

Weekly Brief (Aug 26 – Aug 30, 2024)

Summary:

Last week review:

- **THE TIME HAS COME FOR FED POLICY TO ADJUST.** That was the only thing that mattered last week and the sacred words that came out of Fed Chairman Jerome Powell's mouth at the annual Jackson Hole symposium in Wyoming last Friday. He also made it clear that the US central bank will do everything in its power to support a strong labor market as they no longer see further weakness in this sector as ideal. They are quite confident that Inflation has flattened significantly and is moving steadily towards the 2% target.
- **Fed funds futures now estimate a 37% chance of a 50 basis point cut next month, up from around 25% late Thursday. Traders also expect a cut of around 106 bps by the end of this year.**
- **In terms of economic data, last week also provided a basis that further supports an immediate rate cut. For example, Initial Jobless Claims were recorded to have risen by 4000 to 232k (as expected) in the last week.** In addition, weakening continues to occur on the US Manufacturing side, although it is still helped by strengthening in the services sector. Encouragingly, a sign that the US is still far from recession was reflected in the property sector which recorded New & Existing Home Sales increasing in July.
- **On the market front ASIA & EUROPE: CHINA & INDONESIA are still keeping interest rates in place, while enjoying the strengthening of their respective currencies.** The economic slowdown is still evident in the EUROPEAN region as GERMAN PMI DATA is still unstable especially their Manufacturing which continues to weaken; although on the one hand EUROZONE & UK seem to manage their PMI better.

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This week's outlook:

- **The rally in the US capital markets will be put to the test this week when earnings reports from chipmaking giant Nvidia are released.** US Inflation data is likely to underscore expectations of a long-awaited rate cut, while EUROZONE & AUSTRALIA will also release Inflation data that will draw the trajectory of interest rates.

Here's a look at what to expect in the markets over the next week.

- **Investor enthusiasm for artificial intelligence could be tested when NVIDIA reports earnings after the close next Wednesday.** The 2nd quarter performance report along with guidance on whether they expect the company's investment in AI to continue, could be a major turning point for market sentiment heading into a very volatile time of the year.
- **Nvidia shares are already up around 150% year-to-date, accounting for around a quarter of the S&P 500's 17% year-to-date gain.** However, the amazing ride over the years and the hype about AI is starting to make market participants compare it to the dot-com craze that exploded more than two decades ago. Nvidia's numbers will also come at the end of earnings season when investors are less forgiving of underperformance and cannot justify high valuations or extraordinary spending on AI. This has already happened to Microsoft, Tesla, and Alphabet, all of whose shares have fallen since releasing their earnings reports in July.
- **ECONOMIC INDICATORS: A major highlight of the economic calendar is Friday's Personal Consumption Expenditures (PCE) PRICE INDEX, which is the Federal Reserve's favorite inflation gauge.** Investors will be paying close attention to whether the PCE price index figure could potentially shake Fed Chairman Jerome Powell's dovish convictions. The economic calendar also includes Durable Goods Orders on Monday and revised second quarter GDP figures on Thursday along with the weekly Initial Jobless Claims report.

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- **EUROZONE INFLATION DATA:** Data for August will be released on Friday, crucial in shaping the EUROPEAN CENTRAL BANK's decision on interest rates for September. This report, which follows national releases starting on Thursday, comes after a small but unexpected rise in inflation in July, signaling the persistence of challenges in inflation control in the euro area. While headline inflation is expected to decline, partly due to falling oil prices, attention will remain on core inflation and the services sector, where rising prices have proven more persistent. Any positive surprises in the data could trigger caution, especially as traders have increased their expectations for an ECB rate cut in recent weeks. Market expectations are heavily tilted towards a 25 basis point rate cut on September 12, with additional cuts likely by the end of the year.
- **GOLD:** Has reached consecutive record highs since 2022 and has surged more than 20% so far this year, where USD 3,000/ounce is now in sight. The precious metal, traditionally seen as a safe haven during periods of heightened security risks and political and economic instability, has benefited from several factors in recent times. For instance, Russia's invasion of Ukraine in February 2022 triggered the initial rally in gold prices. Currently ongoing tensions in the Middle East and uncertainty surrounding the upcoming US Presidential election have also contributed to gold's rise. In addition, expectations of a US interest rate cut put pressure on the Dollar, making gold more attractive as it usually has an inverse relationship with the US currency. On the one hand, the recent overbought price may also trigger a “buy on rumors, sell on news” movement. So when the September rate cut that has been almost fully priced-in in the market does materialize, it will be the perfect moment for profit-taking.
- **MIDDLE EAST CONFLICT:** Geopolitical risks rose higher over the weekend as Hezbollah launched hundreds of rockets and drones into Israel on Sunday, while the Israeli military said it struck Lebanon with about 100 jets to thwart a larger attack. It was one of the biggest clashes in more than 10 months of border warfare and raised the spectre of Israel's war in Gaza escalating into a wider conflict.

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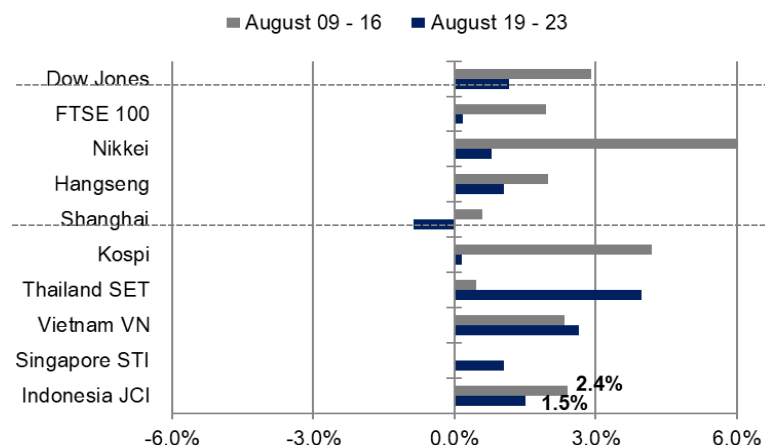
This week's outlook:

- **ASIAN MARKETS:** Investors will also consider Japan's interest rate outlook after BANK OF JAPAN Governor Kazuo Ueda on Friday reiterated his determination to raise interest rates if inflation remains on track to reach the 2% target. Ueda's comments came as data showed Japan's core inflation increased for a third consecutive month in July, with a slowdown in demand-driven price growth potentially complicating the central bank's decision to raise interest rates further.
- **Meanwhile in neighboring Bamboo Curtain country, CHINA'S central bank is thinking of subtle ways to stop its currency from appreciating sharply.** The normally restrained Yuan has strengthened 1.3% against the Dollar in August, lifted by expectations of a Fed rate cut which also strengthened the Japanese Yen.
- **US ELECTIONS:** The US political landscape offered some fresh signs of certainty for global investors after Vice President KAMALA HARRIS secured the Democratic presidential nomination with a powerful speech on Thursday, laying out broad foreign policy principles in stark contrast to her Republican rival and former President Donald Trump. With 11 weeks remaining in the contest for the White House, the contract for a Harris victory was trading at 55 cents, with a potential payout of USD 1, on political betting platform PredictIt. The contract for a win by Trump, who has stated that he will impose tariffs of 60% or higher on all Chinese goods, is at 49 cents. The topic of tariffs came into the spotlight last week after China's Ministry of Commerce met with automakers and industry associations to discuss increasing import tariffs on large-engine gasoline vehicles, which was a wake-up call as the European Union is also contemplating imposing tariffs on Chinese electric cars.

JCI Index : 7544.3 (+1.6%)
Foreign Flow : Net Buy of IDR 5.6T (Vs. last week's Net Buy of IDR 2.1T)
USD/IDR : 15,485 (-0.5%)

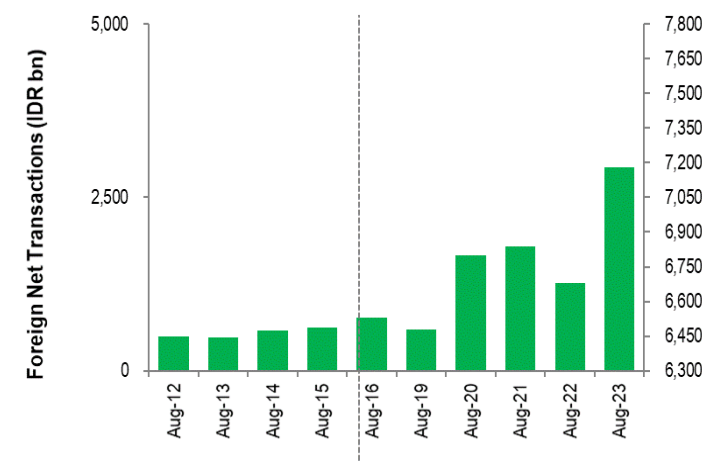
Last Week's JCI Movement

Global Market Movement



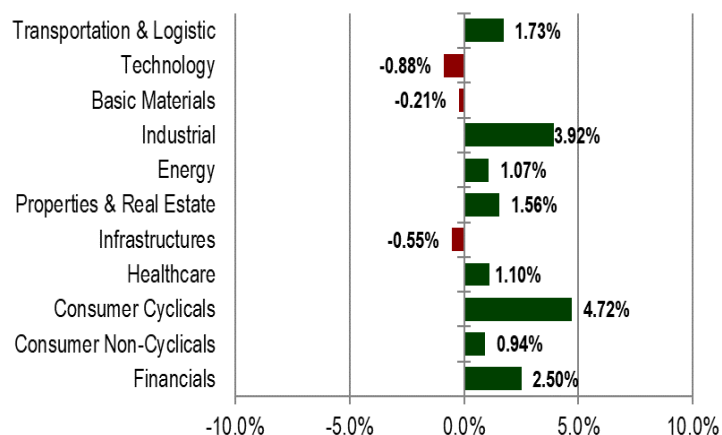
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



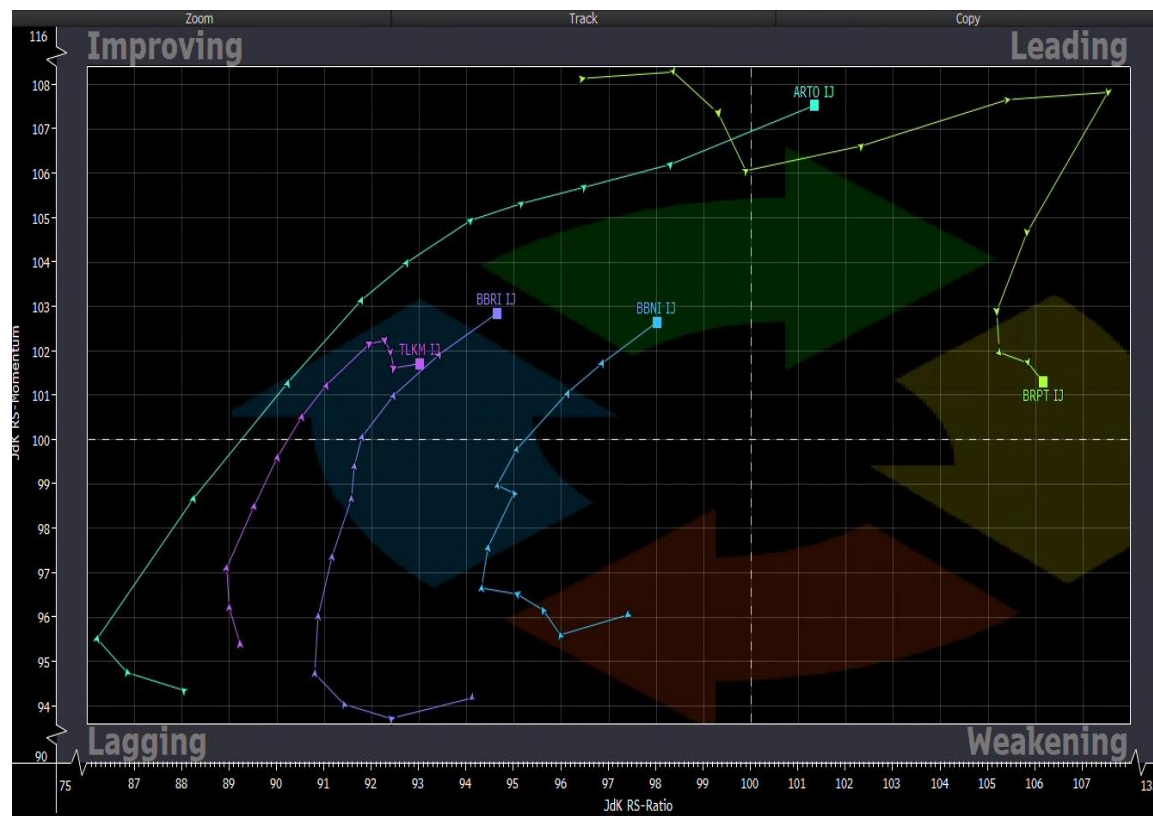
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Foreign Buy (RG)	Net Buy Value	Top Foreign Sell (RG)	Net Sell Value
BBRI	IDR 2.2T	TPIA	IDR 111.0 B
BBCA	IDR 966.5 B	BREN	IDR 92.7B
BMRI	IDR 636.7 B	UNVR	IDR 79.7B
ASII	IDR 554.5 B	ANTM	IDR 63.1B
BBNI	IDR 308.8 B	TSPC	IDR 40.1B

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
ARTO	3240 / 3500-3700	2500
BBNI	5700-5750 / 5950-6000 / 6075	5200
BBRI	5400 / 5600-5750	<4900
BRPT	1180-1200 / 1260-1300 / 1340-1350	1080
TLKM	3040 / 3200-3280 / 3410	<2900

Source: NHKSI Research

JCI Index

Support	7440 / 7320-7380 / 7135-7185 / 6970-7035 / 6850-6875	Resistance	7550-7595 / 7700
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Source: NHKSI Research

Economic Calendar

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday	GE	15.00	IFO Business Climate	-	Aug	86.0	87.0
26 – August	US	21.00	Durable Goods Order	-	Jul P	3.9%	-6.7%
Tuesday	US	21.00	Conf. Board Consumer Confidence	-	Aug	100.0	100.3
27 – August							
Wednesday	US	18.00	MBA Mortgage Applications	-	Aug 23	-	-10.1%
28 – August							
Thursday	GE	19.00	CPI EU Harmonized YoY	-	Aug P	2.3%	2.6%
29 – August	US	19.30	Initial Jobless Claims	-	Aug 24	-	232k
	US	19.30	GDP Annualized QoQ	-	2Q S	2.8%	2.8%
Friday	JP	06.30	Jobless Rate	-	Jul	2.5%	2.5%
30 – August	JP	06.30	Tokyo CPI Ex-Fresh Food YoY	-	Jul	1.23	1.23
	US	19.30	Personal Income	-	Jul	0.2%	0.2%
	US	19.30	Personal Spending	-	Jul	0.5%	0.3%
	US	20.45	MNI Chicago PMI	-	Aug	-	45.3
	US	21.00	University of Michigan Sentiment	-	Aug F	67.8	67.8

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	EMDE
26 – August	Cum Dividend	-
Tuesday	RUPS	SBMA
27 – August	Cum Dividend	-
Wednesday	RUPS	BBYB, BIPI, BTEL, TSPC.
28 – August	Cum Dividend	-
Thursday	RUPS	ALTO, BINO, BTPN, CBPE
29 – August	Cum Dividend	BPII
Friday	RUPS	GOTO, JAWA
30 – August	Cum Dividend	-

Source: IDX, 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							3.924.2							
BBCA	10.325	9.400	11.500	Overweight	11.4	11.0	1.272.8	24.8x	5.3x	22.1	2.6	9.1	11.2	0.9
BBRI	5.150	5.725	5.550	Overweight	7.8	(8.0)	780.5	12.9x	2.5x	20.1	6.2	14.2	1.0	1.3
BBNI	5.450	5.375	6.125	Overweight	12.4	20.1	203.3	9.5x	1.4x	14.8	5.1	7.0	3.9	1.2
BMRI	7.050	6.050	7.775	Overweight	10.3	20.5	658.0	11.7x	2.6x	23.2	5.0	10.4	5.2	1.2
Consumer Non-Cyclicals							1.047.3							
INDF	6.700	6.450	7.400	Overweight	10.4	(5.3)	58.8	9.1x	1.0x	10.9	4.0	2.2	(30.8)	0.5
ICBP	11.475	10.575	13.600	Buy	18.5	(0.2)	133.8	27.8x	3.2x	11.8	1.7	7.2	(38.3)	0.6
UNVR	2.350	3.530	3.100	Buy	31.9	(37.3)	89.7	19.9x	31.4x	132.8	6.0	(6.2)	(9.7)	0.4
MYOR	2.680	2.490	2.800	Hold	4.5	0.8	59.9	16.2x	3.9x	25.8	2.1	9.5	40.0	0.3
CPIN	5.025	5.025	5.500	Overweight	9.5	(2.0)	82.4	30.5x	2.9x	9.7	0.6	6.7	28.6	0.6
JPFA	1.580	1.180	1.400	Underweight	(11.4)	21.1	18.5	7.9x	1.3x	17.3	N/A	14.5	1700.3	1.0
AALI	6.125	7.025	8.000	Buy	30.6	(20.2)	11.8	9.9x	0.5x	5.4	4.0	9.8	36.3	0.8
TBLA	640	695	900	Buy	40.6	(19.5)	3.9	6.4x	0.5x	7.2	6.3	2.9	(10.3)	0.4
Consumer Cyclicals							463.3							
ERAA	428	426	600	Buy	40.2	(13.4)	6.8	7.6x	0.9x	12.3	4.0	14.6	14.1	0.9
MAPI	1.505	1.790	2.200	Buy	46.2	(24.6)	25.0	14.2x	2.3x	17.8	0.5	15.4	(10.9)	0.5
HRTA	398	348	590	Buy	48.2	(27.0)	1.8	5.6x	0.9x	16.5	3.8	33.5	10.8	0.4
Healthcare							293.5							
KLBF	1.720	1.610	1.800	Hold	4.7	(5.0)	80.6	26.1x	3.6x	14.5	1.8	7.6	18.4	0.5
SIDO	705	525	700	Hold	(0.7)	8.5	21.2	19.0x	6.1x	33.0	4.3	14.7	35.7	0.7
MIKA	3.010	2.850	3.000	Hold	(0.3)	8.7	42.9	39.4x	7.0x	18.8	1.1	19.7	34.1	0.5
Infrastructure							2.070.85							
TLKM	2.950	3.950	4.550	Buy	54.2	(21.1)	292.2	12.4x	2.2x	18.6	6.1	2.5	(7.8)	1.0
JSMR	5.400	4.870	6.450	Buy	19.4	50.0	39.2	4.9x	1.3x	30.4	0.7	46.5	104.3	1.0
EXCL	2.260	2.000	3.800	Buy	68.1	(5.8)	29.7	18.0x	1.1x	6.3	2.2	8.2	54.0	0.9
TOWR	810	990	1.070	Buy	32.1	(19.4)	41.3	12.2x	2.3x	20.3	3.0	6.3	6.7	0.9
TBIG	1.920	2.090	2.390	Buy	24.5	(8.6)	43.5	27.1x	3.9x	14.6	3.1	4.1	5.6	0.5
MTEL	675	705	840	Buy	24.4	(5.6)	56.4	27.5x	1.7x	6.2	2.7	7.8	8.3	0.6
PTPP	442	428	1.700	Buy	284.6	(26.3)	2.9	5.2x	0.2x	4.6	N/A	9.3	50.0	1.8
Property & Real Estate							347.5							
CTRA	1.290	1.170	1.450	Overweight	12.4	11.7	23.9	11.4x	1.2x	10.6	1.6	12.7	33.6	0.6
PWON	480	454	530	Overweight	10.4	3.4	23.1	12.5x	1.2x	9.9	1.9	12.6	(23.0)	0.7

NHKSII Stocks Coverage

Energy				1.600.2										
ITMG	26.675	25.650	27.000	Hold	1.2	(9.9)	30.1	6.1x	1.1x	18.1	16.5	(19.2)	(59.3)	1.0
PTBA	2.760	2.440	4.900	Buy	77.5	(8.6)	31.8	5.9x	1.6x	28.5	14.4	4.2	(26.9)	0.9
ADRO	3.470	2.380	2.870	Sell	(17.3)	28.5	106.7	4.4x	1.0x	22.9	11.8	(21.5)	(17.7)	1.1
Industrial				374.1										
UNTR	26.925	22.625	28.400	Overweight	5.5	(3.4)	100.4	5.2x	1.1x	23.9	8.4	(6.1)	(15.0)	0.9
ASII	5.100	5.650	5.175	Hold	1.5	(22.1)	206.5	6.4x	1.0x	16.7	10.2	#N/A	N/A	1.1
Basic Ind.				2.272.2										
AVIA	478	500	620	Buy	29.7	(21.6)	29.6	17.9x	3.1x	16.9	4.6	3.2	0.9	0.3
SMGR	4.040	6.400	9.500	Buy	135.1	(39.9)	27.3	15.1x	0.6x	4.2	2.1	(3.6)	(42.2)	1.2
INTP	7.150	9.400	12.700	Buy	77.6	(35.4)	26.3	14.5x	1.2x	8.3	1.3	1.9	(37.0)	0.7
ANTM	1.450	1.705	1.560	Overweight	7.6	(25.8)	34.8	12.7x	1.2x	10.4	8.8	7.1	(18.0)	1.2
MARK	955	610	1.010	Overweight	5.8	56.6	3.6	15.2x	4.2x	29.0	5.2	73.4	128.3	1.0
NCKL	915	1.000	1.320	Buy	44.3	(6.2)	57.7	10.4x	2.3x	24.9	2.9	25.0	(5.1)	N/A
Technology				289.5										
GOTO	53	86	77	Buy	45.3	(38.4)	63.7	N/A	1.6x	(110.6)	N/A	12.4	62.9	1.7
WIFI	294	154	318	Overweight	8.2	56.4	0.7	4.9x	0.8x	19.2	0.4	40.1	811.2	1.2
Transportation & Logistic				41.5										
ASSA	755	790	1.100	Buy	45.7	(26.3)	2.8	17.1x	1.4x	8.9	2.6	(0.9)	78.3	1.4
BIRD	1.740	1.790	1.920	Overweight	10.3	(23.7)	4.4	9.6x	0.8x	8.4	5.2	11.3	1.0	0.8

Source : Bloomberg, NHKSII Research

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