

Weekly Brief (Nov. 6 – 10, 2023)

Summary:

Last week review:

The US Federal Reserve kept interest rates unchanged at the current level of 5.25%-5.50% (in line with market expectations) for the second consecutive meeting, and comments from the central bank's top officials fueled optimism among investors that the upward trend in interest rates is nearing its end, although the central bank is keeping its options open for further hikes especially after recent indicators showed that economic activity expanded at a robust pace in the third quarter. Fed Chairman Jerome Powell said that going forward policymakers will take decisions very carefully, although they are not yet convinced that current monetary policy is tight enough to achieve the central bank's desired low Inflation Target of 2%. Currently, economic data that comes out worse than expected will provide relief to market participants as this is an indication that the Federal Reserve no longer needs to raise interest rates in the future, and a soft landing situation has been achieved for the US economy. Thus, the hope of a pivot or interest rate cut in 2024 will become more feasible. The employment data that supports these considerations are: US Consumer Confidence Index dropped for the third consecutive month in October. US ADP Nonfarm Payroll for October showed private sector job creation of 113k, lower than the forecast of 150k. However, in a sign that labor demand remains healthy, September's JOLTS Job Openings surpassed economists' estimates by coming in at 9.553 million, above both forecasts and the previous month. On the other hand, weekly jobless claims or Initial Jobless Claims rose to 217k, above estimates & from the previous week. In closing, Nonfarm Payroll recorded the addition of new employees in the public sector of 150 thousand in October, lower than the forecast of 180k & September's position of 297k. The Unemployment Rate finally increased to 3.9%, from 3.8% which had been in place for the previous two consecutive months. Meanwhile, average hourly wages only grew 0.2% mom, down from forecast & previous 0.3%. No doubt, the series of data above managed to make the Dow Jones et al close last week with the biggest weekly gain this year. DJIA rose 5.1% last week, recording its best weekly gain since October 2022; S&P 500 followed with a 5.9% performance and Nasdaq topped the list with a 6.6% increase last week. Falling US Treasury yields also brought some fresh air to the stock market; the 2-year US Treasury yield, which is the most sensitive to Fed policy, dropped to its lowest level since September. Brilliant corporate quarterly performance reports also contributed to the positive sentiment. Wall Street expects 4th quarter earnings to grow 7.2%, lower than the initial October forecast of 11%. So far, 80.9% of companies have reported 3rd quarter performance above analysts' expectations, while 14.9% missed estimates; as reported by LSEG data center.

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EUROPEAN MARKETS: European stock markets recorded their worst monthly performance since September 2022 in October. The economic slowdown still dominates the continent's saga, although their efforts to tame inflation are proving successful. Eurozone inflation fell to a two-year low of 2.9% yoy in October. Eurozone 3Q23 GDP further dropped to 0.1% yoy, lower than both the forecast and the previous quarter. This economic slowdown was also felt in Germany where it was reflected in the Retail Sales figure (Sept.) that also came in weaker than expected. This justifies Germany's Q3 GDP where Europe's largest economy slipped back into recession territory with a minus 0.3% yoy, while Inflation in October seems to have managed to ease to 3.8% yoy. The German Manufacturing PMI is still hovering in contraction territory although the pace of deceleration is starting to soften. Their Unemployment Change increased by more than double in October. The same condition was experienced by the Eurozone reporting Manufacturing PMI (Oct.) which as expected has not been able to get out of contraction territory. The Bank of England left interest rates unchanged at 5.25%, the second time they left rates unchanged since they started their upward trend in December 2021.

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ASIA MARKETS: China's manufacturing activity unexpectedly entered contractionary territory in October, marking the first contraction since July; causing the Composite PMI (Oct.) to drop towards the expansion area boundary of 50. The Bank of Japan kept its short-term lending rate unchanged in its super-loose policy. South Korea unexpectedly announced an October Trade Balance surplus of KRW 1.64 billion, much better than the previously expected deficit. The K-Pop country's CPI (Oct.) came in at 3.8% yoy, stronger than both the forecast and the previous month. On the other hand, South Korea's Manufacturing PMI continues to struggle with Japan to break out of contraction territory (<50). INDONESIA also released the S&P Global Manufacturing PMI which weakened to 51.5 in October from 52.3 in September. This was the 26th consecutive month of expansion in factory activity, but the slowest pace since February, amid sluggish growth in new orders and falling export sales, while output growth was the lowest in 4 months. As for our Inflation in October accelerated slightly to 2.56% yoy (.0.17% mom) from September's 19-month low of 2.28%, slightly lower than the market consensus of 2.6%; and remained within the central bank's target of 2-4% for six consecutive months. The Rupiah exchange rate sinking close to IDR16,000/USD level which is the weakest point in the last 3.5 years put a very gloomy market aura and made the JCI to approach the lowest level at the end of June. No wonder JCI closed October trading with a plunge of -2.94% and foreign investors left the Indonesian stock market with a Net Sell position (all markets) of IDR 7.23 trillion (one month) and minus IDR 11.95 trillion (YTD). As for the past week Foreign Net Sell was recorded at IDR 2.84 trillion (all markets).

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Last week review:

COMMODITIES: Global Crude Oil prices recorded a second consecutive weekly loss as concerns regarding supply disruptions in the Middle East have eased, masking the Dollar's weakening catalyst following the weak monthly US labor report; thereby hitting WTI to drop 4% and Brent to plummet 6%. Meanwhile, a surprise news came from China's Manufacturing data that contracted in October, giving a negative sentiment to the energy commodity.

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This week's outlook:

Trade Balance data that reflects the growth of Exports & Imports will be in the spotlight of several countries this week, such as the US, China, and the UK. Not to forget the favorite labor data every week, the US Initial jobless Claims which will always be awaited by market participants every Thursday. Federal Reserve Chairman Jerome Powell is likely to say a few words this week about where monetary policy is headed, especially after weak labor data last week raised hopes that the Fed will be less likely to raise interest rates at the December FOMC Meeting.

ASIA MARKETS: au Jibun Bank Japan Services PMI (Oct.) seeks to stay in the same expansionary territory as last month. China Trade Balance (Oct.) should be in surplus with the slowdown in Exports & Imports easing. Chinese CPI (Oct.) will determine whether their economic recovery is on a healthy growth path, it will also show whether their Inflation rate is able to grow from the current 0% yoy border.

INDONESIA: 3Q23 GDP will be released soon starting Monday morning in which growth is forecasted to remain above 5.0% yoy although slightly down from Q2 at 5.17%. The second question is, where will Indonesia's Foreign Exchange Reserves (Oct.) stand after efforts to stabilize the Rupiah exchange rate, will it be further eroded from September's IDR 134.9bn?

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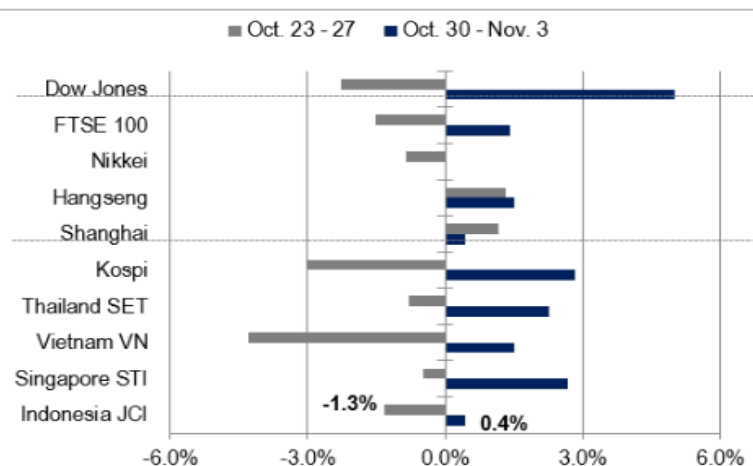
This week's outlook:

EUROPE MARKETS: German Factory Orders (Sept.) was feared to contract 1.1% mom from the previous month's positive 3.9% growth. How to Composite PMI Germany, UK & Eurozone out of contraction territory, seems to be a long way to go. German CPI (Oct.) will be in the spotlight as Europe's largest economy will look to tame the current level of 3.8% yoy. The UK has a number of data due on Friday: 3Q23 & September GDP, Industrial Production & Manufacturing Production (Sept.), and Trade Balance (Sept.).

JCI Index : 6,788.85 (+0.4%)
Foreign Flow : Net Sell of IDR 2.5 Trillion (Vs. last week's net sell of IDR 3.1 Trillion)
USD/IDR : 15,728 (-1.33%)

Last Week's JCI Movement

Global Market Movement



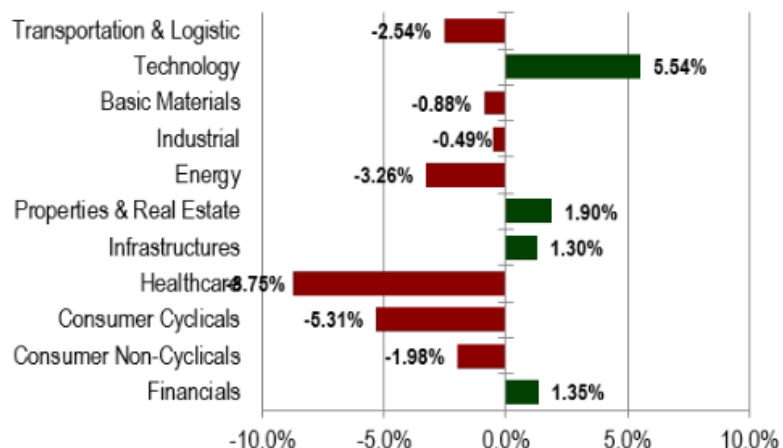
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



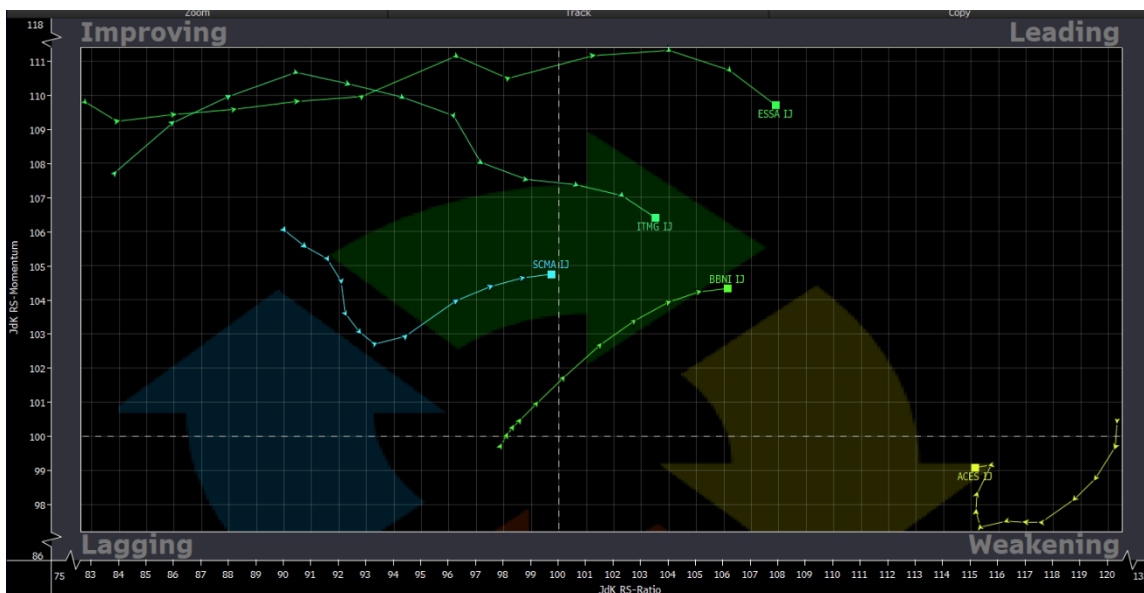
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
AMMN	214,260	BBRI	382,047
INKP	56,048	ASII	334,219
MEDC	33,694	GOTO	182,156
MDKA	20,297	BBCA	114,870
BMRI	16,260	ICBP	82,901

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
ESSA	635-640, 680-690	545
BBNI	5050, 5150-5200, 5350-5400	4710
SCMA	156, 164-166	144
ITMG	26175-26225, 27000-27100	25000
ACES	835-840, 880-890	775

Source: Bloomberg, NHKSI Research

JCI Index

Support	6750 / 6650-6635	Resistance	6825-6840 / 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	ID	11:00	GDP YoY	3Q	5.03%	5.17%
<i>6 – Nov.</i>	ID	11:00	GDP QoQ	3Q	1.66%	3.86%
	GE	14:00	Factory Orders MoM	Sep	-2.2%	3.9%
Tuesday	US	20:30	Trade Balance	Sep	-\$60.5B	-\$58.3B
<i>7 – Nov.</i>	CH	—	Trade Balance	Oct	\$84.2B	\$77.8B
	ID	10:00	Foreign Reserves	Oct	—	\$134.9B
	GE	14:00	Industrial Production SA MoM	Sep	-0.4%	-0.2%
Wednesday	US	19:00	MBA Mortgage Applications	Nov 3	—	-2.1%
<i>8 – Nov.</i>	ID	—	Consumer Confidence Index	Oct	—	121.7
	GE	14:00	CPI YoY	Oct F	3.8%	3.8%
	KR	06:00	BoP Current Account Balance	Sep	—	-\$4,809.8M
Thursday	US	20:30	Initial Jobless Claims	Nov 4	—	217K
<i>9 – Nov.</i>	US	20:30	Continuing Claims	Oct 28	—	1,818K
	CH	08:30	CPI YoY	Oct	-0.2%	0.0%
	CH	08:30	PPI YoY	Oct	-2.8%	-2.5%
	JP	06:50	BoP Current Account Balance	Sep	¥2,988.9B	¥2,279.7B
Friday	US	22:00	U. of Mich. Sentiment	Nov P	63.5	63.8
<i>10 – Nov.</i>	JP	06:50	Money Stock M2 YoY	Oct	—	2.4%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	—
6 – Nov.	Cum Dividend	PNGO
Tuesday	RUPS	—
7 – Nov.	Cum Dividend	BRAM, PBSA
Wednesday	RUPS	SMBR, MASA, ELTY, ARTI
8 – Nov.	Cum Dividend	SICO
Thursday	RUPS	—
9 – Nov.	Cum Dividend	TSPC
Friday	RUPS	KOBX, AXIO
10 – Nov.	Cum Dividend	SOHO, DVLA, BUDI

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							3,544.7							
BBCA	8,975	8,550	10,300	Overweight	14.8	2.3	1,106.4	22.9x	4.7x	21.5	2.3	20.5	25.5	0.9
BBRI	5,150	4,940	6,300	Buy	22.3	10.8	780.5	13.9x	2.5x	18.6	5.6	14.9	12.7	1.0
BBNI	4,970	4,613	12,000	Buy	141.4	7.2	185.4	9.1x	1.3x	15.0	4.0	12.5	15.1	1.1
BMRI	5,900	4,963	6,900	Buy	16.9	16.3	550.7	11.1x	2.3x	21.8	4.5	17.2	27.4	1.2
AMAR	320	232	392	Buy	22.5	8.9	5.9	27.2x	1.4x	0.7	N/A	#N/A	N/A	0.8
Consumer Non-Cyclicals							1,189.5							
INDF	6,400	6,725	8,600	Buy	34.4	(0.8)	56.2	6.4x	1.0x	16.0	4.0	3.8	52.6	0.4
ICBP	10,425	10,000	13,600	Buy	30.5	8.0	121.6	14.6x	3.0x	21.9	1.8	4.9	113.0	0.3
UNVR	3,570	4,700	4,200	Buy	17.6	(21.4)	136.2	27.5x	25.3x	89.0	3.9	(3.3)	(9.1)	0.1
MYOR	2,610	2,500	3,200	Buy	22.6	7.9	58.4	20.2x	4.2x	22.5	1.3	3.0	85.7	0.6
CPIN	5,475	5,650	5,500	Hold	0.5	(5.6)	89.8	37.1x	3.1x	8.7	N/A	8.5	(16.0)	0.5
JPFA	1,235	1,295	1,400	Overweight	13.4	(9.5)	14.5	15.5x	1.1x	7.2	4.0	2.6	(34.1)	0.6
AALI	7,100	8,025	8,000	Overweight	12.7	(17.7)	13.7	10.4x	0.6x	6.1	5.6	(5.1)	(34.2)	1.0
Consumer Cyclicals							375.2							
ERAA	360	392	600	Buy	66.7	(13.0)	5.7	6.9x	0.8x	14.7	5.3	22.5	(27.1)	0.8
MAPI	1,625	1,445	2,400	Buy	47.7	26.0	27.0	12.8x	2.8x	24.9	0.5	26.4	(5.0)	0.6
HRTA	420	202	590	Buy	40.5	107.9	1.9	6.3x	1.0x	17.8	2.9	82.8	25.9	0.5
Healthcare							255.6							
KLBF	1,625	2,090	2,200	Buy	35.4	(17.3)	76.2	25.6x	3.6x	14.8	2.3	6.5	(16.9)	0.4
SIDO	505	755	550	Overweight	8.9	(31.8)	15.2	15.6x	4.4x	28.0	7.0	(9.7)	(18.6)	0.6
MIKA	2,700	3,190	3,000	Overweight	11.1	(1.8)	38.5	39.6x	6.7x	17.7	1.4	2.7	(5.1)	0.2
Infrastructure							1,414.92							
TLKM	3,630	3,750	4,800	Buy	32.2	(13.8)	359.6	15.2x	2.8x	18.6	4.6	2.2	17.6	0.8
JSMR	4,450	2,980	5,100	Overweight	14.6	33.6	32.3	10.2x	1.4x	14.5	1.7	18.3	56.3	0.9
EXCL	2,110	2,140	3,800	Buy	80.1	(13.2)	27.7	21.9x	1.1x	5.0	2.0	12.0	(13.8)	0.9
TOWR	940	1,100	1,260	Buy	34.0	(19.0)	48.0	14.2x	2.9x	22.2	2.6	7.6	(3.9)	0.4
TBIG	2,120	2,300	2,390	Overweight	12.7	(8.6)	48.0	31.9x	4.5x	12.9	1.7	(0.7)	(18.6)	0.4
MTEL	615	800	860	Buy	39.8	(13.4)	51.4	25.6x	1.5x	6.0	3.5	11.9	(22.7)	0.5
WIKA	404	800	1,280	Buy	216.8	(55.4)	3.6	N/A	0.3x	(16.0)	N/A	28.8	(13975.2)	1.1
PTPP	600	715	1,700	Buy	183.3	(31.0)	3.7	9.9x	0.3x	3.3	N/A	(9.2)	69.6	1.0

NH KSI Stocks Coverage

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Property & Real Estate							258.3							
CTRA	1,105	940	1,300	Buy	17.6	20.1	20.5	13.5x	1.1x	8.1	1.4	(8.8)	(22.5)	0.8
PWON	416	456	600	Buy	44.2	(6.3)	20.0	10.9x	1.1x	10.3	1.6	1.6	24.8	1.1
Energy							1,292.4							
PGAS	1,235	1,760	1,770	Buy	43.3	(36.5)	29.9	8.5x	0.7x	8.2	11.4	1.9	(35.9)	0.7
PTBA	2,410	3,690	4,900	Buy	103.3	(35.7)	27.8	4.4x	1.4x	28.0	45.4	(10.7)	(62.2)	0.9
ADRO	2,520	3,850	3,900	Buy	54.8	(32.8)	80.6	2.8x	0.7x	28.8	19.3	(15.8)	(35.7)	1.3
Industrial							398.3							
UNTR	23,575	26,075	32,000	Buy	35.7	(24.6)	87.9	4.2x	1.1x	26.6	29.2	6.6	(1.3)	0.9
ASII	5,950	5,700	8,000	Buy	34.5	(7.4)	240.9	7.7x	1.3x	16.5	10.9	8.8	10.2	1.0
Basic Ind.							1,485.8							
SMGR	6,400	6,575	9,500	Buy	48.4	(22.2)	43.4	17.2x	1.0x	6.1	3.8	4.0	(10.0)	0.9
INTP	9,850	9,900	12,700	Buy	28.9	(6.0)	36.3	15.6x	1.7x	11.1	1.6	10.9	36.4	0.7
INCO	5,000	7,100	8,200	Buy	64.0	(25.9)	49.7	12.6x	1.3x	10.5	1.8	7.3	32.0	1.2
ANTM	1,695	1,985	2,350	Buy	38.6	(11.5)	40.7	10.1x	1.7x	17.1	4.7	(8.3)	8.4	1.4

Source : Bloomberg, NH KSI Research

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