

Weekly Brief (Nov. 13 – 17, 2023)

Summary:

Last week review:

After the stock market had its biggest weekly percentage gain in a year two weeks ago on the back of weak US employment data, falling US Treasury yields, and hopes that the Federal Reserve is nearing the end of its interest rate hike trend; last week Wall Street repeated the market euphoria with the Dow Jones up about 0.7%, the S&P 500 up 1.3% and the Nasdaq up 2.4%. Expectations that the Fed's rate hike cycle is coming to an end have risen in recent days, but in fact it is not ruled out that there will be one more rate hike this year especially considering the latest US 3Q23 GDP release came in at 4.9% yoy proving a strong economic performance. As such, central bank officials have been cautious in commenting on the future path of interest rates. Federal Reserve Chairman Jerome Powell issued a cautious statement on the continuation of monetary policy, saying that they would not hesitate to raise interest rates again if the evidence warranted it. This shifted market participants' expectations that the first rate cut would be pushed back to June 2024, from an initial estimate of May 2024.

While the US has no problem with economic growth, China is struggling to get out of the deflation zone. China's inflation (Oct.) came in at -0.2% yoy, making this deflation bigger than the -0.1% forecast. The producer sector goods/services price index (PPI) (Oct.) also remained at minus 2.6%, worsening from the -2.5% deflation in the previous month. This further confirms that China's post-Covid economic recovery is still on the slow track. Previous data even showed that China's Trade Balance missed the forecast due to total Exports of goods & services contracted deeper than expected, although from the demand side, China's oil imports in October showed a high increase. This explains that China's economic outlook will continue to weaken due to eroding demand from their export destinations, namely Western countries. The economic slowdown is still evident in continental Europe, with the Eurozone PMI, Germany, and the UK confirmed to be still struggling in contractionary territory. This was the price to pay when Germany was finally able to push down Inflation (Oct.) as expected to 3.8% yoy. Germany successfully returned the Inflation level to its lowest point at the end of August 2021, from the highest peak of 10.4% at the end of November 2022. But at least the UK was still able to maintain 3Q23 GDP at 0.6% yoy, even experiencing 1.3% growth in September (higher than forecast & previous month).

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Talking about economic growth, Indonesia's GDP growth in Q3/2023 was not as expected; it only rose by 1.60% qoq, missed the market consensus of 1.71% and slowed down sharply from 3.86% in Q2. On annualized basis, the economy grew by 4.94% yoy in Q3/2023, lower than market estimate of 5.05%, slowing down from 5.17% expansion in Q2, showing the weakest growth since Q3 2021, which was mainly due to the decline in exports, amidst the moderation in commodity prices. A number of Indonesian macroeconomic data were presented last week, such as: Foreign Exchange Reserves (Oct.) came in at USD133.1 billion, albeit lower than the previous month's position of USD134.9 billion (due to government external debt repayment and used in efforts to stabilize Rupiah), this figure is safe enough to be equivalent to 5.9 months of export financing and still above international standards. Indonesia's Consumer Confidence Index (Oct.) was also recorded to have increased to 124.3, compared to 121.7 in September. To top it all off, Retail Sales for September increased 1.5% yoy, higher than the previous month's 1.1%. The Rupiah exchange rate strengthened 0.21% over the past week where it touched a low of IDR15510/USD before finally closing at IDR15690/USD at the end of last week. However, foreign investors were still seen net selling over the past week at IDR 711.84 billion, leaving the total Foreign Net Buy YTD at only IDR 1.52 trillion (RG market).

COMMODITIES: West Texas Intermediate (WTI) crude oil, traded in New York closed down 4.1% for the week, following consecutive weekly declines of 6% and 3%. This came after the price of the benchmark US crude plunged 11% in October. Meanwhile, Brent crude fell 3.8% over the past week, after consecutive weekly declines of 6% and 2%. As a reminder, the price of the London-traded global crude benchmark also fell 11% in October. Fading fears of supply disruptions from the Israel-Hamas war and the sluggish Chinese economy, plus the increase in export volumes by OPEC+ countries have made Crude Oil as a whole lose its bargaining power. The belief that the Middle East conflict escalation will not expand also made Gold prices slip 3.1% last week, Gold futures closed at USD 1937.7/ounce.

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This week's outlook:

Investors are eagerly awaiting the US Inflation data for October on Tuesday, to get an update on the Fed's progress in its efforts to bring inflation down from its highest levels in decades. US CPI (Oct.) is expected to increase by 0.1% mom. Faster cooling inflation could fuel hopes that interest rates have peaked, which was also triggered by the October employment report, suggesting easing conditions in the labor market. The US will also release PPI data with Retail Sales figures for October, which are expected to drop into negative territory after a series of solid monthly gains. Other data to be released include the Industrial Production report, Housing Starts, and of course the weekly Initial Jobless Claims.

Investors will also get a chance to hear a few words from some of the Fed's top officials, after Chairman Jerome Powell said on Thursday that policymakers are not yet convinced that the current interest rate environment is done fighting Inflation. His comments were echoed by other top officials who reiterated that the Federal Reserve is not necessarily finished with its upward trend in interest rates. Market participants are focused on monitoring US Treasury yields that have fallen from 16-year highs while calculating the chances of when the central bank will be able to start cutting interest rates.

The risk of another US government shutdown looms large if they are unable to reach an agreement on extending operational funding before next Friday. Meanwhile, Oil prices are expected to be quite volatile as Iraq voiced support for the OPEC+ production cut plan, ahead of the OPEC+ meeting on November 26; amid fears of sluggish global demand.

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This week's outlook:

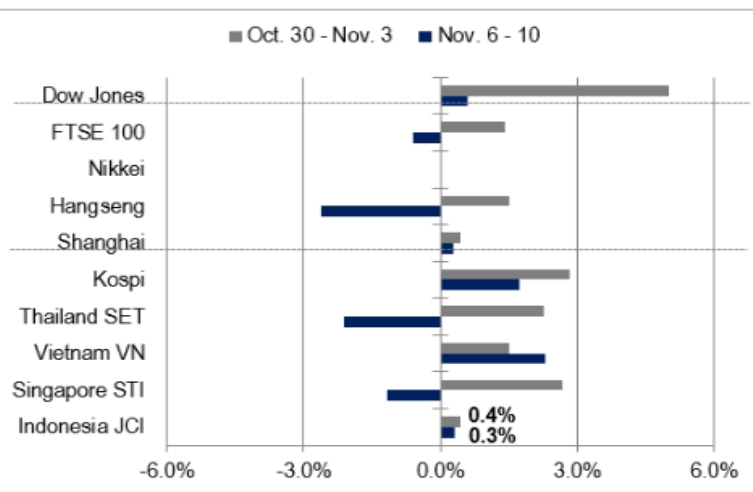
ASIA MARKETS: Japan's 3Q23 GDP will be in the spotlight on Wednesday as it is expected that Japan's economic growth will sink into contraction territory. Japan's October Import-Export figures are also awaited, with Exports expected to drop to 1.2% yoy, down considerably from 4.3% previously; thus risking a deficit Trade Balance. Meanwhile, Indonesia is still optimistic that its Trade Balance surplus could reach USD 3.3 billion, albeit slightly weaker than the previous month, but it is expected that the rate of decline in Import-Export has started to slow down.

EUROPE MARKETS: UK will report CPI (Oct.) which is expected to flatten to 4.8% yoy, much lower than the previous 6.7%. Similarly, the Eurozone will report CPI in a week that is heavily weighted towards the Inflation rate, where they hope to tame Inflation to 2.9% yoy, from 4.3% in the previous period.

JCI Index : 6,809.26 (+0.3%)
Foreign Flow : Net Sell of IDR 2.1 Trillion (Vs. last week's net sell of IDR 2.5 Trillion)
USD/IDR : 15,695 (+0.21%)

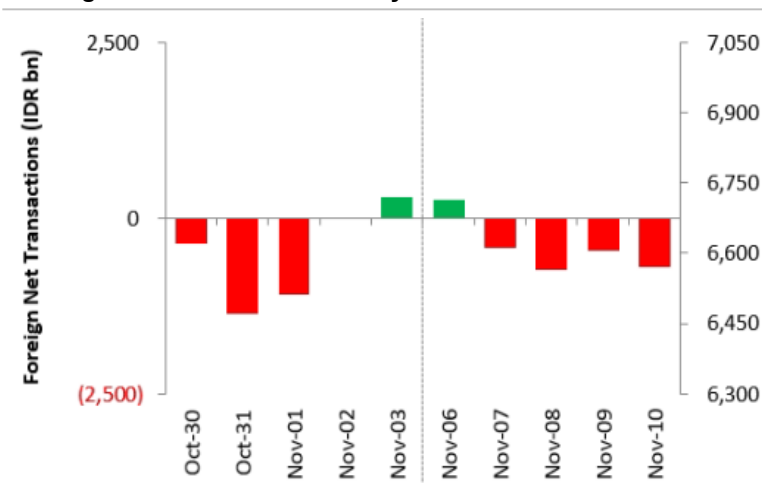
Last Week's JCI Movement

Global Market Movement



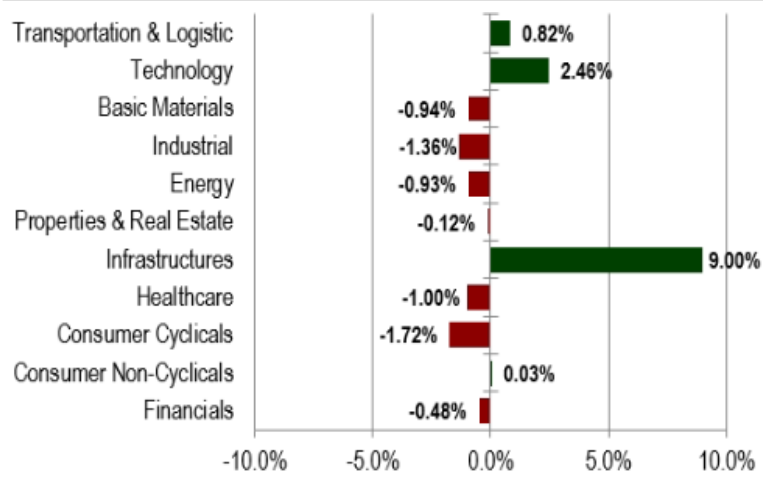
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



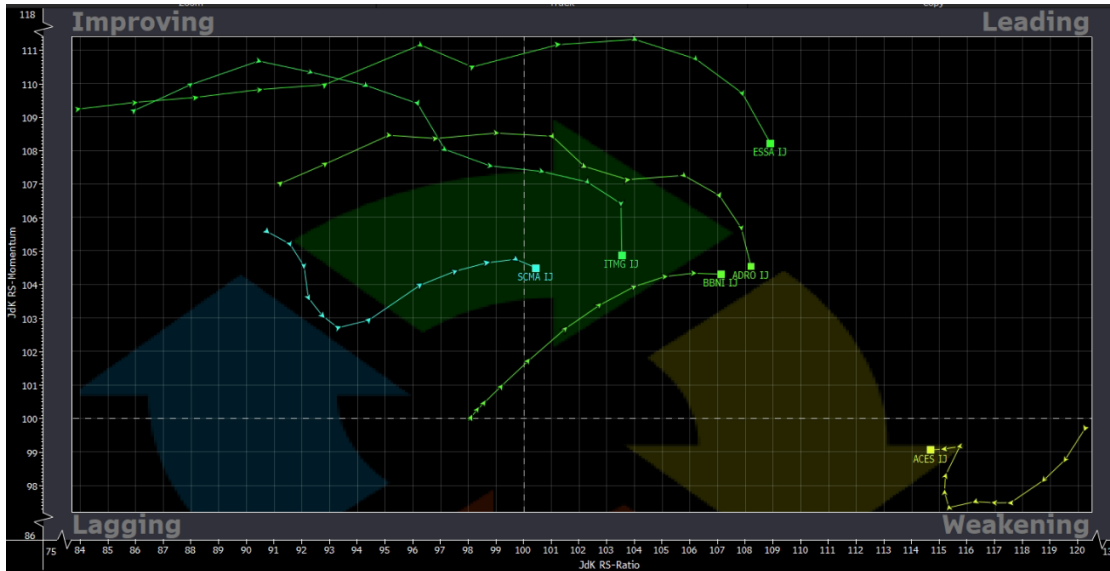
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
AMMN	200,262	TLKM	273,781
BREN	83,471	BBNI	232,990
MEDC	64,235	ASII	172,122
GOTO	51,916	CUAN	90,173
AMRT	45,780	ICBP	87,771

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
ESSA	640-645, 690-700	545
ACES	860, 880-890	770
BBNI	5000-5075, 5350-5425	4710
ADRO	2590-2600, 2800-2850, 2950-3000	2370
ITMG	26000-26200, 28150-28350, 29350	24575
SCMA	155-157, 164-168, 174-177	142

Source: Bloomberg, NHKSI Research

JCI Index

Support	6800 / 6780 / 6635	Resistance	6870-6900 / 6950 / 7000-7050
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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	JP	06:50	PPI YoY	Oct	1.0%	2.0%
<i>13 – Nov.</i>	JP	06:50	PPI MoM	Oct	0.0%	-0.3%
Tuesday	US	20:30	CPI YoY	Oct	3.3%	3.7%
<i>14 – Nov.</i>	GE	17:00	ZEW Survey Expectations	Nov	2.5	-1.1
	GE	17:00	ZEW Survey Current Situation	Nov	76.0	79.9
Wednesday	US	20:30	Retail Sales Advance MoM	Oct	-0.3%	0.7%
<i>15 – Nov.</i>	US	20:30	PPI Final Demand MoM	Oct	0.1%	0.5%
	US	20:30	Empire Manufacturing	Oct	-2.1%	-4.6%
	CH	09:00	Industrial Production YoY	Oct	4.6%	4.5%
	CH	09:00	Retail Sales YoY	Oct	7.0%	5.5%
	ID	11:00	Trade Balance	Oct	\$3,295M	\$3,418M
	ID	11:00	Exports YoY	Oct	18.76%	16.17%
	ID	11:00	Imports YoY	Oct	-7.80%	-12.45%
	KR	06:00	Unemployment Rate SA	Oct	—	2.6%
	JP	06:50	GDP Annualized SA QoQ	3Q	0.4%	4.8%
	JP	11:30	Industrial Production MoM	Sep F	—	0.2%
Thursday	US	20:30	Initial Jobless Claims	Nov 11	—	217K
<i>16 – Nov.</i>	US	21:15	Industrial Production MoM	Oct	-0.4%	0.3%
	JP	06:50	Trade Balance	Oct		
Friday	US	20:30	Housing Starts	Oct	1,350K	1,358K
<i>17 – Nov.</i>	—	—	—	—		

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	—
13 – Nov.	Cum Dividend	—
Tuesday	RUPS	PGAS
14 – Nov.	Cum Dividend	TPMA, MLBI
Wednesday	RUPS	SMMT, ITMA
15 – Nov.	Cum Dividend	PPGL, JAYA, EAST
Thursday	RUPS	PDPP, MLBI, CMPP, AMOR
16 – Nov.	Cum Dividend	TRIS, CPIN
Friday	RUPS	GGRP
17 – Nov.	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							3,518.2							
BBCA	8,900	8,550	10,300	Buy	15.7	0.6	1,097.1	22.7x	4.7x	21.5	2.3	20.5	25.5	0.9
BBRI	5,100	4,940	6,300	Buy	23.5	9.7	773.0	13.7x	2.5x	18.6	5.7	14.9	12.7	1.0
BBNI	4,890	4,613	6,100	Buy	24.7	5.2	182.4	8.9x	1.3x	15.0	4.0	12.5	15.1	1.1
BMRI	5,825	4,963	6,900	Buy	18.5	11.8	543.7	11.0x	2.2x	21.8	4.5	17.2	27.4	1.2
AMAR	320	232	392	Buy	22.5	2.9	5.9	27.2x	1.4x	0.7	N/A	#N/A	N/A	0.8
Consumer Non-Cyclicals							1,191.8							
INDF	6,375	6,725	8,600	Buy	34.9	(0.4)	56.0	6.4x	1.0x	16.0	4.0	3.8	52.6	0.4
ICBP	10,525	10,000	13,600	Buy	29.2	6.9	122.7	14.7x	3.0x	21.9	1.8	4.9	113.0	0.3
UNVR	3,540	4,700	4,200	Buy	18.6	(22.0)	135.1	27.3x	25.1x	89.0	4.0	(3.3)	(9.1)	0.1
MYOR	2,640	2,500	3,200	Buy	21.2	10.0	59.0	20.4x	4.3x	22.5	1.3	3.0	85.7	0.6
CPIN	5,650	5,650	5,500	Hold	(2.7)	(1.3)	92.6	38.2x	3.2x	8.7	N/A	8.5	(16.0)	0.5
JPFA	1,210	1,295	1,400	Buy	15.7	(10.0)	14.2	15.1x	1.1x	7.2	4.1	2.6	(34.1)	0.6
AALI	7,000	8,025	8,000	Overweight	14.3	(16.4)	13.5	10.3x	0.6x	6.1	5.7	(5.1)	(34.2)	1.0
Consumer Cyclicals							374.5							
ERAA	338	392	600	Buy	77.5	(17.2)	5.4	6.4x	0.8x	14.7	5.6	22.5	(27.1)	0.8
MAPI	1,665	1,445	2,400	Buy	44.1	27.1	27.6	13.1x	2.9x	24.9	0.5	26.4	(5.0)	0.6
HRTA	410	202	590	Buy	43.9	99.0	1.9	6.2x	1.0x	17.1	2.9	82.8	25.9	0.5
Healthcare							253.3							
KLBF	1,615	2,090	2,200	Buy	36.2	(19.3)	75.7	25.4x	3.6x	14.8	2.4	6.5	(16.9)	0.4
SIDO	498	755	550	Overweight	10.4	(32.7)	14.9	15.4x	4.4x	28.0	7.1	(9.7)	(18.6)	0.6
MIKA	2,720	3,190	3,000	Overweight	10.3	(2.2)	38.8	39.9x	6.8x	17.7	1.4	2.7	(5.1)	0.2
Infrastructure							1,557.45							
TLKM	3,530	3,750	4,800	Buy	36.0	(14.9)	349.7	14.8x	2.7x	18.6	4.7	2.2	17.6	0.8
JSMR	4,390	2,980	5,100	Buy	16.2	31.8	31.9	10.1x	1.4x	14.5	1.7	18.3	56.3	0.9
EXCL	2,230	2,140	3,800	Buy	70.4	(7.1)	29.3	23.1x	1.1x	5.0	1.9	12.0	(13.8)	0.9
TOWR	935	1,100	1,260	Buy	34.8	(18.7)	47.7	14.1x	2.9x	22.2	2.6	7.6	(3.9)	0.4
TBIG	2,070	2,300	2,390	Buy	15.5	(11.2)	46.9	31.1x	4.4x	12.9	1.7	(0.7)	(18.6)	0.4
MTEL	650	800	860	Buy	32.3	(7.8)	54.3	27.1x	1.6x	6.0	3.3	11.9	(22.7)	0.5
WIKA	392	800	1,280	Buy	226.5	(58.1)	3.5	N/A	0.3x	(16.0)	N/A	28.8	(13975.2)	1.1
PTPP	575	715	1,700	Buy	195.7	(36.8)	3.6	9.5x	0.3x	3.3	N/A	(9.2)	69.6	1.0

Source : Bloomberg, NH KSI Research

NH KSI Stocks Coverage

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Property & Real Estate							259.8							
CTRA	1,120	940	1,300	Buy	16.1	17.9	20.8	13.7x	1.1x	8.1	1.3	(8.8)	(22.5)	0.8
PWON	410	456	600	Buy	46.3	(9.7)	19.7	10.8x	1.1x	10.3	1.6	1.6	24.8	1.1
Energy							1,303.3							
PGAS	1,130	1,760	1,770	Buy	56.6	(37.9)	27.4	7.7x	0.7x	8.2	12.5	1.9	(35.9)	0.6
PTBA	2,370	3,690	4,900	Buy	106.8	(31.9)	27.3	4.3x	1.4x	28.0	46.2	(10.7)	(62.2)	0.9
ADRO	2,500	3,850	3,900	Buy	56.0	(28.4)	80.0	2.7x	0.7x	28.8	19.5	(15.8)	(35.7)	1.3
Industrial							389.9							
UNTR	23,450	26,075	32,000	Buy	36.5	(19.1)	87.5	4.2x	1.1x	26.6	29.4	6.6	(1.3)	0.9
ASII	5,750	5,700	8,000	Buy	39.1	(10.9)	232.8	7.4x	1.2x	16.5	11.3	8.8	10.2	1.0
Basic Ind.							1,489.6							
SMGR	6,300	6,575	9,500	Buy	50.8	(22.2)	42.7	16.9x	1.0x	6.1	3.9	4.0	(10.0)	0.9
INTP	9,450	9,900	12,700	Buy	34.4	(7.8)	34.8	15.0x	1.6x	11.1	1.7	10.9	36.4	0.8
INCO	4,590	7,100	8,200	Buy	78.6	(38.2)	45.6	11.5x	1.2x	10.5	2.0	7.3	32.0	1.2
ANTM	1,630	1,985	2,350	Buy	44.2	(23.1)	39.2	9.7x	1.6x	17.1	4.9	(8.3)	8.4	1.4

Source : Bloomberg, NH KSI Research

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