

Weekly Brief (Mar. 25 – 28, 2024)

Summary:

Last week review:

THE FEDERAL RESERVE'S DOVISH TONE BROUGHT BULLISH SENTIMENT TO GLOBAL MARKETS THAT WERE PREOCCUPIED WITH CENTRAL BANK MONETARY POLICY LAST WEEK. Global stock markets rallied last week on the back of record after record gains triggered by a series of dovish central bank signals, while the Dollar struggled to maintain gains as US bond yields fell. For the week the S&P500, DJIA, and Nasdaq gained 2.3%, 2.0%, and 2.9% respectively. On Wednesday, the Federal Reserve kept the Fed Funds Rate at 5.25% - 5.50% but indicated that it is prepared to cut rates by 75 basis points this year in three FOMC meetings (which Goldman Sachs expects to pivot in June, September, and December), amid rising inflation and strong US economic growth, perhaps even too strong for a soft landing scenario. The Fed also outlined a number of economic projections such as: The Fed Funds Rate will slip to 4.6% this year, (2025 and 2026: to 3.9% and 3.1%); the Core Personal Consumption Expenditures (PCE) price index, which is the Fed's favorite Inflation benchmark, will be at 2.6% in 2024, up from an initial estimate of 2.4% (while for 2025 and 2026: 2.2% and 2%); US economic growth this year is able to strengthen to 2.1%, up considerably from 1.4% previously estimated (2025 and 2026: slowing to 2%). Meanwhile, the labor market is also expected to remain tight, with the Unemployment Rate falling to 4% this year, down from the previous projection of 4.1%. Powell said that if significant weakening in the labor market is detected, it will be a strong reason for the central bank to immediately start the pivot process. The latest weekly Initial Jobless Claims unexpectedly fell to 210k (vs. a forecast of 212k), while Existing Home Sales in February increased by the most in a year (in fact jumping 9.5% well above the forecast of minus 1.3%), a sign that the US economy remains on a strong footing in the first quarter. In terms of PMIs, the preliminary estimate of the S&P Global US Composite PMI for March came in at 52.2 (as projected), with manufacturing expanding and services contracting slightly. The data was echoed by the Philadelphia Fed Manufacturing index which showed an unexpected increase in March, underscoring the improvement in manufacturing activity.

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Another central bank highlight, BANK OF JAPAN took a historical step by ending the negative interest rate trend after 8 years, and finally raised interest rates for the first time in 17 years, where now the BOJ interest rate appreciated to 0.1% from -0.1% previously. The Japanese central bank also abolished its yield curve control policy. The purpose of this action is to increase bank liquidity and encourage banks to lend more eagerly, in order to increase public spending and investment, and fight deflation. This comes after major Japanese companies recently approved a 33-year high in wage increases.

Other central bank monetary policy updates: The central banks of CHINA and INDONESIA were two of the many central banks that left interest rates unchanged, as expected; as did the BANK OF ENGLAND holding rates unchanged at 5.25% amid comments by BOE Governor Andrew Bailey telling the Financial Times that it is reasonable to expect a rate cut this year. Meanwhile from EUROPEAN CENTRAL BANK President Christine Lagarde reiterated that the European central bank's decision will be based on economic data released over time, but market watchers have pinned their hopes on June as the first month of the European pivot, where there are 4x rate cuts this year. On the other hand, there was a surprise rate cut by the SWISS central bank on Thursday, which helped push the market to new highs, after investors realized that major central banks around the world do not need to wait for the US Federal Reserve pivot before they cut interest rates in their own countries. On the other side of the world, Turkey's Central Bank unexpectedly lifted its benchmark interest rate to 50% from 45% in response to a surge in core inflation that surpassed 70% ahead of the election.

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EUROPE MARKETS: EUROZONE reported Inflation in February managed to ease to 2.6% yoy as expected, from 2.8% in the previous period. Core Inflation was also subdued to 3.1% yoy from 3.3% in January. The ZEW Economic Sentiment indicator showed significant optimism about the economic situation in the next six months in GERMANY and the Eurozone. UK announced their CPI (Feb.) managed to flatten to 3.4% yoy (versus forecast 3.5% & previous period 4.0%).

ASIA MARKETS: JAPAN INFLATION in February grew as expected to 2.8% yoy from 2.2% in the previous month; rising above the Bank of Japan's annual target level and justifying the Japanese central bank's latest tighter monetary policy stance. GOOD NEWS FROM CHINA, the world's largest oil importer; they reported a 7% annual increase in industrial output in January & February, along with a 4.2% yoy increase in fixed assets (Feb.), amid a 5.5% year-on-year increase in retail sales (actually missed expectations). However, the turmoil in the real estate sector remains a headache as property investment has declined by 9% year-on-year; especially after the USD 78 billion or IDR 1200 trillion fraud scandal perpetrated by property giant Evergrande started to drag the name of one of the "Big Four" accounting firms PricewaterhouseCoopers as PwC also audited the large property company Country Garden which is suspected to contain latent dangers similar to the Evergrande problem. China's crude oil production rose 3% yoy in January & February. Coupled with the Fed's projected interest rate cut this year is expected to further boost global economic growth and world oil demand.

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INDONESIA: The General Election Commission (KPU) declared presidential-vice presidential candidate pair number 02 Prabowo Subianto-Gibran Rakabuming Raka the winner of the 2024 presidential election, based on the results of the national recapitulation of votes in 38 provinces and 128 overseas election committees (PPLN). The decision, which was marked by several demonstrations in the days leading up to March 20, was immediately greeted by a lawsuit to the Constitutional Court from pairs 01 and 03. The legislative elections, which were participated in by 18 national political parties, also determined PDI Perjuangan as the party that received the highest votes. During the last week, foreigners recorded a Foreign Net Buy of IDR 2.14 trillion (all markets), bringing their net purchase position in the last month to IDR 5.88 trillion and YTD increased to IDR 28.26 trillion.

COMMODITIES: OIL prices were flat last week, amid a combination of a possible ceasefire in Gaza potentially weakening crude oil prices, while the re-ignition of war in Europe and a shrinking US rig count served to support prices. Both benchmark oil prices, US WTI & Brent only moved less than 1 percent. US Secretary of State Antony Blinken said on Thursday that he is optimistic that peace discussions in Qatar can reach an agreement on a 6-week Gaza War ceasefire between Israel and Hamas. On the other hand, Iraq and Saudi Arabia plan to reduce their crude oil exports, potentially keeping crude oil scarce in the market. Conflicts in Eastern Europe also provided support for oil prices. Russia launched the largest missile and drone counterattack against Ukraine's energy infrastructure, hitting the country's largest dam and causing power outages in several regions, as reported by Kyiv. In other commodities, GOLD prices had skyrocketed to a record level of USD 2222.90 / ounce supported by the sentiment of the dovish tone of the FOMC Meeting last week. ANZ analysts project that gold prices could weaken to the level of USD 2100/ounce in the near future, but they also upgraded their year-end target to USD 2300/ounce, anticipating the realization of pivots and weakening overall economic conditions will still support gold prices as a safe-haven asset. From industrial metals, COPPER prices eased slightly after hitting an 11-month high last week, after China reportedly cut production at their largest copper smelter. The rally has now stalled following China's mixed economic data above, plus their unemployment rate is currently touching a 5-month high.

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This week's outlook:

Investors will be looking ahead to a slew of economic data released while markets are off on Good Friday for the latest reading on US inflation from the Personal Consumption Expenditures (PCE) price index. Several Federal Reserve officials, including Chairman Jerome Powell, are scheduled to speak and their comments will be closely watched after the Fed chief's dovish remarks last week. The core PCE price index, which excludes food and energy prices, is predicted to rise 0.3% in Feb, after posting its biggest monthly gain in a year in the previous month. Other economic calendar highlights this week include New Home Sales figures, Durable Goods Orders, CB Consumer Confidence (Mar), Revised GDP, and the weekly Initial Jobless Claims update. Several Fed officials are also expected to release statements at their appearances this week. So far, the Fed has released economic projection updates that point to stronger economic growth, higher Inflation, and slightly higher-than-expected long-term interest rate predictions; giving an overall impression that is not as dovish as Jerome Powell had previously stated.

Some market watchers warned of a potential pullback in the stock market which has rallied sharply since October - November, for example the S&P500 which has appreciated 27% since that bottom. The end of the first quarter will also make market participants set their eyes on the performance of companies at the beginning of 2024.

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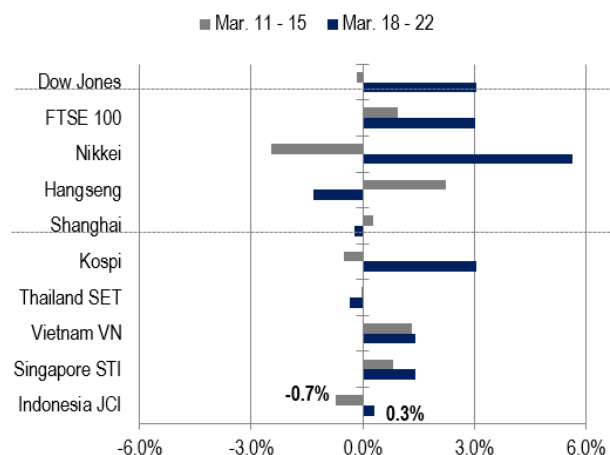
A number of sentiments that could potentially affect global OIL prices: the possibility of a Gaza War ceasefire being reached, which would allow Houthi militants (Yemen) to allow commercial tankers to peacefully cross the Red Sea again. The Swiss National Bank's unexpected move to cut interest rates saw the US Dollar strengthen, weighing on the strengthening oil prices as the commodity becomes more expensive for non-US buyers.

ASIA PACIFIC MARKETS await Inflation data from Australia and Japan. While **EUROPEAN MARKETS** await economic indicators such as: GfK German Consumer Climate (Apr), UK GDP 4Q23, German Retail Sales (Feb) & Unemployment Rate (Mar).

JCI Index : 7,350.15 (+0.3%)
Foreign Flow : Net Buy of IDR 2.1 Trillion (Vs. last week's net buy of IDR 7.4 Trillion)
USD/IDR : 15,780 (-1.19%)

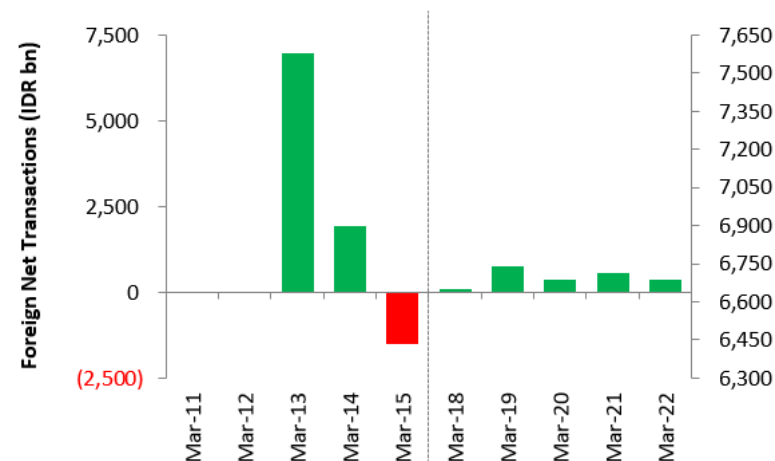
Last Week's JCI Movement

Global Market Movement



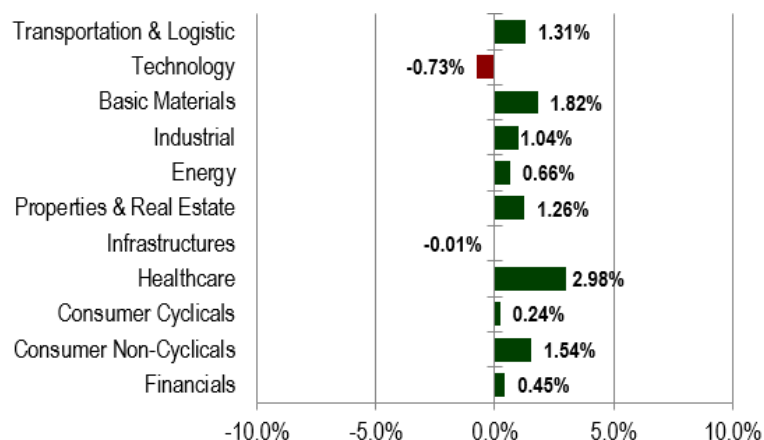
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



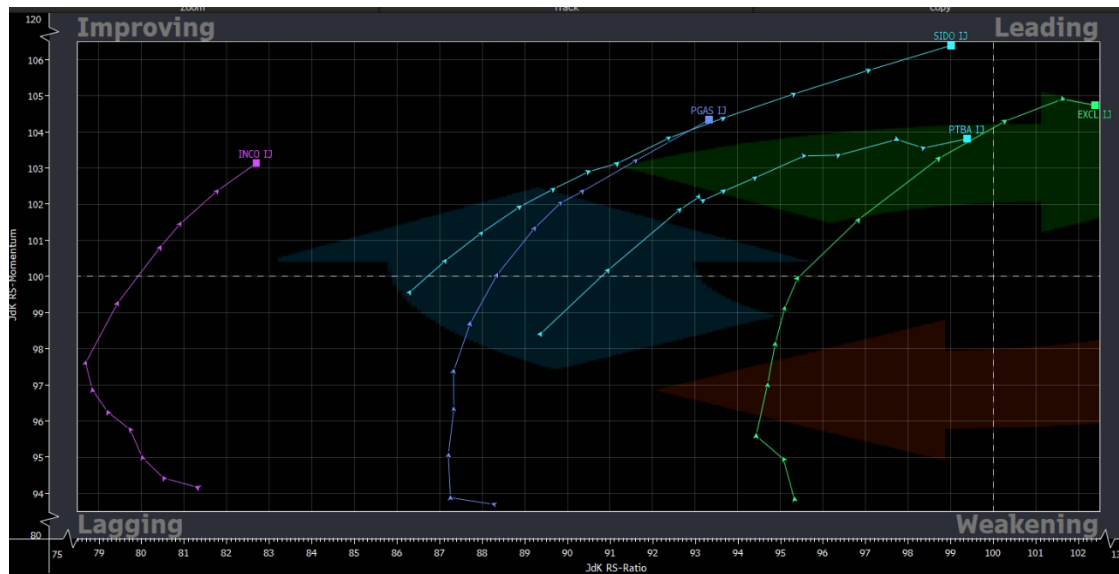
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BBRI	363,428	BBCA	700,796
AMRT	216,104	MDKA	135,215
TLKM	215,167	MEDC	56,921
ASII	212,385	ANTM	49,956
BMRI	124,742	INCO	47,849

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
SIDO	645 / 655-660 / 725-740	615
PTBA	3060-3070 / 3380-3390	2830
PGAS	1400-1420 / 1445-1475 / 1525-1535	1275
EXCL	2470-2490 / 2560-2570 / 2700	2330
INCO	4420-4460 / 4700-4750 / 4830-4840	3940

Source: Bloomberg, NHKSI Research

JCI Index

Support	7250-7270 / 7220 / 7100	Resistance	7360-7380 / 7500-7525
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Source: NHKSI Research, Bloomberg

Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
Monday	US	21:00	New Home Sales	Feb	675K	661K
<i>25 – Mar.</i>	JP	12:00	Leading Index CI	Jan F	—	109.9
Tuesday	US	19:30	Durable Goods Orders	Feb P	1.4%	-6.2%
<i>26 – Mar.</i>	US	21:00	Conf. Board Consumer Confidence	Mar	107.0	106.7
	KR	04:00	Consumer Confidence	Mar	—	101.9
Wednesday	CH	08:30	Industrial Profits YoY	Feb	—	16.8%
<i>27 – Mar.</i>	EC	17:00	Consumer Confidence	Mar F	—	-14.9
Thursday	US	19:30	GDP Annualized QoQ	4Q T	3.2%	3.2%
<i>28 – Mar.</i>	US	19:30	Initial Jobless Claims	Mar 23	—	210K
	US	20:45	MNI Chicago PMI	Mar	46.0	44.0
	US	21:00	U. of Mich. Sentiment	Mar F	76.6	76.5
	GE	15:55	Unemployment Change (000's)	Mar	10.0K	11.0K
Friday	US	19:30	Personal Income	Feb	0.4%	1.0%
<i>29 – Mar.</i>	US	19:30	Personal Spending	Feb	0.5%	0.2%
	CH	—	BoP Current Account Balance	4Q F	—	\$55.2B
	KR	06:00	Industrial Production YoY	Feb	—	12.9%
	JP	06:30	Tokyo CPI Ex-Fresh Food YoY	Mar	2.4%	2.5%
	JP	06:30	Jobless Rate	Feb	2.4%	2.4%
	JP	06:30	Job-To-Applicant Ratio	Feb	1.27	1.27
	JP	06:50	Industrial Production MoM	Feb P	1.5%	-6.7%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	NICK
25 – Mar.	Cum Dividend	HATM
Tuesday	RUPS	—
26 – Mar.	Cum Dividend	NISP
Wednesday	RUPS	TMAS, ADMF
27 – Mar.	Cum Dividend	—
Thursday	RUPS	WOMF, TDPM, SICO, MEDS, LOPI, KARW, ITMG, INCO, IFSH, BEEF, ATIC, ARNA
28 – Mar.	Cum Dividend	BTPS, ESSA
Friday	RUPS	—
29 – Mar.	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							4,095.6							
BBCA	10,100	9,400	11,025	Overweight	9.2	14.4	1,245.1	25.6x	5.1x	21.0	2.7	17.0	19.7	0.9
BBRI	6,125	5,725	6,850	Overweight	11.8	28.4	928.3	15.4x	3.0x	19.7	5.2	16.1	17.8	1.1
BBNI	5,850	5,375	6,475	Overweight	10.7	21.6	218.2	10.4x	1.5x	14.6	4.8	9.5	14.3	1.1
BMRI	7,050	6,050	7,800	Overweight	10.6	29.4	658.0	12.0x	2.5x	22.4	5.0	14.8	33.7	1.2
AMAR	254	320	400	Buy	57.5	(23.0)	4.7	20.6x	1.4x	6.9	N/A	26.2	N/A	0.4
Consumer Non-Cyclicals							1,153.7							
INDF	6,425	6,450	7,400	Buy	15.2	1.6	56.4	6.4x	1.0x	16.0	4.0	3.8	52.6	0.3
ICBP	11,125	10,575	13,600	Buy	22.2	11.5	129.7	15.6x	3.2x	21.9	1.7	4.9	113.0	0.3
UNVR	2,720	3,530	3,100	Overweight	14.0	(36.3)	103.8	21.6x	30.7x	130.1	4.9	(6.3)	(10.6)	0.0
MYOR	2,540	2,490	3,200	Buy	26.0	(2.3)	56.8	17.7x	3.8x	23.1	1.4	2.7	64.4	0.5
CPIN	5,300	5,025	5,500	Hold	3.8	3.4	86.9	35.9x	3.0x	8.7	1.9	8.5	(16.0)	0.5
JPFA	1,205	1,180	1,400	Buy	16.2	6.2	14.1	15.1x	1.1x	7.2	4.1	4.5	(34.5)	0.6
AALI	6,850	7,025	8,000	Buy	16.8	(13.8)	13.2	12.5x	0.6x	4.8	5.9	(5.0)	(38.8)	0.8
TBLA	670	695	900	Buy	34.3	(1.6)	4.1	5.3x	0.5x	9.8	3.0	0.6	(27.8)	0.5
Consumer Cyclical							421.5							
ERAA	420	426	600	Buy	42.9	(19.2)	6.7	8.0x	1.0x	12.5	4.5	22.5	(27.1)	0.8
MAPI	1,815	1,790	2,200	Buy	21.2	19.8	30.1	14.3x	3.1x	24.9	0.4	26.4	(5.0)	0.5
HRTA	410	348	590	Buy	43.9	13.3	1.9	6.2x	1.0x	17.1	2.9	82.8	25.9	0.4
Healthcare							264.1							
KLBF	1,485	1,610	1,800	Buy	21.2	(30.3)	69.6	23.2x	3.3x	14.8	2.6	6.5	(16.9)	0.4
SIDO	630	525	700	Overweight	11.1	(25.4)	18.9	19.9x	5.6x	27.6	5.7	(7.8)	(13.9)	0.6
MIKA	2,730	2,850	3,000	Overweight	9.9	(10.2)	38.9	40.1x	6.8x	17.7	1.4	2.7	(5.1)	0.3
Infrastructure							1,620.74							
TLKM	3,900	3,950	4,800	Buy	23.1	(4.2)	386.3	16.3x	3.0x	18.6	4.3	2.2	17.6	0.8
JSMR	5,450	4,870	5,100		(6.4)	71.9	39.6	5.8x	1.4x	27.3	1.4	28.6	147.3	0.9
EXCL	2,390	2,000	3,800	Buy	59.0	19.5	31.4	24.4x	1.2x	4.9	1.8	10.9	(6.7)	0.9
TOWR	875	990	1,310	Buy	49.7	(2.2)	44.6	13.2x	2.7x	22.2	2.8	7.6	(3.9)	0.5
TBIG	1,855	2,090	2,390	Buy	28.8	(9.5)	42.0	27.2x	3.9x	13.2	3.3	0.6	(8.3)	0.4
MTEL	615	705	860	Buy	39.8	(15.2)	51.4	25.3x	1.5x	5.9	3.5	11.2	14.3	0.5
PTPP	525	428	1,700	Buy	223.8	(7.1)	3.3	6.7x	0.3x	4.2	N/A	5.7	77.3	1.1

Source : Bloomberg, NH KSI Research

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Property & Real Estate							253.2							
CTRA	1,310	1,170	1,300	Hold	(0.8)	37.2	24.3	16.1x	1.3x	8.1	1.1	(8.8)	(22.7)	0.6
PWON	406	454	500	Buy	23.2	(6.9)	19.6	10.7x	1.1x	10.3	1.6	1.6	24.8	0.9
Energy							1,393.1							
ITMG	27,800	25,650	26,500	Hold	(4.7)	(27.6)	31.4	4.0x	1.1x	26.7	32.6	(34.7)	(58.9)	0.7
PTBA	2,940	2,440	4,900	Buy	66.7	(20.8)	33.9	5.5x	1.6x	24.4	37.2	(9.8)	(51.4)	1.0
HRUM	1,385	1,335	1,600	Buy	15.5	(0.4)	18.7	6.8x	1.4x	21.8	N/A	(8.6)	(56.3)	1.3
ADRO	2,650	2,380	2,870	Overweight	8.3	(1.1)	84.8	3.2x	0.8x	25.7	16.5	(19.6)	(33.8)	1.3
Industrial							389.1							
UNTR	24,600	22,625	25,900	Overweight	5.3	(11.1)	91.8	4.3x	1.1x	25.1	28.0	4.0	(0.1)	0.8
ASII	5,375	5,650	6,900	Buy	28.4	(9.7)	217.6	6.4x	1.1x	17.3	12.1	5.0	16.9	1.0
Basic Ind.							1,829.2							
SMGR	5,800	6,400	9,500	Buy	63.8	(7.9)	39.3	18.1x	0.9x	5.0	4.2	6.2	(19.1)	0.9
INTP	8,600	9,400	12,700	Buy	47.7	(14.6)	31.7	15.1x	1.4x	9.6	1.9	9.9	7.4	0.7
INCO	4,150	4,310	5,000	Buy	20.5	(35.4)	41.2	9.5x	1.0x	11.2	2.2	4.5	36.6	1.2
ANTM	1,670	1,705	2,050	Buy	22.8	(11.9)	40.1	9.9x	1.6x	17.1	4.8	(8.3)	8.4	1.4
NCKL	905	1,000	1,320	Buy	45.9	#N/A	57.1	N/A	2.6x	36.5	2.5	135.1	N/A	N/A

Source : Bloomberg, NHKSI Research

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