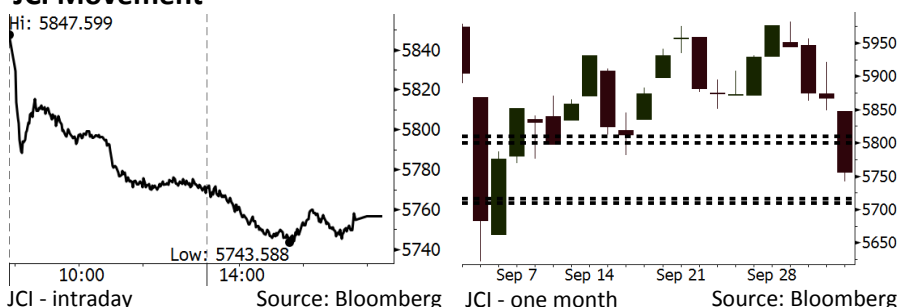


Morning Brief

Daily | Oct 5, 2018

JCI Movement



Market Recap

JCI finished at a sharp tumble due to the rupiah depreciation at -1.8% for 4 consecutive days and massive foreign net sell. **Top Losers: Basic Industry (-3.45%), Finance (-2.44%), Consumer (-1.89%)**

The global market tumbled yesterday. Investors concerned about the 10-year Treasury yield hit highest within recent days. It was snapped higher by Jerome Powell's hawkish stance.

Today's Outlook: The U.S. Bond Yields

We estimate that today JCI rallies with the **support range of 5710-5716** and **resistance range of 5800-5810**. The U.S government bond yield increased to 3.2%, the highest level in 7 years, after the robust U.S. macroeconomic data. We estimate that the hike in yield indicated that global investors tempted to invest in riskier assets such as investment in emerging market. On the other side, the correction of 2.7% to global crude prices signed that global market is overreacted into the jitters of the U.S. sanctions on Iran.

From the domestic outlook, today investors focus on September's forex reserves. Because the rupiah was stable in September, the decline in forex reserves likely halted in September.

Stocks Recommendation (details on the next page)

Trading Buy: LSIP, GGRM, BBRI

Company News

HERO : 1H18's Stores Are 447
BYAN : Invests USD255 Million
PTBA : Seeks for New Export Markets
MEDC : Issues MTN of USD67.15 Million

Domestic & Global News

Consumers' Optimism Accelerates, After Decelerating for 2 Consecutive Months
10-Year Yield Jumps to Highest in 7 Years as Investors Bet on Roaring Economy

Indonesia Economic Data

Monthly Indicator	Last	Prev.	Quarterly Indicator	Last	Prev.
BI 7 Day Rev Repo Rate	5.75%	5.50%	Real GDP	5.27%	5.06%
FX Reserve (USD bn)	117.90	118.31	Current Acc (USD bn)	(8.03)	(5.54)
Trd Balance (USD bn)	(1.02)	(2.03)	Govt. Spending Yoy	5.26%	2.73%
Exports Yoy	4.15%	19.33%	FDI (USD bn)	5.50	3.49
Imports Yoy	24.65%	31.56%	Business Confidence	112.82	106.28
Inflation Yoy	2.88%	3.20%	Cons. Confidence*	122.40	121.60

IHSG (Jakarta Composite Index)

October 4 5,756.62
Chg -111.12pts (-1.89%)
Volume (bn shares) 108.11
Value (IDR tn) 8.34

Adv 80 Dec 314 Unc 224 Untr 131

Foreign Transaction (IDR bn)

Buy 2,023
Sell 3,187
Net Buy (Sell) (1,164)

Top Buy	NB Val.	Top Sell	NS Val.
PTBA	63.3	BBNI	241.9
TKIM	12.4	BBRI	224.3
ANTM	8.2	BBCA	170.3
SRTG	7.4	BMRI	139.7
ACES	5.7	UNVR	76.9

LQ-45 Index Top Gainers & Losers

Gainers	%	Losers	%
SRIL	2.8%	INKP	-9.7%
PTBA	1.1%	KLBF	-5.8%
INCO	0.6%	INTP	-5.6%
BJBR	0.3%	BBTN	-5.5%
ICBP	0.0%	BSDE	-5.5%

Government Bond Yield & FX

	Last	Chg.
Tenor: 10 year	8.46%	0.19%
USDIDR	15,179	0.69%
KRWIDR	13.43	-0.30%

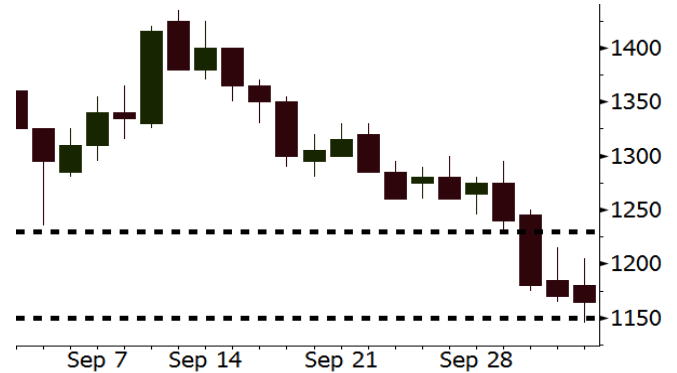
Global Indexes

Index	Last	Chg.	%
Dow Jones	26,627.48	(200.91)	-0.75%
S&P 500	2,901.61	(23.90)	-0.82%
Nasdaq	7,879.51	(145.58)	-1.81%
FTSE 100	7,418.34	(91.94)	-1.22%
CAC 40	5,410.85	(80.55)	-1.47%
DAX	12,244.14	(43.44)	-0.35%
Nikkei	23,975.62	(135.34)	-0.56%
Hang Seng	26,623.87	(467.39)	-1.73%
Shanghai	2,821.35	29.58	1.06%
KOSPI	2,274.49	(35.08)	-1.52%
EIDO	21.17	(0.80)	-3.64%

Commodities

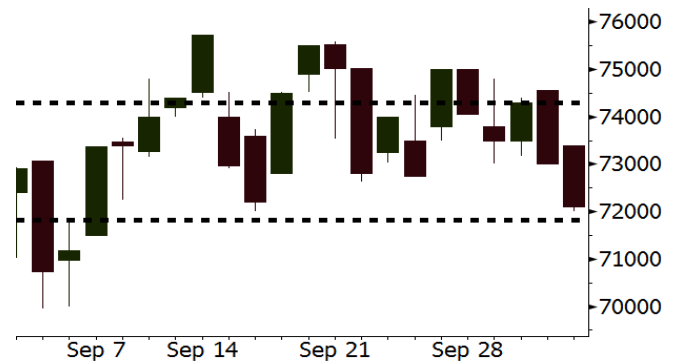
Commodity	Last	Chg.	%
Gold (USD /troy oz.)	1,199.9	2.6	0.21%
Crude Oil (USD /bbl)	74.33	(2.08)	-2.72%
Coal Newcas(USD/ton)	114.65	(0.40)	-0.35%
Gas (USD /mmbtu)	3.17	(0.07)	-2.01%
Nickel LME (USD /MT)	12,490	(280.0)	-2.19%
Tin LME (USD /MT)	18,975	(15.0)	-0.08%
CPO (MYR/Ton)	2,230	31.0	1.41%

LSIP	Last = 1165
Analysis	Global CPO prices rallied within 3 consecutive days, spurred by robust prices of global soy oil prices. Besides, the rally in global oil prices gave the optimism that CPO is useful for biodiesel content.
Range	1150 – 1230
Action	Trading Buy. Cut Loss If Below 1155



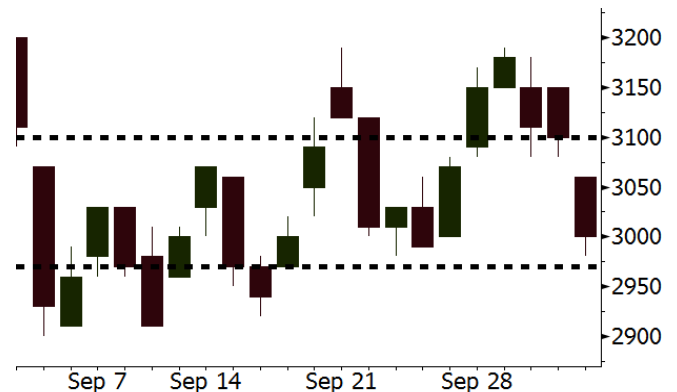
Source: Bloomberg

GGRM	Last = 72100
Analysis	Consumers' confidence index soared to 122.4 in September after declining in July and August. The backdrop indicated the robust cigarette consumption in Indonesia.
Range	71825 – 74300
Action	Trading Buy. Cut Loss If Below 71825



Source: Bloomberg

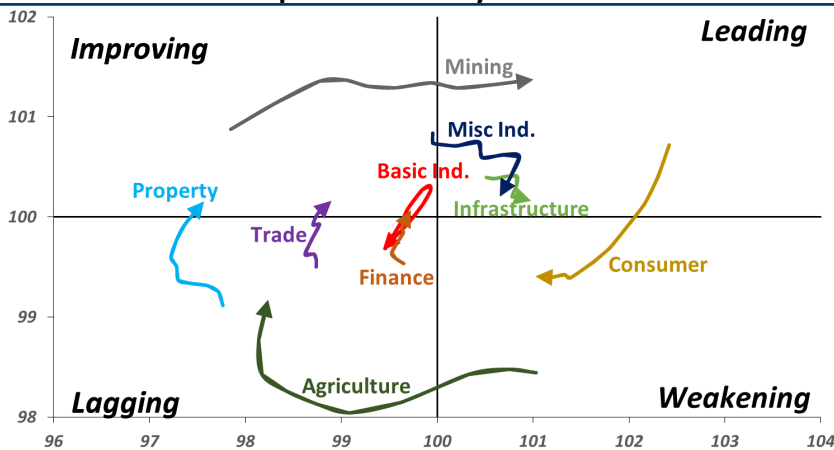
BBRI	Last = 3000
Analysis	The Financial Service Authority (OJK) estimated the credit growth in Indonesia will reach 13% at the end of 2018. The growth tops the initial target of 12%. The acceleration in growth is backed by the rally in commodities prices spurring the hike in credit demanded by commodities-based sector such as coal and CPO.
Range	2970 – 3100
Action	Trading buy. Cut Loss If Below 2975



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	5,757	6,356				(2.5)	6,510.2							
Finance						2.6	1,932.2							
BBCA	23,600	21,900	27,650	Buy	17.2	16.4	581.9	24.1x	4.3x	18.8	1.1	5.7	8.4	0.9
BBRI	3,000	3,640	3,930	Buy	31.0	(2.1)	370.0	12.0x	2.2x	19.3	3.6	5.8	10.9	1.4
BMRI	6,225	8,000	7,500	Buy	20.5	(5.7)	290.5	14.1x	1.7x	14.5	3.2	3.1	28.7	1.3
BBNI	6,900	9,900	9,675	Buy	40.2	(8.0)	128.7	8.8x	1.3x	15.5	3.7	11.8	16.2	1.4
BBTN	2,400	3,570	3,280	Buy	36.7	(18.9)	25.4	8.0x	1.1x	15.1	2.4	14.3	11.7	1.7
BJTM	645	710	810	Buy	25.6	(5.8)	9.7	8.2x	1.2x	15.5	6.8	1.1	2.5	0.9
Consumer						(5.4)	1,341.6							
HMSP	3,710	4,730	4,300	Buy	15.9	(4.4)	431.5	33.9x	15.6x	46.0	2.9	5.5	1.9	1.3
GGRM	72,100	83,800	88,650	Buy	23.0	9.5	138.7	17.0x	3.4x	20.9	3.6	12.6	13.7	1.3
UNVR	43,025	55,900	49,600	Buy	15.3	(14.1)	328.3	47.5x	65.5x	139.4	2.1	(0.4)	(2.5)	1.0
ICBP	8,825	8,900	10,550	Buy	19.5	1.7	102.9	25.8x	5.2x	21.3	1.8	5.4	9.5	1.1
INDF	5,900	7,625	8,175	Buy	38.6	(30.0)	51.8	13.5x	1.7x	12.6	4.0	1.0	(12.5)	1.2
KLBF	1,300	1,690	1,730	Buy	33.1	(22.6)	60.9	25.4x	4.6x	18.9	1.9	3.1	(0.0)	1.3
KAEF	2,350	2,700	3,280	Buy	39.6	(13.6)	13.1	36.9x	5.2x	14.9	0.8	29.1	28.3	1.0
Infrastructure						(15.1)	700.44							
TLKM	3,600	4,399	4,600	Buy	27.8	(22.0)	356.6	19.0x	4.1x	22.1	4.7	0.5	(28.1)	0.8
EXCL	2,790	2,960	3,800	Buy	36.2	(23.8)	29.8	204.7x	1.4x	0.7	N/A	1.0	N/A	1.2
ISAT	2,750	4,800	6,750	Buy	145.5	(56.2)	14.9	N/A	1.2x	(2.6)	2.7	(26.8)	N/A	0.9
PGAS	2,290	1,750	2,600	Hold	13.5	55.8	55.5	15.3x	1.1x	7.6	1.4	15.0	200.0	1.5
JSMR	4,330	6,400	6,050	Buy	39.7	(24.7)	31.4	14.1x	2.0x	14.8	1.4	42.5	2.9	1.0
TBIG	5,300	6,425	6,050	Hold	14.2	(17.5)	24.0	10.7x	8.0x	104.6	3.2	7.1	8.1	0.6
INDY	2,740	3,060	5,000	Buy	82.5	36.3	14.3	2.6x	1.0x	44.8	3.9	219.4	49.0	0.8
Trade						(12.7)	695.2							
UNTR	31,925	35,400	44,750	Buy	40.2	(0.8)	119.1	12.6x	2.4x	20.6	3.1	32.3	60.0	1.1
AKRA	3,890	6,350	4,650	Buy	19.5	(44.4)	15.6	22.3x	1.9x	22.2	5.7	21.6	(34.8)	1.3
SCMA	1,730	2,480	2,500	Buy	44.5	(17.2)	25.3	18.9x	6.0x	32.5	4.3	2.6	0.7	1.1
MNCN	780	1,285	1,125	Buy	44.2	(47.3)	11.1	7.8x	1.1x	14.6	1.9	1.8	(9.2)	1.1
LPPF	6,550	10,000	9,270	Buy	41.5	(32.1)	19.1	10.0x	8.2x	93.0	7.0	3.1	0.4	1.1
ACES	1,350	1,155	1,635	Buy	21.1	7.1	23.2	26.3x	6.5x	26.3	1.7	22.6	30.0	1.1
RALS	1,275	1,200	1,525	Buy	19.6	36.4	9.0	16.4x	2.3x	14.6	3.1	0.9	31.8	0.9
MAPI	780	620	945	Buy	21.2	16.9	12.9	22.1x	2.9x	15.5	0.5	18.0	183.0	1.0
Property						(17.3)	353.7							
BSDE	1,035	1,700	1,850	Buy	78.7	(42.7)	19.9	6.0x	0.8x	13.8	N/A	(27.6)	(79.9)	1.4
PWON	494	685	625	Buy	26.5	(20.3)	23.8	11.3x	2.1x	20.5	1.2	14.4	25.4	1.1
CTRA	785	1,185	1,130	Buy	43.9	(33.8)	14.6	19.9x	1.1x	5.6	1.2	(0.8)	(49.0)	1.4
SMRA	575	945	1,050	Buy	82.6	(49.3)	8.3	21.1x	1.3x	6.1	0.9	(1.2)	29.6	1.5
WSKT	1,660	2,210	2,810	Buy	69.3	(7.8)	22.5	3.9x	1.3x	39.6	3.4	47.3	134.6	1.4
PTPP	1,570	2,640	3,850	Buy	145.2	(41.9)	9.7	7.2x	0.8x	12.5	3.0	17.0	(16.3)	1.4
WIKA	1,350	1,550	2,150	Buy	59.3	(24.8)	12.1	9.4x	0.9x	10.5	2.0	36.8	18.7	1.0
ADHI	1,345	1,885	2,160	Buy	60.6	(32.1)	4.8	8.0x	0.8x	10.5	2.2	#N/A	N/A	1.2
Misc Ind.						(8.8)	360.8							
ASII	7,075	8,300	9,300	Buy	31.4	(11.0)	286.4	14.4x	2.2x	16.3	2.7	14.8	11.3	1.2
Basic Ind.						21.9	584.2							
INTP	15,700	21,950	21,575	Buy	37.4	(17.5)	57.8	44.0x	2.6x	5.7	4.5	(0.9)	(60.6)	1.4
SMGR	8,850	9,900	11,550	Buy	30.5	(14.7)	52.5	27.8x	1.8x	6.6	1.5	4.7	(10.9)	1.2
CPIN	5,150	3,000	4,200	Sell	(18.4)	82.6	84.4	24.8x	4.9x	21.3	1.1	2.7	59.1	1.0
JPFA	1,995	1,300	2,000	Hold	0.3	59.0	23.4	14.1x	2.6x	18.3	5.0	18.2	142.5	0.8
MAIN	1,125	740	780	Sell	(30.7)	25.7	2.5	17.5x	1.4x	7.9	N/A	13.5	350.0	1.2
KRAS	400	424	500	Buy	25.0	(21.6)	7.7	N/A	0.3x	(2.3)	N/A	34.7	72.4	1.1
TPIA	4,530	6,000	6,275	Buy	38.5	(3.8)	80.8	20.4x	3.1x	17.8	1.4	7.6	(37.4)	0.7
BRPT	1,620	2,260	2,420	Buy	49.4	(18.0)	28.8	17.2x	1.6x	8.9	1.5	13.0	22.5	1.1
Mining						35.4	442.5							
ADRO	1,825	1,860	2,500	Buy	37.0	(0.3)	58.4	8.4x	1.1x	13.3	5.9	3.9	(12.1)	1.2
PTBA	4,710	2,460	5,375	Hold	14.1	117.6	54.3	9.3x	3.9x	43.4	6.8	17.4	49.1	1.1
ITMG	25,675	20,700	32,400	Buy	26.2	27.9	29.0	7.5x	2.1x	27.6	12.2	8.0	(10.0)	1.1
INCO	3,420	2,890	5,325	Buy	55.7	22.6	34.0	57.8x	1.2x	1.9	N/A	28.3	N/A	1.3
ANTM	800	625	1,200	Buy	50.0	24.0	19.2	19.7x	1.0x	5.3	0.2	292.4	N/A	1.2
TINS	720	775	1,240	Buy	72.2	(14.8)	5.4	10.1x	0.9x	8.8	3.3	1.8	13.1	1.1
ELSA	386	372	625	Buy	61.9	29.5	2.8	7.8x	0.9x	12.1	1.3	46.5	783.3	1.4
Agriculture						(13.2)	99.5							
AALI	11,825	13,150	16,925	Buy	43.1	(21.4)	22.8	13.0x	1.2x	9.7	3.7	8.9	(23.3)	0.6
LSIP	1,165	1,420	1,500	Buy	28.8	(19.1)	7.9	15.0x	1.0x	6.6	3.9	(28.5)	(47.6)	0.6

* Target Price for December 2018

Source: Bloomberg, NHKS Research

HERO : 1H18's Stores Are 447

In 1H18 HERO has 447 stores consisting of 257 Guardian stores, 99 Giant Ekspres, 59 Giant Ekstra, 31 Hero Supermarket, and 1 Ikea. In 1H18, non-food stores such as Guardian and Ikea also posted the growth of 27% in sales. Of note in 1H18, it absorbed the capex of IDR107 billion or equal to 50% of 2018's budget. (Bisnis Indonesia)

BYAN : Invests USD255 Million

BYAN plans to allocate funds of USD255 million for investment until the next 3 years. The investment is focused on the mining sector such as the development of BYAN mine in Tabang, contributing 80% to its total production. Thus, BYAN used its internal cash to finance such investment. (Kontan)

PTBA : Seeks for New Export Markets

To reduce its reliance on China's market, PTBA seeks for new export markets in ASEAN's countries. In 1H18, the sales portion to China reached 18.3% of PTBA's total coal sales. Besides, it will also increase its export volumes to Japan and Taiwan through the increment in the production of high-calories coal. (Kontan)

MEDC : Issues MTN of USD67.15 Million

MEDC will issue VI medium term notes (MTN) of 2018 amounting 67.15 million with 3-year tenor and fixed rate of 5.75%. It previously had issued bonds of IDR1.25 trillion for refinancing and obtained approval from its shareholder to perform private placement for operational and investment purposes. (Investor Daily)

Domestic & Global News

Consumers' Optimism Accelerates, After Decelerating for Two Consecutive Months

After decreasing for two consecutive months in July and August, the consumer confidence index (IKK) increased by 0.8 points to 122.4 in September. The increase in IKK was underpinned by consumers' perception of current economic condition and consumers' expectancy of economic condition in the next 6 months. On the other side, the current economic condition index (IKE) edged up 1 point to 110.2 in September. The increase of 4.7 and 0.3 are in the employment availability index and the durable goods purchasing index, respectively. (Kontan)

10-Year Yield Jumps to Highest in 7 Years as Investors Bet on Roaring Economy

U.S. government debt yields added to a marked climb higher Thursday, making new multiyear highs as strong economic data continued to tempt investors into riskier assets. The yield on the benchmark 10-year Treasury note, which climbed nearly 12 basis points on Wednesday, hit its highest level since May 2011 early Thursday morning at 3.232 percent. (CNBC)

Global Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	JPN	07:30	Nikkei Japan PMI Mfg	Sep F	52.5	--	52.9
<i>01 - Oct</i>	GER	14:55	Markit Germany Manufacturing PMI	Sep F	53.7	53.7	53.7
	EU	15:00	Markit Eurozone Manufacturing PMI	Sep F	53.2	53.3	53.3
	UK	15:30	Markit UK PMI Manufacturing SA	Sep	53.8	52.5	52.8
	USA	20:45	Markit US Manufacturing PMI	Sep F	55.6	--	55.6
	USA	21:00	ISM Manufacturing	Sep	59.8	60.3	61.3
Wednesday	USA	19:15	ADP Employment Change	Sep	229.6k	185k	163k
<i>03 - Oct</i>							
Thursday	USA	19:30	Initial Jobless Claims	29-Sep	207k	--	214k
<i>04 - Oct</i>	USA	21:00	Factory Orders	Aug	2.30%	1.00%	-0.80%
	USA	21:00	Durable Goods Orders	Aug F	4.40%	--	4.50%
Friday	GER	13:00	Factory Orders MoM	Aug		0.00%	-0.90%
<i>05 - Oct</i>	USA	19:30	Trade Balance	Aug		-\$50.7b	-\$50.1b
	USA	19:30	Change in Nonfarm Payrolls	Sep		188k	201k
	USA	19:30	Unemployment Rate	Sep		3.80%	3.90%

Source: Bloomberg

Domestic Economic Calendar

Date	Hour Jakarta	Event	Period	Actual	Consensus	Prev.
Monday	07:30	Nikkei Indonesia PMI Mfg	Sep	50.7	--	51.9
<i>01 - Oct</i>	11:00	CPI YoY	Sep	2.88%	3.08%	3.20%
	11:00	CPI NSA MoM	Sep	-0.18%	0.05%	-0.05%
	11:00	CPI Core YoY	Sep	2.82%	2.65%	2.90%
Thursday	Tentative	Consumer Confidence Index	Sep	122.4	--	121.6
<i>04 - Oct</i>						
Friday	Tentative	Foreign Reserves	Sep		--	\$117.90b
<i>05 - Oct</i>	Tentative	Net Foreign Assets IDR	Sep		--	1696.6t

Source: Bloomberg

Corporate Calendar

Date	Event	Company
Monday	Extraordinary Shareholder Meeting	PEGE
<i>01 - Oct</i>		
Tuesday	Extraordinary Shareholder Meeting	KKGI, PNSE, PUDP
<i>02 - Oct</i>	Cum Dividend Date	BSSR (IDR151.2 per share)
Wednesday	Extraordinary Shareholder Meeting	NIRO
<i>03 - Oct</i>	IPO Listing	SAPX
	Cum Rights Offering Date	MAYA (1 per 6, subscription price IDR2,200)
Thursday	Extraordinary Shareholder Meeting	GDYR, SIAP
<i>04 - Oct</i>		
Friday	Annual Shareholder Meeting	BTPN
<i>05 - Oct</i>	IPO Listing	SURE

Source: Bloomberg

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