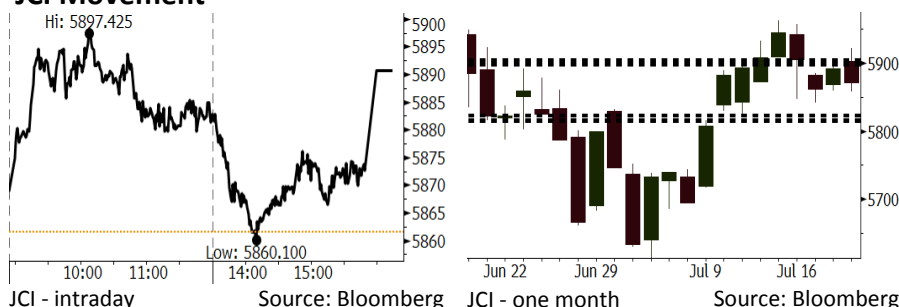


Morning Brief

Daily | July 20, 2018

JCI Movement



Indonesian Market Recap

JCI closed lower yesterday after it posted rally in early session. Meanwhile, investors awaited the result of BI's Board of Governors Meeting. **Top Losers: Consumer (-1.34%), Infrastructure (-1.30%), Trade (-0.97%)**

Today's Outlook: Trump's Stinging Criticism

We estimate JCI to move at lagging pace with the **support range of 5815-5823** and **resistance range of 5898-5904** today. In global outlook, the negative sentiment derives from Trump's stinging criticism over the Fed. Trump stated that the hike in Fed's rate is a disruption to the economic recovery. It triggers volatility in global market, while rupiah was depreciated and closed higher than IDR14,400.

Stocks Recommendation (details on the next page)

Trading Buy: BMRI, BSDE, KLBF

Global Market

United States

The U.S. stocks closed on a low note after Trump's stinging criticism over the Fed and the slide in Banking's sector.

Europe

European stocks closed on a low note as investors awaited the 2Q18's corporate earnings.

Asia

Asia stocks moved mixed, led by China's sluggish stocks amid USD appreciation and yuan depreciation.

Company News

TOTAL : Absorbs Capex of IDR18.6 Billion
 RALS : Posts Gross Sales of IDR5.18 Trillion
 INCO : Nickel Production Whittles Away 3,59%
 ACST : Ploughs 80% of Capex into Equipment

Domestic & Global News

Bank Indonesia Stays Hawkish as It Keeps Key Rate on Hold
 Trump Lays into the Fed, says He's 'Not Thrilled' about Interest Rate Hikes

Indonesia Economic Data

Monthly Indicator	Last	Prev.	Quarterly Indicator	Last	Prev.
BI 7 Day Rev Repo Rate	5.25%	5.25%	Real GDP	5.06%	5.19%
FX Reserve (USD bn)	119.80	122.90	Current Acc (USD bn)	(5.54)	(6.04)
Trd Balance (USD bn)	1.74	(1.52)	Govt Spending Yoy	2.73%	3.81%
Exports Yoy	11.47%	12.47%	FDI (USD bn)	3.69	9.40
Imports Yoy	12.66%	28.17%	Business Confidence	106.28	112.39
Inflation Yoy	3.12%	3.23%	Cons. Confidence*	128.10	125.10

IHSG (Jakarta Composite Index)

July 19 5,871.08
 Chg -19.65pts (-0.33%)
 Volume (bn shares) 95.30
 Value (IDR tn) 8.40
Adv 167 Dec 217 Unc 226 Untr 110

Foreign Transaction (IDR bn)
 Buy 2,234
 Sell 2,269
Net Buy (Sell) (36)

Top Buy	NB Val.	Top Sell	NS Val.
BBCA	153.7	BBRI	137.7
BBRI	84.7	BBNI	41.5
ADRO	40.5	BTPS	41.5
RALS	24.7	BNBR	39.3
INKP	21.2	BKSL	29.1

LQ-45 Index

Top Gainers & Losers	
Gainers	Losers
JSMR 5.0%	BBTN -6.0%
SRIL 3.0%	PTPP -3.2%
TRAM 2.9%	PWON -2.7%
LPPF 2.8%	WIKA -2.7%
PTBA 1.6%	PGAS -2.6%

Government Bond Yield & FX

	Last	Chg.
Tenor: 10 year	7.81%	0.13%
USDIDR	14,442	0.19%
KRWIDR	12.72	-0.08%

Global Indexes

Index	Last	Chg.	%
Dow Jones	25,064.50	(134.79)	-0.53%
S&P 500	2,804.49	(11.13)	-0.40%
Nasdaq	7,825.30	(29.15)	-0.37%
FTSE 100	7,683.97	7.69	0.10%
CAC 40	5,417.07	(30.37)	-0.56%
DAX	12,686.29	(79.65)	-0.62%
Nikkei	22,764.68	(29.51)	-0.13%
Hang Seng	28,010.86	(106.56)	-0.38%
Shanghai	2,772.55	(14.71)	-0.53%
KOSPI	2,282.29	(7.82)	-0.34%
EIDO	23.15	(0.31)	-1.32%

Commodities

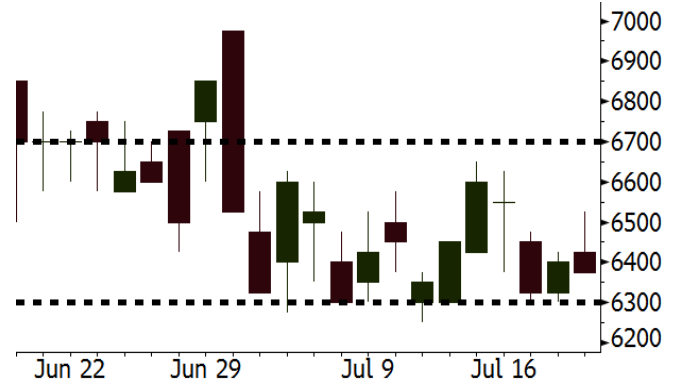
Commodity	Last	Chg.	%
Gold (USD /troy oz.)	1,223.0	(4.5)	-0.37%
Crude Oil (USD /bbl)	69.46	0.70	1.02%
Coal Newcas(USD/ton)	112.80	(2.05)	-1.78%
Gas (USD /mmbtu)	2.77	0.05	1.76%
Nickel LME (USD /MT)	13,340	(275.0)	-2.02%
Tin LME (USD /MT)	19,495	20.0	0.10%
CPO (MYR/Ton)	2,193	(18.0)	-0.81%

BMRI Last = 6375

Analysis BMRI posted the net profit of IDR6.3 trillion, the all-time high. Its net profit soared higher by 17.4% the 2Q17's net profit of IDR5.3 trillion.

Range 6300 - 6700

Action Trading Buy. Cut Loss If Below 6300



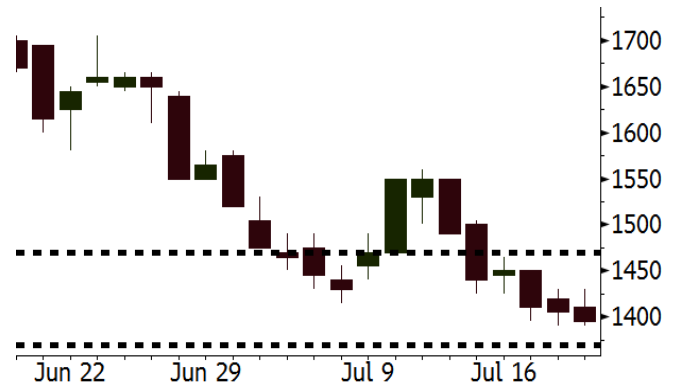
Source: Bloomberg

BSDE Last = 1395

Analysis A steep plunge of BSDE's stocks breeds an attractive valuation as its performance is sound further, portrayed by the 1H18's marketing sales of IDR3.8 trillion soaring 50% from the 1H17's marketing sales of IDR2.5 trillion.

Range 1370 - 1470

Action Trading Buy. Cut Loss If Below 1370



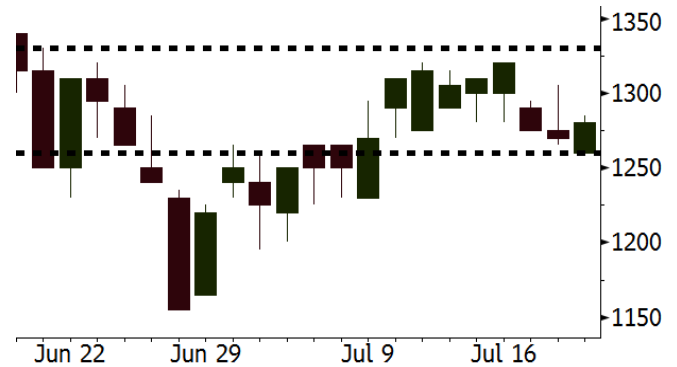
Source: Bloomberg

KLBF Last = 1280

Analysis KLBF's valuation is attractive as now it is traded at P/E of 25.0x, lower than the 5-year average P/E of 34.2x. Its valuation is likely rosier further along with the recovery in domestic consumption.

Range 1260 - 1330

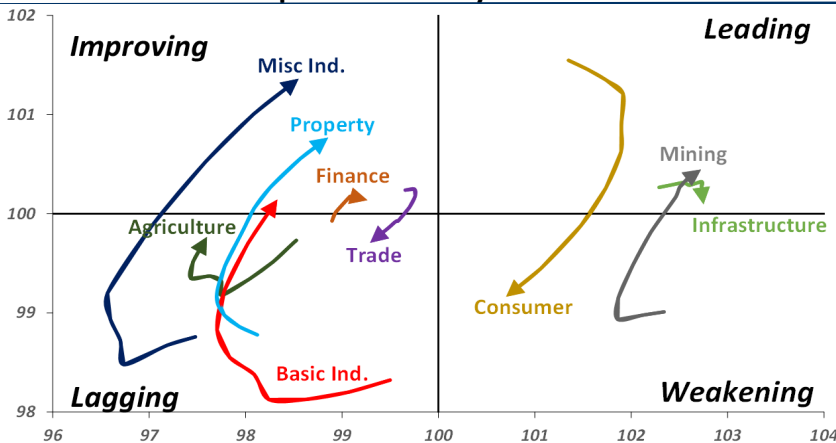
Action Trading buy. Cut Loss If Below 1260



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
JCI Index	5,871	6,356				0.8	6,637.0							
Finance						7.3	1,913.6							
BBCA	23,200	21,900	25,400	Hold	9.5	25.7	572.0	24.0x	4.2x	18.7	1.1	7.1	10.4	1.0
BBRI	2,890	3,640	3,510	Buy	21.5	(1.9)	356.5	11.9x	2.2x	19.6	3.7	13.0	11.4	1.3
BMRI	6,375	8,000	10,300	Buy	61.6	(5.6)	297.5	12.7x	1.8x	14.5	3.1	3.8	28.7	1.4
BBNI	7,375	9,900	8,125	Hold	10.2	6.1	137.5	9.4x	1.4x	15.5	3.5	11.8	16.2	1.3
BBTN	2,350	3,570	3,790	Buy	61.3	(3.7)	24.9	7.8x	1.1x	15.1	2.4	14.3	11.7	1.5
BJTM	645	710	810	Buy	25.6	1.6	9.7	8.1x	1.3x	16.5	6.8	3.1	10.7	1.0
Consumer						(4.8)	1,347.8							
HMSP	3,640	4,730	4,575	Buy	25.7	(3.4)	423.4	34.1x	11.4x	33.3	2.9	2.5	(7.1)	1.4
GGRM	69,275	83,800	88,650	Buy	28.0	(9.1)	133.3	17.2x	3.0x	18.2	3.8	10.1	0.1	1.3
UNVR	44,750	55,900	44,200	Hold	(1.2)	(7.3)	341.4	49.6x	48.7x	100.6	2.0	(0.9)	(6.2)	1.1
ICBP	8,600	8,900	9,625	Hold	11.9	1.2	100.3	25.6x	4.9x	20.0	1.9	4.5	10.6	1.2
INDF	6,325	7,625	8,175	Buy	29.2	(27.9)	55.5	13.4x	1.7x	13.2	3.7	(1.1)	0.7	1.2
KLBF	1,280	1,690	1,730	Buy	35.2	(23.6)	60.0	25.0x	4.3x	18.2	2.0	2.4	0.2	1.2
KAEF	2,310	2,700	3,280	Buy	42.0	(26.7)	12.8	38.3x	5.0x	14.0	0.8	24.4	27.4	1.3
Infrastructure						(9.4)	741.04							
TLKM	3,910	4,399	4,600	Buy	17.6	(14.8)	394.1	18.3x	3.9x	22.4	4.3	4.3	(14.3)	0.9
EXCL	2,800	2,960	3,800	Buy	35.7	(13.3)	29.9	88.2x	1.4x	1.6	N/A	4.5	(75.0)	1.2
ISAT	4,110	4,800	6,750	Buy	64.2	(34.2)	22.3	49.0x	1.6x	3.3	1.8	(21.9)	N/A	0.9
JSMR	5,050	6,400	6,050	Buy	19.8	(3.8)	36.7	16.4x	2.3x	14.8	1.2	42.5	2.9	1.0
TBIG	4,860	6,425	6,050	Buy	24.5	(27.2)	22.0	9.5x	6.9x	92.7	3.5	8.4	16.1	0.6
INDY	3,320	3,060	5,000	Buy	50.6	251.3	17.3	3.2x	1.2x	46.6	3.2	263.6	166.7	0.9
Trade						(5.7)	745.5							
UNTR	32,975	35,400	42,350	Buy	28.4	14.3	123.0	14.6x	2.5x	18.6	2.7	39.0	68.7	1.0
AKRA	4,730	6,350	8,025	Buy	69.7	(24.9)	19.0	22.4x	2.2x	24.1	4.7	34.4	(22.8)	1.3
SCMA	2,170	2,480	2,700	Buy	24.4	(4.4)	31.7	22.8x	7.4x	34.8	3.5	15.0	19.3	1.0
MNCN	1,015	1,285	1,550	Buy	52.7	(42.7)	14.5	10.1x	1.4x	14.3	1.5	(0.4)	(28.3)	1.2
LPPF	8,400	10,000	11,250	Buy	33.9	(32.0)	24.5	12.8x	9.5x	81.7	5.4	5.9	1.2	1.1
ACES	1,325	1,155	1,425	Hold	7.5	15.7	22.7	27.1x	6.1x	24.0	1.7	21.5	35.7	0.9
RALS	1,415	1,200	1,400	Hold	(1.1)	35.4	10.0	22.7x	2.7x	12.2	2.8	(2.6)	407.0	0.8
MAPI	800	620	945	Buy	18.1	28.0	13.3	21.1x	3.0x	16.4	0.5	19.3	505.7	0.9
Property						(7.8)	381.4							
BSDE	1,395	1,700	1,850	Buy	32.6	(19.4)	26.8	5.8x	1.0x	19.5	0.4	(5.8)	(45.2)	1.3
PWON	545	685	625	Hold	14.7	(11.4)	26.2	12.6x	2.4x	21.0	1.1	19.5	61.9	1.1
CTRA	1,020	1,185	1,130	Hold	10.8	(10.1)	18.9	23.4x	1.4x	6.1	1.4	6.8	(41.7)	1.3
SMRA	795	945	1,050	Buy	32.1	(27.1)	11.5	34.4x	1.8x	5.2	0.6	(2.5)	(40.0)	1.4
WSKT	2,000	2,210	2,810	Buy	40.5	(8.7)	27.1	5.2x	1.7x	37.7	2.9	68.6	314.5	1.4
PTPP	2,110	2,640	3,850	Buy	82.5	(31.5)	13.1	8.9x	1.1x	13.9	2.2	26.3	19.0	1.4
WIKA	1,455	1,550	2,150	Buy	47.8	(27.6)	13.1	11.6x	1.0x	9.2	1.8	64.1	(30.9)	1.0
ADHI	1,625	1,885	2,160	Buy	32.9	(25.5)	5.8	10.2x	1.0x	10.1	1.8	39.7	282.5	1.0
Misc Ind.						(18.9)	348.1							
ASII	6,700	8,300	9,300	Buy	38.8	(21.6)	271.2	14.4x	2.1x	15.3	2.8	14.4	(1.6)	1.3
Basic Ind.						25.0	605.7							
INTP	13,600	21,950	21,575	Buy	58.6	(23.2)	50.1	30.7x	2.0x	6.3	5.1	1.9	(46.2)	1.4
SMGR	6,925	9,900	11,550	Buy	66.8	(32.1)	41.1	24.5x	1.4x	5.9	2.0	3.4	(45.2)	1.2
CPIN	4,010	3,000	4,200	Hold	4.7	25.3	65.8	22.9x	3.9x	18.2	1.4	(1.3)	60.5	1.0
JPPA	2,000	1,300	2,000	Hold	-	44.4	23.5	17.0x	2.7x	15.5	2.5	18.7	533.3	0.7
MAIN	815	740	780	Hold	(4.3)	(23.1)	1.8	24.1x	1.0x	4.1	4.7	16.5	109.1	1.0
KRAS	408	424	500	Buy	22.5	(33.1)	7.9	N/A	0.3x	(3.6)	N/A	38.9	72.7	1.2
TPIA	4,940	6,000	6,275	Buy	27.0	(6.3)	88.1	20.9x	3.5x	19.1	1.6	9.9	(36.3)	0.8
BRPT	1,800	2,260	2,420	Buy	34.4	12.9	32.0	22.0x	1.6x	8.9	1.4	9.8	(7.3)	0.8
Mining						39.0	460.8							
ADRO	1,870	1,860	2,500	Buy	33.7	2.7	59.8	8.9x	1.2x	13.6	5.8	5.1	(23.4)	1.1
PTBA	4,400	2,460	3,950	Hold	(10.2)	65.4	50.7	9.2x	3.1x	38.7	7.2	26.4	67.1	0.9
ITMG	25,300	20,700	32,400	Buy	28.1	17.1	28.6	7.6x	2.2x	29.2	12.4	2.8	0.0	0.9
INCO	4,330	2,890	3,550	Sell	(18.0)	101.4	43.0	3627.2x	1.6x	(0.1)	N/A	18.4	N/A	1.1
ANTM	875	625	985	Hold	12.6	22.4	21.0	56.0x	1.1x	2.0	0.2	247.2	3550.0	1.1
TINS	835	775	1,240	Buy	48.5	12.8	6.2	12.5x	1.0x	8.3	2.8	(0.6)	(18.1)	1.1
ELSA	336	372	625	Buy	86.0	17.5	2.5	N/A	0.8x	10.5	1.5	50.1	1267.6	1.3
Agriculture						(18.8)	93.1							
AALI	10,650	13,150	14,800	Buy	39.0	(29.9)	20.5	13.1x	1.1x	8.6	4.4	10.7	(55.6)	0.6
LSIP	970	1,420	1,380	Buy	42.3	(31.7)	6.6	13.1x	0.8x	6.2	4.6	(40.7)	(64.6)	0.8

* Target Price for December 2018

Source: Bloomberg, NHKS Research

TOTL : Absorbs Capex of IDR18.6 Billion

TOTL absorbed the 1H18 capex of IDR18.6 billion equal to 37.2% of the 2018's capex. It likely performs no expansion other than its main business segment and focuses more on private premium building projects. It additionally posted the 1H18's new contracts worth IDR876 billion. (Bisnis Indonesia)

RALS : Posts Gross Sales of IDR5.18 Trillion

RALS posted the growth of 3.9% y-y to IDR5.18 trillion in 1H18 gross sales. In fact, the sales during Ramadhan month contributed 56% to the 2Q18 gross sales of IDR3.6 trillion. However, Lebaran holidays which were 10 days earlier in 2018 caused the sales during Ramadhan 2018 slipped by 7% than Ramadhan 2017. (Kontan)

INCO : Nickel Production Whittles Away 3,59%

INCO posted the decline of 3.59% y-y to 36,034 tons in the 1H18's nickel production. It was attributable to the 1Q18's lower average nickel content ratio. Although the 2Q18's nickel production whittled away due to the postponement of maintenance activity, the 2H18 nickel production will be beefing up along with the new nickel mine having better nickel content. (Kontan)

ACST : Ploughs 80% of Capex into Equipment

ACST spends 80% of the 2018's capex on equipment needed in the construction of Indonesia 1 Tower. Of note, until 1H18 it only secured 10% of the 2018's target new contracts equal to IDR300 billion. However, ACST and ADHI are cooperating to undergo the toll road project bid worth IDR4.7 trillion. (Bisnis Indonesia).

Domestic & Global News

Bank Indonesia Stays Hawkish as It Keeps Key Rate on Hold

Indonesia's central bank left its benchmark interest rate unchanged after three hikes in a row helped to stabilize the currency in Southeast Asia's biggest economy. The seven-day reverse repurchase rate was held at 5.25 percent on Thursday. Governor Perry Warjiyo said the policy stance remains "hawkish" with the central bank's focus on economic stability. A total of 100 basis points of rate hikes in the past two months, including a bigger-than-expected half-point increase on June 29, have helped restore confidence in financial markets and give policy makers some breathing room. (Bloomberg)

Trump Lays into the Federal Reserve, says He's 'Not Thrilled' about Interest Rate Hikes

In a stinging and historically rare criticism, President Donald Trump expressed frustration with the Federal Reserve and said the central bank could disrupt the economic recovery. Fed officials, including Chairman Jerome Powell, have raised interest rates twice this year and have pointed to two more before the end of 2018. Trump, in an interview with CNBC, said he does not approve, even though he said he "put a very good man in" at the Fed in Powell. (CNBC)

Global Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	CHN	09:00	GDP YoY	2Q	6.70%	6.70%	6.80%
<i>16 - July</i>	CHN	09:00	GDP SA QoQ	2Q	1.80%	1.60%	1.40%
	CHN	09:00	GDP YTD YoY	2Q	6.80%	6.70%	6.80%
	CHN	09:00	Retail Sales YoY	Jun	9.00%	8.80%	8.50%
	CHN	09:00	Industrial Production YoY	Jun	6.00%	6.50%	6.80%
	USA	19:30	Retail Sales Advance MoM	Jun	0.50%	0.50%	0.80%
Tuesday	USA	20:15	Industrial Production MoM	Jun	0.62%	0.50%	-0.10%
<i>17 - July</i>							
Wednesday	UK	15:30	CPI MoM	Jun	0.00%	0.20%	0.40%
<i>18 - July</i>	UK	15:30	CPI YoY	Jun	2.40%	2.60%	2.40%
	UK	15:30	CPI Core YoY	Jun	1.90%	2.10%	2.10%
	EU	16:00	CPI YoY	Jun F	2.00%	2.00%	1.90%
	EU	16:00	CPI MoM	Jun	0.10%	0.10%	0.50%
	USA	19:30	Housing Starts	Jun		1320k	1350k
Thursday	USA	01:00	U.S. Federal Reserve Releases Beige Book				
<i>19 - July</i>	JPN	06:50	Trade Balance	Jun	¥721.4b	¥531.2b	-¥578.3b
	JPN	13:00	Machine Tool Orders YoY	Jun F	11.40%	--	11.40%
	USA	19:30	Initial Jobless Claims	14-Jul	207k	220k	214k
Friday	JPN	06:30	Natl CPI YoY	Jun	0.70%	0.80%	0.70%
<i>20 - July</i>							

Source: Bloomberg

Domestic Economic Calendar

Date	Hour Jakarta	Event	Period	Actual	Consensus	Prev.
Monday	11:00	Imports YoY	Jun	12.66%	29.09%	28.17%
<i>16 - July</i>	11:00	Exports YoY	Jun	11.47%	15.64%	12.47%
	11:00	Trade Balance	Jun	\$1742.6m	\$968m	-\$1524m
Thursday	Tentative	Bank Indonesia 7D Reverse Repo	19-Jul	5.25%	5.25%	5.25%
<i>19 - July</i>						

Source: Bloomberg

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