

Weekly Brief (May 6 – 10, 2024)

Summary:

Last week review:

FOMC MEETING OUTCOME AND US LABOR REPORT IMPACT ON US RATE CUT OUTLOOK.

FOMC MEETING: The Federal Reserve kept interest rates unchanged at 5.25%-5.50%, indicating that it is still leaning towards a rate cut after a string of US economic data; although the Fed also raised red flags on the recent disappointing PCE price index reading. On Wall Street, each of the major indexes closed April with the first monthly decline since October; while the JCI fell 1.58% so far this April, where foreigners recorded a net sell of IDR18.3 trillion (all market) worth of stocks on the Indonesia Stock Exchange (IDX), although on a YTD basis foreign still recorded a net buy of stocks with IDR7.95 trillion remaining.

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US LABOR DATA: Initially, data from ADP Employment Change showed employment in the US private sector increased more than expected in April, whereas the previous month's data was revised higher. Meanwhile, a separate report from the Bureau of Labor Statistics on JOLTs (Job Openings and Labor Turnover Survey) showed job openings in the US fell to a three-year low in March, an indication of a shrinking labor pool that could potentially help the Fed in its fight against Inflation. Other data from the Institute for Supply Management showed continued sluggishness in the US manufacturing sector, which contracted in April amid falling orders after having expanded the previous month. The latest Initial Jobless Claims explained that the number of Americans filing unemployment claims in the latest week remained stable at 208k as well as the previous week, while in fact it was lower than the forecast of 212k, so the labor market is still considered quite tight. The market responded to the FOMC Meeting decision and the above economic indicators mixed: Bank of America maintained their view that the first rate cut will occur as early as December on the premise that Inflation will still be high and difficult to fall. Goldman Sachs remains convinced that there will be two rate cuts this year, while Macquarie seems to be more pessimistic about it although they still factor in a possible pivot this year. It was Friday's Nonfarm Payroll data that gave confidence that the labor market is getting balanced and Morgan Stanley still expects 3 rate cuts this year. The US economy added jobs at a slower pace in April, adding only 175,000 jobs last month, compared to a revised 315,000 in March. The Unemployment Rate also rose to 3.9% in April, from 3.8% the previous month, but was still the 27th consecutive month below 4%. Average hourly wage growth fell to 0.2% on the month. Finally for the week, Wall Street was safely in positive territory with the S&P 500 up 0.55%, the Nasdaq surging 1.43%, and the Dow gaining 1.14%. The US Treasury yield also retreated to its lowest point in a month; as did the Dollar index.

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COMPANY FINANCIAL REPORTS also helped overall market sentiment; of the 397 S&P 500 companies that have reported earnings as of Friday morning, 76.8% have exceeded analysts' expectations, compared to a 67% rate since 1997 and 79% over the past four quarters; according to LSEG data.

INDONESIA: recorded April CPI at 3.0% yoy, lower than the 3.06% forecast and the previous month's 3.05%; although on a monthly basis slightly higher than expected due to high transportation costs during the Lebaran homecoming period. Indonesia also recorded a declining PMI performance in the manufacturing sector although it still remained in expansionary territory. For the past week, JCI had to slip -0.29% due to capital outflow of foreign funds amounting to IDR 5.73 trillion (all markets), leaving YTD position to only IDR 5.35 trillion. The 10-year SBN yield briefly touched a high of 7.33%, a figure that has not been seen since Oct last year, although it eventually softened to below the psychological 7.0% level at last Friday's close along with a “strengthening” Rupiah exchange rate of 1.34% to the IDR 16033/USD area.

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This week's outlook:

Market participants will focus on several THE FED PRESIDENT'S PIDATOS scheduled this week after the US central bank last week acknowledged the lack of recent progress in their handling of inflation, although Chairman Jerome Powell said he still believes that interest rates will be able to fall this year. New York Federal Reserve President John Williams and Richmond Federal Reserve President Thomas Barkin are scheduled to speak on Monday, followed by Minneapolis Federal Reserve President Neel Kashkari a day later. Chicago Federal Reserve President Austan Goolsbee and Federal Reserve Governor Michelle Bowman will make further appearances later in the week. The Consumer Confidence data on Friday will provide fresh insights into inflation expectations and the economic outlook. The weekly Initial Jobless Claims report is scheduled for Thursday as usual.

The first quarter FINANCIAL REPORT season is nearing its final stages and there are still several large companies scheduled to report their performance in this week including Walt Disney, Wynn Resorts, and Akamai Technologies. Small capitalization stocks have been somewhat laggards of the overall market gains this year as the prospect of the Fed keeping interest rates high for a longer period of time has clouded the outlook for these smaller companies, which depend more on debt financing and consumer spending. However, it is possible that the outlook for small-caps could improve after last Friday's Nonfarm Payroll report eased concerns that interest rates will remain elevated throughout this year.

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Investors will be watching the BANK OF ENGLAND's interest rate statement on Thursday for fresh signs that the bank intends to cut interest rates in the coming months as Bank of England officials have previously indicated. Recent economic data has provided mixed views on price pressures in the UK economy, prompting market participants to delay expectations of a first interest rate cut to September, from June in its initial forecast. The Bank of England will also update its quarterly economic projections; while their Q1 GDP is forecast to improve to 0.4% qoq, from a recessionary -0.3% in the previous quarter.

COMMODITIES: OIL prices suffered their biggest weekly loss in 3 months last week, with BRENT down more than 7%, while US WTI fell 6.8%. Traders are concerned that higher for longer interest rates will dampen economic growth in the US, the world's number one oil consumer. The geopolitical risk premium from the Israel-Hamas war has also faded as both sides consider a temporary ceasefire and talks with international mediators. Traders are also monitoring whether the drop in oil prices, largely caused by a surge in US oil stockpiles, will still not stop the US government from replenishing its strategic reserves.

CHINA: China's Trade Balance data and Export-Import position are the focus of market participants who expect their economy to start improving with positive growth in their Export-Import. This weekend will also be awaited for China's Inflation figures which are expected to move away from potential deflation.

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INDONESIA: will kick off the week with Q1 GDP report which is predicted at 5.0% yoy, slightly down from 5.04% in the previous quarter. On a quarterly basis, Q1 growth is expected to be slightly lower at -0.89% qoq compared to last quarter's growth of 0.45%. Following Wednesday, it is the Foreign Exchange Reserves (Apr) data that will dominate the attention of market participants before entering the Ascension of Jesus long weekend holiday.

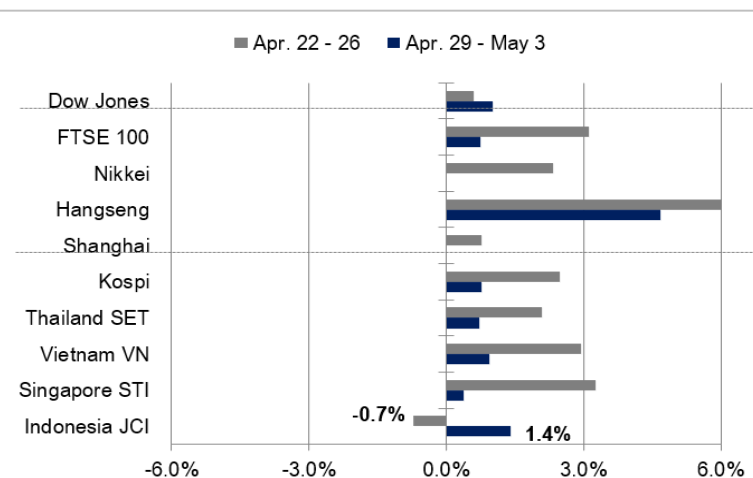
JCI Index : 7,134.72 (+1.4%)

Foreign Flow : Net Sell of IDR 3.1 Trillion (Vs. last week's net sell of IDR 4.5 Trillion)

USD/IDR : 16,084 (+0.78%)

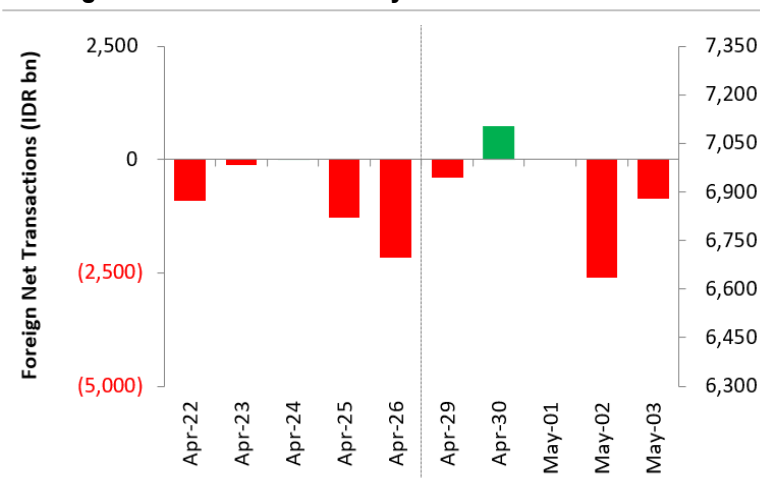
Last Week's JCI Movement

Global Market Movement



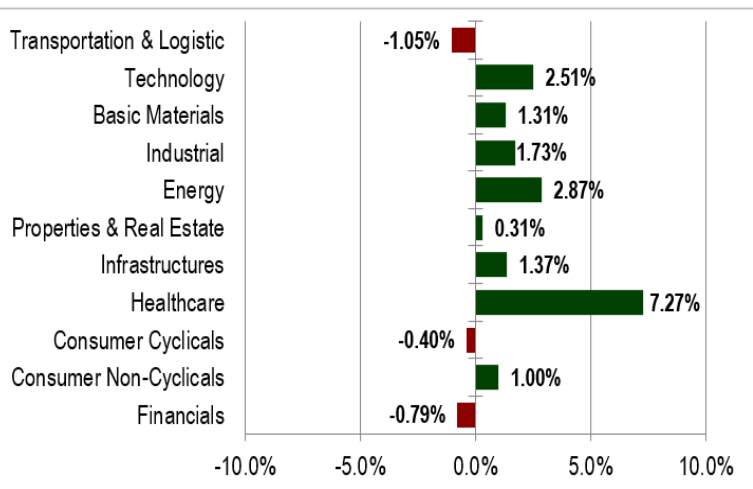
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



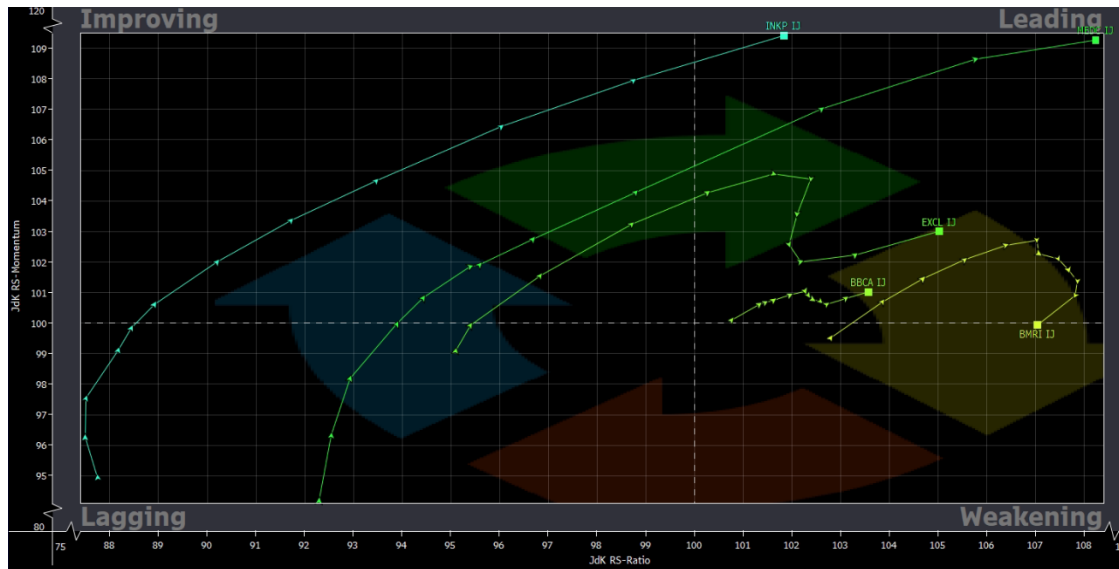
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BBCA	530,008	BBRI	2,566,624
ASII	292,288	BMRI	1,245,494
PGAS	213,234	TLKM	278,518
TPIA	185,240	BBNI	272,262
BREN	122,092	ANTM	139,456

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
INKP	9900-10100 / 10325-10400 / 10725-10850	8750
BMRI	6300-6350 / 6950- 7050 / 7400-7500	6025
BBCA	10000-10050 / 10200-10400	9700
MEDC	1375-1410 / 1455- 1475 / 1535-1555	1260
EXCL	2560-2640 / 2720- 2770	2400

Source: Bloomberg, NHKSI Research

JCI Index

Support	6900-6925 / 7000-7035 / 7100-7125	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	ID	11:00	GDP YoY	1Q	5.08%	5.04%
<i>6 – May</i>	ID	11:00	GDP QoQ	1Q	-0.86%	0.45%
Tuesday	CH	—	Foreign Reserves	Apr	—	\$3245.6B
<i>7 – May</i>	EU	13:00	Factory Orders MoM	Mar	-0.2%	0.2%
	KR	04:00	Foreign Reserves	Apr	—	\$419.25B
Wednesday	US	18:00	MBA Mortgage Applications	May 3	—	-2.3%
<i>8 – May</i>	ID	10:00	Foreign Reserves	Apr	—	\$140.40B
	EU	13:00	Industrial Production SA MoM	Mar	-1.0%	2.1%
Thursday	US	19:30	Initial Jobless Claims	May 4	—	208K
<i>9 – May</i>	CH	—	Trade Balance	Apr	—	\$58.55B
	KR	06:00	BoP Current Account Balance	Mar	—	\$6858.3B
Friday	US	21:00	U. of Mich. Sentiment	May P	77.0	77.2
<i>10 – May</i>	—	—	—	—	—	—

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	RELF, KDTN, INDY
6 – May.	Cum Dividend	TLDN, MLPT, DRMA, CMRY, AMAG
Tuesday	RUPS	SKYB, MTFN, DGNS
7 – May.	Cum Dividend	TPMA, MCOL, AUTO
Wednesday	RUPS	TPIA, TINS, TELE, TEBE, PTBA, MPPA, MASB, MAHA, LPIN, JSMR, HILL, EDGE, CNTX, CBRE, BDKR, AN TM
8 – May	Cum Dividend	TUGU, TRIS, SMSM, PTRO, LPGI, AKRA
Thursday	RUPS	—
9 – May	Cum Dividend	—
Friday	RUPS	LUCK
10 – May	Cum Dividend	—

Source: NHKSI 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
Finance							3,690.6							
BBCA	9,850	9,400	11,025	Overweight	11.9	9.4	1,214.3	24.3x	5.3x	22.8	2.7	7.6	10.6	0.9
BBRI	4,750	5,725	6,850	Buy	44.2	(9.1)	719.9	11.9x	2.4x	21.1	6.7	17.8	1.9	1.1
BBNI	4,830	5,375	6,475	Buy	34.1	4.4	180.1	8.6x	1.2x	14.7	5.8	9.4	2.2	1.1
BMRI	6,150	6,050	7,800	Buy	26.8	18.8	574.0	10.4x	2.4x	24.1	5.8	13.2	1.1	1.2
AMAR	250	320	400	Buy	60.0	(9.4)	4.6	20.9x	1.4x	5.5	N/A	21.1	N/A	0.2
Consumer Non-Cyclicals							1,107.9							
INDF	6,225	6,450	7,400	Buy	18.9	(7.1)	54.7	8.1x	0.9x	11.4	4.1	0.8	(36.3)	0.5
ICBP	10,850	10,575	13,600	Buy	25.3	(0.2)	126.5	23.5x	2.9x	13.0	1.7	4.1	(40.4)	0.6
UNVR	2,600	3,530	3,100	Buy	19.2	(42.1)	99.2	20.5x	20.5x	95.1	5.2	(5.0)	2.7	0.7
MYOR	2,350	2,490	2,800	Buy	19.1	(11.0)	52.5	14.7x	3.3x	24.3	1.5	3.7	51.5	0.5
CPIN	5,000	5,025	5,500	Overweight	10.0	4.4	82.0	29.5x	3.0x	10.3	2.0	9.3	186.7	0.7
JPFA	1,215	1,180	1,400	Buy	15.2	12.0	14.2	7.7x	1.0x	13.9	4.1	18.4	N/A	0.7
AALI	6,300	7,025	8,000	Buy	27.0	(16.0)	12.1	11.4x	0.5x	4.8	3.9	0.8	2.6	0.9
TBLA	610	695	900	Buy	47.5	(0.8)	3.7	5.8x	0.4x	8.1	3.3	(7.6)	(30.0)	0.5
Consumer Cyclicals							398.0							
ERAA	398	426	600	Buy	50.8	(12.7)	6.3	7.4x	0.9x	11.7	4.8	21.6	(18.1)	1.0
MAPI	1,485	1,790	2,200	Buy	48.1	1.4	24.7	12.9x	2.4x	20.2	0.5	17.8	5.9	0.6
HRTA	406	348	590	Buy	45.3	14.0	1.9	5.5x	0.9x	17.6	3.7	89.7	47.1	0.3
Healthcare							270.9							
KLBF	1,490	1,610	1,800	Buy	20.8	(30.7)	69.8	24.0x	3.1x	13.2	2.6	6.3	12.5	0.5
SIDO	720	525	700	Hold	(2.8)	(10.0)	21.6	20.7x	5.7x	30.1	4.9	16.1	30.1	0.7
MIKA	2,990	2,850	3,000	Hold	0.3	15.9	42.6	42.7x	6.8x	16.6	1.2	21.0	26.8	0.4
Infrastructure							2,141.57							
TLKM	3,160	3,950	4,800	Buy	51.9	(24.2)	313.0	12.9x	2.2x	17.4	5.3	3.7	(5.8)	0.9
JSMR	5,025	4,870	5,100	Hold	1.5	51.4	36.5	5.3x	1.3x	27.3	1.5	28.6	147.3	0.9
EXCL	2,480	2,000	3,800	Buy	53.2	36.6	32.6	20.2x	1.2x	6.1	1.7	11.8	156.3	0.9
TOWR	800	990	1,310	Buy	63.8	(20.8)	40.8	12.1x	2.3x	20.3	3.0	6.3	6.7	0.6
TBIG	1,925	2,090	2,390	Buy	24.2	(6.1)	43.6	27.6x	3.6x	13.3	3.1	5.4	4.3	0.4
MTEL	555	705	860	Buy	55.0	(18.4)	46.4	22.9x	1.3x	5.9	N/A	7.3	0.0	0.5
PTPP	398	428	1,700	Buy	327.1	(30.8)	2.5	4.6x	0.2x	4.2	N/A	5.7	77.3	1.4

Source : Bloomberg, NHKSJ Research

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	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							236.0							
CTRA	1,160	1,170	1,300	Overweight	12.1	14.3	21.5	11.2x	1.1x	9.7	1.3	8.7	18.2	0.7
PWON	388	454	500	Buy	28.9	(18.1)	18.7	10.2x	1.0x	9.9	1.7	10.5	(44.4)	0.9
Energy							1,414.6							
ITMG	24,825	25,650	26,000	Hold	4.7	(16.3)	28.1	3.5x	1.0x	26.7	17.8	(34.7)	(58.9)	1.2
PTBA	2,930	2,440	4,900	Buy	67.2	(12.8)	33.8	5.9x	1.5x	22.1	37.3	(5.5)	(31.8)	1.1
HRUM	1,375	1,335	1,600	Buy	16.4	(0.4)	18.6	7.6x	1.3x	18.6	N/A	2.3	(50.2)	1.4
ADRO	2,730	2,380	2,870	Overweight	5.1	(2.2)	87.3	3.4x	0.7x	22.9	16.0	(21.5)	(17.7)	1.4
Industrial							377.4							
UNTR	23,950	22,625	25,900	Overweight	8.1	(0.8)	89.3	4.4x	1.0x	22.9	9.5	(7.1)	(14.6)	1.0
ASII	5,225	5,650	6,900	Buy	32.1	(15.0)	211.5	6.5x	1.0x	16.0	12.4	(2.1)	(14.4)	1.1
Basic Ind.							2,066.0							
SMGR	4,630	6,400	9,500	Buy	105.2	(18.8)	31.4	15.0x	0.7x	4.8	5.3	(6.3)	(15.7)	1.2
INTP	7,200	9,400	12,700	Buy	76.4	(28.0)	26.5	13.6x	1.2x	8.8	2.2	(3.8)	(35.9)	0.7
INCO	4,070	4,310	5,000	Buy	22.9	(41.9)	40.4	9.2x	1.0x	11.2	2.2	4.5	36.6	1.2
ANTM	1,490	1,705	2,050	Buy	37.6	(27.0)	35.8	21.7x	1.2x	5.9	5.3	(25.6)	(85.7)	1.4
NCKL	915	1,000	1,320	Buy	44.3	(28.0)	57.7	11.2x	2.3x	29.8	2.4	26.1	(33.7)	N/A
Technology							293.2							
GOTO	66	86	81	Buy	22.7	(37.7)	79.3	N/A	1.9x	(109.2)	N/A	22.4	78.1	2.6
Transportation & Logistic							37.6							
ASSA	785	790	990	Buy	26.1	(19.9)	2.9	23.4x	1.5x	6.8	N/A	3.1	32.3	1.6

Source : Bloomberg, NH KSI Research

PT NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

Head of Research

Liza Camelia Suryanata

Equity Strategy, Macroeconomics,
Technical
T +62 21 5088 ext 9134
E liza.camelia@nhsec.co.id

Analyst

Richard Jonathan Halim

Technology, Transportation
T +62 21 5088 ext 9128
E Richard.jonathan@nhsec.co.id

Analyst

Leonardo Lijuwardi

Banking, Infrastructure
T +62 21 5088 ext 9127
E leonardo.lijuwardi@nhsec.co.id

Research Support

Amalia Huda Nurfalih

Editor & Translator
T +62 21 5088 ext 9132
E amalia.huda@nhsec.co.id

Analyst

Cindy Alicia Ramadhania

Consumer, Healthcare
T +62 21 5088 ext 9129
E cindy.alicia@nhsec.co.id

Analyst

Axell Ebenhaezer

Mining, Property
T +62 21 5088 ext 9133
E Axell.Ebenhaezer@nhsec.co.id

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PT NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

Head Office :

Treasury Tower 51th Floor, District 8, SC
BD Lot 28, Jl. Jend. Sudirman No. Kav 52-
53, RT.5/RW.3, Senayan, Kebayoran Bar
u, South Jakarta City, Jakarta 12190
No. Telp : +62 21 5088 9102

BANDENGAN (Jakarta Utara)

Jl. Bandengan Utara Kav. 81
Blok A No. 01, Lt. 1 Kel. Penjaringan,
Kec. Penjaringan Jakarta Utara,
DKI Jakarta 14440
No. Telp : +62 21 66674959

BANDUNG

Paskal Hypersquare blok A1
Jl. Pasirkaliki no 25-27 Bandung 40181
No. Telp : +62 22 860 22122

BALI

Jl. Cok Agung Tresna
Ruko Griya Alamanda no. 9 Renon
Denpasar, Bali 80226
No. Telp : +62 361 209 4230

ITC BSD (Tangerang Selatan)

BSD Serpong: ITC BSD Blok R No. 48
Jalan Pahlawan Seribu, Lekong Wetan,
Kec. Serpong, Kel. Serpong Tangerang
Selatan – Banten 15311
No. Telp : +62 21 509 20230

KAMAL MUARA (Jakarta Utara)

Rukan Exclusive Mediterania Blok F
No.2, Kel. Kamal Muara,
Kec. Penjaringan, Jakarta Utara 14470
No. Telp : +62 21 5089 7480

MAKASSAR

Jl. Gunung Latimojong No. 120A
Kec. Makassar Kel. Lariang Bangi
Makassar, Sulawesi Selatan
No. Telp : +62 411 360 4650

MEDAN

Jl. Asia No. 548 S Medan
Sumatera Utara 20214
No. Telp : +62 61 415 6500

PEKANBARU

Sudirman City Square
Jl. Jend. Sudirman Blok A No. 7
Pekanbaru, Riau
No. Telp : +62 761 801 1330