

Weekly Brief (Aug 5 – Aug 9, 2024)

Summary:

Last week review:

- **GOODBYE SOFT LANDING, HELLO EMERGENCY LANDING.** The Federal Reserve has said that they will consider the possibility of cutting interest rates if a significant weakening in the labor sector is detected. Last week's data has finally started to answer their wish, even to the level where labor growth has slowed down considerably and has the potential to put the US economy in recession territory. Starting from JOLTs JOB OPENINGS (June) which seemed to be still fine when the number of job openings growth in June was around 8.18 million, still higher than the estimate of 8.02 million although it was slightly down from the previous month's 8.23 million.
- **But then successively ADP NONFARM EMPLOYMENT CHANGE (Jul) and INITIAL JOBLESS CLAIMS came out worse than expected, and finally closed with a surprise NONFARM PAYROLL (Jul) whose figure fell below estimates, actual : 114k versus forecast: 176k & previous: 179k.** Not to mention confirmed by the US Unemployment Rate which increased 0.2% to 4.3% in July, and Average Hourly Wage growth dropped to 0.2% mom, below 0.3% forecast. CB Consumer Confidence and Chicago PMI that crept up in July did not seem to lift market sentiment.
- **As a result, this was the perfect reason and timing to collapse the US stock market which was seen by the market as an overvalued market, supported by the rally in the Technology sector.** Not only the US market, the sell-off also hit global equity markets and US Treasury yields to their lowest point in months. Financial institutions started forecasting that the Fed will cut interest rates 2-3 times this year (In September, November, and December) with the first rate cut of 50 bps likely to happen even in September.

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- **The US stock market is considered to have started falling in a correction phase as NASDAQ has fallen 10% from its highest peak of 18,647.45 on July 10.** According to Reuters analysis based on LSEG data, in a span of 44 years, the NASDAQ went into correction territory after hitting a high 24 times, or once every 2 years. The last time the index entered correction territory was after touching the high of January 19, 2022.
- **As for this year, NASDAQ still posted a gain of 11.8% YTD. Meanwhile, the S&P500, which has lost 6% from its peak, is still up 12.1% for the year.** Fund managers also see the same seasonal sell-off pattern in August 2023, although this year it feels more vigorous. September and October are typically very volatile months for the US stock market. The CBOE Volatility index (a measure of Wall Street investor fear) jumped to an average of 21.8, the highest since 1992, according to LSEG data.
- **ASIA & EUROPE MARKETS: Equally uninspiring conditions also came from the Asian & European continents, especially after preliminary GERMAN GDP estimates called the country into negative economic growth in Q2. EUROZONE's July CPI which warmed up again by 0.1% to 2.6% yoy might be a pressure for EUROPEAN CENTRAL BANK to prepare to cut rates for the second time soon, following what BANK OF ENGLAND did last Thursday when they made a surprise move to cut rates by 25bps to 5.00%.** Speaking of other central bank decisions, BANK OF JAPAN unexpectedly raised their benchmark rate by 15bps to 0.25% after they saw Inflation rate started picking-up thanks to rising Wages. While neighboring Bamboo Curtain CHINA is still struggling to make their Manufacturing sector more vibrant into expansionary territory.

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- **INDONESIA:** Last week, we were presented with mixed economic data: starting with Foreign Direct Investment which grew to 16.6% yoy, up from 15.5% in the previous period. Amidst the fall of Indonesia's Manufacturing sector to its lowest level since Sept 2021 (Into contraction territory 49.3), on one hand Inflation (Jul) was safely contained at 2.13% yoy. The good news is that foreign capital inflow has started to enter a positive figure of IDR 333.63 billion, a sign that foreigners are starting to slowly invest back into the Indonesian stock market which seems to be a laggard, after the release of the 2nd quarter financial statements has started to appear.
- **COMMODITIES:** OIL prices were at an 8-month low on Monday morning as fears of a recession in the US, the world's number one oil consumer, obscured the reality of escalating MIDDLE EAST CONFLICT potentially disrupting global oil supplies from the war-torn region. Despite concerns about rising tensions in the Middle East, benchmark BRENT & US WTI prices plunged more than 3% last Friday to end at their lowest levels since January. Last week, both contracts marked the fourth consecutive week of losses, the biggest drop since November. Oil prices were dragged down by US recession fears and after OPEC+ stuck to its plan to halt voluntary production cuts from October.

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This week's outlook:

- **Concerns about the economy are expected to remain a key focus this week amid thoughts that the Federal Reserve may have kept interest rates high for too long, which could hurt economic growth.** Other high-profile corporate earnings reports will be released and Oil prices are expected to remain volatile amid a combination of recession fears and geopolitical risks. Here's a look at what's happening in the markets for the week ahead.
- **ECONOMIC INDICATORS: After Friday's weak US labor report (July) sparked fears of a possible recession, the economic calendar for next week is much lighter.** The Institute of Supply Management will release its Services sector PMI on Monday which is expected to show moderate growth. Investors will get their usual update on jobless claims on Thursday, and will have the opportunity to hear from San Francisco Fed President Mary Daly and Richmond Fed President Thomas Barkin after the central bank kept rates unchanged last week, but kept open the possibility of a rate cut in September.
- **EARNINGS SEASON: While most big caps have already reported, some high-profile companies' performance reports are expected to appear in the coming days, such as Catterpillar & Walt Disney.**
- **CHINA: How the economic recovery in China develops in the second half of the year, will be watched by market participants with this week's economic data series.** Starting with the Services PMI survey, followed by trade data on Wednesday and Inflation readings at the end of the week. Recent data still points to a gloomy outlook for the world's number two economy, and the recent surprise interest rate cut reflects a growing sense of urgency in Beijing's efforts to strengthen growth. Officials will be paying close attention to Friday's Inflation figures for clues on how much more needs to be done to boost sluggish domestic demand.

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This week's outlook:

- **COMMODITIES:** OIL prices fell on Friday, settling at lows since January as weak economic data from the US and major oil importer China raised concerns about the demand outlook. Oil traders also eyed the MIDDLE EAST CONFLICT, where the Iran-backed Hezbollah group in Lebanon said that its conflict with Israel has entered a new phase. Meanwhile, the OPEC+ meeting on Thursday decided to leave the group's oil output policy unchanged, including plans to start gradually reducing production cuts from October.
- **INDONESIA** will also be hit by a wave of important economic data this week: starting with 2Q GDP which is forecasted to remain at 5.0% yoy. This is followed by July Foreign Exchange Reserves and Consumer Confidence; capped off by Retail Sales (Jun), Motor & Auto Sales (Jul) at the weekend.

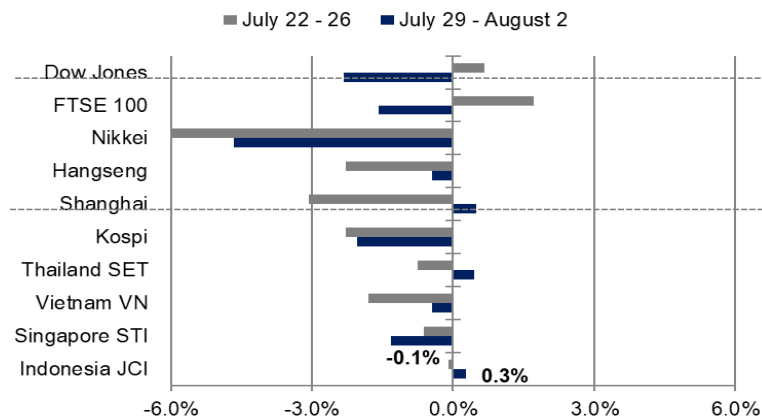
JCI Index : 7308.12 (+0.08%)

Foreign Flow : Net Buy of IDR 385.6B (Vs. last week's Net Buy of IDR 390B)

USD/IDR : 16,195 (-0.72%)

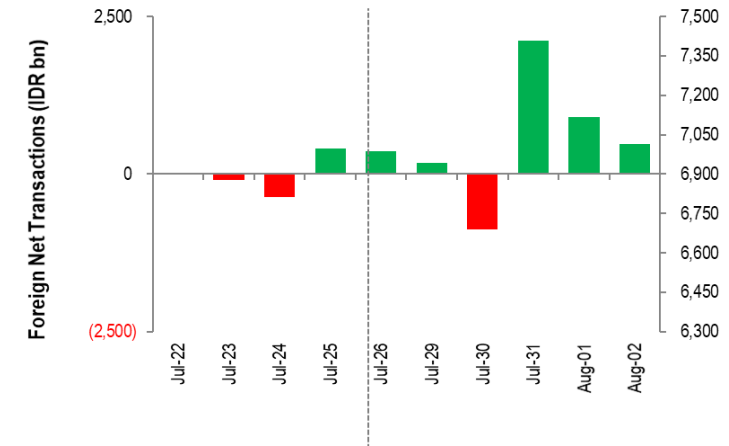
Last Week's JCI Movement

Global Market Movement



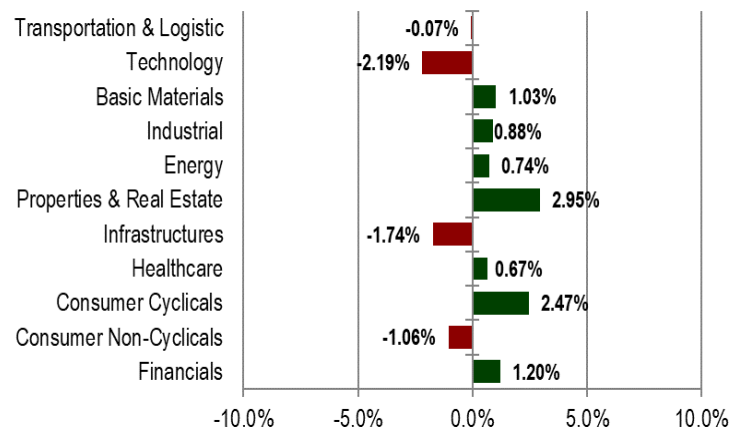
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



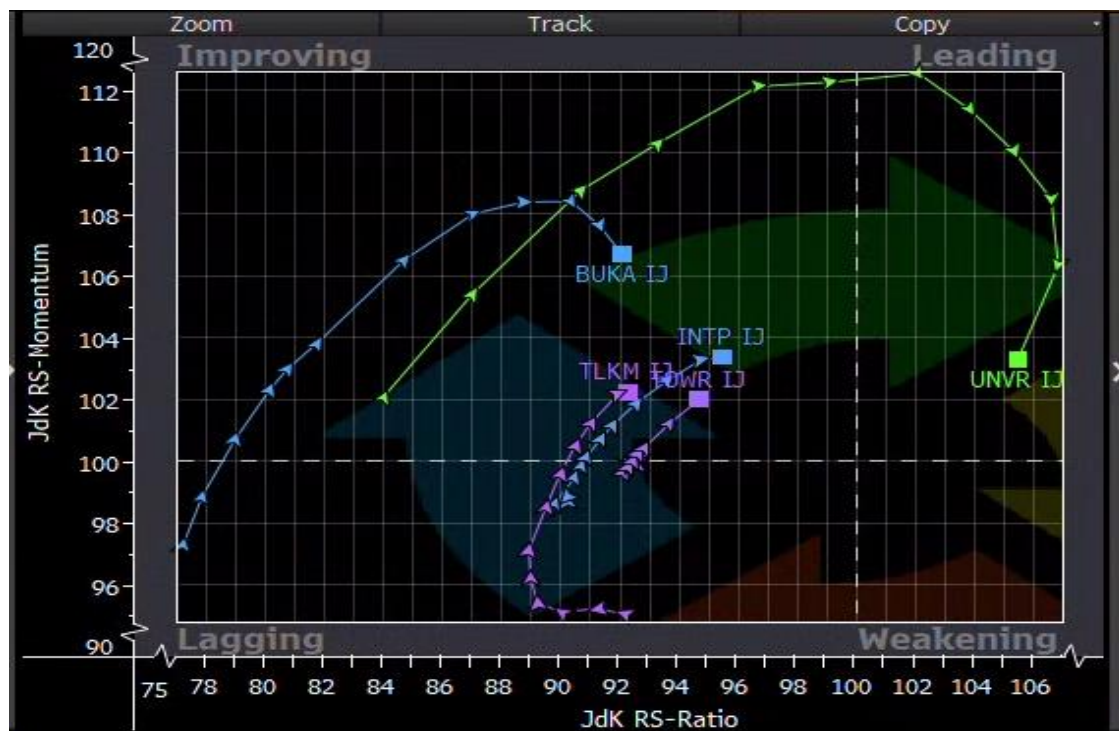
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Foreign Buy (RG)	Net Buy Value	Top Foreign Sell (RG)	Net Sell Value
BMRI	IDR 747.4B	BBRI	IDR 1.1T
BBCA	IDR 497.4B	BBNI	IDR 153.9B
ASII	IDR 121.4B	TLKM	IDR 135.9B
ADRO	IDR 116.5B	AKRA	IDR 132.5B
ARTO	IDR 102.4B	TOWR	IDR 98.6B

Source: Bloomberg, NHKSI Research

Stocks Recommendation



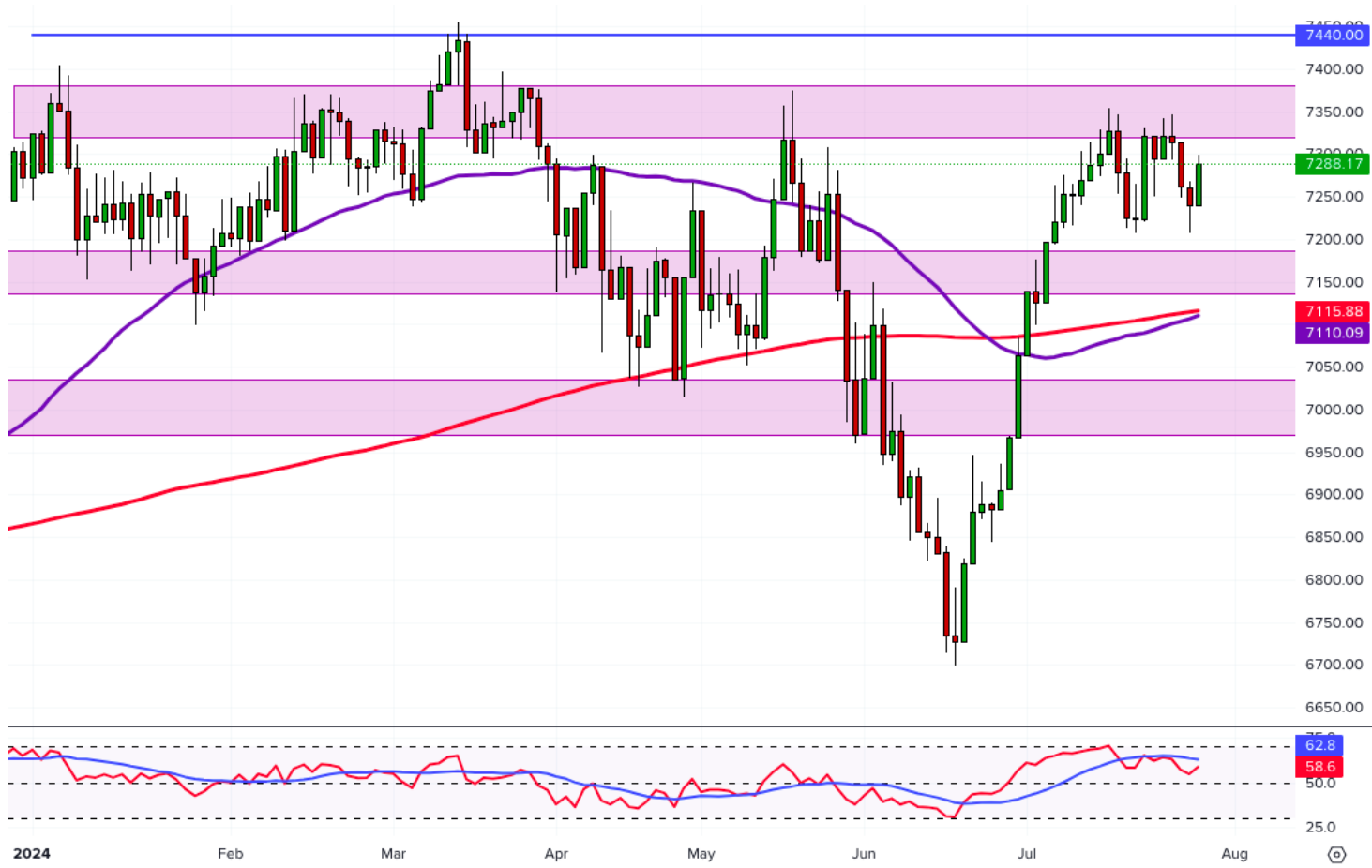
Source: Bloomberg, NHKSI Research

Stocks	TP	SL
BUKA	128-129 / 136-141 / 149	114
INTP	7700-7875 / 8175-8225 / 8500	7050
TLKM	3030 / 3200-3260 / 3400	2750
TOWR	860-875 / 905 / 925-940	810
UNVR	2630-2700 / 2800-2820 / 2900	2320

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
Monday							
<i>29 – July</i>							
Tuesday	JP	06.30	Jobless Rate	-	Jun	2.6%	2.6%
<i>30 – July</i>	US	21.00	Conf. Board Consumer Confidence	-	Jul	99.7	100.4
Wednesday							
<i>31 - July</i>	US	18.00	MBA Mortgage Applications	-	July 26	-	-2.2%
	US	19.15	ADP Employment Change	-	Jul	168k	150k
	US	20.45	MNI Chicago PMI	-	Jul	44.0	47.4
	US	20.45	MNI Chicago PMI	-	Jul	44.0	47.4
Thursday							
<i>01 – August</i>	JP	07..30	Jibun Bank Japan PMI Manufacturing	-	July F	-	49.2
	ID	07.30	S&P Global Indonesia PMI Mfg	-	July	-	50.7
	ID	11.00	CPI YoY	-	July	2.40%	2.51%
	US	01.00	FOMC Rate Decision (Upper Bound)	-	July 31	5.50%	5.50%
	US	19.30	Initial Jobless Claims	-	July 27	-	235k
	US	20.45	S&P Global US Manufacturing PMI	-	July F	-	49.5
	US	21.00	ISM Manufacturing	-	July	49.0	48.5
Friday							
<i>02 – August</i>	US	19.30	Change In Nonfarm Payrolls	-	July	175k	206k
	US	19.30	Unemployment Rate	-	July	4.1%	4.1%
	US	21.00	Factory Orders	-	June	0.5%	-0.5%
	US	21.00	Durable Goods Order	-	June F	-	-6.6%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	-
29- July	Cum Dividend	-
Tuesday	RUPS	CBUT, MIKA, MTFN, TRON
30-July	Cum Dividend	-
Wednesday	RUPS	PGEO
31 - July	Cum Dividend	-
Thursday	RUPS	-
01 - August	Cum Dividend	-
Friday	RUPS	ACES, NINE, NISP
02 - August	Cum Dividend	AKRA

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							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
Consumer Non-Cyclicals							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
Consumer Cyclicals							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
Healthcare							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
Infrastructure							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

NH KSI 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, NH KSI Research

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