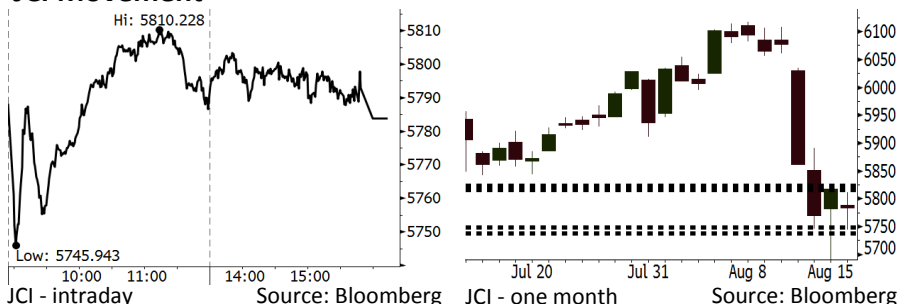


Morning Brief

Daily | Aug 20, 2018

JCI Movement



IHSG (Jakarta Composite Index)

| | |
|---|--------------------|
| August 16 | 5,783.80 |
| Chg | -32.79pts (-0.56%) |
| Volume (bn shares) | 84.54 |
| Value (IDR tn) | 6.92 |
| Adv 114 Dec 247 Unc 251 Untr 120 | |

| Foreign Transaction (IDR bn) | |
|------------------------------|-------|
| Buy | 2,446 |
| Sell | 3,208 |
| Net Buy (Sell) | (762) |

| Top Buy | NB Val. | Top Sell | NS Val. |
|---------|---------|----------|---------|
| UNVR | 46.1 | BBRI | 201.4 |
| INKP | 29.9 | TLKM | 105.5 |
| ASII | 28.0 | UNTR | 82.0 |
| LPPF | 16.6 | BBNI | 76.7 |
| CPIN | 13.3 | ADRO | 62.6 |

LQ-45 Index

| Top Gainers & Losers | | | |
|----------------------|------|--------|-------|
| Gainers | % | Losers | % |
| LPPF | 4.9% | ADHI | -5.2% |
| SRIL | 4.7% | BBRI | -5.0% |
| INTP | 4.3% | INCO | -4.8% |
| UNVR | 4.2% | BJBR | -4.2% |
| TPIA | 3.8% | BBNI | -4.1% |

Government Bond Yield & FX

| | Last | Chg. |
|----------------|--------|--------|
| Tenor: 10 year | 7.98% | -0.03% |
| USDIDR | 14,593 | 0.11% |
| KRWIDR | 12.92 | 0.23% |

Global Indexes

| Index | Last | Chg. | % |
|-----------|-----------|---------|--------|
| Dow Jones | 25,669.32 | 110.59 | 0.43% |
| S&P 500 | 2,850.13 | 9.44 | 0.33% |
| Nasdaq | 7,816.33 | 9.81 | 0.13% |
| FTSE 100 | 7,558.59 | 2.21 | 0.03% |
| CAC 40 | 5,344.93 | (4.09) | -0.08% |
| DAX | 12,210.55 | (26.62) | -0.22% |
| Nikkei | 22,270.38 | 78.34 | 0.35% |
| Hang Seng | 27,213.41 | 113.35 | 0.42% |
| Shanghai | 2,668.97 | (36.23) | -1.34% |
| KOSPI | 2,247.05 | 6.25 | 0.28% |
| EIDO | 22.86 | 0.19 | 0.84% |

Commodities

| Commodity | Last | Chg. | % |
|----------------------|---------|-------|-------|
| Gold (USD /troy oz.) | 1,184.3 | 10.1 | 0.86% |
| Crude Oil (USD /bbl) | 65.91 | 0.45 | 0.69% |
| Coal Newcas(USD/ton) | 107.90 | 0.30 | 0.28% |
| Gas (USD /mmbtu) | 2.95 | 0.04 | 1.31% |
| Nickel LME (USD /MT) | 13,480 | 155.0 | 1.16% |
| Tin LME (USD /MT) | 18,705 | 90.0 | 0.48% |
| CPO (MYR/Ton) | 2,238 | 16.0 | 0.72% |

Indonesian Market Recap

JCI was bearish on Thursday's trading after the massive net sell from foreign investors. **Top Losers: Infrastructure (-1.78%), Finance (-1.65%), Mining (-1.58%)**

Today's Outlook: Expectancy of Trump and Xi Negotiation

We estimate JCI to rally with the support range of **5738-5748** and resistance range of **5815-5823**. The positive sentiment comes from the subdued tension of the U.S. and China trade war after the news of trade negotiation between Trump and Xi Jinping in November. In August, China and the U.S.' authorities are scheduled to hold a trade negotiation. From domestic outlook, investors will respond to the 2019's state budget draft focusing on the human resource development.

Stocks Recommendation (details on the next page)

Trading Buy: GGRM, LSIP, PTBA

Global Market

United States

The U.S. stocks rallied on Friday. Investors responded positively to the U.S-China trade negotiation to be conducted this month.

Europe

European stocks ended mixed on Friday. Investors concerned about Turkey's financial crisis.

Asia

Asia stocks rallied on Friday after the news of the U.S. and China negotiation plan.

Company News

SMGR : Enjoys Growth of 11.4% in July's Sales

PTBA : Business Expansion Until End of 2018

GEMS : Posts Growth of 32.33% in Profit

TDPM : Develops New Product

Domestic & Global News

2019's State Budget Deficit of 1.84%: A Projection

New Round of US-China Trade Talks in Late August

Indonesia Economic Data

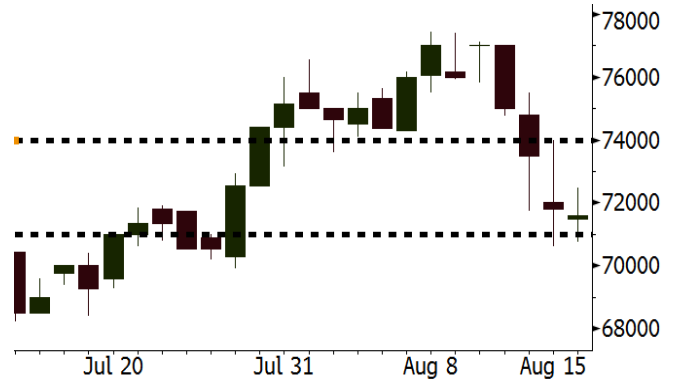
| Monthly Indicator | Last | Prev. | Quarterly Indicator | Last | Prev. |
|------------------------|--------|--------|----------------------|--------|--------|
| BI 7 Day Rev Repo Rate | 5.50% | 5.25% | Real GDP | 5.27% | 5.06% |
| FX Reserve (USD bn) | 118.31 | 119.84 | Current Acc (USD bn) | (8.03) | (5.54) |
| Trd Balance (USD bn) | (2.03) | 1.74 | Govt. Spending Yoy | 5.26% | 2.73% |
| Exports Yoy | 19.33% | 11.47% | FDI (USD bn) | 5.50 | 3.49 |
| Imports Yoy | 31.56% | 12.66% | Business Confidence | 106.28 | 112.39 |
| Inflation Yoy | 3.18% | 3.12% | Cons. Confidence* | 124.80 | 128.10 |

GGRM Last = 71600

Analysis The government decision to increase the salary of civil servant by 5% in 2019 will stimulate the domestic consumption, including cigarette consumption. From 2016 to 2018, the civil servant's salary was subject to no increment.

Range 71000 - 73975

Action Trading Buy. Cut Loss If Below 71000

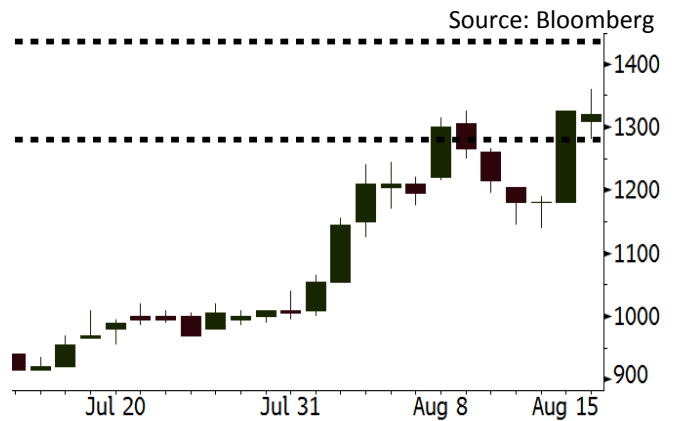


LSIP Last = 1320

Analysis CPO prices rallied to the highest position since August 10, 2018. It is spurred by the expectancy of trade negotiation between China and Malaysia and the B20 mandatory in Indonesia.

Range 1280 - 1435

Action Trading Buy. Cut Loss If Below 1280

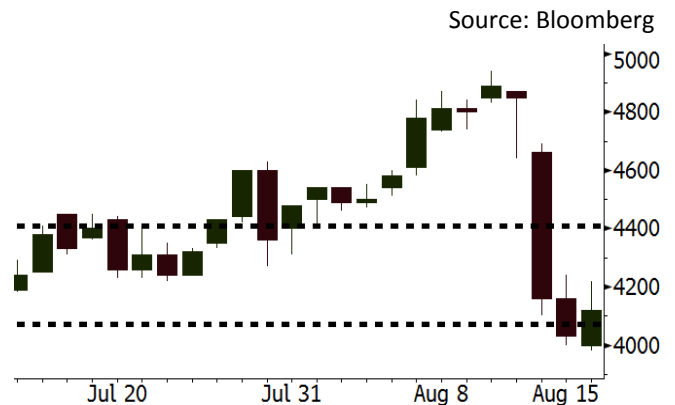


PTBA Last = 4120

Analysis The expectancy of the U.S. and China negotiation is potential for easing jitters of trade war, and has positive impacts on commodities sector, including coal.

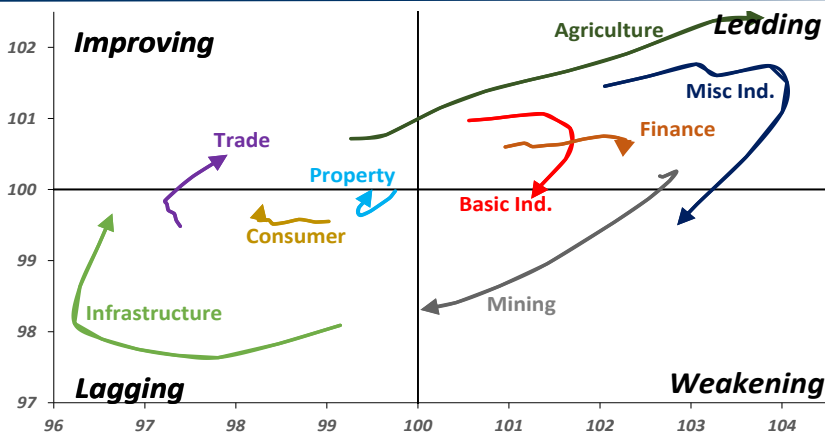
Range 4070 - 4410

Action Trading buy. Cut Loss If Below 4070



Sector Rotation

Relative Rotation Graph - Last 10 Days



Source: Bloomberg

Relative Valuation

| | 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 (%) | Adjusted Beta |
|-----------------------|------------|------------------------|---------------|--------|----------------------|-------------------|---------------------|-------------------|--------------|----------------------|------------------------|----------------------|--------------------|---------------|
| JCI Index | 5,784 | 6,356 | | | | (1.8) | 6,543.7 | | | | | | | |
| Finance | | | | | | 5.6 | 1,942.9 | | | | | | | |
| BBCA | 23,375 | 21,900 | 25,400 | Hold | 8.7 | 25.0 | 576.3 | 23.8x | 4.2x | 18.8 | 1.1 | 5.7 | 8.4 | 1.0 |
| BBRI | 3,050 | 3,640 | 3,930 | Buy | 28.9 | 0.7 | 376.2 | 12.2x | 2.3x | 19.3 | 3.5 | 5.8 | 10.9 | 1.4 |
| BMRI | 6,700 | 8,000 | 10,300 | Buy | 53.7 | 2.3 | 312.7 | 13.4x | 1.9x | 14.5 | 3.0 | (0.5) | 28.7 | 1.4 |
| BBNI | 7,075 | 9,900 | 9,675 | Buy | 36.7 | (4.4) | 131.9 | 9.0x | 1.3x | 15.5 | 3.6 | 11.8 | 16.2 | 1.4 |
| BBTN | 2,490 | 3,570 | 3,280 | Buy | 31.7 | (11.1) | 26.4 | 8.3x | 1.2x | 15.1 | 2.3 | 14.3 | 11.7 | 1.7 |
| BJTM | 635 | 710 | 810 | Buy | 27.6 | (9.3) | 9.5 | 8.1x | 1.2x | 15.5 | 6.9 | 1.1 | 2.5 | 0.9 |
| Consumer | | | | | | (6.5) | 1,310.4 | | | | | | | |
| HMSP | 3,550 | 4,730 | 4,575 | Buy | 28.9 | (5.1) | 412.9 | 32.5x | 14.9x | 46.0 | 3.0 | 5.5 | 1.9 | 1.3 |
| GGRM | 71,600 | 83,800 | 88,650 | Buy | 23.8 | (3.2) | 137.8 | 17.8x | 3.1x | 18.2 | 3.6 | 10.1 | 0.1 | 1.3 |
| UNVR | 42,525 | 55,900 | 44,200 | Hold | 3.9 | (14.0) | 324.5 | 47.0x | 64.7x | 139.4 | 2.2 | (0.4) | (2.5) | 1.1 |
| ICBP | 8,650 | 8,900 | 9,625 | Hold | 11.3 | (0.6) | 100.9 | 25.2x | 5.1x | 21.3 | 1.9 | 5.4 | 9.5 | 1.1 |
| INDF | 6,100 | 7,625 | 8,175 | Buy | 34.0 | (27.4) | 53.6 | 13.9x | 1.7x | 12.6 | 3.9 | 1.0 | (12.5) | 1.2 |
| KLBF | 1,210 | 1,690 | 1,730 | Buy | 43.0 | (30.9) | 56.7 | 23.6x | 4.3x | 18.9 | 2.1 | 3.1 | (0.0) | 1.2 |
| KAEF | 2,310 | 2,700 | 3,280 | Buy | 42.0 | (27.4) | 12.8 | 36.3x | 5.1x | 14.9 | 0.8 | 29.1 | 28.3 | 1.1 |
| Infrastructure | | | | | | (19.6) | 687.47 | | | | | | | |
| TLKM | 3,350 | 4,399 | 4,600 | Buy | 37.3 | (29.3) | 337.7 | 17.7x | 3.8x | 22.1 | 5.0 | 0.5 | (28.1) | 0.9 |
| EXCL | 2,890 | 2,960 | 3,800 | Buy | 31.5 | (16.0) | 30.9 | 212.1x | 1.4x | 0.7 | N/A | 1.0 | N/A | 1.2 |
| ISAT | 3,220 | 4,800 | 6,750 | Buy | 109.6 | (50.1) | 17.5 | N/A | 1.4x | (2.6) | 2.3 | (26.8) | N/A | 0.9 |
| JSMR | 4,460 | 6,400 | 6,050 | Buy | 35.7 | (18.9) | 32.4 | 14.5x | 2.1x | 14.8 | 1.4 | 42.5 | 2.9 | 1.0 |
| TBIG | 5,525 | 6,425 | 6,050 | Hold | 9.5 | (17.5) | 25.0 | 10.8x | 7.9x | 92.7 | 3.1 | 8.4 | 16.1 | 0.7 |
| INDY | 3,010 | 3,060 | 5,000 | Buy | 66.1 | 221.9 | 15.7 | 2.9x | 1.1x | 46.6 | 3.6 | 263.6 | 166.7 | 0.8 |
| Trade | | | | | | (9.9) | 720.6 | | | | | | | |
| UNTR | 33,400 | 35,400 | 42,350 | Buy | 26.8 | 13.3 | 124.6 | 13.2x | 2.5x | 20.6 | 2.7 | 32.3 | 60.0 | 1.1 |
| AKRA | 4,010 | 6,350 | 8,025 | Buy | 100.1 | (40.6) | 16.1 | 22.9x | 1.9x | 22.2 | 5.5 | 21.6 | (34.8) | 1.3 |
| SCMA | 1,875 | 2,480 | 2,700 | Buy | 44.0 | (18.8) | 27.4 | 20.5x | 6.5x | 32.5 | 4.0 | 2.6 | 0.7 | 1.1 |
| MNCN | 925 | 1,285 | 1,550 | Buy | 67.6 | (36.2) | 13.2 | 9.2x | 1.3x | 14.6 | 1.6 | 1.8 | (9.2) | 1.2 |
| LPPF | 6,425 | 10,000 | 11,250 | Buy | 75.1 | (41.6) | 18.7 | 9.8x | 8.0x | 93.0 | 7.1 | 3.1 | 0.4 | 1.0 |
| ACES | 1,300 | 1,155 | 1,635 | Buy | 25.8 | 20.4 | 22.3 | 25.3x | 6.3x | 26.3 | 1.8 | 22.6 | 30.0 | 1.0 |
| RALS | 1,190 | 1,200 | 1,400 | Buy | 17.6 | 19.0 | 8.4 | 15.3x | 2.2x | 14.6 | 3.4 | 0.9 | 31.8 | 0.9 |
| MAPI | 795 | 620 | 945 | Buy | 18.9 | 20.0 | 13.2 | 22.5x | 2.9x | 15.5 | 0.5 | 18.0 | 183.0 | 1.0 |
| Property | | | | | | (15.2) | 369.7 | | | | | | | |
| BSDE | 1,165 | 1,700 | 1,850 | Buy | 58.8 | (35.8) | 22.4 | 6.7x | 0.9x | 13.8 | N/A | (27.6) | (79.9) | 1.3 |
| PWON | 505 | 685 | 625 | Buy | 23.8 | (24.6) | 24.3 | 11.6x | 2.2x | 20.5 | 1.2 | 14.4 | 25.4 | 1.2 |
| CTRA | 835 | 1,185 | 1,130 | Buy | 35.3 | (31.3) | 15.5 | 21.2x | 1.2x | 5.6 | 1.7 | (0.8) | (49.0) | 1.4 |
| SMRA | 635 | 945 | 1,050 | Buy | 65.4 | (43.3) | 9.2 | 27.5x | 1.4x | 5.2 | 0.8 | (2.5) | (40.0) | 1.5 |
| WSKT | 1,840 | 2,210 | 2,810 | Buy | 52.7 | (19.7) | 25.0 | 4.3x | 1.5x | 39.6 | 3.1 | 47.3 | 134.6 | 1.4 |
| PTPP | 1,800 | 2,640 | 3,850 | Buy | 113.9 | (37.7) | 11.2 | 8.2x | 1.0x | 12.5 | 2.6 | 17.0 | (16.3) | 1.3 |
| WIKA | 1,540 | 1,550 | 2,150 | Buy | 39.6 | (23.0) | 13.8 | 10.8x | 1.1x | 10.5 | 1.7 | 36.8 | 18.7 | 1.0 |
| ADHI | 1,460 | 1,885 | 2,160 | Buy | 47.9 | (29.8) | 5.2 | 9.1x | 0.9x | 10.1 | 2.0 | 39.7 | 282.5 | 1.1 |
| Misc Ind. | | | | | | (9.2) | 361.4 | | | | | | | |
| ASII | 7,100 | 8,300 | 9,300 | Buy | 31.0 | (10.1) | 287.4 | 14.4x | 2.3x | 16.3 | 2.6 | 14.8 | 11.3 | 1.3 |
| Basic Ind. | | | | | | 26.6 | 608.5 | | | | | | | |
| INTP | 14,425 | 21,950 | 21,575 | Buy | 49.6 | (27.1) | 53.1 | 40.4x | 2.4x | 5.7 | 4.9 | (0.9) | (60.6) | 1.4 |
| SMGR | 8,150 | 9,900 | 11,550 | Buy | 41.7 | (25.1) | 48.3 | 25.6x | 1.7x | 6.6 | 1.7 | 4.7 | (10.9) | 1.1 |
| CPIN | 4,770 | 3,000 | 4,200 | Hold | (11.9) | 63.4 | 78.2 | 22.9x | 4.5x | 21.3 | 1.2 | 2.7 | 59.1 | 1.0 |
| JPFA | 2,210 | 1,300 | 2,000 | Hold | (9.5) | 83.4 | 25.9 | 15.6x | 2.9x | 18.3 | 2.3 | 18.2 | 142.5 | 0.7 |
| MAIN | 1,340 | 740 | 780 | Sell | (41.8) | 43.3 | 3.0 | 20.8x | 1.6x | 7.9 | 2.8 | 13.5 | 350.0 | 1.1 |
| KRAS | 400 | 424 | 500 | Buy | 25.0 | (29.2) | 7.7 | N/A | 0.3x | (2.3) | N/A | 34.7 | 72.4 | 1.1 |
| TPIA | 5,150 | 6,000 | 6,275 | Buy | 21.8 | 12.6 | 91.8 | 21.8x | 3.6x | 19.1 | 1.6 | 9.9 | (36.3) | 0.6 |
| BRPT | 1,780 | 2,260 | 2,420 | Buy | 36.0 | (4.0) | 31.7 | 21.7x | 1.6x | 8.9 | 1.4 | 9.8 | (7.3) | 1.1 |
| Mining | | | | | | 31.0 | 440.8 | | | | | | | |
| ADRO | 1,780 | 1,860 | 2,500 | Buy | 40.4 | (5.1) | 56.9 | 8.5x | 1.1x | 13.6 | 6.1 | 5.1 | (23.4) | 1.1 |
| PTBA | 4,120 | 2,460 | 5,375 | Buy | 30.5 | 56.7 | 47.5 | 8.1x | 3.4x | 43.4 | 7.7 | 17.4 | 49.1 | 1.1 |
| ITMG | 26,175 | 20,700 | 32,400 | Buy | 23.8 | 27.2 | 29.6 | 8.0x | 2.2x | 27.6 | 12.0 | 8.0 | (10.0) | 1.1 |
| INCO | 3,790 | 2,890 | 5,325 | Buy | 40.5 | 39.3 | 37.7 | 66.8x | 1.4x | 1.9 | N/A | 28.3 | N/A | 1.2 |
| ANTM | 830 | 625 | 985 | Buy | 18.7 | 21.2 | 19.9 | 53.1x | 1.1x | 2.0 | 0.2 | 247.2 | 3550.0 | 1.1 |
| TINS | 770 | 775 | 1,240 | Buy | 61.0 | (5.5) | 5.7 | 11.5x | 0.9x | 8.3 | 3.1 | (0.6) | (18.1) | 1.1 |
| ELSA | 346 | 372 | 625 | Buy | 80.6 | 36.2 | 2.5 | 7.0x | 0.8x | 12.1 | 1.5 | 46.5 | 783.3 | 1.4 |
| Agriculture | | | | | | (9.4) | 101.9 | | | | | | | |
| AALI | 12,900 | 13,150 | 14,800 | Hold | 14.7 | (13.1) | 24.8 | 14.2x | 1.3x | 9.7 | 3.6 | 8.9 | (23.3) | 0.5 |
| LSIP | 1,320 | 1,420 | 1,380 | Hold | 4.5 | (4.3) | 9.0 | 17.0x | 1.1x | 6.6 | 3.4 | (28.5) | (47.6) | 0.6 |

* Target Price for December 2018

Source: Bloomberg, NHKS Research

SMGR : Enjoys Growth of 11.4% in July's Sales

SMGR enjoyed July's sales of 2.50 million tons or grew by 11.4% y-y backed by the sales of cement packaged in sack. In the period of Januari-July 2018 its sales only grew slightly by 0.8% to 14.32 million tons. Meanwhile, its exports grew significantly by 41.6% y-y to 1.69 million ton in the period of Januari-July 2018. (Bisnis Indonesia)

GEMS : Posts Growth of 32.33% in Profit

GEMS posted the growth of 32.33% y-y to USD67.82 million in the 1H18's net profit. The 1H18's revenue also grew by 71.77% y-y to USD480.74 million backed by the sales to Singapore-based Itochu. It produced 9.9 million tons of coal and targeted the production volume of 21.8 million tons in 2018. (Bisnis Indonesia)

PTBA : Business Expansion Until End of 2018

PTBA likely performs expansive business strategies until the end of 2018. Such strategies subsumes the hike of 15% in coal consumption, the increment in train load capacity, and the coal-fired business expansion through South Sumatera 8-based coal fired with the capacity of 2x620 MW, and penetrating solar power plant. (Kontan)

TDPM : Develops New Product

TDPM is evaluating the development of its new product, namely environmental-friendly plasticizer and superplasticizer specifically developed for the consumer industry. Of note, it allocated 1% of 2017's revenue for research and development. It is optimistic to achieve the 2018's net profit target of USD12 million. (Bisnis Indonesia)

Domestic & Global News

2019's State Budget Deficit of 1.84%: A Projection

Indonesia government proposes the spending of IDR2,439.7 trillion in the 2019's state budget draft. The nominal is higher than the 2018's state budget draft of IDR2,204.4 trillion. Meanwhile, the state revenue in the 2019's state budget draft is IDR2,142.5 trillion. The 2019's state revenue is also higher than the 2018's state budget draft of IDR1,878.4 trillion. Thus, the 2019's state budget deficit reaches IDR297.2 trillion (1.84 percent to GDP). (CNBC Indonesia)

New Round of US-China Trade Talks in Late August

China said on Thursday it will hold a fresh round of trade talks with the United States in Washington later this month, offering a glimmer of hope for progress in resolving a conflict that has set world markets on edge. The talks are at the invitation of the U.S. and will be held with U.S. Under Secretary of Treasury for International Affairs David Malpass. (CNBC)

| Date | Country | Hour Jakarta | Event | Period | Actual | Consensus | Previous |
|------------------------------|---------|--------------|---------------------------------|--------|--------|-----------|----------|
| Monday 20 - Aug | GER | 13:00 | PPI YoY | Jul | -- | -- | 3.00% |
| Wednesday 22 - Aug | JPN | 11:30 | All Industry Activity Index MoM | Jun | -- | -- | 0.10% |
| | USA | 18:00 | MBA Mortgage Applications | 17-Aug | -- | -- | -2.00% |
| | USA | 21:00 | Existing Home Sales | Jul | 5.45m | 5.38m | 5.38m |
| Thursday 23 - Aug | USA | 19:30 | Initial Jobless Claims | 18-Aug | -- | -- | -- |
| | EU | 21:00 | Consumer Confidence | Aug | -- | -- | -0.6 |
| | USA | 21:00 | New Home Sales | Jul | 650k | 631k | 631k |
| | USA | 21:00 | New Home Sales MoM | Jul | 3.00% | 3.00% | -5.30% |
| Friday 24 - Aug | JPN | 06:30 | Natl CPI YoY | Jul | -- | -- | 0.70% |
| | GER | 13:00 | GDP SA QoQ | 2Q | -- | -- | 0.50% |
| | USA | 19:30 | Durable Goods Orders | Jul | 1.00% | 1.00% | 0.80% |

Source: Bloomberg

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