

Weekly Brief (Jan. 8 – 12, 2024)

Summary:

Last week review:

2024'S TUMULTUOUS FIRST TRADING WEEK & REALITY BEGAN TO SET IN.

All three benchmark US stock indexes recorded their first weekly declines in 10 weeks: The S&P 500 fell 1.54%, the Nasdaq Composite slumped 3.26%, and the Dow Jones Industrial Average shed 0.59%. For the S&P 500, this was even the worst weekly performance since late October 2023, while the Nasdaq recorded its worst week since late September 2023. Investors chose to be cautious in the opening week of 2024, as they waited for more clarity on when the rate cuts would begin, and how soon they would occur. Expectations of a rapid pace of rate easing had fueled a huge rally in the final weeks of 2023; which brought the S&P 500 to within 1% of its all-time high, so any view of potentially weakening that projection was a cue for profit-taking. For now, consolidation looks like a healthy correction for a market that was overbought at the end of last year. The trigger sentiment is the release of a number of PMI, Fed Meeting Minutes, and employment data which are crucial for determining the future interest rate trend. It started with JOLTs Job Openings which stated that fewer jobs were created in November, than predicted & the previous month. However, it wasn't long before the ADP Nonfarm Employment Change (Dec.) started to change the sentiment by revealing more new hires in the private sector. Initial Jobless Claims also recorded fewer jobless claims for the latest week. Last but not least, Nonfarm Payroll (Dec.) completed the surprise by stating that there were 216k new hires in the public sector, higher than expected & November's figure of around 170k; especially coupled with the growth in average hourly wage. These factors inevitably kept the Unemployment Rate (Dec.) unchanged from November's 3.7%. Signs of a strong US economy are also reflected in the Composite PMI (Dec.) especially the services sector which is even more expansionary as recorded by the S&P Global Services PMI (Dec.) which managed to exceed the estimate to 51.4. With economic data still heating up, it's no wonder investors are starting to doubt when the US central bank will cut interest rates as soon as possible, where market participants have begun to calculate around 62% chance of an imminent pivot in March 2024 (down from 72% a week earlier according to CME FedWatch); although the Fed's Meeting Minutes for the December 2023 FOMC Meeting also did not clearly state when the pivot would take place.

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ASIA & EUROPE MARKETS: PMI assessment week also happened on both continents, where most of the major countries in continental Europe such as Germany, Eurozone, and the UK recorded PMIs that are still struggling in contraction territory (aka below 50) for December 2023. Better news came from China: their Caixin Manufacturing & Services PMI (Dec.) data even managed to record a stronger expansion. Neighboring Japan was also able to keep its services PMI in expansionary territory although growth started to deflate. Germany started to release preliminary estimates of December Inflation which heated up again at 3.7% yoy driven by increased public spending in the festive season. On the other hand, Eurozone Inflation (Dec.) is also expected to accelerate to 2.9% yoy, slightly lower than the initial estimate of 3.0% as German Retail Sales in November were unexpectedly sluggish, minus 2.5% mom compared to the previous month's positive 1.1%.

INDONESIA: Indonesia's annual inflation rate eased to 2.61% in December, from November's 3-month high of 2.86%, which was below market forecasts of a 2.72% yoy increase but within the central bank's target of 2-4% for 8 consecutive months. On a monthly basis, consumer prices rose 0.41% in December, the most in 12 months, following a 0.38% increase in November, albeit below expectations of a 0.5% mom increase. The Manufacturing sector extended its growth streak to 28 months in December as Indonesia's PMI reached 52.2, the highest since September and signaling continued expansion. Separate data showed foreign tourist arrivals to Indonesia increased by 30.17% yoy to 917.4k in November 2023, amid continued recovery in the tourism sector.

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COMMODITIES: Both global crude OIL price benchmarks, WTI & Brent, ended the first week of the year higher, supported by US Secretary of State Antony Blinken's move to begin a week-long sweep of the Middle East in a bid to defuse regional tensions sparked by the Israel-Hamas conflict. In addition, the release of above-expected Nonfarm Payroll data (actual: 216k vs forecast: 170k) was also a positive sentiment for Oil prices, as more jobs should indicate higher demand for fuel. However, Bank of America (BofA) expects US oil companies and refiners to likely face another challenging 12 months in 2024, which expects Brent crude oil prices to average USD 80/barrel this year. Crude oil futures prices fell more than 10% by 2023 in a turbulent trading year marked by rising geopolitical tensions and concerns over oil production levels from major producers around the world. As noted, the Organization of the Petroleum Exporting Countries and its allies, or OPEC+, are currently cutting production by about 6 million barrels per day, representing about 6% of global supply. GOLD prices weakened between 0.8% - 1.0% last week to around USD2040-2050/ounce following a strong decline towards the end of 2023, due to a sharp rebound in the DOLLAR with focus now on key US labor market data for further cues on a rate cut in 2024. After the market slightly reduced speculation that the rate cut will begin in March 2024, this thought prompted a sharp rise in the Dollar, with the greenback recording a weekly gain of over 1% - the best since July 2023.

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This week's outlook:

US inflation data will be the main focus this week as investors await more clarity on the Federal Reserve's future interest rate trend. Major US banks kick off the earnings session, while the UK will release GDP data. Here's what you need to know to start your week:

- 1. Inflation Data:** The US will publish its latest Consumer Price Index (CPI) figures on Thursday, followed a day later by the Producer Price Index (PPI) report, and investors are watching for clues on the likely direction of interest rates. The gradual decline in inflation has fueled speculation that the Fed will start cutting interest rates as soon as March, there is a 64% chance as recorded by Investing.com's Fed Rate Monitor Tool. China's inflation is also an important factor that market participants are watching, originally released on Friday along with their Trade Balance data and most importantly monitoring China's Export - Import improvement.
- 2. Bank Earnings:** Major US banks kick off earnings season with JPMorgan Chase, Bank of America and Citigroup due to report fourth quarter and full year results next Friday. This earnings season will be a test of the high expectations for corporate profits. Analysts expect S&P 500 Corporate earnings to increase by 11% in 2024 after increasing by only 3% in 2023, according to LSEG data cited by Reuters.
- 3. Sea of Storms:** Previously, market observers had been watching whether the Israel - Hamas conflict was able to hoist OIL prices higher, but with expectations of a large global supply especially from the US pumping its oil production to record levels, it seemed that Oil prices were still calm. But when a group of major shipping companies rerouted their ships away from the Red Sea, the world faced the biggest supply disruption turmoil since COVID-19 which proved to hamper the transportation industry in 2020. The impact is that retailers in the West will have to wait longer to receive goods from China, the theory is that the shortage of supply will push up market prices, not to mention the skyrocketing freight costs will be a new threat to the Inflation Rate that has been hard to control.

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4. UK GDP: The UK will release its November GDP data on Friday and economists expect a slight rebound after October's decline, which was caused by an unusually large drop in manufacturing activity. The Bank of England is facing calls from business leaders; who are worried about the economy, to start cutting interest rates. Investors expect the first rate cut to occur in May. BoE Governor Andrew Bailey, along with several other officials, will testify before parliament on financial stability on Wednesday.

5. INDONESIA: will release Foreign Exchange Reserves (Dec.) figures this Monday, which will be compared to last month's position at USD 138.10 billion. Followed by Retail Sales on Wednesday to see if it is able to rise from its previous position at 2.4%.

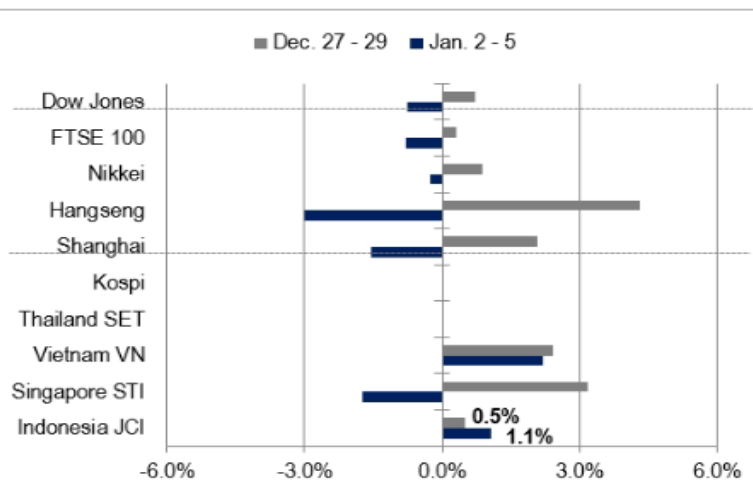
JCI Index : 7,350.62 (+1.1%)

Foreign Flow : Net Buy of IDR 2.9 Trillion (Vs. last week's net buy of IDR 2.9 Trillion)

USD/IDR : 15,515 (-0.77%)

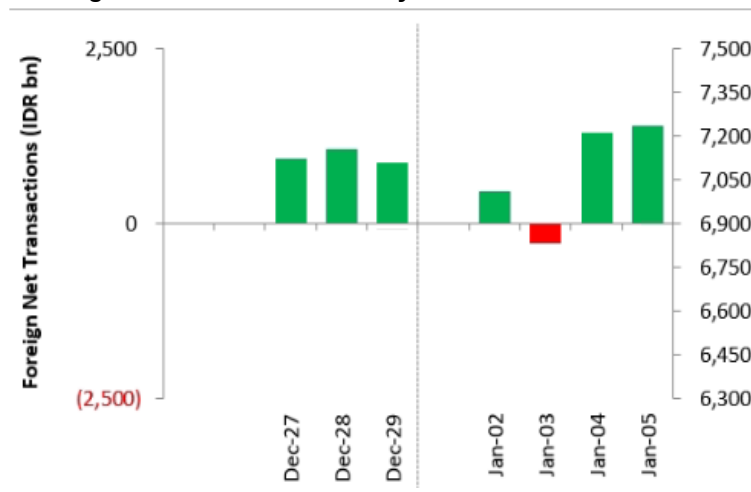
Last Week's JCI Movement

Global Market Movement



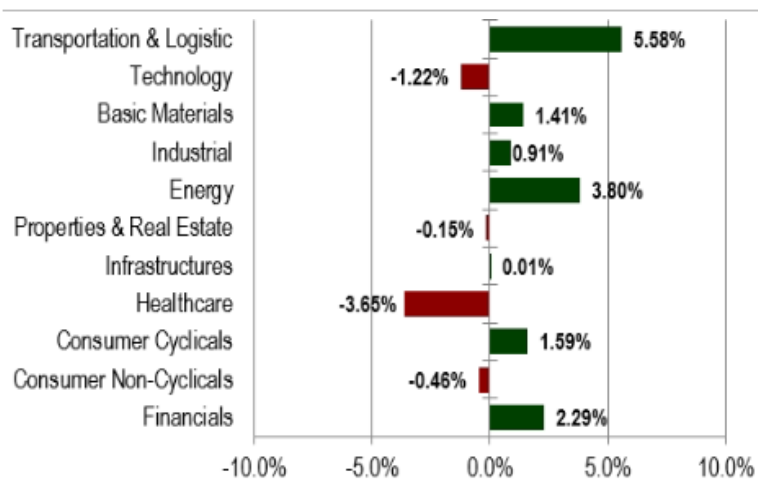
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



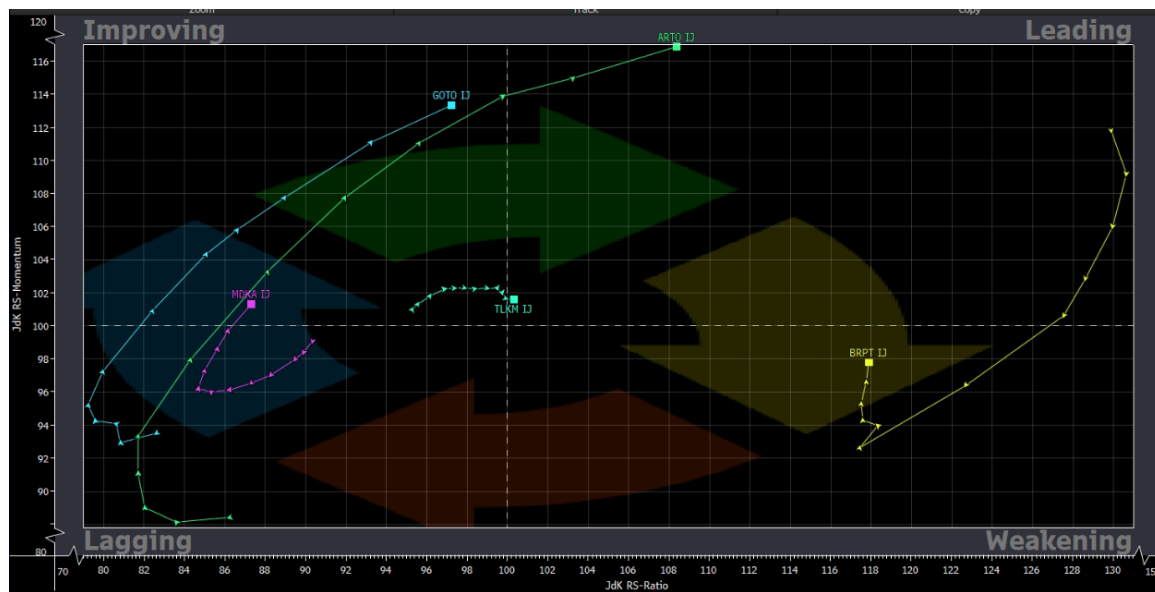
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BBCA	970,419	ASII	222,201
BMRI	856,615	MDKA	69,922
BBRI	312,372	BRPT	63,867
FILM	214,994	GOTO	30,117
TLKM	173,355	AVIA	24,034

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Stocks	TP	SL
ARTO	3500-3550, 3630, 3870	2980
GOTO	95-97, 109-110, 116	81
BRPT	1505-1535, 1755-1765, 1950	1280
MDKA	3100-3140, 3500-3590	2600
TLKM	3990-4000, 4140, 4200-4220	3840

Source: Bloomberg, NHKSI Research

JCI Index

Support	7310-7330 7220-7240/7200/7100/7040-7050	Resistance	7400-7410
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Source: NHKSI Research, Bloomberg

Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
Monday	ID	10:00	Foreign Reserves	Dec	—	\$138.10B
<i>8 – Jan.</i>	GE	14:00	Factory Orders MoM	Nov	—	-3.7%
	EC	17:00	Consumer Confidence	Dec F	—	-15.1
Tuesday	US	20:30	Trade Balance	Nov	-\$64.8B	-\$64.3B
<i>9 – Jan.</i>	ID	—	Consumer Confidence Index	Dec	—	123.6
	GE	14:00	Industrial Production SA MoM	Nov	—	-0.4%
	EC	17:00	Unemployment Rate	Nov	—	6.5%
	KR	06:00	BoP Current Account Balance	Nov	—	\$6796.1M
	JP	06:30	Tokyo CPI YoY	Dec	2.5%	2.6%
Wednesday	US	22:00	Wholesale Inventories MoM	Nov F	-0.2%	-0.2%
<i>10 – Jan.</i>	KR	06:00	Unemployment Rate SA	Dec	—	2.8%
Thursday	US	20:30	CPI MoM	Dec	0.2%	0.1%
<i>11 – Jan.</i>	US	20:30	CPI YoY	Dec	3.3%	3.1%
	US	20:30	Initial Jobless Claims	Jan 6	—	202K
	KR	—	BOK Base Rate	Jan 11	3.50%	3.50%
Friday	US	20:30	PPI Final Demand MoM	Dec	0.2%	0.0%
<i>12 – Jan.</i>	CH	08:30	CPI YoY	Dec	-0.3%	-0.5%
	CH	08:30	PPI YoY	Dec	-2.7%	-3.0%
	CH	—	Exports YoY	Dec	1.6%	0.5%
	CH	—	Imports YoY	Dec	0.0%	-0.6%
	CH	—	Trade Balance	Dec	\$76.00B	\$68.40B
	JP	06:50	BoP Current Account Balance	Nov	¥ 2385.1B	¥ 2582.8B

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	YELO, PMJS, PKPK
<i>8 – Jan.</i>	Cum Dividend	—
Tuesday	RUPS	LTLS
<i>9 – Jan.</i>	Cum Dividend	SDRA
Wednesday	RUPS	TOYS, PGUN, PALM
<i>10 – Jan.</i>	Cum Dividend	—
Thursday	RUPS	WOMF, INAF, EXCL, BNGA
<i>11 – Jan.</i>	Cum Dividend	—
Friday	RUPS	WIKA, TIFA, HKMU, AKSI
<i>12 – Jan.</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							3,870.1							
BBCA	9,575	9,400	10,300	Overweight	7.6	15.4	1,180.4	24.5x	5.0x	21.5	2.2	20.5	25.5	0.9
BBRI	5,750	5,725	6,300	Overweight	9.6	24.5	871.5	15.5x	2.8x	18.6	2.9	14.9	12.7	1.0
BBNI	5,575	5,375	6,100	Overweight	9.4	25.3	207.9	10.2x	1.5x	15.0	3.5	12.5	15.1	1.1
BMRI	6,425	6,050	6,900	Overweight	7.4	31.1	599.7	12.1x	2.5x	21.8	4.1	17.2	27.4	1.2
AMAR	314	320	400	Buy	27.4	40.2	5.8	25.4x	1.7x	6.9	N/A	26.2	N/A	0.6
Consumer Non-Cyclicals							1,173.8							
INDF	6,450	6,450	7,400	Overweight	14.7	(7.2)	56.6	6.4x	1.0x	16.0	4.0	3.8	52.6	0.4
ICBP	10,725	10,575	13,600	Buy	26.8	5.4	125.1	15.0x	3.1x	21.9	1.8	4.9	113.0	0.3
UNVR	3,520	3,530	4,200	Buy	19.3	(26.1)	134.3	27.1x	25.0x	89.0	3.8	(3.3)	(9.1)	0.0
MYOR	2,440	2,490	3,200	Buy	31.1	(0.8)	54.6	18.8x	3.9x	22.5	1.4	3.0	85.7	0.5
CPIN	4,950	5,025	5,500	Overweight	11.1	(17.5)	81.2	33.5x	2.8x	8.7	2.0	8.5	(16.0)	0.5
JPFA	1,135	1,180	1,400	Buy	23.3	(17.8)	13.3	14.2x	1.0x	7.2	4.4	2.6	(34.1)	0.6
AALI	7,100	7,025	8,000	Overweight	12.7	(11.3)	13.7	10.4x	0.6x	6.1	5.6	(5.1)	(34.2)	0.9
TBLA	690	695	900	Buy	30.4	1.3	4.2	5.5x	0.5x	9.8	2.9	0.6	(27.8)	0.5
Consumer Cyclicals							414.0							
ERAA	422	426	600	Buy	42.2	8.2	6.7	8.0x	1.0x	12.5	4.5	22.5	(27.1)	0.8
MAPI	1,795	1,790	2,400	Buy	33.7	38.1	29.8	14.1x	3.1x	24.9	0.4	26.4	(5.0)	0.5
HRTA	356	348	590	Buy	65.7	76.2	1.6	5.3x	0.9x	17.1	3.4	82.8	25.9	0.4
Healthcare							249.3							
KLBF	1,580	1,610	1,800	Overweight	13.9	(22.9)	74.1	24.9x	3.5x	14.8	2.4	6.5	(16.9)	0.4
SIDO	520	525	550	Overweight	5.8	(30.2)	15.6	16.1x	4.6x	28.0	6.8	(9.7)	(18.6)	0.6
MIKA	2,590	2,850	3,000	Buy	15.8	(9.1)	36.9	38.0x	6.4x	17.7	1.4	2.7	(5.1)	0.2
Infrastructure							1,864.35							
TLKM	3,890	3,950	4,800	Buy	23.4	4.9	385.4	16.3x	2.9x	18.6	4.3	2.2	17.6	0.8
JSMR	4,690	4,870	5,100	Overweight	8.7	53.8	34.0	4.4x	1.3x	31.7	1.6	20.1	493.2	0.9
EXCL	2,100	2,000	3,800	Buy	81.0	(7.1)	27.6	23.4x	1.1x	4.9	2.0	10.5	(16.1)	0.9
TOWR	995	990	1,310	Buy	31.7	(13.9)	50.8	15.0x	3.1x	22.2	2.4	7.6	(3.9)	0.5
TBIG	2,170	2,090	2,390	Overweight	10.1	1.9	49.2	31.9x	4.6x	13.2	2.8	0.6	(8.5)	0.4
MTEL	685	705	860	Buy	25.5	(2.8)	57.2	28.5x	1.7x	6.0	3.1	11.9	(22.7)	0.5
WIKA	240	240	1,280	Buy	433.3	(68.6)	2.2	N/A	0.3x	(58.5)	N/A	17.9	(20784.6)	1.0
PTPP	448	428	1,700	Buy	279.5	(35.5)	2.8	7.4x	0.2x	3.3	N/A	(9.2)	69.6	1.0

Source : Bloomberg, NH KSI Research

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Property & Real Estate							257.8							
CTRA	1,190	1,170	1,300	Overweight	9.2	33.7	22.1	14.6x	1.1x	8.1	1.3	(8.8)	(22.5)	0.7
PWON	444	454	500	Overweight	12.6	(0.9)	21.4	11.7x	1.2x	10.3	1.5	1.6	24.8	1.0
Energy							1,450.3							
PGAS	1,160	1,130	1,770	Buy	52.6	(26.8)	28.1	8.1x	0.7x	8.2	12.2	1.9	(35.9)	0.6
ITMG	26,775	25,650	26,500	Hold	(1.0)	(24.4)	30.3	2.7x	1.2x	39.2	33.9	(30.2)	(54.8)	0.7
PTBA	2,660	2,440	4,900	Buy	84.2	(22.4)	30.6	4.8x	1.6x	28.0	41.1	(10.7)	(62.2)	1.0
ADRO	2,440	2,380	2,870	Buy	17.6	(22.3)	78.0	2.7x	0.7x	28.8	17.9	(15.8)	(35.7)	1.3
Industrial							392.9							
UNTR	23,250	22,625	25,900	Overweight	11.4	(6.9)	86.7	4.1x	1.1x	26.6	29.6	6.6	(1.3)	0.9
ASII	5,625	5,650	6,900	Buy	22.7	3.2	227.7	7.3x	1.2x	16.5	11.6	8.8	10.2	1.0
Basic Ind.							1,723.0							
SMGR	6,375	6,400	9,500	Buy	49.0	(9.9)	43.2	17.1x	1.0x	6.1	3.8	4.0	(10.0)	0.9
INTP	9,225	9,400	12,700	Buy	37.7	(8.2)	34.0	14.6x	1.6x	11.1	1.7	10.9	36.4	0.7
INCO	4,310	4,310	5,000	Buy	16.0	(41.4)	42.8	10.9x	1.1x	10.5	2.1	7.3	32.0	1.2
ANTM	1,675	1,705	2,050	Buy	22.4	(15.6)	40.3	10.0x	1.6x	17.1	4.7	(8.3)	8.4	1.4
NCKL	985	1,000	1,320	Buy	34.0	#N/A	62.2	10.5x	2.8x	36.5	2.3	135.1	N/A	N/A

Source : Bloomberg, NH KSI Research

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