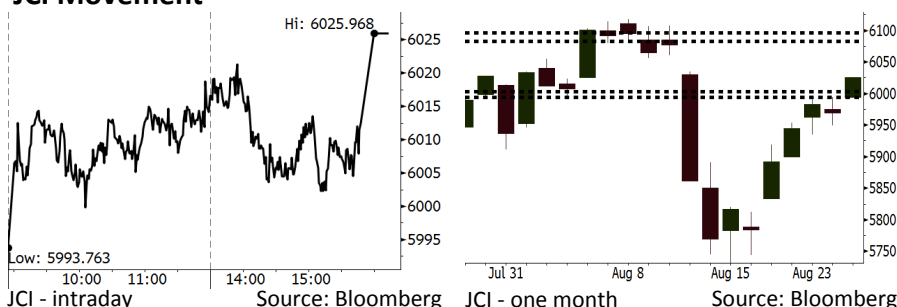


# Morning Brief

Daily | Aug 28, 2018

## JCI Movement



## Market Recap

JCI rallied yesterday amid the trend of strengthening global currencies against the U.S. dollar. **Top Gainers: Infrastructure (+3.92%), Miscellaneous Industries (+2.26%), Property (+1.35%)**

The global markets notched higher yesterday after the speech delivered by the Fed's chairperson. Meanwhile, the new trade agreement entered by the U.S. and Mexico underpinned the movement in the U.S. and European markets. On the other side, Asia markets were heavily impacted by the People's Bank of China's stance of managing yuan.

## Today's Outlook: Trade Negotiation between the U.S. and Mexico

We estimate JCI to rally with the **support range of 5994-6003** and **resistance range of 6083-6093**. The positive sentiment comes from the rally in global markets attributable to the trade negotiation between the U.S. and Mexico. The new negotiation is a substitute for the NAFTA agreement considered to disadvantage the U.S. by President Trump. It slightly subdued the global concerns about the possible trade war escalation between the U.S. and other countries.

The trade negotiation between the U.S. and Mexico caused the global market stocks and crude's prices to rally. Besides, it also caused the U.S. dollar to weaken within 2-consecutive days. The weakening U.S. dollar likely breeds positive sentiments to rupiah movement and Indonesia-based market stocks.

## Stocks Recommendation (details on the next page)

Trading Buy: UNTR, KLBF, TLKM

## Company News

TINS : Will Beef Up Inventory  
 UNTR : Allocates Capex of USD1 Billion  
 MIKA : Enjoys 10.4% Growth in Revenues  
 SRIL : Targets Exports to Reach 60%

## Domestic & Global News

Coal Export Reaches 209.6 Million Tons  
 US and Mexico Reach a Trade Deal

## 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

## IHSG (Jakarta Composite Index)

August 27 6,025.97  
 Chg +57.22pts (+0.96%)  
 Volume (bn shares) 102.60  
 Value (IDR tn) 8.73  
**Adv 216 Dec 157 Unc 240 Untr 119**

## Foreign Transaction (IDR bn)

Buy 2,226  
 Sell 2,197  
**Net Buy (Sell) 29**

Top Buy	NB Val.	Top Sell	NS Val.
BBCA	254.4	ADRO	22.2
BBRI	186.7	AKRA	20.4
TLKM	180.2	ERAA	17.0
ASII	87.5	TPIA	9.1
INKP	48.1	INTP	7.5

## LQ-45 Index Top Gainers & Losers

Gainers	%	Losers	%
SMGR	7.4%	SCMA	-1.9%
INTP	6.1%	BBCA	-1.2%
BBTN	5.3%	LPKR	-1.1%
TLKM	5.2%	HMSP	-1.1%
PGAS	4.8%	TPIA	-1.0%

## Government Bond Yield & FX

	Last	Chg.
Tenor: 10 year	7.96%	0.02%
USDIDR	14,620	-0.20%
KRWIDR	13.13	0.11%

## Global Indexes

Index	Last	Chg.	%
Dow Jones	26,049.64	259.29	1.01%
S&P 500	2,896.74	22.05	0.77%
Nasdaq	8,017.90	71.92	0.91%
FTSE 100	7,577.49	14.27	0.19%
CAC 40	5,479.10	46.60	0.86%
DAX	12,538.31	143.79	1.16%
Nikkei	22,799.64	197.87	0.88%
Hang Seng	28,271.27	599.40	2.17%
Shanghai	2,780.90	51.47	1.89%
KOSPI	2,299.30	6.09	0.27%
EIDO	24.14	0.26	1.09%

## Commodities

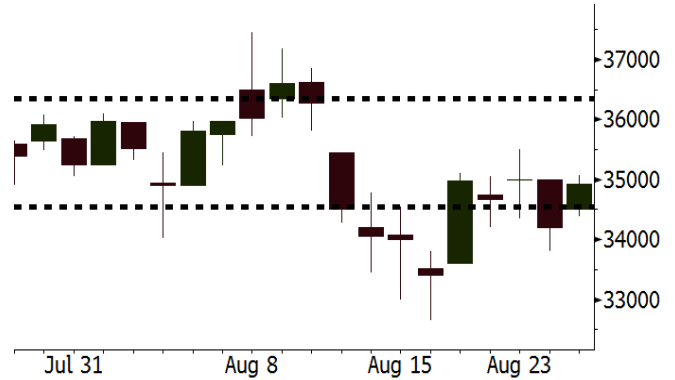
Commodity	Last	Chg.	%
Gold (USD /troy oz.)	1,211.4	6.0	0.50%
Crude Oil (USD /bbl)	68.87	0.15	0.22%
Coal Newcas(USD/ton)	110.25	1.00	0.92%
Gas (USD /mmbtu)	2.88	(0.04)	-1.41%
Nickel LME (USD /MT)	13,415	140.0	1.05%
Tin LME (USD /MT)	19,000	(100.0)	-0.52%
CPO (MYR/Ton)	2,199	(20.0)	-0.90%

**UNTR** Last = 34925

**Analysis** UNTR targets the non-coal business diversification, and expects that this business contributes the 2021's net profit of 35%-40% hiking 10% from the current net profit.

**Range** 34550 – 36350

**Action** Trading Buy. Cut Loss If Below 34550



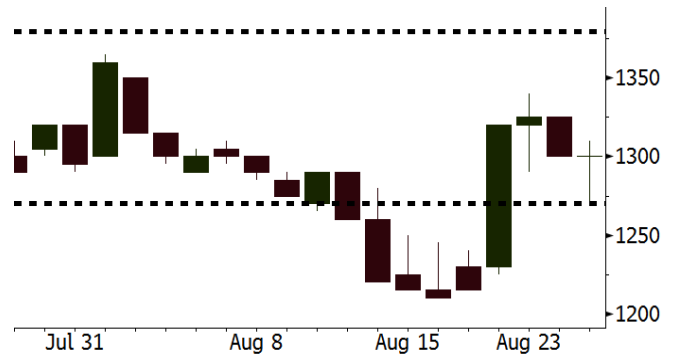
Source: Bloomberg

**KLBF** Last = 1300

**Analysis** The dollar depreciation impacting on rupiah appreciation likely boosts the recovery in KLBF's performance. Now, KLBF is traded at a P/E of 25.4x, a steep lower than the 5-year average P/E of 34.0x.

**Range** 1270 – 1380

**Action** Trading Buy. Cut Loss If Below 1270



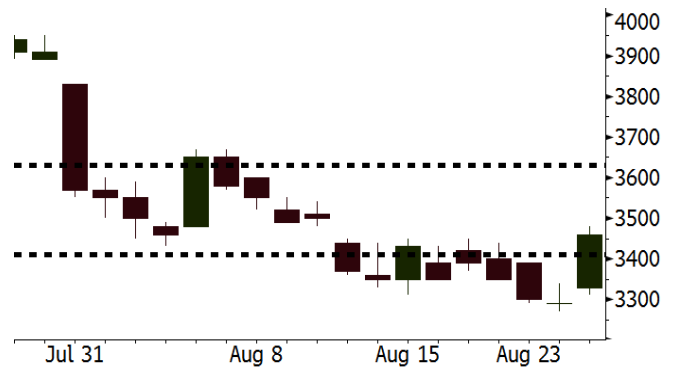
Source: Bloomberg

**TLKM** Last = 3460

**Analysis** The steep decline in TLKM's stocks since July is estimated to reach its climax. TLKM's stocks are estimated to hike along with the healthier competition backdrop among Indonesia-based cellular providers in 2H18.

**Range** 3410 – 3630

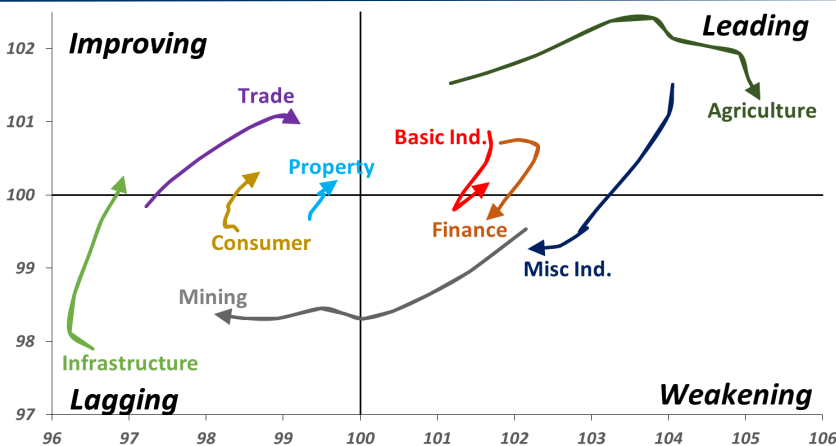
**Action** Trading buy. Cut Loss If Below 3410



Source: Bloomberg

## 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
<b>JCI Index</b>	6,026	6,356				2.1	6,819.4							
<b>Finance</b>						11.2	2,056.7							
BBCA	24,775	21,900	27,650	Hold	11.6	29.9	610.8	25.3x	4.5x	18.8	1.0	5.7	8.4	1.0
BBRI	3,380	3,640	3,930	Buy	16.3	11.0	416.9	13.6x	2.5x	19.3	3.2	5.8	10.9	1.4
BMRI	6,975	8,000	7,500	Hold	7.5	5.5	325.5	13.9x	2.0x	14.5	2.9	(0.5)	28.7	1.3
BBNI	7,675	9,900	9,675	Buy	26.1	4.1	143.1	9.8x	1.5x	15.5	3.3	11.8	16.2	1.4
BBTN	2,770	3,570	3,280	Buy	18.4	(5.5)	29.3	9.2x	1.3x	15.1	2.1	14.3	11.7	1.7
BJTM	645	710	810	Buy	25.6	(5.1)	9.7	8.2x	1.2x	15.5	6.8	1.1	2.5	0.8
<b>Consumer</b>						(4.0)	1,349.1							
HMSP	3,640	4,730	4,575	Buy	25.7	(0.8)	423.4	33.3x	15.3x	46.0	2.9	5.5	1.9	1.3
GGRM	73,500	83,800	88,650	Buy	20.6	2.6	141.4	18.2x	3.2x	18.2	3.5	10.1	0.1	1.3
UNVR	43,700	55,900	44,200	Hold	1.1	(12.2)	333.4	48.3x	66.5x	139.4	2.1	(0.4)	(2.5)	1.0
ICBP	8,800	8,900	9,625	Hold	9.4	-	102.6	25.7x	5.2x	21.3	1.8	5.4	9.5	1.1
INDF	6,675	7,625	8,175	Buy	22.5	(22.6)	58.6	15.2x	1.9x	12.6	3.6	1.0	(12.5)	1.2
KLBF	1,300	1,690	1,730	Buy	33.1	(24.4)	60.9	25.4x	4.6x	18.9	1.9	3.1	(0.0)	1.3
KAEF	2,420	2,700	3,280	Buy	35.5	(24.4)	13.4	38.0x	5.4x	14.9	0.7	29.1	28.3	1.1
<b>Infrastructure</b>						(17.1)	708.49							
TLKM	3,460	4,399	4,600	Buy	32.9	(26.5)	348.8	18.3x	4.0x	22.1	4.8	0.5	(28.1)	0.8
EXCL	2,980	2,960	3,800	Buy	27.5	(17.9)	31.9	218.7x	1.5x	0.7	N/A	1.0	N/A	1.2
ISAT	3,260	4,800	6,750	Buy	107.1	(49.1)	17.7	N/A	1.4x	(2.6)	2.2	(26.8)	N/A	0.9
JSMR	4,660	6,400	6,050	Buy	29.8	(16.4)	33.8	15.2x	2.2x	14.8	1.3	42.5	2.9	1.0
TBIG	5,550	6,425	6,050	Hold	9.0	(17.8)	25.1	10.9x	7.9x	92.7	3.0	8.4	16.1	0.6
INDY	3,020	3,060	5,000	Buy	65.6	135.0	15.7	2.9x	1.1x	46.6	3.6	263.6	166.7	0.8
<b>Trade</b>						(8.4)	737.5							
UNTR	34,925	35,400	44,750	Buy	28.1	14.1	130.3	13.8x	2.6x	20.6	2.6	32.3	60.0	1.1
AKRA	3,840	6,350	8,025	Buy	109.0	(42.9)	15.4	22.0x	1.8x	22.2	5.7	21.6	(34.8)	1.3
SCMA	2,070	2,480	2,700	Buy	30.4	(9.2)	30.3	22.6x	7.1x	32.5	3.6	2.6	0.7	1.1
MNCN	960	1,285	1,550	Buy	61.5	(35.8)	13.7	9.6x	1.3x	14.6	1.6	1.8	(9.2)	1.2
LPPF	6,775	10,000	11,250	Buy	66.1	(36.1)	19.8	10.3x	8.5x	93.0	6.8	3.1	0.4	1.0
ACES	1,350	1,155	1,635	Buy	21.1	26.8	23.2	26.3x	6.5x	26.3	1.7	22.6	30.0	1.0
RALS	1,250	1,200	1,400	Hold	12.0	22.5	8.9	16.0x	2.3x	14.6	3.2	0.9	31.8	0.9
MAPI	810	620	945	Buy	16.7	16.5	13.4	22.9x	3.0x	15.5	0.5	18.0	183.0	1.0
<b>Property</b>						(10.6)	389.3							
BSDE	1,270	1,700	1,850	Buy	45.7	(30.4)	24.4	7.3x	0.9x	13.8	N/A	(27.6)	(79.9)	1.4
PWON	525	685	625	Buy	19.0	(23.4)	25.3	12.0x	2.3x	20.5	1.1	14.4	25.4	1.2
CTRA	890	1,185	1,130	Buy	27.0	(25.2)	16.5	22.6x	1.2x	5.6	1.6	(0.8)	(49.0)	1.4
SMRA	690	945	1,050	Buy	52.2	(36.7)	10.0	29.9x	1.5x	5.2	0.7	(2.5)	(40.0)	1.5
WSKT	1,940	2,210	2,810	Buy	44.8	(13.8)	26.3	4.5x	1.6x	39.6	2.9	47.3	134.6	1.4
PTPP	1,895	2,640	3,850	Buy	103.2	(32.3)	11.7	8.6x	1.0x	12.5	2.5	17.0	(16.3)	1.3
WIKA	1,590	1,550	2,150	Buy	35.2	(20.1)	14.3	11.1x	1.1x	10.5	1.7	36.8	18.7	1.0
ADHI	1,510	1,885	2,160	Buy	43.0	(25.6)	5.4	9.4x	0.9x	10.1	1.9	39.7	282.5	1.1
<b>Misc Ind.</b>						(4.9)	380.6							
ASII	7,575	8,300	9,300	Buy	22.8	(5.3)	306.7	15.4x	2.4x	16.3	2.4	14.8	11.3	1.3
<b>Basic Ind.</b>						36.8	646.0							
INTP	17,500	21,950	21,575	Buy	23.3	(10.0)	64.4	49.1x	2.9x	5.7	4.0	(0.9)	(60.6)	1.4
SMGR	9,400	9,900	11,550	Buy	22.9	(10.7)	55.8	29.5x	1.9x	6.6	1.4	4.7	(10.9)	1.2
CPIN	4,930	3,000	4,200	Hold	(14.8)	70.6	80.8	23.7x	4.7x	21.3	1.1	2.7	59.1	1.0
JPFA	2,150	1,300	2,000	Hold	(7.0)	87.8	25.2	15.2x	2.8x	18.3	2.3	18.2	142.5	0.8
MAIN	1,395	740	780	Sell	(44.1)	51.6	3.1	21.7x	1.7x	7.9	2.7	13.5	350.0	1.2
KRAS	408	424	500	Buy	22.5	(28.4)	7.9	N/A	0.3x	(2.3)	N/A	34.7	72.4	1.1
TPIA	5,000	6,000	6,275	Buy	25.5	9.6	89.2	21.1x	3.5x	19.1	1.6	9.9	(36.3)	0.6
BRPT	1,790	2,260	2,420	Buy	35.2	(9.1)	31.8	21.8x	1.6x	8.9	1.4	9.8	(7.3)	1.1
<b>Mining</b>						30.8	446.6							
ADRO	1,895	1,860	2,500	Buy	31.9	0.3	60.6	9.1x	1.2x	13.3	5.7	3.9	(12.1)	1.1
PTBA	4,060	2,460	5,375	Buy	32.4	57.7	46.8	8.0x	3.4x	43.4	7.8	17.4	49.1	1.1
ITMG	25,900	20,700	32,400	Buy	25.1	31.1	29.3	7.9x	2.2x	27.6	12.1	8.0	(10.0)	1.0
INCO	3,900	2,890	5,325	Buy	36.5	33.1	38.8	68.5x	1.4x	1.9	N/A	28.3	N/A	1.2
ANTM	895	625	985	Hold	10.1	25.2	21.5	57.3x	1.1x	2.0	0.2	247.2	3550.0	1.1
TINS	810	775	1,240	Buy	53.1	(10.5)	6.0	12.1x	1.0x	8.3	2.9	(0.6)	(18.1)	1.0
ELSA	364	372	625	Buy	71.7	42.2	2.7	7.4x	0.8x	12.1	1.4	46.5	783.3	1.4
<b>Agriculture</b>						(6.5)	105.2							
AALI	13,550	13,150	14,800	Hold	9.2	(10.6)	26.1	14.9x	1.4x	9.7	3.5	8.9	(23.3)	0.6
LSIP	1,375	1,420	1,380	Hold	0.4	-	9.4	17.7x	1.1x	6.6	3.3	(28.5)	(47.6)	0.6

\* Target Price for December 2018

Source: Bloomberg, NHKS Research

### **TINS : Will Beef Up Inventory**

TINS will beef up the inventory of low-content tins to IDR3.2 trillion along with the development of fuming smelter and ausmelt technology. The smelter development with the investment of IDR55 billion functions to re-processing low-content tins into commercial products. The ausmelt technology functions to improve the content of tins by fuming process. The construction of ausmelt technology will be finished in 2020. (Bisnis Indonesia)

### **MIKA : Enjoys 10.4% Growth in Revenues**

MIKA posted the growth of 10.4% y-y to IDR1.4 billion in the 1H18's revenue. The growth in revenue was boosted by the hike of 9.5% in revenues contributed by the Rumah Kasih Indonesia segment. Yet, the lower margin of the Rumah Kasih Indonesia segment whittled away the gross net margin to 35.6%. On the other side, MIKA succeeded to maintain the growth in patients' volume. (Kontan)

### **UNTR : Allocates Capex of USD1 Billion**

UNTR is allocating the capex of USD1 billion to the expansion funds until 2019. The funds of USD917.9 million will be spent on acquisition of Martabe mine targeted to be settle in January 2019 at the latest. Therefore, it chooses the option of internal cash and banking loan. Of note, UNTR's cash reached IDR25 trillion in the consolidation level. (Kontan)

### **SRIL : Targets Exports to Reach 60%**

SRIL targets the growth in the 2018's exports to reach 60% of the total sales. It will boost its export sales to Asia's regions as nations in Asia's regions are stable enough in facing global volatility. Besides, it will normalize new production capacity, perform efficiency, and innovate in term of the developing value-added products. (Bisnis Indonesia).

## Domestic & Global News

### **Coal Export Reaches 209.6 Million Tons**

The Directorate General of Mineral and Coal (Ditjen Minerba) of the Ministry of Energy and Mineral Resources posted the figures of coal exports until June 2018 reaching 209.6 million tons. Meanwhile, the allocation of coal in domestic market (DMO) reached 61.2 million tons until July 2018. The allocation of July was higher than the allocation of June reaching 49.7 million tons. The Ditjen Minerba of the Ministry of Energy and Mineral Resources Bambang Gatot stated that 55.4 million tons of July's coal allocation were used for electricity power plants and 5.8 million tons were used for other industries. (CNBC Indonesia)

### **US and Mexico Reach a Trade Deal**

The U.S. and Mexico struck a trade deal on Monday that paved the way to replace NAFTA, the current agreement between the two nations and Canada. President Donald Trump said the deal would be called The United States-Mexico Trade Agreement, getting rid of the NAFTA name. Trump added that the deal will help farmers and manufacturers. (CNBC)

## Global Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Monday</b> 27 - Aug	GER	15:00	IFO Business Climate	Aug	103.8	101.8	101.7
<b>Tuesday</b> 28 - Aug	EU	15:00	M3 Money Supply YoY	Jul		4.30%	4.40%
	US	21:00	Conf. Board Consumer Confidence	Aug		126.5	127.4
<b>Wednesday</b> 29 - Aug	US	18:00	MBA Mortgage Applications	24-Aug		--	4.20%
	US	19:30	GDP Annualized QoQ	2Q S		4.00%	4.10%
<b>Thursday</b> 30 - Aug	GER	19:00	CPI YoY	Aug P		2.00%	2.00%
	US	19:30	Personal Income	Jul		0.40%	0.40%
	US	19:30	Personal Spending	Jul		0.40%	0.40%
	US	19:30	Initial Jobless Claims	25-Aug		--	210k
<b>Friday</b> 31 - Aug	JPN	06:30	Jobless Rate	Jul		2.40%	2.40%
	JPN	06:50	Industrial Production MoM	Jul P		0.20%	-1.80%
	CHN	08:00	Manufacturing PMI	Aug		51	51.2
	UK	13:00	Nationwide House PX MoM	Aug		0.00%	0.60%
	US	20:45	Chicago Purchasing Manager	Aug		63	65.5
	US	21:00	U. of Mich. Sentiment	Aug F		95.7	95.3

Source: Bloomberg

## Domestic Economic Calendar

Date	Hour Jakarta	Event	Period	Actual	Consensus	Prev.
<b>Friday</b> 31 - Aug	Tentative	Money Supply M2 YoY	Jul	--	--	5.90%

Source: Bloomberg

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