

Weekly Brief (May 27 – 31, 2024)

Summary:

Last week review:

Last week was filled with statements from Federal Reserve officials on the future direction of US interest rate policy. Fed Chairman Jerome Powell has at least indicated that the possibility of interest rate hikes this year has been eliminated, although there are still hawkish comments from other US central bank officials stating that they need more evidence to ensure that US Inflation is safely contained within their 2% target trajectory, so the timing of a rate cut cannot be determined with certainty. In a way, the market responded positively, as the tech-heavy NASDAQ was able to close last week with a win. The CME FedWatch Tool calculates a 45% chance that the Fed will cut rates in September. What remains a headwind is the trend of US economic data still showing strength, such as the S&P Global US Manufacturing PMI (May) which appears to be increasingly expansionary, as well as the services sector. Weekly Initial Jobless Claims were also recorded to be lower, both from expectations and the previous week. Especially when complemented by the Durable Goods Orders (Apr.) figure which turned out to be much better than expected, arriving at a positive growth rate of 0.7% in April, above the expected minus 0.9%. While on one hand, all these indicators confirm that the US is far from recession, on the other hand, it makes the Fed officials more consistent to keep interest rates higher for longer.

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As for the S&P500, it has skyrocketed by more than 11% this year, so big brokerage firms on Wall Street have had to raise their targets recently. Historical data proves that when the S&P500 has accelerated more than 10% in the first 100 days of a year, the index will still be able to continue its rise. Especially in 2024, which is also a Presidential election year in the US. Thus, it is predicted that the S&P500 will be able to reach the 5700-5800 Target by the end of 2024 (= translating further upside potential of around 7-9%).

EUROPE & ASIA MARKETS: UK reported CPI (Apr.) slipped considerably to 2.3% yoy, from 3.2% in the previous period, seemingly making the Bank of England (BoE) more optimistic to cut rates first in June. The same optimism was also felt by the ECB after their Inflation was within the expected trajectory, but economic growth could still be saved when the GERMANY GDP 1st quarter proved to survive at 0.2% qoq, much improved from the brink of recession -0.3% in the previous quarter; and a number of PMI data from GERMANY & EUROZONE looked happy. CHINA & INDONESIA kept their benchmark interest rates in place.

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COMMODITIES: OIL prices fell heavily over the past week, with BRENT losing 2.1% after dropping 4 consecutive sessions this week, and US WTI not being spared from a 2.8% hit last week. Concerns about the Federal Reserve's interest rate policy that has no prospect of going down as well as last week's surge in US crude oil stockpiles did not support Oil prices overall. It is not impossible that the Federal Reserve officials should even consider raising interest rates, if Inflation heats up uncontrollably again. As is known, high interest rates inflate borrowing costs, which in turn will slow economic activity and reduce demand for energy (crude oil). Consumer Sentiment also dropped to a 5-month low overshadowed by the issue of borrowing costs that remain elevated. On the other hand, Morgan Stanley analysts still expect crude oil demand to remain high overall, as they expect total oil consumption to increase by 1.5 million barrels per day this year. Traders are waiting for the scheduled OPEC meeting on June 2 to discuss whether they will extend the voluntary production cuts by 2.2 million barrels/day; either until September as predicted by analysts.

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This week's outlook:

Inflation data from the US, Eurozone, and Japan will be the main focus in this holiday-shortened week. The health of China's manufacturing sector will also be in the spotlight, while concerns over the sluggish global demand outlook may continue to weigh on Oil prices.

The Fed's favorite inflation gauge - the Personal Consumption Expenditures (PCE) price index - due on Friday is sure to be closely watched for clues on the direction of interest rates for the rest of the year. This data comes at a time when markets have already resigned themselves to the higher-for-longer rate narrative following the release of the Fed's meeting minutes last week, along with cautious-sounding statements from officials expressing doubts as to whether inflation is indeed on a reliable trajectory. Investors will also get the chance to hear from several Fed officials during the week including Governor Michelle Bowman, Cleveland Fed President Loretta Mester, Governor Lisa Cook, New York Fed President John Williams and Atlanta Fed President Raphael Bostic. The economic calendar also features first quarter GDP revisions on Thursday and the Fed's Beige Book on Wednesday.

The EUROPEAN CENTRAL BANK has pledged to cut interest rates from a record high of 4% at its June meeting, but it remains to be seen how quickly it will cut rates after that, especially if inflation data released on Friday shows price pressures are still volatile. Economists expect Eurozone inflation to rise 2.5% yoy in May, from 2.4% in April, while underlying inflation is seen stabilizing at 2.7%. This is unlikely to deter the ECB from making a rate cut in June, although some officials have stated that they will not pursue further easing. The economic calendar for the bloc also features the German Ifo business climate index on Monday, and the ECB's inflation expectations survey on Tuesday.

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This week's outlook:

TOKYO INFLATION DATA due out on Friday is being closely watched by market participants that are trying to gauge at what point the Bank of Japan could raise interest rates again. The figures are released two weeks before the BOJ's next monetary policy meeting, where some are betting that the central bank could raise interest rates for a second time after a historic move in March. Policymakers face mounting pressure to raise rates amid ongoing Yen weakness, which is hurting consumption by raising the cost of importing Raw materials. On Friday, the Ministry of Finance will also release intervention data covering recent rounds of suspected interventions and the BOJ's bond purchase schedule, where traders will be paying attention to how much of a reduction in purchases the central bank is making.

CHINA will release industrial profits data for the current year on Monday, with market watchers keen to see if profits were able to rebound in April after a sharp decline in the previous month slowed the pace of gains for the first three months to 4.3%. China will release its official manufacturing and non-manufacturing indices on Friday. Economists expect the manufacturing index to remain above the 50 threshold, thus setting expansionary growth for a third month in May. Beijing has set an ambitious economic growth target of around 5% for this year, which many analysts say will be challenging to achieve due to the prolonged crisis in the property sector, as well as still weak consumer demand.

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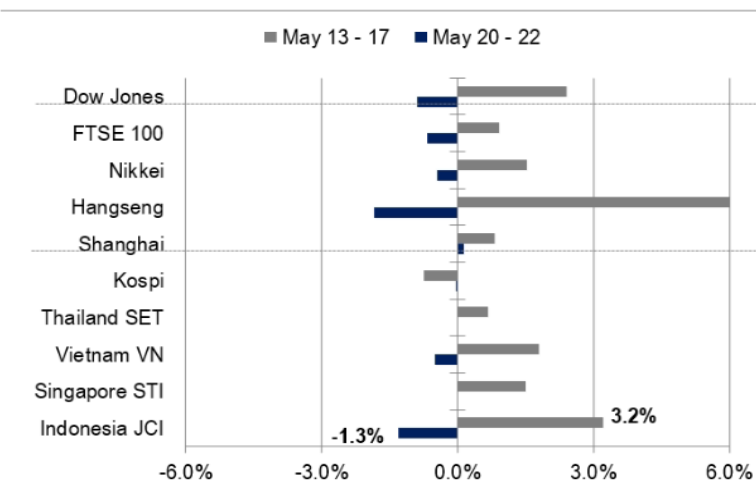
This week's outlook:

OIL prices rose around 1% on Friday but posted a weekly decline amid concerns that strong US economic data will keep interest rates on hold for a longer period of time, thus limiting fuel demand. Brent closed down 2.1% for the week. Oil prices fell for 4 consecutive sessions last week, the longest losing streak since January 2. US WTI crude oil closed down 2.8% for the week. This week traders will focus on the OPEC meeting on June 2 which will decide the future of voluntary production cuts.

JCI Index : 7,222.38 (-1.3%)
Foreign Flow : Net Sell of IDR 1.4 Trillion (Vs. last week's net sell of IDR 1.5 Trillion)
USD/IDR : 15,993 (-0.24%)

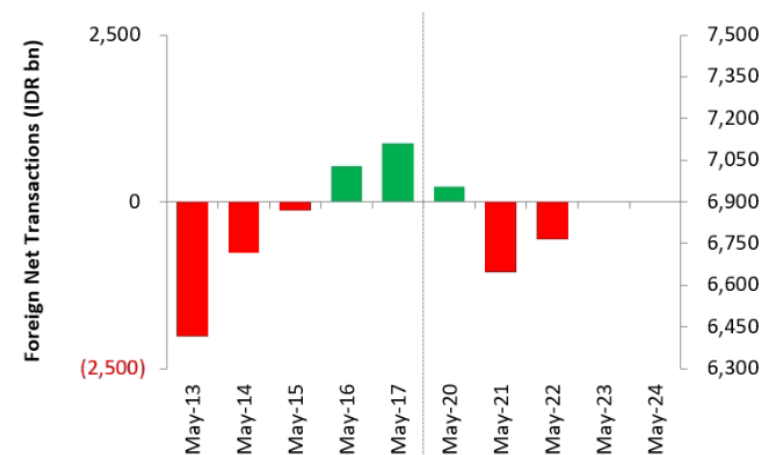
Last Week's JCI Movement

Global Market Movement



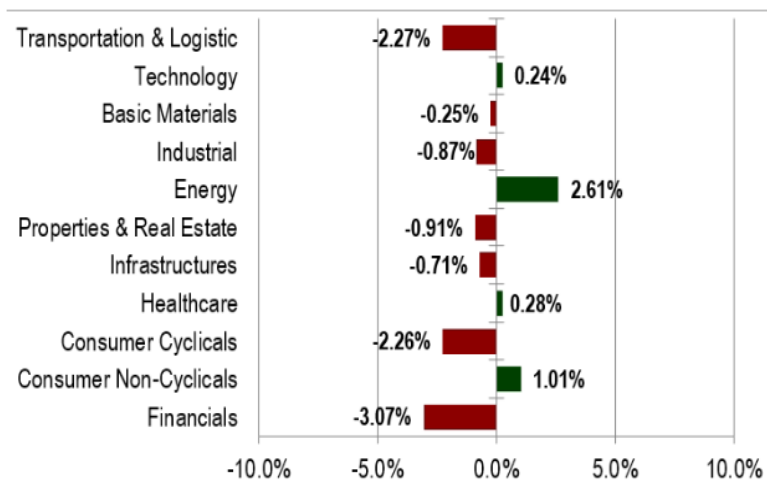
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



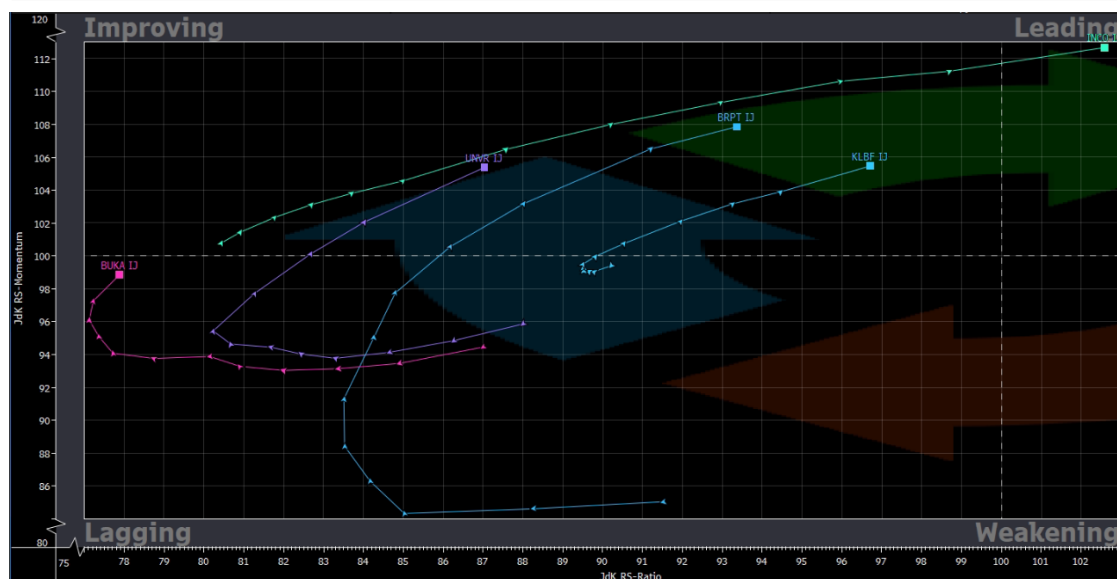
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
TPIA	281,588	BMRI	774,487
INCO	149,186	BBRI	756,436
MBMA	107,305	BBCA	703,454
ADRO	78,306	BBNI	233,608
BREN	73,452	BRPT	78,451

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
INCO	5150-5200 / 5350-5400 / 5725-5800	4800
BRPT	1340-1385 / 1460 / 1600-1625	1150
UNVR	3270-3280 / 3400-3430 / 3550-3580	2900
BUKA	136 / 143-145 / 152-158	124
KLBF	1620-1635 / 1700-1735 / 1860	1500

Source: Bloomberg, NHKSI Research

JCI Index

Support	7135-7155 / 7035-7075	Resistance	7250-7280 / 7350-7377 / 7435-7450
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Source: NHKSI Research, Bloomberg

Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
Monday	GE	15:00	IFO Business Climate	May	—	89.4
27 – May	JP	12:00	Leading Index CI	Mar F	—	111.4
Tuesday	US	21:00	Conf. Board Consumer Confidence	May	96.5	97.0
28 – May	—	—	—	—	—	—
Wednesday	EC	15:00	M3 Money Supply YoY	Apr	—	0.9%
29 – May	GE	19:00	CPI YoY	May P	—	2.2%
Thursday	US	19:30	GDP Annualized QoQ	1Q S	1.2%	1.6%
30 – May	US	19:30	Initial Jobless Claims	May 25	—	—
	EC	16:00	Consumer Confidence	May F	—	—
	EC	16:00	Unemployment Rate	Apr	—	6.5%
Friday	US	19:30	Personal Income	Apr	0.3%	0.5%
31 – May	US	19:30	Personal Spending	Apr	0.3%	0.8%
	US	20:45	MNI Chicago PMI	May	40.4	37.9
	CH	08:30	Manufacturing PMI	May	—	50.4
	EC	16:00	CPI MoM	May P	—	0.6%
	JP	06:30	Jobless Rate	Apr	—	2.6%
	JP	06:50	Industrial Production MoM	Apr P	—	4.4%
	KR	06:00	Industrial Production YoY	Apr	—	0.7%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	WIIM, SGRO, RUIS, PTSN, LAJU, ISAP, INPS, IKPM, BWPT, BOLA, BISI, BBMD
27 – May.	Cum Dividend	XSPI, TGKA, SIDO, SGER, MASA, MARK, ELSA, ELPI, ADRO, ABMM
Tuesday	RUPS	VICI, UCID, TCID, STRK, SMMT, SKRN, PKPK, PGEO, MSTI, EURO, CRSN, BEST
28 – May.	Cum Dividend	SRTG, MIDI, KMDS, KLBF, GEMS, DLTA, BOBA, BIKE, AMRT
Wednesday	RUPS	VTNY, SMBR, RAJA, POWR, PAMG, NICL, NASI, NANO, MPMX, MOLLI, MKAP, MERK, KBLV, KBAG, GTRA, GRPH, CSRA, CGAS, CENT, BREN, BGTG, BEEF, AMAR
29 – May	Cum Dividend	WTON, SBMA, PSSI, PPGL, KUAS, BRIS, BAUT
Thursday	RUPS	TRIO, TBIG, STAA, SINI, SILO, PSGO, PNBK, PGAS, NAYZ, MEDC, INDX, IDEA, GRPM, GLOB, EMDE, ELTY, DILD, CYBR, CLEO, BUMI, BSBK, BOLT, BMHS, BKSW, ASMI, APLN, APEX, ABDA
30 – May	Cum Dividend	BBLD, IMPC, WEGE
Friday	RUPS	YULE, TNCA, SMCB, SDPC, RSCH, RBMS, PTIS, PACK, NZIA, MTEL, MLIA, MDLN, LUCY, LPLI, KOKA, IBST, GHON, FORU, FOLK, CASH, CAKK, BBSS, BBHI, ASPI, ASLC, APLI, AISA, AEGS
31 – May	Cum Dividend	ISAT

Source: NHKSI Research

NHKS Stock 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							3,603.9							
BBCA	9,425	9,400	11,025	Buy	17.0	3.0	1,161.9	23.3x	5.1x	22.8	2.9	7.6	10.6	1.0
BBRI	4,720	5,725	6,375	Buy	35.1	(15.7)	715.4	11.8x	2.4x	21.1	6.8	17.8	1.9	1.1
BBNI	4,760	5,375	6,475	Buy	36.0	6.4	177.5	8.4x	1.2x	14.7	5.9	9.4	2.2	1.1
BMRI	6,050	6,050	7,800	Buy	28.9	18.0	564.7	10.2x	2.3x	24.1	5.9	13.2	1.1	1.3
AMAR	250	320	400	Buy	60.0	(19.4)	4.6	20.9x	1.4x	5.5	N/A	21.1	N/A	0.3
Consumer Non-Cyclicals							1,134.7							
INDF	6,150	6,450	7,400	Buy	20.3	(14.6)	54.0	8.0x	0.9x	11.4	4.2	0.8	(36.3)	0.5
ICBP	10,475	10,575	13,600	Buy	29.8	(6.5)	122.2	22.7x	2.8x	13.0	1.8	4.1	(40.4)	0.6
UNVR	3,060	3,530	3,100	Hold	1.3	(30.1)	116.7	24.1x	24.1x	95.1	4.4	(5.0)	2.7	0.6
MYOR	2,280	2,490	2,800	Buy	22.8	(15.9)	51.0	14.2x	3.2x	24.3	1.5	3.7	51.5	0.5
CPIN	5,225	5,025	5,500	Overweight	5.3	1.0	85.7	30.8x	3.1x	10.3	1.9	9.3	186.7	0.7
JPFA	1,435	1,180	1,400	Hold	(2.4)	12.5	16.8	9.1x	1.2x	13.9	3.5	18.4	N/A	0.9
AALI	6,175	7,025	8,000	Buy	29.6	(16.0)	11.9	11.2x	0.5x	4.8	4.0	0.8	2.6	0.9
TBLA	620	695	900	Buy	45.2	(1.6)	3.8	5.8x	0.4x	7.9	3.2	0.6	(10.6)	0.5
Consumer Cyclicals							391.4							
ERAA	404	426	600	Buy	48.5	(20.0)	6.4	7.5x	0.8x	11.6	4.7	12.6	7.8	1.0
MAPI	1,390	1,790	2,200	Buy	58.3	(24.0)	23.1	12.1x	2.2x	20.2	0.6	17.8	5.9	0.7
HRTA	390	348	590	Buy	51.3	(5.3)	1.8	5.3x	0.9x	17.6	3.8	89.7	47.1	0.3
Healthcare							276.2							
KLBF	1,560	1,610	1,800	Buy	15.4	(23.9)	73.1	25.2x	3.2x	13.2	2.4	6.3	12.5	0.5
SIDO	715	525	700	Hold	(2.1)	(6.5)	21.5	20.6x	5.7x	30.1	5.0	16.1	30.1	0.6
MIKA	3,090	2,850	3,000	Hold	(2.9)	14.9	44.0	44.1x	7.0x	16.6	1.2	21.0	26.8	0.3
Infrastructure							2,300.32							
TLKM	2,940	3,950	4,800	Buy	63.3	(28.8)	291.2	12.0x	2.1x	17.4	6.1	3.7	(5.8)	0.9
JSMR	5,000	4,870	5,100	Hold	2.0	43.3	36.3	5.3x	1.3x	27.1	0.8	36.0	17.8	0.9
EXCL	2,470	2,000	3,800	Buy	53.8	27.3	32.4	20.1x	1.2x	6.1	2.0	11.8	156.3	1.0
TOWR	765	990	1,310	Buy	71.2	(24.3)	39.0	11.6x	2.2x	20.3	3.2	6.3	6.7	0.6
TBIG	1,850	2,090	2,390	Buy	29.2	(12.7)	41.9	26.5x	3.5x	13.3	3.3	5.4	4.3	0.4
MTEL	605	705	860	Buy	42.1	(7.6)	50.5	24.9x	1.5x	5.9	N/A	7.3	0.0	0.7
PTPP	368	428	1,700	Buy	362.0	(27.8)	2.3	4.2x	0.2x	4.7	N/A	5.7	150.0	1.4

Source : Bloomberg, NHKS Research

NHKSJ 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
Property & Real Estate							238.4							
CTRA	1,140	1,170	1,300	Overweight	14.0	3.6	21.1	11.0x	1.0x	9.7	1.3	8.7	18.2	0.8
PWON	394	454	500	Buy	26.9	(16.2)	19.0	10.3x	1.0x	9.9	1.6	10.5	(44.4)	0.9
Energy							1,455.6							
ITMG	24,325	25,650	26,000	Overweight	6.9	3.4	27.5	4.6x	1.0x	22.4	18.1	(28.6)	(68.8)	1.2
PTBA	2,590	2,440	4,900	Buy	89.2	(11.9)	29.8	5.2x	1.3x	22.1	15.4	(5.5)	(31.8)	1.1
HRUM	1,330	1,335	1,600	Buy	20.3	5.6	18.0	7.3x	1.2x	18.6	N/A	2.3	(50.2)	1.4
ADRO	2,920	2,380	2,870	Hold	(1.7)	39.7	93.4	3.6x	0.8x	22.9	15.0	(21.5)	(17.7)	1.5
Industrial							351.2							
UNTR	22,600	22,625	25,900	Overweight	14.6	(2.1)	84.3	4.1x	1.0x	22.9	10.0	(7.1)	(14.6)	1.0
ASII	4,710	5,650	6,900	Buy	46.5	(28.6)	190.7	5.9x	0.9x	16.0	11.0	(2.1)	(14.4)	1.1
Basic Ind.							2,297.8							
SMGR	3,950	6,400	9,500	Buy	140.5	(33.1)	26.8	12.8x	0.6x	4.8	2.1	(6.3)	(15.7)	1.1
INTP	7,000	9,400	12,700	Buy	81.4	(30.3)	25.8	13.2x	1.1x	8.8	1.3	(3.8)	(35.9)	0.7
INCO	4,900	4,310	5,000	Hold	2.0	(25.5)	48.7	11.1x	1.2x	11.2	1.8	4.5	36.6	1.0
ANTM	1,525	1,705	2,050	Buy	34.4	(20.6)	36.6	22.2x	1.2x	5.9	8.4	(25.6)	(85.7)	1.4
NCKL	1,070	1,000	1,320	Buy	23.4	20.9	67.5	13.1x	2.7x	29.8	2.1	26.1	(33.7)	N/A
Technology							298.7							
GOTO	66	86	81	Buy	22.7	(36.5)	79.3	N/A	1.9x	(109.2)	N/A	22.4	78.1	1.8
Transportation & Logistic							37.5							
ASSA	790	790	990	Buy	25.3	(30.1)	2.9	23.6x	1.5x	6.8	N/A	3.1	32.3	1.5

Source : Bloomberg, NHKSJ Research

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