

Weekly Brief (Feb. 19 – 23, 2024)

Summary:

Last week review:

A MOMENTOUS ELECTION FOR INDONESIA, AS US INFLATION CONTINUES TO HEAT UP, WITH JAPAN & UK FALL INTO RECESSION. Indonesia has completed its legislative and presidential elections where quick counts from various polling agencies and provisional official results from the KPU (national data collected: 70.45%) have appointed candidate 02, Prabowo-Gibran as the candidate for President & Vice President of Indonesia for the 2024-2029 period with 58.3% of the vote. Speculations are rife that this Presidential Election could end with one round, bringing Indonesian market bullish near all-time-highs in the 7380-7400 area, supported by Foreign Net Buy over the past week amounting to IDR 8.22 T (all markets), totaling YTD foreign position of IDR 18.4 T. Latest economic data mentioned, Indonesia managed to record a Trade Balance surplus for the 45th consecutive time, at USD 2.2 billion in January.

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The euphoria in our country comes as the US is still struggling to control their Inflation which still seems to hold the potential to heat up, amid hopes that interest rates could be cut as soon as this year. US headline Inflation was reported at 3.1% yoy in January, slower than the previous month's 3.4%, but above economists' forecast of 2.9%. Core Inflation, which the Fed monitors more closely as it excludes volatile items such as food and fuel, remained on track at 3.9% yoy as December, failing to meet estimates to cool to 3.7%. In the same week, producer-level inflation was reported to have accelerated to 0.3%, higher than economists' forecast of 0.1%, after dropping 0.2% in the previous month. Initial Jobless Claims also came in lower than expected. The above economic indicators dashed hopes of a rate cut occurring in March, making it increasingly pessimistic about the possibility in May, so market participants are increasingly confident that at least in June this 25bps pivot can only be realized, with a 79% chance as reported by the CME FedWatch Tool. Fed officials also agreed with their various comments that continue to signal that they have no plans to cut interest rates early, where Federal Reserve Governor Michelle Bowman said that she does not expect the Fed to cut interest rates soon because tight monetary policy measures are still needed to keep inflation low and towards the 2% target. One economic data that explains the weakening of people's spending power is the US Retail Sales which dropped 0.8% mom in January (lower than economists' forecast of -0.2% and from the previous month's 0.4%) driven by sluggish vehicle and gas station sales. Corporate earnings sentiment is also still part of the market drivers, where investors are optimistic that 80.3% of S&P500 companies have beaten earnings estimates, exceeding the annual average of 76%, as reported by LSEG data.

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On the other continent, Japan & the UK had to face the fact that their economies went into recession. Japan was declared a technical recession with two consecutive quarters of negative economic growth in the 3rd and 4th quarters of 2023 (-3.3% and 0.4% yoy respectively), while the UK experienced the first contraction in economic growth since September 2021, where currently the UK 4Q23 GDP is at minus 0.2% yoy. Meanwhile, Eurozone released a fairly safe 4Q23 GDP at 0.1% yoy, in-line with expectations, and even managed to slightly strengthen compared to the flat 0% in the previous quarter.

OIL prices recorded gains last week, with benchmark Brent rising above 1% and US WTI rallying around 3%, supported by the widening Middle East conflict. On Thursday, Hezbollah claimed to have launched dozens of rockets into northern Israel in retaliation for the killing of 10 civilians in southern Lebanon. Nevertheless, market watchers think that oil supply is not so disrupted by this latest development. Elsewhere, the security threat has not disappeared from the Red Sea as a missile was fired from Yemen at an oil tanker bound for India.

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This week's outlook:

In a trading week truncated by the President's Day holiday in the US, investors will be focusing on the release of the Federal Reserve's Meeting Minutes for the FOMC Meeting last Jan 30-31, at which time the monetary policymakers had left interest rates unchanged and indicated that a rate cut in March was unlikely. Hence, market participants have pushed back their pivot expectations to June, after evaluating the still strong labor figures, GDP & Inflation data. This week's awaited economic indicators are Existing Home Sales and weekly Initial Jobless Claims.

Nvidia's earnings report will be awaited by investors on Wednesday amid hype over the future of the AI industry. Nvidia's chips are considered to be setting the bar high in the AI industry, pushing its stock up 3x by 2023 and already up 50% by 2024, making it the third largest US company by market cap after Microsoft and Apple. Nvidia's gains alone have covered a quarter of the S&P500's gains this year. The results of Nvidia's financial report are believed to determine the future direction of the market. Not only that, the performance reports of US retail companies will also enliven market sentiment, such as Walmart, which analysts expect will be able to report an 8% increase in profits thanks to lower supply chain costs and falling gas prices since November.

A number of PMI data from around the world are scheduled for release this week, with the US PMI likely to stay in expansionary territory after hitting a 6-month high in January. German 4Q23 GDP data and Ifo business climate index will also be out on Friday.

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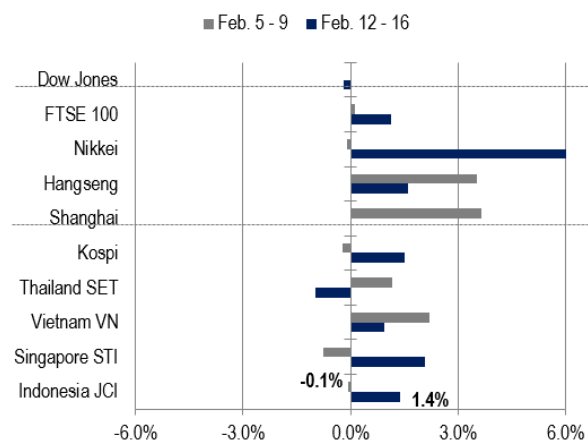
This week's outlook:

Chinese markets will finally open this Monday after the long Lunar New Year holiday. MSCI Asia & Pacific ex-Japan posted its best week of the year by gaining 2%. Market participants are waiting to see what other stimulus measures the Chinese government will launch in order to lift its slumping stock market. Last Sunday, China's central bank set interest rates unchanged (as expected) in the uncertainty around when the Fed will cut interest rates makes it difficult for China to maneuver with its monetary policy. Not to mention China is still grappling with issues surrounding its property sector, with new house price data scheduled for release at the end of the week. Meanwhile in neighboring Japan, the Nikkei still managed to rally 4.3% last week, and has already surged over 15% this year, on the back of rising optimism regarding Japanese corporate earnings and a very weak exchange rate. This week will also see interest rate decisions from the central banks of South Korea and Indonesia, in addition to Japan Machinery Orders for December.

JCI Index : 7,335.54 (+1.4%)
Foreign Flow : Net Buy of IDR 7.7 Trillion (Vs. last week's net buy of IDR 1.7 Trillion)
USD/IDR : 15,620 (+0.10%)

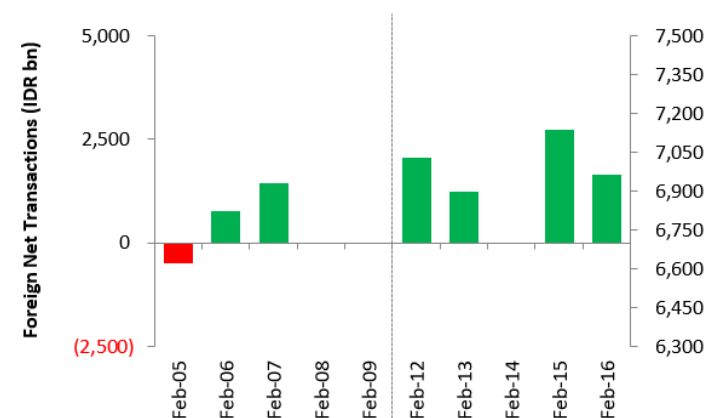
Last Week's JCI Movement

Global Market Movement



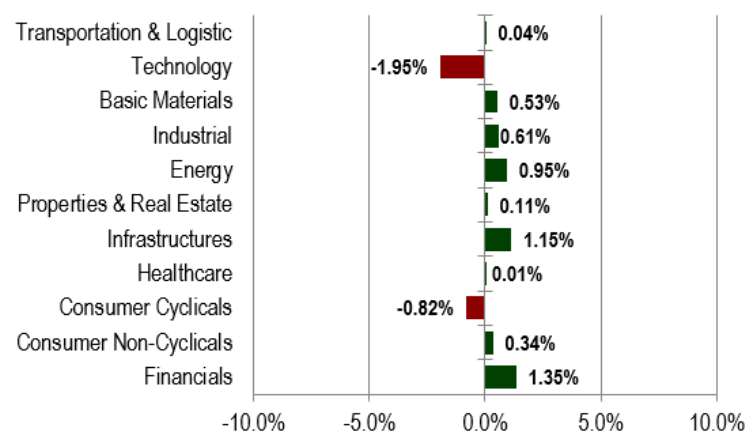
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



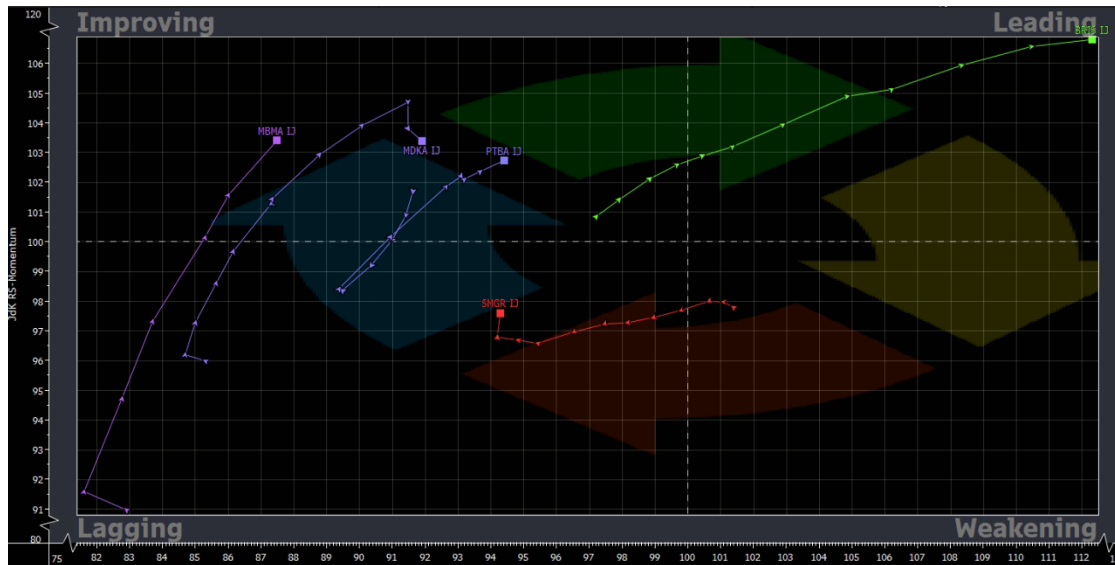
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BBRI	1,458,191	ASII	191,400
BBCA	1,407,055	MDKA	130,765
BMRI	1,270,734	UNVR	108,237
TLKM	751,669	TPIA	41,842
BBNI	460,740	ADMR	16,954

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
BRIS	2400-2450 / 2620-2690 / 2800-2810	2280
MBMA	700-730 / 830-840	600
MDKA	2610-2670 / 2800-2900	2210
PTBA	2760-2820 / 2930-3000 / 3160	2600
SMGR	6650-6750 / 7000-7125 / 7250	6340

Source: Bloomberg, NHKSI Research

JCI Index

Support	7270-7280 / 7200 / 7100 / 7050	Resistance	7360-7406
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Source: NHKSI Research, Bloomberg

Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
Monday	JP	06:50	Core Machine Orders MoM	Dec	2.6%	-4.9%
<i>19 – Feb.</i>	JP	06:50	Core Machine Orders YoY	Dec	-1.4%	-5.0%
Tuesday	US	22:00	Leading Index	Jan	-0.3%	-0.1%
<i>20 – Feb.</i>	JP	12:00	Tokyo Condominium for Sale YoY	Jan	—	3.8%
Wednesday	US	19:00	MBA Mortgage Applications	Feb 16	—	-2.3%
<i>21 – Feb.</i>	ID	14:20	BI Rate	Feb 21	6.00%	6.00%
	EC	22:00	Consumer Confidence	Feb P	-15.8	-16.1
Thursday	US	02:00	FOMC Meeting Minutes	Jan 31	—	—
<i>22 – Feb.</i>	US	20:30	Initial Jobless Claims	Feb 17	—	212K
	US	21:45	S&P Global US Manufacturing PMI	Feb P	50.1	50.7
	US	22:00	Existing Home Sales	Jan	3.97M	3.78M
	ID	10:00	BoP Current Account Balance	4Q	—	-\$900M
	GE	15:30	HCOB Germany Manufacturing PMI	Feb P	46.5	45.5
	EC	16:00	HCOB Eurozone Manufacturing PMI	Feb P	47.0	46.6
	EC	17:00	CPI YoY	Jan F	2.8%	2.8%
	KR	—	BOK Base Rate	Feb 22	—	3.50%
	JP	07:30	Jibun Bank Japan PMI Mfg	Feb P	—	48.0
Friday	CH	08:30	New Home Prices MoM	Jan	—	-0.45%
<i>23 – Feb.</i>	GE	14:00	GDP SA QoQ	4Q F	-0.3%	-0.3%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	—
19 – Feb.	Cum Dividend	—
Tuesday	RUPS	SCCO
20 – Feb.	Cum Dividend	BJTM
Wednesday	RUPS	SAPX, NTBK, BBSI
21 – Feb.	Cum Dividend	—
Thursday	RUPS	VOKS
22 – Feb.	Cum Dividend	—
Friday	RUPS	WIFI, PJAA, BEKS
23 – Feb.	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							4,074.5							
BBCA	9,950	9,400	11,025	Overweight	10.8	14.0	1,226.6	25.2x	5.1x	21.0	2.1	17.0	19.7	0.9
BBRI	6,150	5,725	6,300	Hold	2.4	26.0	932.1	15.4x	3.0x	19.7	2.7	16.1	17.8	1.1
BBNI	6,000	5,375	6,475	Overweight	7.9	29.4	223.8	10.7x	1.5x	14.6	3.3	9.5	14.3	1.1
BMRI	7,200	6,050	7,800	Overweight	8.3	39.8	672.0	12.2x	2.6x	22.4	3.7	14.8	33.7	1.2
AMAR	228	320	400	Buy	75.4	(17.4)	4.2	18.4x	1.3x	6.9	N/A	26.2	N/A	0.4
Consumer Non-Cyclicals							1,144.8							
INDF	6,425	6,450	7,400	Buy	15.2	(2.7)	56.4	6.4x	1.0x	16.0	4.0	3.8	52.6	0.4
ICBP	11,450	10,575	13,600	Buy	18.8	10.6	133.5	16.0x	3.3x	21.9	1.6	4.9	113.0	0.3
UNVR	2,830	3,530	3,100	Overweight	9.5	(37.3)	108.0	22.5x	31.9x	130.1	4.7	(6.3)	(10.6)	0.0
MYOR	2,360	2,490	3,200	Buy	35.6	(12.3)	52.8	18.2x	3.8x	22.5	1.5	3.0	85.7	0.5
CPIN	4,800	5,025	5,500	Overweight	14.6	(17.2)	78.7	32.5x	2.7x	8.7	2.1	8.5	(16.0)	0.5
JPFA	1,080	1,180	1,400	Buy	29.6	(18.2)	12.7	13.5x	1.0x	7.2	4.6	2.6	(34.5)	0.6
AALI	6,825	7,025	8,000	Buy	17.2	(18.5)	13.1	10.0x	0.6x	6.1	5.9	(5.1)	(34.2)	0.8
TBLA	660	695	900	Buy	36.4	(4.5)	4.0	5.2x	0.5x	9.8	3.0	0.6	(27.8)	0.5
Consumer Cyclicals							424.7							
ERAA	442	426	600	Buy	35.7	(19.6)	7.0	8.4x	1.0x	12.5	4.3	22.5	(27.1)	0.8
MAPI	1,935	1,790	2,200	Overweight	13.7	29.4	32.1	15.2x	3.3x	24.9	0.4	26.4	(5.0)	0.5
HRTA	358	348	590	Buy	64.8	64.2	1.6	5.4x	0.9x	17.1	3.4	82.8	25.9	0.3
Healthcare							255.7							
KLBF	1,485	1,610	1,800	Buy	21.2	(34.0)	69.6	23.2x	3.3x	14.8	2.6	6.5	(16.9)	0.4
SIDO	560	525	550	Hold	(1.8)	(35.6)	16.8	17.3x	4.9x	28.0	6.4	(9.7)	(18.6)	0.6
MIKA	2,690	2,850	3,000	Overweight	11.5	(14.9)	38.3	39.5x	6.7x	17.7	1.4	2.7	(5.1)	0.3
Infrastructure							1,646.65							
TLKM	4,160	3,950	4,800	Buy	15.4	10.6	412.1	17.4x	3.2x	18.6	4.0	2.2	17.6	0.8
JSMR	4,730	4,870	5,100	Overweight	7.8	33.6	34.3	4.5x	1.3x	31.7	1.6	20.1	493.2	0.9
EXCL	2,270	2,000	3,800	Buy	67.4	0.9	29.8	23.2x	1.1x	4.9	1.9	10.9	(6.7)	0.9
TOWR	880	990	1,310	Buy	48.9	(20.0)	44.9	13.3x	2.7x	22.2	2.7	7.6	(3.9)	0.5
TBIG	1,885	2,090	2,390	Buy	26.8	(12.3)	42.7	27.7x	4.0x	13.2	3.2	0.6	(8.3)	0.4
MTEL	665	705	860	Buy	29.3	(6.3)	55.6	27.7x	1.6x	6.0	3.2	11.9	(22.7)	0.5
WIKA	#N/A	N/.	240	#VALUE!	#VALUE!	#N/A	#VALUE!	N/A	#N/A	N/A	(58.5)	N/A	17.9	(20784.6)
PTPP	560	428	1,700	Buy	203.6	(15.8)	3.5	9.3x	0.3x	3.3	N/A	(9.2)	69.6	1.1

Source : Bloomberg, NH KSI Research

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Property & Real Estate							258.8							
CTRA	1,220	1,170	1,300	Overweight	6.6	27.7	22.6	15.0x	1.2x	8.1	1.2	(8.8)	(22.7)	0.6
PWON	424	454	500	Buy	17.9	(7.0)	20.4	11.1x	1.1x	10.3	1.5	1.6	24.8	0.9
Energy							1,397.7							
PGAS	1,175	1,130	1,770	Buy	50.6	(26.1)	28.5	8.1x	0.7x	8.2	12.0	1.9	(35.9)	0.7
ITMG	27,025	25,650	26,500	Hold	(1.9)	(23.1)	30.5	2.7x	1.2x	39.2	33.6	(30.2)	(54.8)	0.7
PTBA	2,680	2,440	4,900	Buy	82.8	(23.2)	30.9	4.9x	1.6x	28.0	40.8	(10.7)	(62.2)	1.0
HRUM	1,175	1,335	1,600	Buy	36.2	(26.8)	15.9	5.8x	1.2x	21.8	N/A	(8.6)	(56.3)	1.3
ADRO	2,520	2,380	2,870	Overweight	13.9	(12.5)	80.6	2.8x	0.7x	28.8	17.4	(15.8)	(35.7)	1.3
Industrial							376.0							
UNTR	23,250	22,625	25,900	Overweight	11.4	(5.6)	86.7	4.1x	1.1x	26.6	29.6	6.6	(1.3)	0.8
ASII	5,200	5,650	6,900	Buy	32.7	(8.4)	210.5	6.7x	1.1x	16.5	12.5	8.8	10.2	1.0
Basic Ind.							1,672.5							
SMGR	6,500	6,400	9,500	Buy	46.2	(12.5)	44.1	17.5x	1.0x	6.1	3.8	4.0	(10.0)	0.9
INTP	8,825	9,400	12,700	Buy	43.9	(19.8)	32.5	14.0x	1.5x	11.1	1.8	10.9	36.4	0.7
INCO	3,690	4,310	5,000	Buy	35.5	(45.5)	36.7	8.5x	0.9x	11.2	2.4	4.5	36.6	1.2
ANTM	1,530	1,705	2,050	Buy	34.0	(26.8)	36.8	9.1x	1.5x	17.1	5.2	(8.3)	8.4	1.4
NCKL	775	1,000	1,320	Buy	70.3	#N/A	48.9	N/A	2.2x	36.5	2.9	135.1	N/A	N/A

Source : Bloomberg, NH KSI Research

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