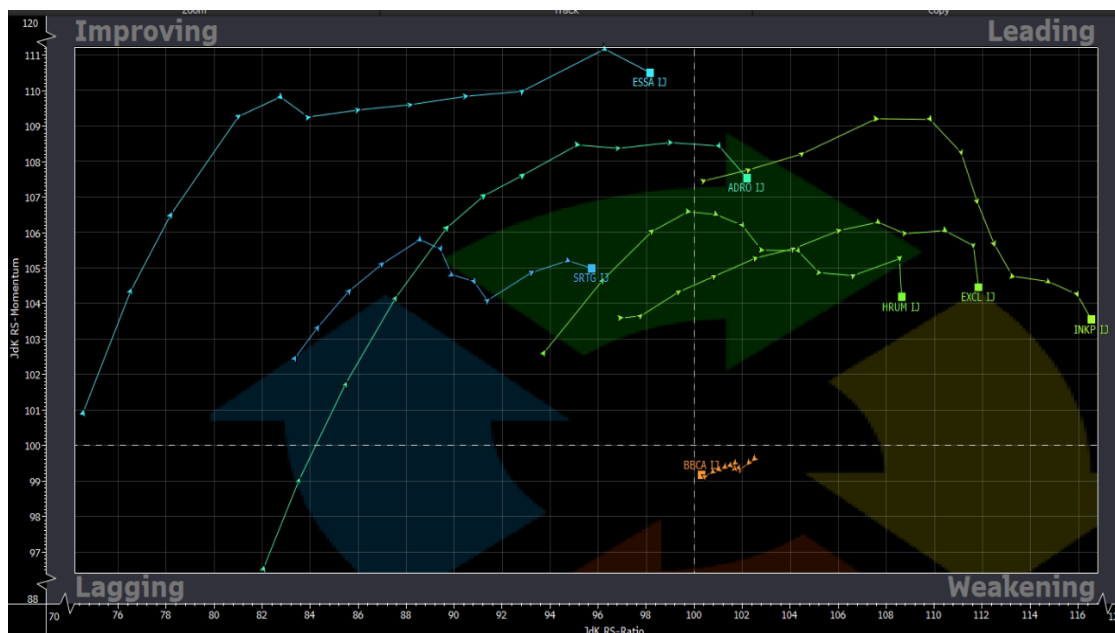
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BBNI	447,823	BBRI	688,120
BBCA	340,795	GOTO	329,869
AMMN	254,845	UNTR	123,743
FILM	160,920	MDKA	74,863
BMRI	144,539	PGEO	53,818

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
BBCA	9250-9300 / 9450	8900
INKP	10700-10900 / 11500-12000	9800
HRUM	1770 / 1900 / 2000	1590
EXCL	2440-2460 / 2560-2590	2340
ADRO	2780-2830 / 2970-3000	2560
ESSA	730-740 / 800-830 / 875-880	620
SRTG	1750-1760 / 1920 / 1990-2000	1580

Source: Bloomberg, NHKSI Research

JCI Index

Support	6840-6825 / 6800-6790	Resistance	6940-6950 / 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 9 – Oct.	CH	—	Money Supply M2 YoY	Sep	10.6%	10.6%
	ID	—	Consumer Confidence Index	Sep	—	125.2
	GE	13:00	Industrial Production SA MoM	Aug	—	-0.8%
Tuesday 10 – Oct.	JP	06:50	BoP Current Account Balance	Aug	¥ 3,090.9 B	¥ 2,771.7 B
	US	21:00	Wholesale Inventories MoM	Aug F	—	-0.1%
Wednesday 11 – Oct.	US	18:00	MBA Mortgage Applications	Oct 6	—	-6.0%
	US	19:30	PPI Final Demand MoM	Sep	0.3%	0.7%
	GE	13:00	CPI MoM	Sep F	0.3%	0.3%
	GE	13:00	CPI YoY	Sep F	4.5%	4.5%
Thursday 12 – Oct.	US	19:30	CPI MoM	Sep	0.3%	0.6%
	US	19:30	CPI YoY	Sep	3.6%	3.7%
	US	19:30	Initial Jobless Claims	Oct 7	—	207K
	JP	06:50	PPI YoY	Sep	2.4%	3.2%
	JP	06:50	Core Machine Orders MoM	Aug	0.4%	-1.1%
Friday 13 – Oct.	US	21:00	U. of Mich. Sentiment	Oct P	67.5	68.1
	CH	08:30	CPI YoY	Sep	0.2%	0.1%
	CH	08:30	PPI YoY	Sep	-2.4%	-3.0%
	CH	—	Trade Balance	Sep	\$73.7 B	\$68.2 B
	KR	06:00	Unemployment Rate SA	Sep	2.6%	2.4%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	SMMT, KOPI, BNGA
<i>9 – Oct.</i>	Cum Dividend	—
Tuesday	RUPS	ZYRX
<i>10 – Oct.</i>	Cum Dividend	XSPI, UNTR
Wednesday	RUPS	VTNY, PMMP
<i>11 – Oct.</i>	Cum Dividend	ASII
Thursday	RUPS	MPPA
<i>12 – Oct.</i>	Cum Dividend	VICI, AUTO
Friday	RUPS	WIKA, KAEF
<i>13 – Oct.</i>	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							3,613.1							
BBCA	9,075	8,550	10,200	Overweight	12.4	10.7	1,118.7	23.8x	5.0x	21.9	2.3	22.2	34.2	0.9
BBRI	5,225	4,940	6,100	Buy	16.7	17.7	791.9	14.1x	2.7x	19.4	5.5	12.0	18.9	1.0
BBNI	5,175	4,613	12,000	Buy	131.9	17.9	193.0	9.7x	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	13.6	5.3	172.7x	1.2x	0.7	N/A	12.3	N/A	0.8
Consumer Non-Cyclicals							1,220.2							
INDF	6,900	6,725	8,600	Buy	24.6	13.6	60.6	6.7x	1.1x	16.7	3.7	6.3	92.1	0.4
ICBP	11,225	10,000	13,600	Buy	21.2	26.1	130.9	15.6x	3.3x	22.2	1.7	5.8	195.8	0.4
UNVR	3,720	4,700	4,200	Overweight	12.9	(23.1)	141.9	30.2x	36.1x	110.4	3.8	(5.5)	(20.0)	0.2
MYOR	2,630	2,500	3,200	Buy	21.7	27.1	58.8	23.3x	4.5x	20.2	1.3	3.1	89.7	0.6
CPIN	5,650	5,650	5,500	Hold	(2.7)	6.6	92.6	48.9x	3.3x	7.1	N/A	7.9	(42.9)	0.5
JPFA	1,330	1,295	1,400	Overweight	5.3	(6.3)	15.6	39.6x	1.3x	3.1	3.8	(1.3)	(92.7)	0.6
AALI	7,275	8,025	8,000	Overweight	10.0	(12.3)	14.0	10.9x	0.7x	6.1	5.5	(14.4)	(54.6)	0.9
Consumer Cyclicals							406.7							
ERAA	436	392	600	Buy	37.6	1.4	7.0	7.1x	1.0x	14.7	4.4	23.5	(9.2)	0.8
MAPI	1,975	1,445	2,000	Hold	1.3	77.1	32.8	15.4x	3.7x	27.0	0.4	#N/A	N/A	0.6
Healthcare							284.1							
KLBF	1,800	2,090	2,200	Buy	22.2	(2.4)	84.4	25.5x	4.1x	16.7	2.1	9.4	(6.4)	0.4
SIDO	600	755	700	Buy	16.7	(16.1)	18.0	16.3x	5.5x	34.0	6.1	2.6	0.6	0.6
MIKA	2,810	3,190	3,000	Overweight	6.8	3.3	40.0	42.1x	7.3x	18.1	1.3	(1.2)	(15.5)	0.3
Infrastructure							902.91							
TLKM	3,760	3,750	4,800	Buy	27.7	(13.6)	372.5	18.4x	3.0x	16.6	4.5	2.1	(4.2)	0.8
JSMR	4,220	2,980	5,100	Buy	20.9	28.3	30.6	9.7x	1.4x	14.5	1.8	18.3	56.3	0.9
EXCL	2,380	2,140	3,800	Buy	59.7	(5.6)	31.2	24.7x	1.2x	5.0	1.8	12.0	(13.8)	0.8
TOWR	940	1,100	1,260	Buy	34.0	(21.7)	48.0	14.2x	3.1x	23.7	2.6	8.7	(8.8)	0.4
TBIG	2,000	2,300	2,390	Buy	19.5	(26.7)	45.3	30.1x	4.2x	12.9	1.8	(0.7)	(18.6)	0.4
MTEL	660	800	860	Buy	30.3	(9.0)	55.1	28.5x	1.6x	5.8	3.2	10.8	12.3	0.5
WIKA	440	800	1,280	Buy	190.9	(53.9)	3.9	N/A	0.4x	(16.0)	N/A	28.8	(13975.2)	1.2
PTPP	710	715	1,700	Buy	139.4	(22.0)	4.4	15.5x	0.4x	2.5	N/A	(10.8)	14.3	1.0

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Property & Real Estate							267.2							
CTRA	1,020	940	1,500	Buy	47.1	7.9	18.9	11.6x	1.0x	8.9	1.5	(4.2)	(22.4)	0.8
PWON	422	456	600	Buy	42.2	(6.6)	20.3	10.8x	1.1x	10.8	1.5	5.3	45.8	1.1
Energy							1,279.3							
PGAS	1,380	1,760	1,770	Buy	28.3	(21.4)	33.5	8.8x	0.8x	9.1	10.2	2.5	(40.0)	0.6
PTBA	2,700	3,690	4,900	Buy	81.5	(37.1)	31.1	3.4x	1.7x	45.1	40.5	2.4	(54.9)	1.0
ADRO	2,730	3,850	3,900	Buy	42.9	(34.1)	87.3	2.5x	0.8x	37.4	17.8	(1.8)	(27.6)	1.3
Industrial							414.3							
UNTR	26,750	26,075	32,000	Buy	19.6	(18.9)	99.8	4.5x	1.4x	29.2	26.2	13.6	11.2	0.9
ASII	6,150	5,700	8,000	Buy	30.1	(5.0)	249.0	8.8x	1.3x	15.2	10.4	13.0	(4.0)	1.0
Basic Ind.							1,500.8							
SMGR	6,500	6,575	9,500	Buy	46.2	(9.8)	44.1	16.9x	1.0x	6.1	3.8	2.0	(9.0)	0.9
INTP	9,975	9,900	12,700	Buy	27.3	9.3	36.7	15.2x	1.7x	11.8	1.6	15.3	141.8	0.7
INCO	5,625	7,100	8,200	Buy	45.8	(17.3)	55.9	16.3x	1.4x	9.2	1.6	16.7	12.6	1.2
ANTM	1,770	1,985	3,450	Buy	94.9	(8.5)	42.5	10.2x	1.8x	18.5	4.5	#N/A	N/A	1.5

Source : Bloomberg, NH KSI Research

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