

## Weekly Brief (July 22 – 26, 2024)

### Summary:

### Last week review:

- **A WEEK OF SLUMP FOR THE TECHNOLOGY SECTOR** dragged down the NASDAQ and S&P 500 in the worst week since April, while the Dow Jones, which set record after record last week thanks to sector rotation, posted a weekly gain. Moreover, when on Friday the world was confronted with the worldwide crash of Microsoft operating systems due to a software glitch from cyber security firm CROWDSTRIKE, which caused operational disruptions in a number of industries such as airlines, banking, and healthcare; further emphasizing that the Technology sector also has vulnerable factors for its fall, contrary to the AI hype that has been supporting its appreciation.
- **Meanwhile, the sentiment on September's rate-cut is quite optimistic, as financial markets have already priced in a 93.5% chance that the Fed will implement a rate-cut at its September meeting (as quoted from CME FedWatch Tool);** even as US Retail Sales (June) and Philadelphia Fed Manufacturing Index (Jul) were seen soaring significantly above expectations, which in turn means that consumers still have healthy spending power while Inflation is able to flatten = completing the soft-landing symptoms. Initial Jobless Claims which rose by 20k to 243k for the latest week, is not yet considered an indication of the weakening labor sector that the Fed wants to see, due to seasonal factors. As a result, the DOLLAR INDEX crept back up and pressured OIL prices.

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- **Furthermore, CHINA releasing 2nd quarter GDP figures at 4.7%, weaker than expected 5%, also raised concerns about sluggish global oil demand.** The latest news is that traders are monitoring the possibility of ceasefire negotiations in GAZA; making oil prices slump to the lowest point since mid-June. GOLD, on the other hand, rallied to a record high of USD 2483 thanks to the Fed's increasingly feasible rate cut prediction in September, although it seems quite hesitant to go straight to USD 3000 (as predicted by economists) from this position.
- **QUARTER 2 FINANCIAL REPORT season has seen 70 S&P500 companies report results, of which 83% posted above-consensus results, according to the LSEG survey.** Analysts now see aggregate S&P 500 earnings growth of 11.1% yoy, a better figure than the 10.6% forecast on July 1.

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- **U.S. POLITICAL MAP:** Following the firing of Donald Trump in the previous week, the US presidential election turmoil was colored by US President Joe Biden's decision to withdraw his candidacy, after dwindling support from his own party, the Democrats. Biden, whose health and leadership skills were in doubt at the ripe old age of 81 (compared to Trump's 78), finally handed over the nomination to Kamala Harris, who is currently the US Vice President.
- **JCI climbed 0.21% last week, accompanied by Foreign Net Buy of IDR 1.9 trillion (all markets).** INDONESIA reported its 50th consecutive month of Trade Balance (June) surplus at USD 2.39bn, albeit lower than expected and the previous month at USD 2.9bn; due to weaker Export growth than rising Imports. BI's RDG still decided to keep interest rates in place at 6.25%.

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### This week's outlook:

**Here are some of the focuses that market investors need to monitor this week:**

- It will be a busy week for financial markets with US Inflation data expected to reinforce the consensus of a rate cut in September. Earnings season will heat up with reports from several major companies and a number of European banks. Meanwhile, PMI data from the Eurozone will clarify the path to the next rate cut by the European Central Bank.
- Friday's US INFLATION DATA will test market expectations that the Federal Reserve will almost certainly cut interest rates in September. Economists expect June's PERSONAL CONSUMPTION EXPENDITURES (PCE) PRICE index to rise 0.1% for the second consecutive month, which would lower 3-month annualized Core Inflation to the slowest pace this year, below the Fed's 2% target.

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### This week's outlook:

- **As the FINANCIAL REPORT Season heats up, optimistic investors are hoping solid corporate performance will arrest the decline in Technology stocks that has cooled the US stock rally this year,** where companies like Tesla, Alphabet (GM & IBM notwithstanding), will kick off the first set of “Magnificent Seven” mega-cap stock reports that have underpinned market gains since the start of 2023. As for the S&P 500 Technology sector, it has fallen nearly 6% this week as rising expectations of interest rate cuts and Donald Trump's second run in the 2024 Presidential Election rotate money out of this year's winning sector and into the laggard sector.
- **THE EUROPEAN BANKING SECTOR is also enjoying an uptick in profits and share prices are facing reality this week as the second quarter earnings season from Deutsche Bank (GERMANY), Lloyds Banking Group (UK), BNP Paribas (FRANCE), Banco Santander (SPAIN), and UniCredit (ITALY) comes under the spotlight.** Key to the outlook is net interest income, which surged on the back of rising interest rates. However, this party may not last long as the ECB signals further rate cuts and the BANK OF ENGLAND prepares to ease monetary policy. Investors are also keen to see how lenders perform as political uncertainty increases - FRENCH bank stocks fell sharply during the recent elections.

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- **While economic growth in the EUROZONE remains sluggish, strength in the services sector driven by tourism becoming more dominant, has kept price pressures (Inflation) high.** This has posed a challenge for the ECB, so Wednesday's PMI data will be closely watched after the central bank held rates at 3.75% last Thursday and refrained from giving any further indication in that regard and based all decisions on economic data. As for the ECB, which lowered borrowing costs for the first time in 5 years last June, it sees inflation moderating. The market strongly expects a rate cut in September, supporting Euro Zone stocks, government bonds, and the Euro currency for now; but also increasing the threat of PMI results that could change the ECB's view.
- **OIL prices settled at their lowest level since mid-June at Friday's close as traders eyed a possible ceasefire in Gaza, while a strong US DOLLAR also pressured non-US buying interest.** The war in Gaza has caused investors to include a risk premium when trading oil, as geopolitical tensions threaten global supplies. If a ceasefire is reached, the Iranian-backed Houthi rebels have an excuse to scale back their attacks on commercial vessels in the Red Sea, which they claim is in solidarity with the Palestinians (Hamas).

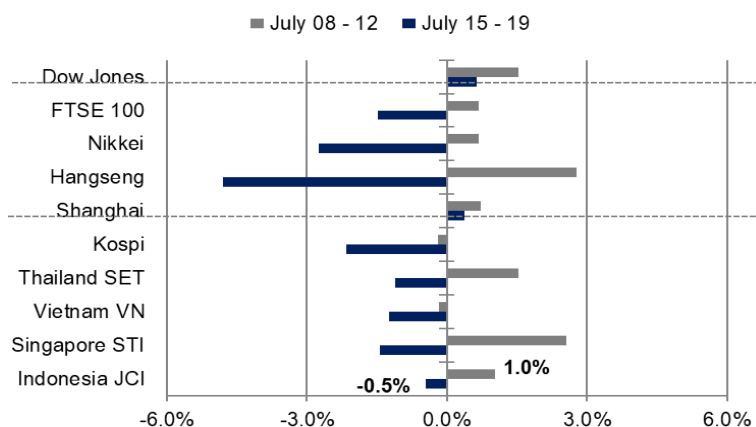
JCI Index : 7294.49 (-0.45%)

Foreign Flow : Net Buy of IDR 1.9T (Vs. last week's Net Buy of IDR 1.09T )

USD/IDR : 16,185 (+0.12%)

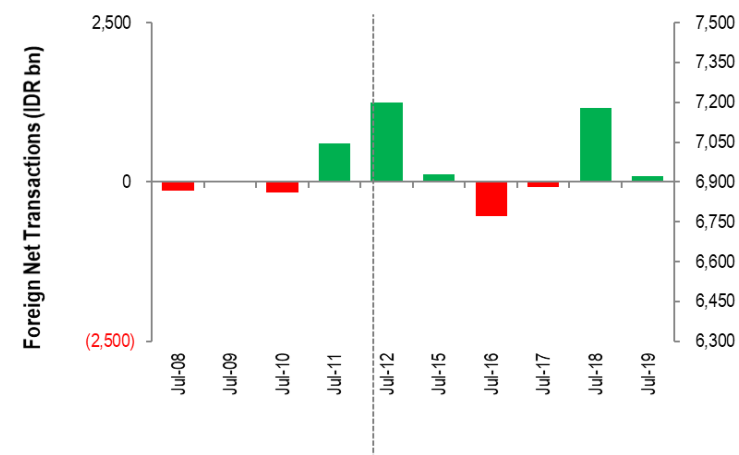
# Last Week's JCI Movement

## Global Market Movement



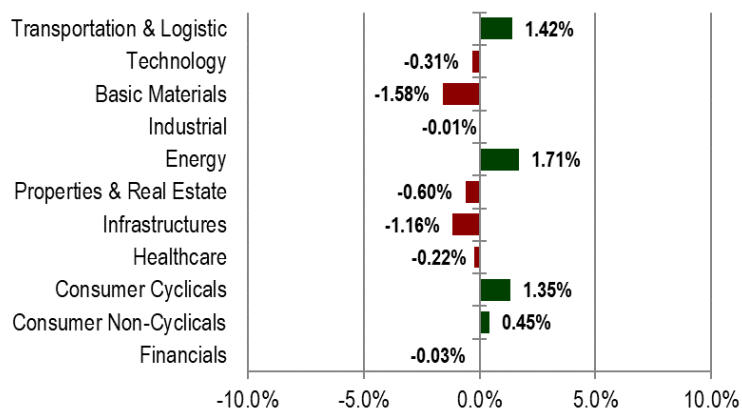
Source: Bloomberg, NHKSI Research

## Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

## JCI Sector Movement



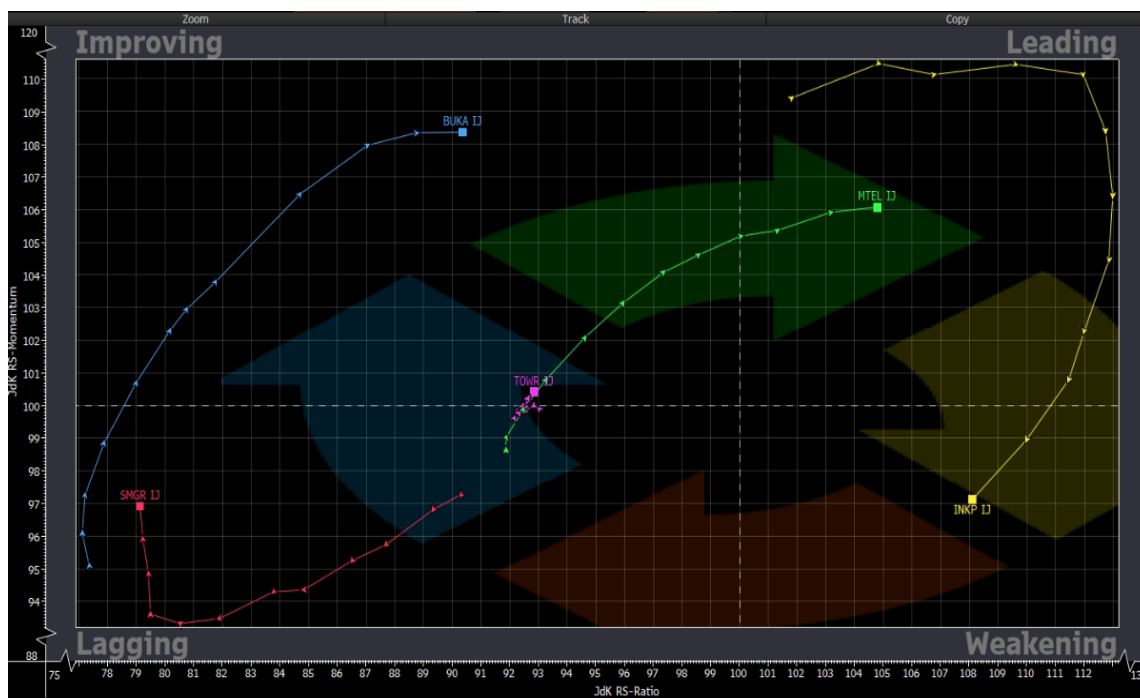
Source: Bloomberg, NHKSI Research

## JCI's Top Foreign Transaction

Top Foreign Buy (RG)	Net Buy Value	Top Foreign Sell (RG)	Net Sell Value
BBRI	IDR 121.6B	BREN	IDR 153.2B
BBCA	IDR 98.5B	TLKM	IDR 89.1B
ADRO	IDR 74.7B	TPIA	IDR 52.6B
KLBF	IDR 40.3B	BMRI	IDR 51.9B
ISAT	IDR 24.5B	ICBP	IDR 21.8B

Source: Bloomberg, NHKSI Research

# Stocks Recommendation



Source: Bloomberg, NHKSI Research

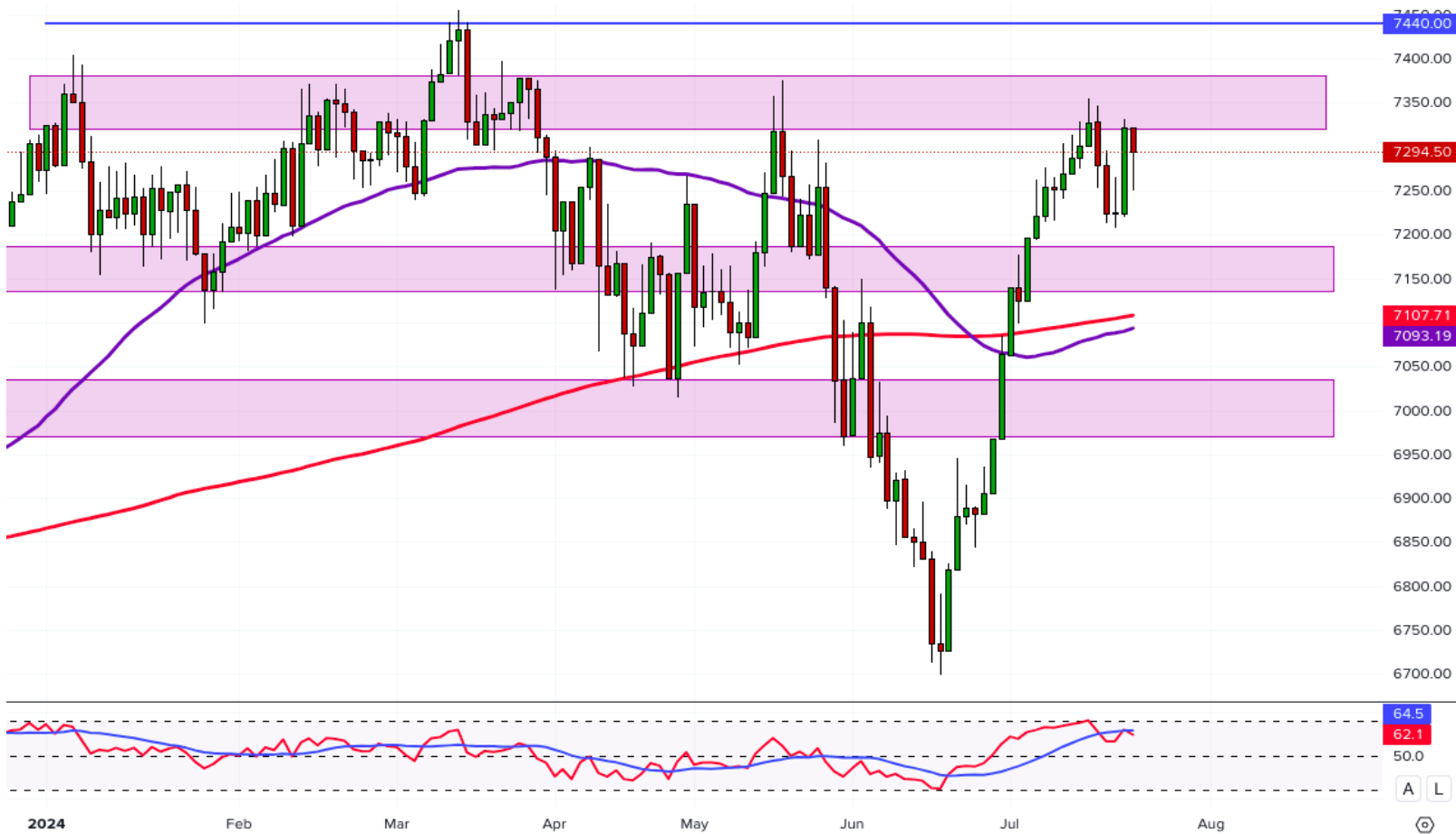
Stocks	TP	SL
BUKA	139-145 / 153-158 / 164-165	114
SMGR	4150-4200 / 4580 / 4800	<3900
MTEL	715 / 750-765 / 795-805	660
TOWR	815-825 / 860-875 / 920-940	760
INKP	8975-9000 / 9150-9200 / 9300-9400	8300

Source: NHKSI Research



# JCI Index

Support	7135-7185 / 6970-7035 / 6850-6875	Resistance	7320-7380 / 7440
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Source: NHKSI Research

# Economic Calendar

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
<b>Monday</b>							
22 – July							
<b>Tuesday</b>	US	21.00	Existing Home Sales	-	Jun	4.00 m	4.11 m
23 – July							
<b>Wednesday</b>	JP	07..30	Jibun Bank Japan PMI Manufacturing	-	July P	-	50.0
	GE	14.30	HCOB Germany Manufacturing PMI	-	July P	44.5	43.5
24 - July	US	18.00	MBA Mortgage Applications	-	July 19	-	3.9%
	US	19.30	S&P Global US Manufacturing PMI	-	Jun	-	51.6
	US	21.00	New Home Sales	-	Jun	640k	619k
<b>Thursday</b>	GE	15.00	IFO Business Climate	-	July	89.0	88.6
25 – July	US	19.30	Initial Jobless Claims	-	July 20	-	243k
	US	19.30	Durable Goods Order	-	June P	0.5%	0.1%
	US	19.30	GDP Annualized QoQ	-	2Q A	1.8%	1.4%
<b>Friday</b>	US	19.30	Personal Spending	-	June	0.2%	0.2%
26 - July	US	19.30	Personal Income	-	June	0.4%	0.5%
	US	21.00	US Of Michigan Sentiment	-	July F	-	66.0

Source: Bloomberg, NHKSI Research

# Corporate Action Calendar

Date	Event	Company
<b>Monday</b>	RUPS	JATI
22– July	Cum Dividend	-
<b>Tuesday</b>	RUPS	-
23-July	Cum Dividend	-
<b>Wednesday</b>	RUPS	-
24 – July	Cum Dividend	-
<b>Thursday</b>	RUPS	INAF
25 – July	Cum Dividend	-
<b>Friday</b>	RUPS	GGRP
26 – July	Cum Dividend	-

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
<b>Finance</b>							3,578.8							
BBCA	9,325	9,400	11,025	Buy	18.2	2.5	1,149.5	23.0x	5.1x	22.8	2.9	7.6	10.6	1.0
BBRI	4,350	5,725	6,375	Buy	46.6	(19.4)	659.3	10.9x	2.2x	21.1	7.3	17.8	1.9	1.2
BBNI	4,700	5,375	6,475	Buy	37.8	2.7	175.3	8.3x	1.2x	14.7	6.0	9.4	2.2	1.2
BMRI	6,275	6,050	7,800	Buy	24.3	24.9	585.7	10.6x	2.4x	24.1	5.6	13.2	1.1	1.3
AMAR	246	320	400	Buy	62.6	(18.0)	4.5	20.5x	1.4x	5.5	1.2	21.1	N/A	0.3
<b>Consumer Non-Cyclicals</b>							1,116.8							
INDF	6,200	6,450	7,400	Buy	19.4	(16.8)	54.4	8.1x	0.9x	11.4	4.1	0.8	(36.3)	0.5
ICBP	10,575	10,575	13,600	Buy	28.6	(6.4)	123.3	22.9x	2.9x	13.0	1.8	4.1	(40.4)	0.7
UNVR	3,010	3,530	3,100	Hold	3.0	(34.1)	114.8	23.7x	23.7x	95.1	4.5	(5.0)	2.7	0.6
MYOR	2,370	2,490	2,800	Buy	18.1	(11.2)	53.0	14.8x	3.3x	24.3	1.5	3.7	51.5	0.5
CPIN	5,225	5,025	5,500	Overweight	5.3	4.9	85.7	30.8x	3.1x	10.3	0.6	9.3	186.7	0.6
JPFA	1,360	1,180	1,400	Hold	2.9	12.4	15.9	8.6x	1.1x	13.9	N/A	18.4	N/A	0.9
AALI	5,875	7,025	8,000	Buy	36.2	(16.7)	11.3	10.7x	0.5x	4.8	4.2	0.8	2.6	0.9
TBLA	675	695	900	Buy	33.3	4.7	4.1	6.4x	0.5x	7.9	3.0	0.6	(10.6)	0.4
<b>Consumer Cyclicals</b>							390.1							
ERAA	412	426	600	Buy	45.6	(16.9)	6.6	7.7x	0.9x	11.6	4.6	12.6	7.8	0.9
MAPI	1,475	1,790	2,200	Buy	49.2	(21.5)	24.5	12.8x	2.3x	20.2	0.5	17.8	5.9	0.8
HRTA	360	348	590	Buy	63.9	(7.7)	1.7	4.9x	0.8x	17.6	4.2	89.7	47.1	0.4
<b>Healthcare</b>							278.4							
KLBF	1,600	1,610	1,800	Overweight	12.5	(22.0)	75.0	25.8x	3.3x	13.2	1.9	6.3	12.5	0.6
SIDO	760	525	700	Underweight	(7.9)	3.4	22.8	21.9x	6.0x	30.1	4.0	16.1	30.1	0.6
MIKA	3,040	2,850	3,000	Hold	(1.3)	12.6	43.3	43.4x	6.9x	16.6	1.2	21.0	26.8	0.5
<b>Infrastructure</b>							1,691.02							
TLKM	3,050	3,950	4,800	Buy	57.4	(26.5)	302.1	12.5x	2.1x	17.4	5.9	3.7	(5.8)	0.9
JSMR	5,175	4,870	5,100	Hold	(1.4)	47.4	37.6	5.5x	1.3x	27.1	0.7	36.0	17.8	0.9
EXCL	2,230	2,000	3,800	Buy	70.4	8.8	29.3	18.1x	1.1x	6.1	2.2	11.8	156.3	1.0
TOWR	725	990	1,310	Buy	80.7	(27.5)	37.0	10.9x	2.1x	20.3	3.3	6.3	6.7	0.7
TBIG	1,910	2,090	2,390	Buy	25.1	(14.3)	43.3	27.4x	3.6x	13.3	3.2	5.4	4.3	0.5
MTEL	635	705	860	Buy	35.4	0.8	53.1	26.2x	1.5x	5.9	3.4	7.3	0.0	0.6
PTPP	352	428	1,700	Buy	383.0	(38.2)	2.2	4.0x	0.2x	4.7	N/A	5.7	150.0	1.5

# NHKSII Stocks Coverage

Property & Real Estate					234.2									
CTRA	1,145	1,170	1,300	Overweight	13.5	(2.1)	21.2	11.1x	1.0x	9.7	1.3	8.7	18.2	0.8
PWON	408	454	500	Buy	22.5	(20.0)	19.6	10.7x	1.0x	9.9	1.6	10.5	(44.4)	0.9
Energy					1,425.3									
ITMG	24,750	25,650	26,000	Overweight	5.1	8.1	28.0	4.6x	1.0x	22.4	17.8	(28.6)	(68.8)	1.0
PTBA	2,530	2,440	4,900	Buy	93.7	(20.7)	29.1	5.1x	1.3x	22.1	15.7	(5.5)	(31.8)	1.0
HRUM	1,115	1,335	1,600	Buy	43.5	(19.5)	15.1	18.7x	1.0x	5.7	N/A	(9.7)	(99.1)	1.2
ADRO	2,840	2,380	2,870	Hold	1.1	30.9	90.8	3.5x	0.8x	22.9	14.4	(21.5)	(17.7)	1.4
Industrial					338.9									
UNTR	22,800	22,625	25,900	Overweight	13.6	(0.2)	85.0	4.2x	1.0x	22.9	10.0	(7.1)	(14.6)	1.0
ASII	4,560	5,650	6,900	Buy	51.3	(32.9)	184.6	5.7x	0.9x	16.0	11.4	(2.1)	(14.4)	1.1
Basic Ind.					2,320.5									
SMGR	4,010	6,400	9,500	Buy	136.9	(31.5)	27.2	13.0x	0.6x	4.8	2.1	(6.3)	(15.7)	1.2
INTP	7,700	9,400	12,700	Buy	64.9	(20.6)	28.3	14.5x	1.2x	8.8	1.2	(3.8)	(35.9)	0.8
INCO	4,450	4,310	5,000	Overweight	12.4	(32.6)	44.2	9.9x	1.1x	11.2	2.0	4.5	36.6	0.9
ANTM	1,300	1,705	2,050	Buy	57.7	(35.6)	31.2	18.9x	1.0x	5.9	9.9	(25.6)	(85.7)	1.4
NCKL	940	1,000	1,320	Buy	40.4	5.0	59.3	11.5x	2.4x	29.8	2.4	26.1	(33.7)	N/A
Technology					286.9									
GOTO	58	86	81	Buy	39.7	(50.0)	69.7	N/A	1.7x	(109.2)	N/A	22.4	78.1	1.7
Transportation & Logistic					36.8									
ASSA	755	790	990	Buy	31.1	(41.0)	2.8	22.6x	1.4x	6.8	N/A	3.1	32.3	1.6

Source : Bloomberg, NHKSI 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

## Research Support

**Amalia Huda Nurfalah**

Editor & Translator

T +62 21 5088 ext 9132

E amalia.huda@nhsec.co.id

## Analyst

**Leonardo Lijuwardi**

Banking, Infrastructure

T +62 21 5088 ext 9127

E leonardo.lijuwardi@nhsec.co.id

## Analyst

**Axell Ebenhaezer**

Mining, Property

T +62 21 5088 ext 9133

E Axell.Ebenhaezer@nhsec.co.id

## Analyst

**Richard Jonathan Halim**

Technology, Transportation

T +62 21 5088 ext 9128

E Richard.jonathan@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