

Weekly Brief (Dec. 18 – 22, 2023)

Summary:

Last week review:

FEDERAL RESERVE'S DOVISH STEP OF HOLDING INTEREST RATES IN THE 5.25% - 5.50% RANGE FOR THE THIRD TIME, sent the Dow Jones Industrial Average to close at its highest record level since January 2022. The S&P 500 even recorded its seventh consecutive weekly gain, the longest streak of weekly gains since 2017. Federal Reserve Chairman Jerome Powell stated that the Fed is unlikely to raise interest rates further, and that the Fed is "very careful not to make the mistake of keeping rates too high for too long." 17 out of 19 Fed officials unanimously project that interest rates will be lower by the end of 2024. As is known, since March 2022 the Fed has raised the benchmark interest rate by 525 basis points in an effort to curb inflation. Fed members now expect the benchmark rate to fall to 4.6% next year, thereby signaling three rate cuts by 2024; compared to the previous projection of 5.1%, or two pivots. Following the Fed's statement, the odds of a rate cut happening in May rose to 90% compared to 80% before the announcement, as reported by LSEG's Fedwatch. On the other hand, around 60% of traders expect the Fed to cut rates by March, also up from around 40% a day earlier, as surveyed by Investing.com's Fed Rate Monitor Tool. On the opposite side, the 10-year US Treasury Yield fell to below the 4.0% level; while the Dollar Index fell to a 4-month low.

Prior to the December 12-13 FOMC Meeting, the US Department of Labor reported that US CPI edged down as expected to 3.1% yoy in November, slowing from 3.2% in October, according to data from the Bureau of Labor Statistics on Tuesday. Month-on-month, the figure edged up 0.1% and was slightly above economists' initial estimate of 0.0%. A day later, the US PPI (Nov.) was unexpectedly unchanged as falling energy costs outweighed rising food prices, confirming that the country remains on a disinflationary path. On an annualized basis, US PPI (Nov.) grew 0.9% YoY, less than the estimate and the previous month.

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In terms of other economic data, US Initial Jobless Claims were light, but US Retail Sales showed an unexpected increase. US jobless claims fell by 19,000 to 202,000 for the week ending December 9. Although the figure was below economists' forecasts, some still see a potential weakening of the business world in the future. On the other hand, US retail sales unexpectedly rose 0.3% mom in November (better than expected and the previous month) and on an annualized basis rose 4.1% yoy; as the holiday shopping season kicked off quickly. Analysts think that consumer resilience gives credibility for the Fed to achieve a soft landing, but in a way it is also a signal to the market that the Fed will not cut interest rates as fast as the market currently expects. Of course, economic data will still play an important role in the implementation of the Federal Reserve's monetary policy going forward. On Friday, the preliminary US PMI (Dec.) estimates were mixed, with the S&P Global US Manufacturing PMI slipping further into contractionary territory, while the Services sector was stronger in expansionary territory.

EUROPEAN MARKETS: Following the Federal Reserve's decision, the Bank of England and the European Central Bank also kept interest rates unchanged at 5.25% and 4.5% respectively. The bullish atmosphere was also felt in Asian stock markets as the MSCI Asia ex-Japan Index rose 3% last week which was its best week since July, outperforming the MSCI World index which rose 2.6%. Even so, the MSCI World rose seven weeks in a row, a winning streak that has not been seen for six years.

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COMMODITIES: Oil prices notched their first weekly gain in two months as the expectations of U.S. rate cuts next year boosting the economy and crude demand for Crude (further supported by a cheaper US Dollar for non-US buyers). For 2024, Oil demand in China is still a big mystery. A commodity analyst told Bloomberg in a recent interview, there could be around 600,000 barrels per day of Oil demand growth from China for next year; but of course much depends on how the economy performs. On the other hand, the International Energy Association (IEA) in its monthly report expects the world's Oil consumption to increase by 1.1 million barrels per day (bpd) in 2024, up 130,000 bpd from the previous forecast; thanks to an improved US economic outlook and lower Oil prices triggering more demand. The 2024 forecast is less than half of the OPEC+ forecast. Last but not least, a Reuters survey of 30 economists and analysts' forecasts showed Brent crude oil will average USD84.43 per barrel in 2024.

INDONESIA: released several important economic data last week, such as: Retail Sales which strengthened to 2.4% yoy, while Motorcycle and Car Sales (Nov.) are still struggling in negative growth although the pace of decline has slowed from October. The main highlight of last week's data was the smaller-than-expected Trade Balance (Nov.) surplus of USD 2.41 billion, due to much higher growth in Imports than Exports.

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This week's outlook:

The financial market is moving into the closing weeks of 2023 after Federal Reserve Chairman Jerome Powell said that the historic tight monetary policy is likely to end and the opportunity for interest rate cuts will start to appear. Investors will get an update on US Inflation for the year, while the Bank of Japan may start moving towards its long-awaited policy pivot.

Investors will get an update on Inflation for the year with the release of the Personal Consumption Expenditures (PCE) report on Friday, which is the Fed's main Inflation measure. The PCE price index is expected to remain flat for the second time in November, while the Core PCE index which excludes volatile food and energy costs, is expected to rise 0.2%. There will also be data on Consumer Confidence, weekly Initial Jobless Claims, and Durable Goods Orders; plus updates on the housing sector including new and existing home sales reports.

Will the market welcome a Santa Claus Rally this year? So far the DJIA has recorded a high last week, even the S&P500 has posted 7 consecutive weekly gains which is the longest bullish streak since 2017. Technically, analysts say that the stock market rally so far has been a bit too fast and a number of indicators have been in Overbought territory.

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ASIAN MARKETS: Expectations are growing that the Bank of Japan will end the trend of negative interest rates in the coming months, which will put it at odds with the focus of the Federal Reserve and other major central banks where most are starting to turn to when to start lowering interest rates. There may not be any drastic decision changes at Tuesday's BOJ meeting, in fact more than 80% of economists expect the BOJ to leave the era of negative interest rates by the end of next year; but investors will be watching the bank's statement on interest rates for indications of whether there will be any changes to its loose monetary policy at its next meeting in January. This expectation, coupled with the Fed's dovish stance, has inevitably pushed the Japanese Yen higher at JPY141/USD for the first time since July. Regarding interest rate policy, decisions will also come out from the central banks of China and Indonesia this week; while other market participants will also monitor the Reserve Bank of Australia Meeting Minutes and Japanese CPI figures.

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EUROPEAN MARKETS: From continental Europe, UK Inflation figures are currently more than double the Bank of England's target of 2%, and the latest data on Wednesday is likely to confirm that price pressures remain high compared to other major economies. However, the day before, Eurozone CPI figures (Nov.) will be released first where both headline and core Inflation are expected to be little changed on an annualized basis. The UK will also be monitoring the 3rd quarter GDP figures which are expected to be released still at around 0.6% yoy the same as the previous quarter. German optimism on the business climate for the next 6 months will be reflected in the German Ifo Business Climate Index (Dec.) which is expected to be slightly optimistic.

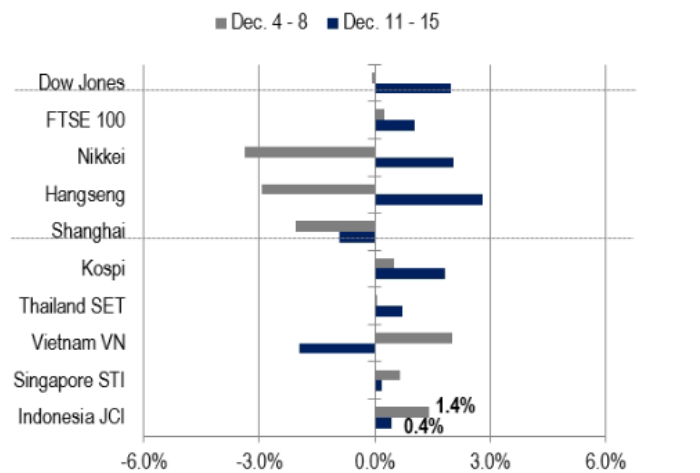
JCI Index : 7,190.99 (+0.4%)

Foreign Flow : Net Buy of IDR 4.2 Trillion (Vs. last week's net sell of IDR 1.1 Trillion)

USD/IDR : 15,493 (+0.11%)

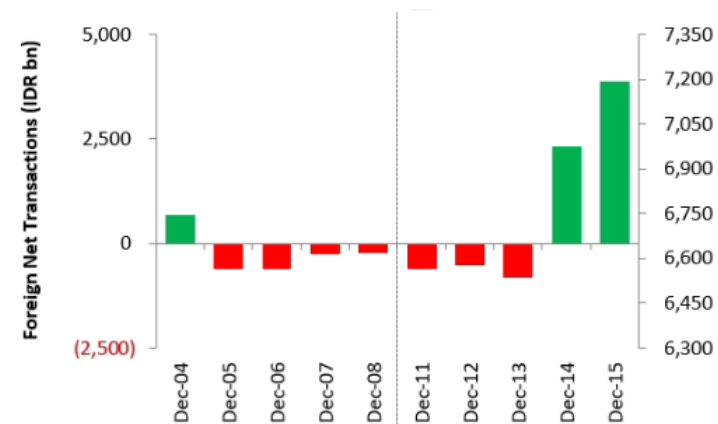
Last Week's JCI Movement

Global Market Movement



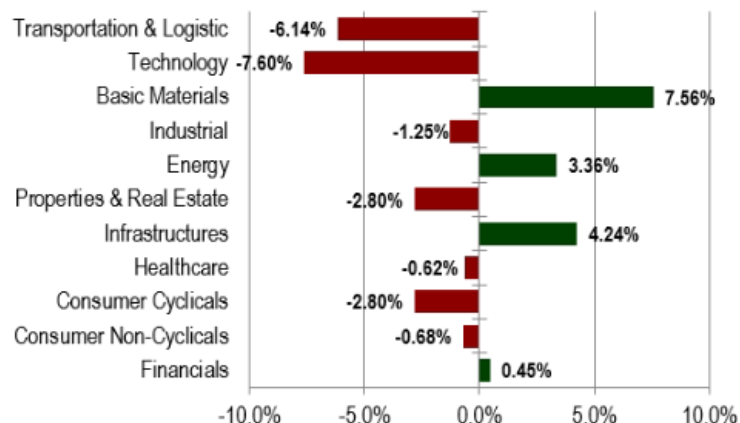
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



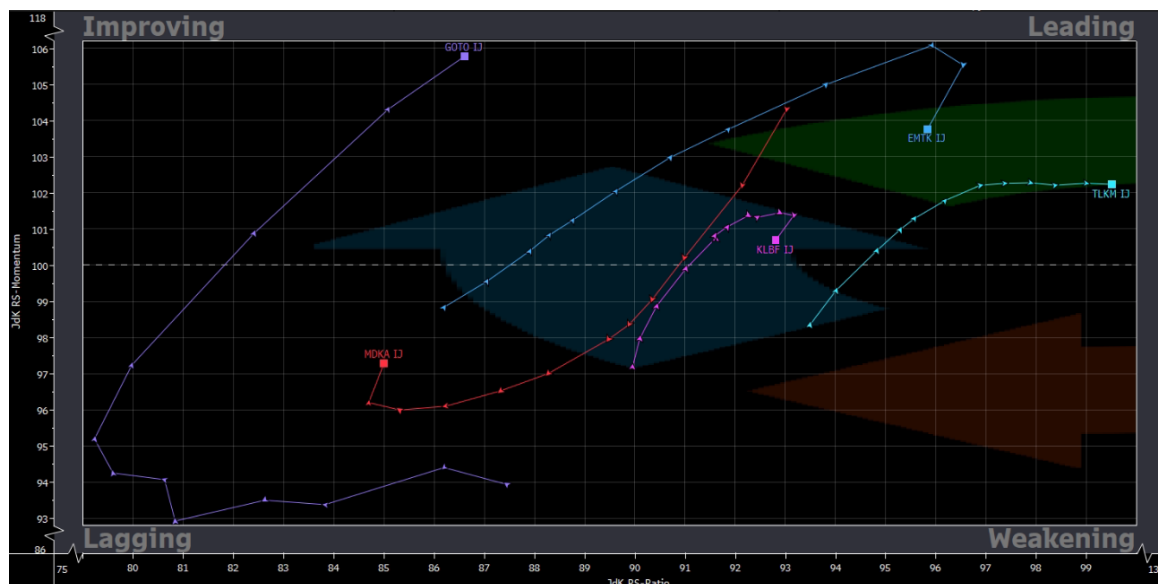
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BBCA	1,238,190	GOTO	958,727
BBRI	727,184	KLBF	201,524
BMRI	482,279	ARTO	154,879
TLKM	268,858	UNTR	145,351
BBNI	200,102	MDKA	103,150

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
GOTO	TP1 102-104, TP2 109-110, TP3 116-120	81
EMTK	TP1 610, TP2 665-670, TP3 700	520
MDKA	TP1 2600-2670, TP2 2850-2880	2200
TLKM	TP1 4040-4060, TP2 4170-4200	3840
KLBF	TP1 1700-1720, TP2 1860-1875, TP3 2000	1550

Source: Bloomberg, NHKSI Research

JCI Index

Support	7150-7130 / 7070-7050 / 7000 / 6940	Resistance	7200 / 7355-7377
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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	GE	16:00	IFO Business Climate	Dec	—	87.3
<i>18 – Dec.</i>	GE	16:00	IFO Expectations	Dec	—	85.2
Tuesday	US	20:30	Housing Starts	Nov	1,360K	1,372K
<i>19 – Dec.</i>	EC	17:00	CPI MoM	Nov F	—	-0.5%
	JP	—	BOJ Policy Balance Rate	Dec 19	-0.100%	-0.100%
Wednesday	US	19:00	MBA Mortgage Applications	Dec 15	—	7.4%
<i>20 – Dec.</i>	US	22:00	Existing Home Sales	Nov	3.77M	3.79M
	US	22:00	Conf. Board Consumer Confidence	Dec	103.4	102.0
Thursday	US	20:30	GDP Annualized QoQ	3Q T	5.2%	5.2%
<i>21 – Dec.</i>	US	20:30	Initial Jobless Claims	Dec 16	—	202K
	US	22:00	Leading Index	Nov	-0.4%	-0.8%
	ID	14:20	Bank Indonesia 7D Reverse Repo	Dec 21	6.00%	6.00%
	KR	04:00	PPI YoY	Nov	—	0.8%
Friday	US	20:30	Personal Income	Nov	0.4%	0.2%
<i>22 – Dec.</i>	US	20:30	Personal Spending	Nov	0.2%	0.2%
	US	20:30	Durable Goods Orders	Nov P	2.6%	-5.4%
	US	22:00	New Home Sales	Nov	688K	679K
	US	22:00	U. of Mich. Sentiment	Dec F	69.4	69.4
	JP	06:30	Natl CPI YoY	Nov	2.7%	3.3%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	JKON
<i>18 – Dec.</i>	Cum Dividend	PBSA
Tuesday	RUPS	UNVR, META
<i>19 – Dec.</i>	Cum Dividend	—
Wednesday	RUPS	TDPM, DPUM
<i>20 – Dec.</i>	Cum Dividend	—
Thursday	RUPS	LUCY, CFIN, ASBI
<i>21 – Dec.</i>	Cum Dividend	RDTX
Friday	RUPS	PAMG, LPPF, HKMU, FLMC, CLEO, AMAR
<i>22 – Dec.</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							3,716.2							
BBCA	9,225	8,550	10,300	Overweight	11.7	7.3	1,137.2	23.6x	4.8x	21.5	2.3	20.5	25.5	0.9
BBRI	5,550	4,940	6,300	Overweight	13.5	11.4	841.2	14.9x	2.7x	18.6	5.2	14.9	12.7	1.0
BBNI	5,275	4,613	6,100	Buy	15.6	7.7	196.7	9.7x	1.4x	15.0	3.7	12.5	15.1	1.1
BMRI	5,900	4,963	6,900	Buy	16.9	16.8	550.7	11.1x	2.3x	21.8	4.5	17.2	27.4	1.2
AMAR	320	232	400	Buy	25.0	15.9	5.9	25.9x	1.8x	6.9	N/A	26.2	N/A	0.7
Consumer Non-Cyclicals							1,174.3							
INDF	6,325	6,725	7,400	Buy	17.0	(9.0)	55.5	6.3x	1.0x	16.0	4.1	3.8	52.6	0.4
ICBP	10,425	10,000	13,600	Buy	30.5	-	121.6	14.6x	3.0x	21.9	1.8	4.9	113.0	0.3
UNVR	3,500	4,700	4,200	Buy	20.0	(28.1)	133.5	27.0x	24.8x	89.0	3.8	(3.3)	(9.1)	0.0
MYOR	2,300	2,500	3,200	Buy	39.1	(3.4)	51.4	17.8x	3.7x	22.5	1.5	3.0	85.7	0.5
CPIN	5,000	5,650	5,500	Overweight	10.0	(16.7)	82.0	33.8x	2.8x	8.7	2.0	8.5	(16.0)	0.5
JPFA	1,190	1,295	1,400	Buy	17.6	(5.9)	14.0	14.9x	1.1x	7.2	4.2	2.6	(34.1)	0.6
AALI	7,050	8,025	8,000	Overweight	13.5	(12.1)	13.6	10.3x	0.6x	6.1	5.7	(5.1)	(34.2)	0.9
Consumer Cyclicals							401.0							
ERAA	354	392	600	Buy	69.5	(11.1)	5.6	6.7x	0.8x	12.5	5.4	22.5	(27.1)	0.8
MAPI	1,675	1,445	2,400	Buy	43.3	28.4	27.8	13.2x	2.9x	24.9	0.5	26.4	(5.0)	0.5
HRTA	358	202	590	Buy	64.8	75.5	1.6	5.4x	0.9x	17.1	3.4	82.8	25.9	0.4
Healthcare							251.0							
KLBF	1,600	2,090	1,800	Overweight	12.5	(24.5)	75.0	25.2x	3.6x	14.8	2.4	6.5	(16.9)	0.4
SIDO	545	755	550	Hold	0.9	(27.8)	16.4	16.8x	4.8x	28.0	6.5	(9.7)	(18.6)	0.6
MIKA	2,760	3,190	3,000	Overweight	8.7	(11.3)	39.3	40.5x	6.9x	17.7	1.3	2.7	(5.1)	0.2
Infrastructure							1,899.88							
TLKM	3,980	3,750	4,800	Buy	20.6	8.2	394.3	16.7x	3.0x	18.6	4.2	2.2	17.6	0.9
JSMR	4,820	2,980	5,100	Overweight	5.8	62.8	35.0	4.5x	1.3x	31.7	1.6	20.1	493.2	1.0
EXCL	1,930	2,140	3,800	Buy	96.9	(4.0)	25.3	21.5x	1.0x	4.9	2.2	10.5	(16.1)	0.8
TOWR	1,000	1,100	1,310	Buy	31.0	(7.4)	51.0	15.1x	3.1x	22.2	2.4	7.6	(3.9)	0.5
TBIG	2,080	2,300	2,390	Overweight	14.9	(9.6)	47.1	30.6x	4.4x	13.2	2.9	0.6	(8.5)	0.4
MTEL	720	800	860	Buy	19.4	(6.5)	60.1	30.0x	1.8x	6.0	3.0	11.9	(22.7)	0.5
WIKA	240	800	1,280	Buy	433.3	(70.4)	2.2	N/A	0.3x	(58.5)	N/A	17.9	(20784.6)	1.0
PTPP	530	715	1,700	Buy	220.8	(28.4)	3.3	8.8x	0.3x	3.3	N/A	(9.2)	69.6	1.0

Source : Bloomberg, NH KSI Research

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Property & Real Estate							254.8							
CTRA	1,150	940	1,300	Overweight	13.0	16.2	21.3	14.1x	1.1x	8.1	1.3	(8.8)	(22.5)	0.7
PWON	422	456	500	Buy	18.5	(7.0)	20.3	11.1x	1.1x	10.3	1.5	1.6	24.8	1.0
Energy							1,415.1							
PGAS	1,080	1,760	1,770	Buy	63.9	(41.0)	26.2	7.5x	0.6x	8.2	13.1	1.9	(35.9)	0.6
ITMG	24,450	39,025	26,500	Overweight	8.4	(39.8)	27.6	2.5x	1.1x	39.2	37.1	(30.2)	(54.8)	0.6
PTBA	2,310	3,690	4,900	Buy	112.1	(39.2)	26.6	4.2x	1.4x	28.0	47.4	(10.7)	(62.2)	1.0
ADRO	2,520	3,850	2,870	Overweight	13.9	(35.2)	80.6	2.8x	0.7x	28.8	19.3	(15.8)	(35.7)	1.3
Industrial							385.7							
UNTR	21,275	26,075	25,900	Buy	21.7	(19.9)	79.4	3.8x	1.0x	26.6	32.4	6.6	(1.3)	0.8
ASII	5,650	5,700	6,900	Buy	22.1	(2.2)	228.7	7.3x	1.2x	16.5	11.5	8.8	10.2	1.0
Basic Ind.							1,647.4							
SMGR	6,200	6,575	9,500	Buy	53.2	(11.7)	42.0	16.7x	1.0x	6.1	4.0	4.0	(10.0)	0.9
INTP	9,300	9,900	12,700	Buy	36.6	(6.5)	34.2	14.8x	1.6x	11.1	1.7	10.9	36.4	0.7
INCO	4,220	7,100	5,000	Buy	18.5	(42.8)	41.9	10.7x	1.1x	10.5	2.1	7.3	32.0	1.2
ANTM	1,670	1,985	2,350	Buy	40.7	(17.3)	40.1	9.9x	1.6x	17.1	4.8	(8.3)	8.4	1.4
NCKL	1,060	#N/A	N/A	Buy	24.5	#N/A	66.9	11.3x	3.0x	N/A	2.1	135.1	N/A	N/A

Source : Bloomberg, NH KSI Research

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