

Weekly Brief (Nov. 20 – 24, 2023)

Summary:

Last week review:

LOW INFLATION IS BUOYED BY EVIDENCE OF AN ECONOMIC SLOWDOWN. The S&P 500 and Nasdaq gained more than 2% over the past week, while the DJIA recorded a 2% gain which was the third consecutive week of gains on the back of slowing Inflation data released earlier last week, thus fueling optimism that the Federal Reserve's interest rate hike has peaked. Economic data showed that US CPI (Oct.) grew 3.2% yoy, below analysts' forecast of 3.3% and certainly slipping further from the previous month's 3.7%. Core CPI also, which excludes prices of volatile goods such as food and energy, also cooled to 4.0% yoy, lower than both forecasts and September's reading of 4.1%. Inflation at the producer level also slowed to a growth rate of 1.3% yoy in October, versus 2.2% in September, lower than the 1.9% forecast. This PPI release showed the largest price decline at the producer level in 3.5 years on the back of cheaper Oil prices. Another report adding to the optimism that the Fed will be able to cut rates sooner next year was Retail Sales (Oct.) dropping 0.1% mom, the first fall in 7 months, and in stark contrast to the previous month's positive 0.9% growth. As known, the Fed has raised interest rates 525 bps since March 2022 to combat Inflation. Expectations that a rate cut could occur in May 2024 have risen to 65%, up from 34% in the initial estimate last Monday, as quoted by the CME FedWatch Tool. Another positive catalyst was the US House of Representatives finally passing a temporary spending bill that would avert a government shutdown, with broad support from lawmakers from both parties. A number of other economic data released weaker than expected also confirmed the condition of achieving a soft landing are as follows: Initial Jobless Claims released 231 thousand, where jobless claims in the last week were higher than the estimated 220 thousand jobless claims in the previous week. Meanwhile, the Philadelphia Manufacturing Index which measures business conditions in general in Philadelphia is still struggling in contraction territory although it has improved somewhat above the forecast. Both of the above data did more or less raise concerns of an economic slowdown situation, just at a time when the Fed is expected to keep interest rates high for some time. As if to agree with this thought, Industrial Production (Oct.) also extended its contraction and was the lowest negative growth in the last 4 months.

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ASIAN MARKET: JAPAN released its initial estimate of 3Q23 GDP in disturbing numbers when economic growth fell into a recession of -2.1% yoy, deeper than the forecast of -0.6% and leaving the positive growth area of 4.5% in the previous quarter. Japan also continued deflation at the producer level (PPI) in October which was recorded at -0.4% mom. Machine Tool Orders from Japan were also recorded as dropping further to 20.6% yoy, dropping again from the previous period which was minus 11.2%. In neighboring countries, CHINA had more news in the Industrial Production (Oct.) and Retail Sales (Oct.) reports which strengthened more than expected. China also released New Loans data for October which turned out to be larger than expected at CNY 738.4 billion, but still did not change the position of Outstanding Loan Growth (Oct.) at 10.9% yoy. INDONESIA also received bullish sentiment from the release of a Trade Balance surplus in October worth USD 3.48 billion, larger than expected and the previous month, supported by better Exports & Imports, so that even though the growth was negative, the rate of decline had slowed down from the previous month.

EUROPEAN MARKETS: Still talking about Inflation, the UK reported CPI (Oct.) which also successfully cooled to 4.6% yoy, lower than the forecast of 4.8% and certainly from the previous month's 6.7%. Following the data, their Input & Output PPI also fell from September. However, the sluggishness in Inflation came at the cost of a collapse in Retail Sales (Oct.) whose negative growth has been entrenched since May 2022 and this time it was the lowest drop in the last 3 months. In terms of employment, the UK released higher jobless claims data in October, coming out at 17,800 greater than the prediction of 15,000, and almost double from the previous month at 9,000. The aura of economic slowdown was even thicker in the EURO ZONE where they announced Industrial Production (Sept.) whose negative growth was even bigger than the previous month, so no wonder they wrote a preliminary estimate that 3Q23 GDP would be weaker than the previous quarter. However, on the one hand, the Eurozone should be happy that they have managed to get Inflation (Oct.) down to 2.9% yoy, lower than September's 4.3%. Only Core CPI remains a work in progress as it read 4.2% yoy in October, still more than double the ECB's 2% target.

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COMMODITIES: Oil prices slid another 4% last week, the fourth consecutive week of declines as the issue of ballooning global inventories was not followed by sluggish demand, ahead of next week's OPEC meeting. This somewhat contradicts OPEC's latest monthly report on world oil supply & demand, where OPEC raised its forecast for world oil demand in 2023 to 2.46 million barrels per day, or bpd - up 20,000 from the previous forecast. In 2024, OPEC sees demand increasing by 2.25 million bpd, unchanged from last month. The question now is whether OPEC+ members Russia and Saudi Arabia will continue to cut production after December. The International Energy Agency (IEA) in its monthly report, followed OPEC's lead by raising its 2023 production/consumption growth forecast to 2.4 million barrels per day, from 2.3 million bpd previously; and to 930 thousand barrels per day for 2024 from 880 thousand. The agency was cautious enough not to infer a drastic economic slowdown in some of the world's major economies, but stated that their expectations are based on the hope of future interest rate cuts, when the current depressed Oil prices will be able to trigger more Crude Oil demand. In October, US Oil production stood at a record 13.2 million barrels/day, bringing total US Oil production to a record 421.9 million barrels. There was data confusion due to the system management upgrade whether that much Oil production could be absorbed by the market.

Weekly Brief (Nov. 20 – 24, 2023)

This week's outlook:

In a short trading week due to the Thanksgiving Holiday next Thursday & Friday, investors will be looking for market direction by paying close attention to the Minutes of the last Federal Reserve Meeting of October 31 - November 1, which are due on Tuesday; to get an idea of the future of this upward trend in interest rates. Retail stocks are preparing for the holiday shopping wave known as Black Friday. Investors are monitoring whether the US consumer purchasing power still proves resilient. From Technology companies, Nvidia is the last megacap company to announce its earnings. Oil prices are expected to remain volatile. In terms of economic data, Existing Home Sales figures are expected out on Tuesday, followed by Initial Jobless Claims which is a day early due to holiday anticipation, and not forgetting Durable Goods Orders (Oct). In terms of market sentiment, investors have been more optimistic about the stock market in recent weeks, with stock prices rebounding from month-long declines from August to October. US Treasury yields, whose steady rise has been a negative sentiment for stock prices, have also retreated rapidly amid hopes that the Fed is nearing the end of its rate hike trend. No wonder last week, the DJIA, S&P500, and Nasdaq posted their third consecutive week of gains. For the DJIA and S&P500 this was the longest weekly gain since July, while for the Nasdaq it was the biggest gain since June. In a short trading week cut short by the Thanksgiving Day holiday next Thursday & Friday, investors will be looking for market direction by paying close attention to the Minutes of the last Federal Reserve Meeting of October 31 - November 1, which is due to be released on Tuesday; in search of an idea of the future of this upward trend in interest rates. Retail stocks are preparing for the holiday shopping wave known as Black Friday. Investors are monitoring whether the US consumer purchasing power still proves resilient. From Technology companies, Nvidia is the last megacap company to announce its earnings. Oil prices are expected to remain volatile. In terms of economic data, Existing Home Sales figures are expected out on Tuesday, followed by Initial Jobless Claims which is a day early due to holiday anticipation, and not to forget Durable Goods Orders (Oct). In terms of market sentiment, investors have been more optimistic about the stock market in recent weeks, with stock prices rebounding from month-long declines from August to October. US Treasury yields, whose steady rise has been a negative sentiment for stock prices, have also retreated rapidly amid hopes that the Fed is nearing the end of its rate hike trend. No wonder last week, the DJIA, S&P500, and Nasdaq posted their third consecutive week of gains. For the DJIA and S&P500 this was the longest weekly gain since July, while for the Nasdaq it was the biggest gain since June.

Speaking of commodities, Crude Oil rebounded more than 4% last Friday from a 4-month low, as traders took cover shorts, coupled with US economic sanctions on some oil shipments from Russia. However, this could not save Brent & WTI prices from a more than 1% weekly decline due to surging US Oil inventories and record production levels. The unending property crisis in China and sluggish industrial growth there also made Crude Oil lose competitiveness. When Brent prices are below USD 80/barrel as they are now, many analysts expect OPEC+ to continue production cuts in 2024 as the decision of their meeting on November 26.

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This week's outlook:

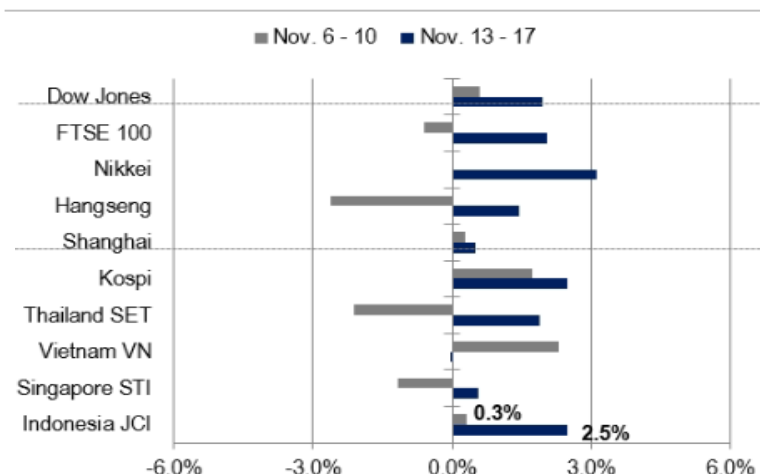
EUROZONE is scheduled to announce PMI data (Nov.) on Thursday, where economists do not expect any significant improvement in business activity. Furthermore, Consumer Confidence is on Wednesday and the most anticipated from Germany is the German Ifo Business Climate Index which is due on Friday. The European Central Bank (ECB) is set to publish its Financial Stability Review on Wednesday, followed a day later by the release of its October meeting minutes. ECB President Christine Lagarde will be in Berlin on Tuesday and will speak again at an event in Frankfurt on Friday, while several other ECB officials are also expected to comment during the week.

CHINA will again grab the attention of investors/traders as their central bank will announce interest rates this morning, which are expected to be unchanged from their current position: 4.2% for the long term (5 year), and 3.45% for the short term. Following on Thursday, the central bank will announce the BI7DRR benchmark interest rate which is also expected to remain unchanged from its current position of 6.0%. Japan will release its National CPI (Oct.) data on Friday, followed by Jibun Bank Japan Manufacturing & Services PMI preliminary estimates.

JCI Index : 6,977.7 (+2.5%)
Foreign Flow : Net Buy of IDR 708 Billion (Vs. last week's net sell of IDR 2.1 Trillion)
USD/IDR : 15,493 (+1.29%)

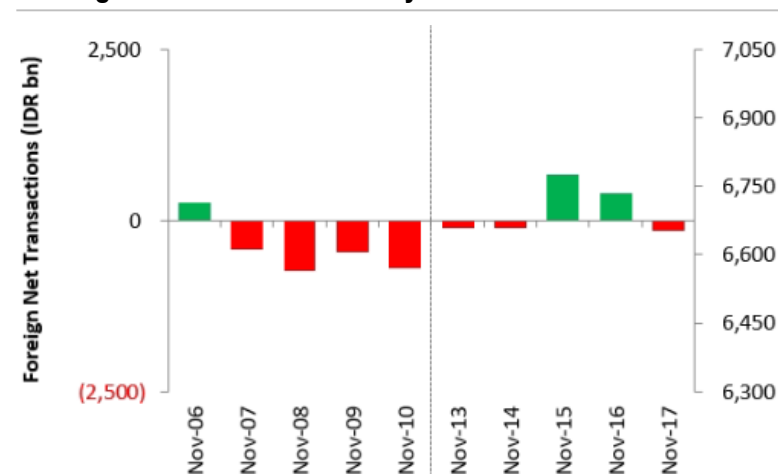
Last Week's JCI Movement

Global Market Movement



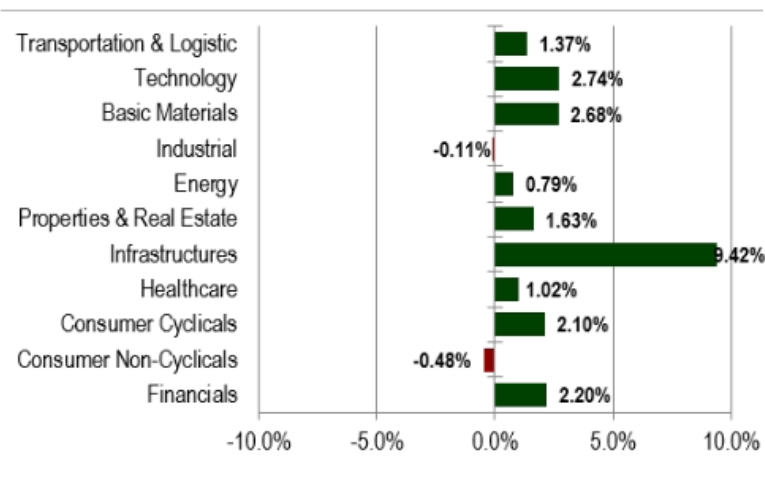
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



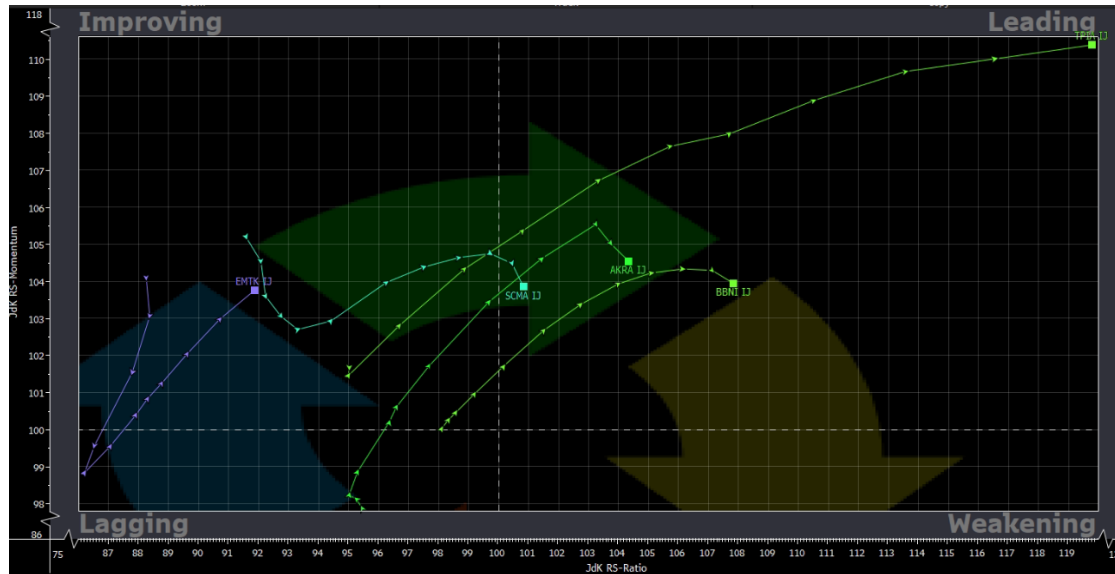
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BBCA	517,578	GOTO	208,656
AMMN	305,650	FILM	152,922
BMRI	286,689	BBNI	109,221
BREN	131,752	MNCN	107,384
ADRO	87,057	ICBP	105,341

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
TPIA	3020-3040, 3110-3140	2870
AKRA	1475-1485, 1500-1515	1400
BBNI	5050-5075, 5225-5250, 5375-5425	4890
SCMA	154-156, 164-166	144
EMTK	600-610, 625, 650-675	560

Source: Bloomberg, NHKSI Research

JCI Index

Support	6900-6880 / 6850-6820	Resistance	7000 / 7050 / 7130-7150
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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	US	22:00	Leading Index	Oct	-0.6%	-0.7%
20 – Nov.	JP	12:00	Tokyo Condominium for Sale YoY	Oct	—	4.1%
Tuesday	US	22:00	Existing Home Sales	Oct	3.90M	3.96M
21 – Nov.	ID	10:00	BoP Current Account Balance	3Q	-\$1,269M	-\$1,900M
	KR	04:00	PPI YoY	Oct	—	1.3%
Wednesday	US	20:30	Initial Jobless Claims	Nov 18	—	231K
22 – Nov.	US	20:30	Durable Goods Orders	Oct P	-3.1%	4.6%
	US	22:00	U. of Mich. Sentiment	Nov F	60.5	60.4
Thursday	ID	14:20	Bank Indonesia 7D Reverse Repo	Nov 23	6.00%	6.00%
23 – Nov.	GE	15:30	HCOB Germany Manufacturing PMI	Nov P	—	40.8
Friday	US	21:45	S&P Global US Manufacturing PMI	Nov P	49.8	50.0
24 – Nov.	JP	06:30	Natl CPI YoY	Oct	3.4%	3.0%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	SWAT
20 – Nov.	Cum Dividend	TGKA, MCOL
Tuesday	RUPS	GDST, DMND, ASDM
21 – Nov.	Cum Dividend	—
Wednesday	RUPS	SKLT, RAFI, RAAM
22 – Nov.	Cum Dividend	TOTO, NICL, BREN, AXIO
Thursday	RUPS	RIGS, PICO, JAST, DFAM
23 – Nov.	Cum Dividend	SPTO, SKRN, JTPE
Friday	RUPS	JARR, FREN
24 – Nov.	Cum Dividend	—

Source: NHKSI Research

NHKSJ 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							3,611.8							
BBCA	8,975	8,550	10,300	Overweight	14.8	1.7	1,106.4	22.9x	4.7x	21.5	2.3	20.5	25.5	0.9
BBRI	5,200	4,940	6,300	Buy	21.2	12.8	788.1	14.0x	2.6x	18.6	5.5	14.9	12.7	1.0
BBNI	4,980	4,613	6,100	Buy	22.5	8.3	185.7	9.1x	1.3x	15.0	3.9	12.5	15.1	1.1
BMRI	5,875	4,963	6,900	Buy	17.4	15.5	548.3	11.1x	2.3x	21.8	4.5	17.2	27.4	1.2
AMAR	316	232	400	Buy	26.6	(7.0)	5.8	26.9x	1.3x	0.7	N/A	#N/A	N/A	0.8
Consumer Non-Cyclicals							1,184.6							
INDF	6,450	6,725	8,600	Buy	33.3	(0.8)	56.6	6.4x	1.0x	16.0	4.0	3.8	52.6	0.4
ICBP	10,475	10,000	13,600	Buy	29.8	8.5	122.2	14.7x	3.0x	21.9	1.8	4.9	113.0	0.3
UNVR	3,430	4,700	4,200	Buy	22.4	(26.1)	130.9	26.4x	24.3x	89.0	4.1	(3.3)	(9.1)	0.1
MYOR	2,570	2,500	3,200	Buy	24.5	10.3	57.5	19.9x	4.1x	22.5	1.4	3.0	85.7	0.6
CPIN	5,475	5,650	5,500	Hold	0.5	(6.4)	89.8	37.1x	3.1x	8.7	1.8	8.5	(16.0)	0.5
JPFA	1,220	1,295	1,400	Overweight	14.8	(10.0)	14.3	15.3x	1.1x	7.2	4.1	2.6	(34.1)	0.6
AAJI	7,025	8,025	8,000	Overweight	13.9	(14.8)	13.5	10.3x	0.6x	6.1	5.7	(5.1)	(34.2)	0.9
Consumer Cyclical							393.2							
ERAA	334	392	600	Buy	79.6	(18.1)	5.3	6.4x	0.8x	12.5	5.7	22.5	(27.1)	0.8
MAPI	1,655	1,445	2,400	Buy	45.0	31.3	27.5	13.0x	2.9x	24.9	0.5	26.4	(5.0)	0.6
HRTA	392	202	590	Buy	50.5	90.3	1.8	5.9x	0.9x	17.1	3.1	82.8	25.9	0.4
Healthcare							256.2							
KLBF	1,610	2,090	1,800	Overweight	11.8	(21.8)	75.5	25.4x	3.6x	14.8	2.4	6.5	(16.9)	0.4
SIDO	500	755	550	Overweight	10.0	(33.8)	15.0	15.5x	4.4x	28.0	7.1	(9.7)	(18.6)	0.6
MIKA	2,720	3,190	3,000	Overweight	10.3	-	38.8	39.9x	6.8x	17.7	1.4	2.7	(5.1)	0.2
Infrastructure							1,709.42							
TLKM	3,580	3,750	4,800	Buy	34.1	(10.7)	354.6	15.0x	2.7x	18.6	4.7	2.2	17.6	0.8
JSMR	4,670	2,980	5,100	Overweight	9.2	43.3	33.9	10.7x	1.5x	14.5	1.6	18.3	56.3	0.9
EXCL	2,120	2,140	3,800	Buy	79.2	(7.4)	27.8	22.0x	1.1x	5.0	2.0	12.0	(13.8)	0.8
TOWR	975	1,100	1,310	Buy	34.4	(15.2)	49.7	14.7x	3.0x	22.2	2.5	7.6	(3.9)	0.5
TBIG	2,040	2,300	2,390	Buy	17.2	(10.9)	46.2	30.7x	4.3x	12.9	1.7	(0.7)	(18.6)	0.4
MTEL	675	800	860	Buy	27.4	(1.5)	56.4	28.1x	1.7x	6.0	3.2	11.9	(22.7)	0.5
WIKA	416	800	1,280	Buy	207.7	(55.3)	3.7	N/A	0.3x	(16.0)	N/A	28.8	(13975.2)	1.2
PTPP	620	715	1,700	Buy	174.2	(32.6)	3.8	10.3x	0.3x	3.3	N/A	(9.2)	69.6	1.1

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
Property & Real Estate							262.8							
CTRA	1,120	940	1,300	Buy	16.1	19.8	20.8	13.7x	1.1x	8.1	1.3	(8.8)	(22.5)	0.7
PWON	418	456	600	Buy	43.5	(5.4)	20.1	11.0x	1.1x	10.3	1.6	1.6	24.8	1.0
Energy							1,315.5							
PGAS	1,140	1,760	1,770	Buy	55.3	(36.5)	27.6	8.0x	0.7x	8.2	12.4	1.9	(35.9)	0.7
PTBA	2,430	3,690	4,900	Buy	101.6	(31.5)	28.0	4.4x	1.5x	28.0	45.0	(10.7)	(62.2)	1.0
ADRO	2,550	3,850	3,900	Buy	52.9	(29.0)	81.6	2.8x	0.8x	28.8	19.1	(15.8)	(35.7)	1.3
Industrial							386.1							
UNTR	22,800	26,075	32,000	Buy	40.4	(20.8)	85.0	4.0x	1.1x	26.6	30.2	6.6	(1.3)	0.8
ASII	5,775	5,700	8,000	Buy	38.5	(7.2)	233.8	7.5x	1.2x	16.5	11.3	8.8	10.2	1.0
Basic Ind.							1,552.8							
SMGR	6,625	6,575	9,500	Buy	43.4	(14.0)	44.9	17.8x	1.0x	6.1	3.7	4.0	(10.0)	0.9
INTP	9,475	9,900	12,700	Buy	34.0	(4.3)	34.9	15.0x	1.6x	11.1	1.7	10.9	36.4	0.7
INCO	4,660	7,100	8,200	Buy	76.0	(32.5)	46.3	11.9x	1.2x	10.5	1.9	7.3	32.0	1.2
ANTM	1,615	1,985	2,350	Buy	45.5	(17.6)	38.8	9.6x	1.6x	17.1	4.9	(8.3)	8.4	1.4
NCKL	1,115	#N/A	N/A	Buy	18.4	#N/A	70.4	N/A	3.5x	N/A	2.0	88.7	N/A	N/A

Source : Bloomberg, NH KSI Research

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