

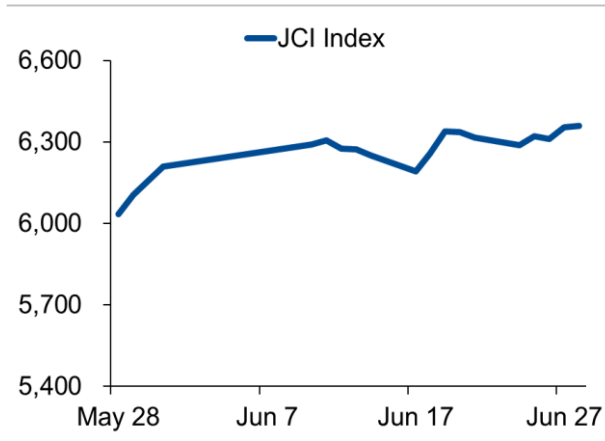
Weekly Brief (July 01 – July 05)

Summary:

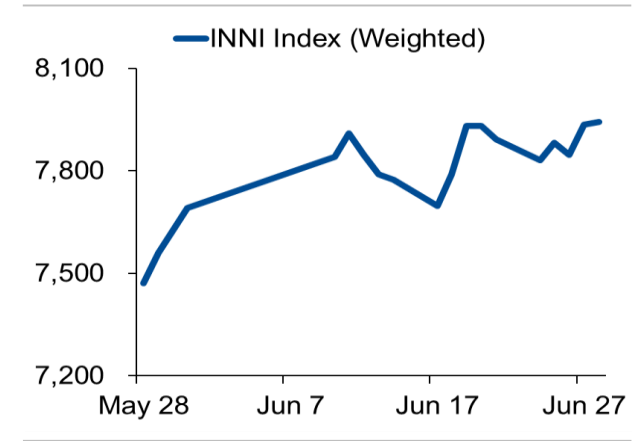
Last week review: A number of mixed sentiments—global at most—dragged JCI movement to strengthen by 0.7%. Another five Chinese companies added to US blacklist, the Fed's 25 bps rate cut, the US postponed tariffs of USD300 billion on Chinese goods, the set trade talks between Trump and Xi at the G-20 were mixed global catalyst for JCI movements. The trade balance surplus of USD210 million and the Constitutional Court's verdict on Prabowo's appeal.

This week's outlook: Fed Funds Rate hardly dims the appeal of stocks of miners—gold bugs in particular. A number of sentiments such as the Middle East geopolitical flare-up, the expectancy of Xi and Trump's trade talk at the G-20, as well as China and Russia gold-buying binge are positive catalysts for gold as the best-performing metal. The greenback and gold are at 5-year contrast relation—weaker dollar makes yellow metal prices buoyant—proven by surging prices of local bullion. The fact proves a boon for shares of gold miners. Based on the data, NHKS reviews ANTM estimated to attain the price target of IDR1,200 with P/E trailing band of 33.0x.

JCI - one month



INNI Index – one month



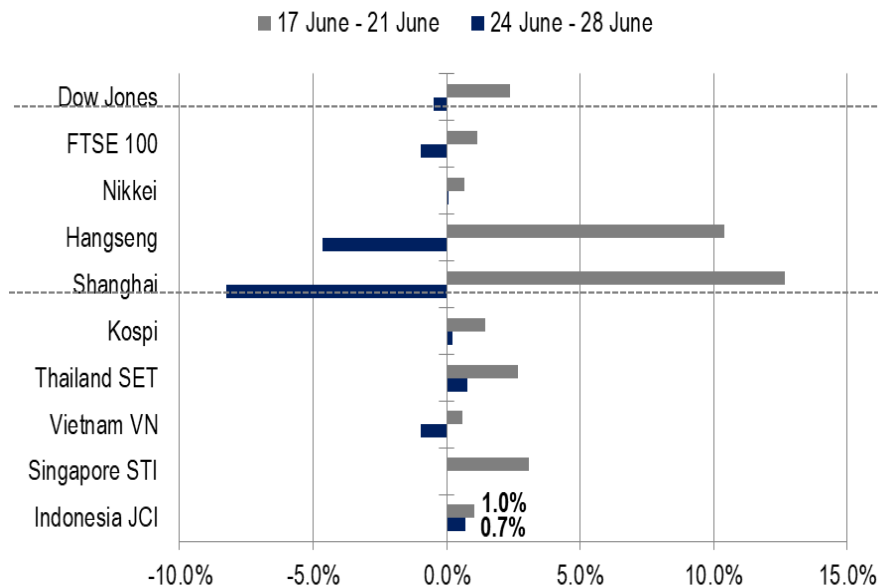
Last Week's JCI Movement

- JCI Index : 6,358.63 (+0.7%)
- Foreign Flow : Net buy of IDR9.8 trillion (vs. net buy last week of IDR1.3 trillion)
- USD/IDR : 14,128 (-0.21%)
- Yields of sovereign bond with 10-years tenor : 7.372% (-8.0 bps)

JCI's Slight Pickup

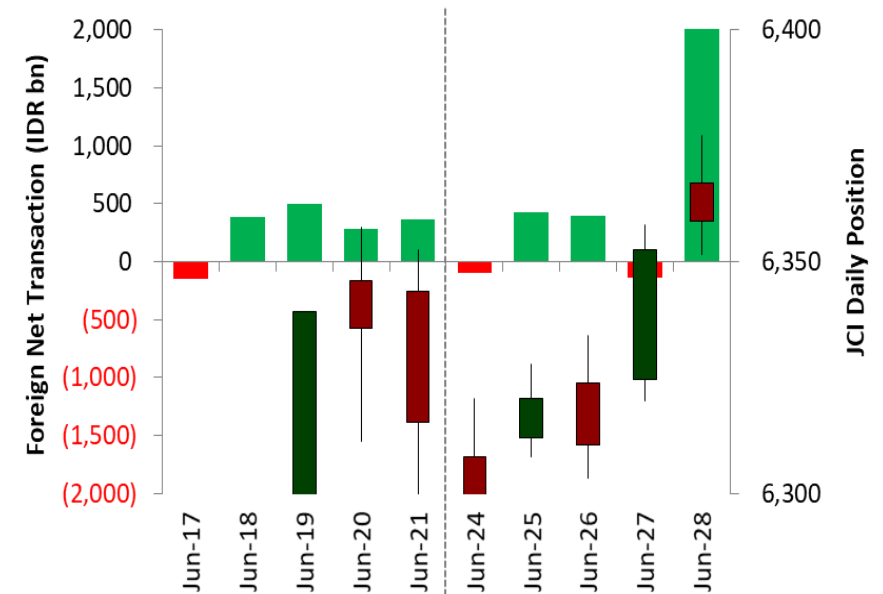
Global and domestic sentiments were catalysts for JCI's last week movements. Markets worried the ban on purchasing the US made tech. Spare parts against 5 Chinese hinders trade deals to be negotiated between Trump and Xi at the G-20 meeting. Anticipating intensified trade disputes, markets took wait-and-see stances as they are awaiting the outcome of Trump and Xi's trade talks. Moreover, the US challenge against India's levies on 28 the US made goods weighed on JCI's pace. The US trade battles with its partners left JCI slow at 0.51%. Powell's emphases on 25 bps rate cut on the back of wobbly global economy and the Fed's independence from Trump's 50 bps rate cut pressures were setbacks for JCI's performance. The US leaving tariffs of USD300 billion on Chinese goods postponed eased JCI's movement. From domestic highlights. In the domestic backdrop, May's trade balance surplus of 210 million was not strong enough to gear JCI's pace up. Of note, the surplus was attributable to May's export growth of 12.42% to hit USD14.74 billion, followed by a 5.62% import decline to IDR14.53 billion. JCI's movement even suppressed more by trade disputes bruising commodities prices as Indonesia is the world's major exporter of copper ore, CPO, coal and nickel ore. That was the culprit in JCI's tepid close at 0.43%. On Friday (06/28) the Constitutional Court (MK) read out the verdict on Prabowo-Sandiaga's petition against 2019 massive electoral fraud and found the appeal had no evidence. The verdict lawfully legitimated the victory of Joko Widodo-Maruf Amin at the 2019 presidential election. It gives hints for markets to project of Indonesia's next 5-year economic and political outlook.

Global Market Movement



Source: Bloomberg, NH Korindo Research

Foreign Net Flow – The Last 10 Days



Source: Bloomberg, NH Korindo Research

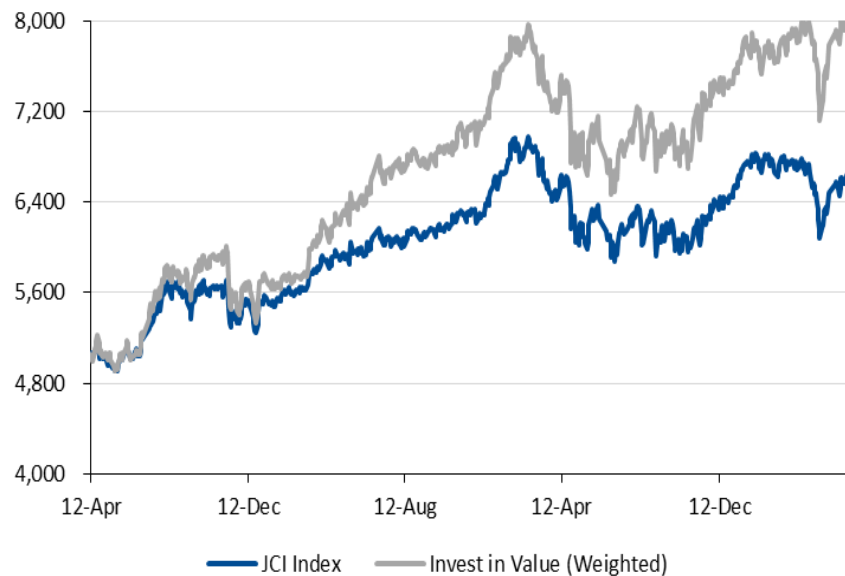
Last Week's INNI Movement

•INNI Index	: 7,943.90 (+0.7%)
INNI Theme 1 (Value)	: 8,055.55 (+1.2%)
INNI Theme 2 (Trend)	: 7,753.80 (-0.3%)

INNI Index Notching Up to Follow JCI

In last week's few days, INNI Index ebbed 0.43% as shares of retailers dropped, i.e. RALS (-3.7%) and MAPI (-3.1%). Retailers faced headwinds and had to close their brick-and-mortar stores. On the following day, INNI was rebound at 0.63% as shares of miners—coal and gold—were bullish. The rising demand for thermal coal by Chinese authorities despite the currently struggling global coal prices proved a boost for coal shares. Meanwhile, US dollar depreciation helped the yellow metal's price to rise as ANTM posted a 6.3% gain. Fears of wobbly US dollar and economic uncertainty heightened gold's appeal as a safe haven. In the last week's middays, INNI finished the trading day lower at 0.44%, suppressed by shares of coal miners because ICE NewCastle Coal August 19 futures price plunged. On Friday (06/31), INNI Index was rebounding, backed by the miners, i.e. PTBA (+2.1%) and ADRO (+11.0%). Chinese authorities' demand for coal stockpiles were positive catalysts for those two miners. Last week, INNI Index notched up 0.7% to close at 7,943.

Theme 1. Invest in Value (19 Stocks) – Market Cap. Base



Source: Bloomberg, NH Korindo Research

Theme 2. Invest in Trend (11 Stocks) – Policy Base



Source: Bloomberg, NH Korindo Research

Last Week's INNI Movement

Last Week's Sector Review

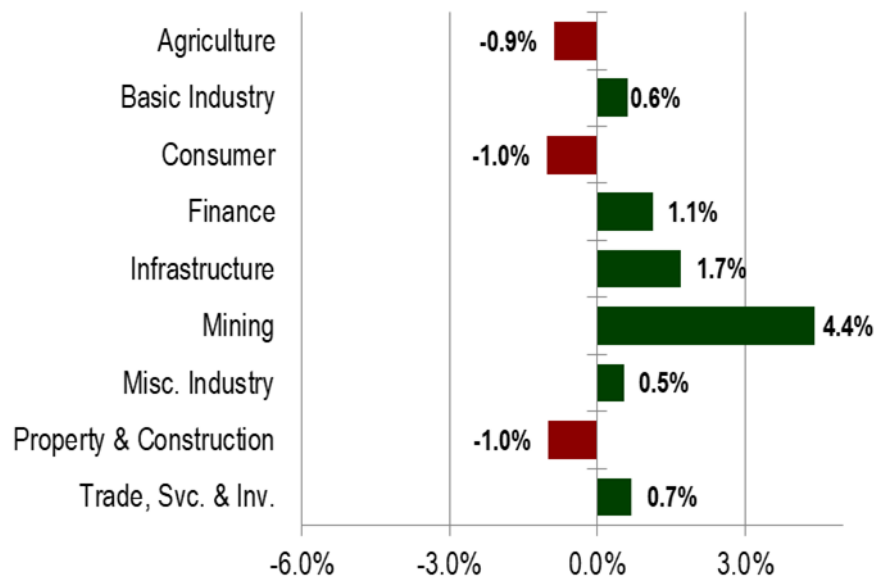
INNI Index's Top Gainers

INNI Index's last week top gainer was miners (+4.4%). After a long-term downtrend, coal prices are finally rebound due to Chinese authorities' demand for coal stockpiles to supply coal-fired power plants. We estimate that the backdrop proves a boon for stocks of miners, i.e. PTBA and ADRO including in INNI Index. In the other flip side, the international price fluctuation affects July's export benchmark prices of mining products. A number of mining products whose prices surge are iron, while prices of copper, nickel, and manganese drop.

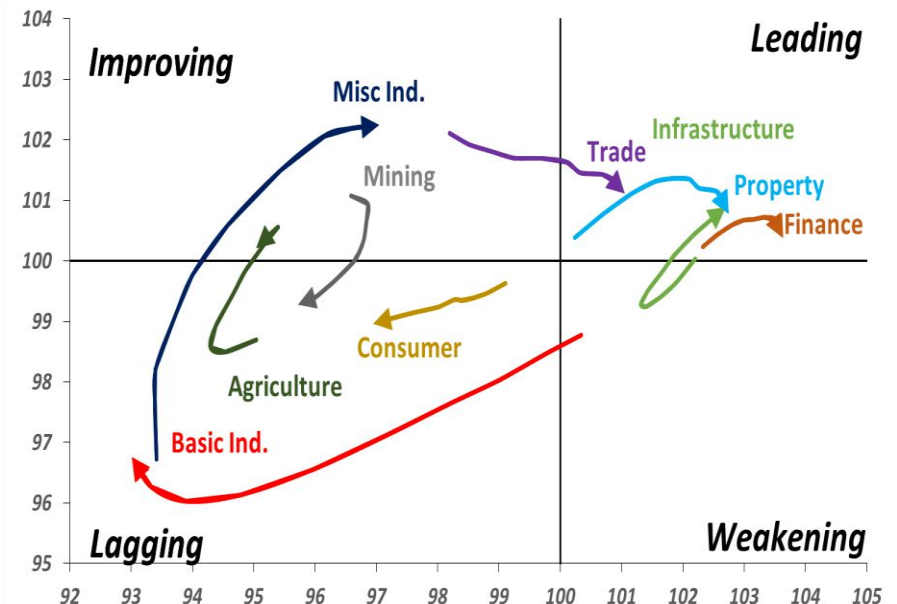
INNI Index's Top Losers

INNI Index's last week top losers were the property and consumer sectors respectively weakened by 1.0%. The property stocks, i.e. PWON and CTRA, including in INNI Index, have their respective strategies to boost conservative sales targets as the Indonesian government officially slashed the income tax from imports (PPH 22 import) on luxury goods from 5% to 1% under PMK No.92/PMK.03/2019. It is a positive catalyst for the property sector. PWON plans to focus on selling high rise residences, while CTRA plans to launch 4 new residences in the second semester of 2019 to hit 2019's marketing sales target. Besides, the consumer sector also strengthened by 1%. Of note, GGRM also decided to distribute dividend valued at IDR 2,600 per stock of 2018's fiscal year profits. The total distributed dividend payments are 68.16% of 2018's earnings of IDR7.79 trillion.

Last Week's INNI Movement



Sector Rotation – The Last 10 Days



This Week's Outlook: Gold Miners (1)

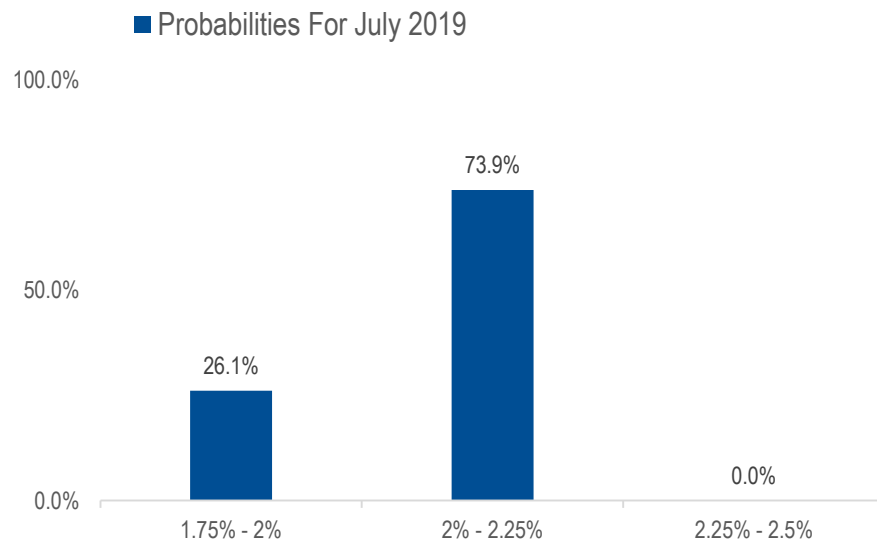
- **Effects of Unchanged FFR**

Unchanged Fed Funds Rate at 2.50% proved futile to dim the appeal of stocks of miners--gold bugs in particular as the gold price is still buoyant at 1.67% within a week to USD1,402 per troy ounce for August on Thursday's trading day of June 27, 2019 at 15.00 of GMT. The Fed's wait-and-see stance of another rate cut differing from the CME Group's FedWatch Tool indicated that markets are now pricing a 73.9% probability of July rate cut heightens gold's allure as a safe haven.

- **Gold's Bullish Favor**

Middle East geopolitical flare-up and global economic gloom, May's modest nonfarm payroll (NFP) of 75,000 MoM, a sharp turn from April's 224,000 are positive catalysts for the yellow metal's price. Trump and Xi's trade talks at the G-20 summit possibly reaching 'win-win' settlements is likely to position gold as the best-performing metals.

CME FedWatch Tool—FOMC Rate Moves



Source: CME Group, NH Korindo Research

US Nonfarm Payroll MoM



Source: Bloomberg, NH Korindo Research

This Week's Outlook: Gold Miners (1)

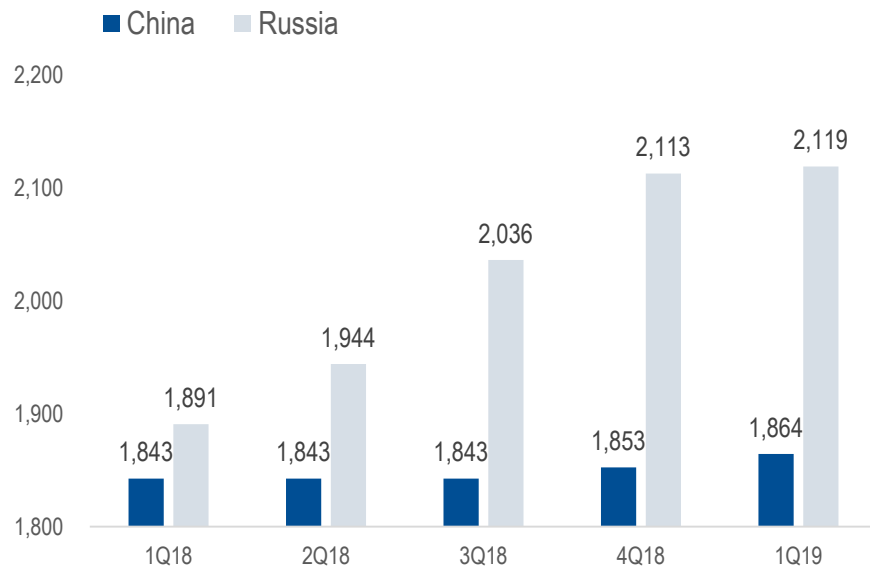
- **China and Russia Gold Rush**

Who has the gold makes the rules put China and Russia at determined efforts to stockpile gold bullion. According to the last 5-year historical data, Beijing central bank and Russia central bank 1Q19 bullion reserves were at 1,864 tons and 2,119 tons, respectively. They diversify their US dollar foreign reserves into gold, putting themselves as the world's two biggest gold holders. Their gold rush is an effort to reduce reliance on the US dollar. That pushes yellow metal's price up and abates the greenback.

- **Dull US Dollar, Lustrous Gold**

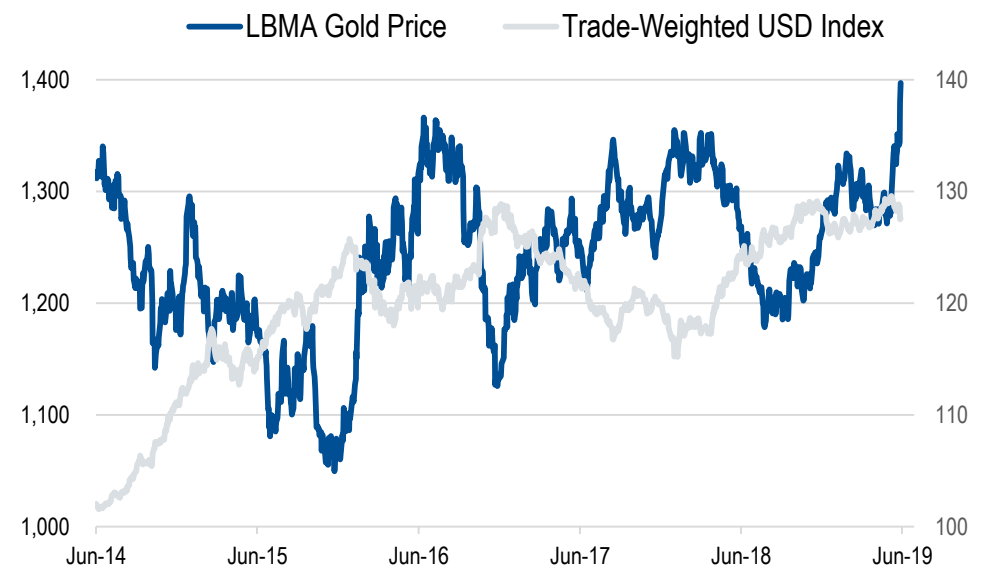
The greenback and gold are at contrast relation--weaker dollar makes gold more lustrous. The US economic slowdown and bruising trade wars abate US dollar, triggered gold rush. ANTM's rocketing prices follow the footsteps of global bullion prices evidence to the contrast backdrop. On June 21, 2019 ANTM's gold prices valued at IDR702,000/gram and topped to IDR711,000/gram on June 28, 2019. We pencil in that the prices of local gold are likely to move up in next few weeks even though a cautious review of risks arising from ANTM's selling price of IDR640,000 of June 28th, 2019 is needed. But, the risks are too insignificant to diversify away from gold. The gold-rush momentum proves a boon for shares of mines whose revenues derive from the gold sale.

China and Russia Gold Reserves



Source: World Gold Council, NH Korindo Research

Gold Prices and U.S. Dollar Correlation



Source: Board of Governors of the Federal Reserve System (US), ICE Benchmark Administration Limited (IBA), NH Korindo Research

Aneka Tambang Tbk (ANTM IJ – Mining Industry)

Dec 2019 Target Price	1,200
Consensus Price	1,115
Last Price (IDR) as of Jun 28, 2019	845
TP vs. Last Price	42%

Revenue Breakdown:	
Gold Mining	64%
Feronikel Mining	20%
Others	16%

IDR bn	FY2017	FY2018	FY2019E	FY2020E
Revenue	12,654	25,241	28,247	30,818
y-y	39.0%	99.4%	11.9%	9.1%
Net Profit	137	874	1,241	1,564
y-y	110.7%	573.9%	41.9%	26.0%
NPM	1.1%	3.5%	4.4%	5.1%
EPS	5.7	36.3	53.9	70.4
P/E	152.3	23.8	23.0	17.6

- **NHKS** recommends ANTM as this week's top pick as its price target is likely to attain IDR1,200 with P/E trailing band of 33.0x. The estimated target price is backed by 1) Rising revenues contributed by gold sales; 2) Positive outlook of yellow metal's buoyant prices; 3) ANTM's consistent innovation to expand its market shares.

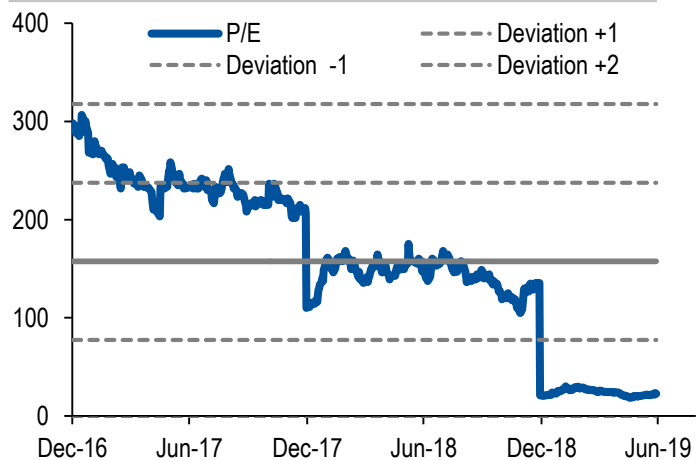
- **The Leader in Stocks of Miners**

We believe ANTM is a gold miner affected most by yellow metal's buoyant prices. 1Q19 gold sales contributed 64% or equal to IDR3,943 billion to its overall revenues. For FY19, ANTM is likely to attain revenues of IDR21,111 billion from gold sales as the gold bullish momentum in 2019 can be a profitable year for ANTM. Although ANTM's revenues stemming from gold sales are still below its peer, MDKA, its business expands significantly since 2018. In FY18, its revenues notched up 99.4% to IDR25,241 billion with gross margins of 13.7%, while 1Q19 revenues were at IDR6,219 billion or surging 8.5% from 1Q18 revenues.

- **Consistent Innovation**

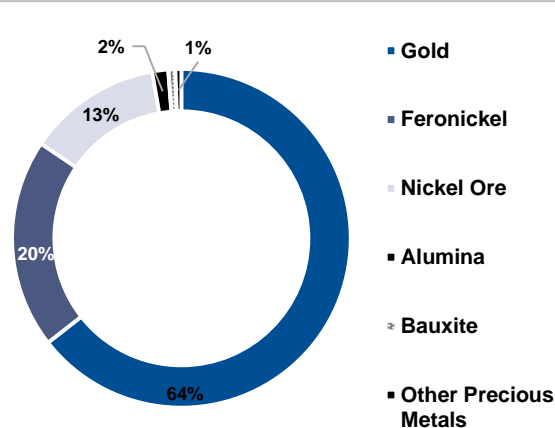
In April 2019, ANTM launched its new product, Gift Series, an alternative investment targeting millennials. The Gift series is a response to demand for thematic-designed gold bars. We oversee the innovation is ANTM's consistent efforts to jostle for expanding its market shares: long-term revenues payback.

3-Years P/B Trailing Band



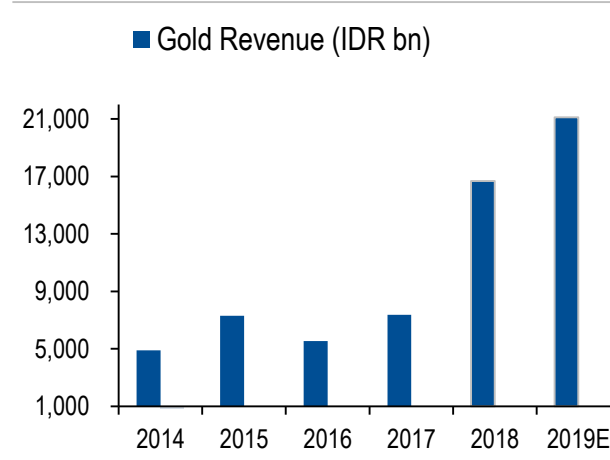
Source : Bloomberg, NHKS Research

Revenues Breakdown



Source : Company, NHKS Research

Gold Revenues



Source: Company, NHKS Research

INNI's Stocks List

	Theme 1/2	Last Price	Last Week Price	2019 Target Price	Rating	Upside Potential (%)	1 Week Change (%)	Market Cap (IDR tn)	Price / EPS (TTM)	Price / BVPS	Return on Equity (%)	Dividend Yield TTM (%)	Sales Growth Yoy (%)	EPS Growth Yoy (%)
Finance														
BBCA	Theme 1	29,975	29,400	32,000	Hold	6.8	2.0%	739.0	28.0x	4.7x	17.9	1.1	15.1	10.3
BBRI	Theme 1	4,360	4,360	4,950	Hold	13.5	0.0%	542.7	16.2x	2.8x	18.8	3.0	11.2	10.3
BMRI	Theme 1	8,025	7,975	8,000	Hold	(0.3)	0.6%	375.7	14.2x	2.0x	15.0	3.0	10.9	23.4
Consumer														
GGRM	Theme 1	76,875	76,000	110,000	Buy	43.1	1.2%	148.0	17.9x	3.1x	18.0	3.4	19.2	24.5
UNVR	Theme 1	45,000	45,300	59,000	Buy	31.1	-0.7%	342.8	38.0x	37.8x	112.2	2.6	(0.8)	(4.6)
ICBP	Theme 1	10,150	10,025	11,600	Hold	14.3	1.2%	118.7	25.2x	5.1x	21.6	1.9	13.9	10.6
INDF	Theme 1	7,025	7,075	8,700	Buy	23.8	-0.7%	62.1	14.3x	1.8x	12.8	3.3	8.7	14.1
KAEF	Theme 2	3,360	3,350	4,100	Buy	22.0	0.3%	18.6	46.6x	8.2x	16.6	0.4	21.8	(44.6)
KLBF	Theme 2	1,460	1,455	1,870	Buy	28.1	0.3%	68.4	27.8x	4.5x	16.9	1.8	7.0	1.0
Infrastructure														
TLKM	Theme 1	4,140	4,040	4,700	Hold	13.5	2.5%	418.0	22.6x	4.0x	18.2	3.9	7.7	8.6
JSMR	Theme 1	5,725	5,850	6,000	Hold	4.8	-2.1%	42.8	19.4x	2.4x	13.3	0.8	(20.8)	0.3
Trade														
UNTR	Theme 1	28,200	27,450	39,550	Buy	40.2	2.7%	106.1	9.1x	1.9x	22.3	4.2	19.0	20.6
SILO	Theme 2	4,700	4,810	4,350	Hold	(7.4)	-2.3%	7.6	398.3x	1.2x	0.3	N/A	18.2	583.3
MIKA	Theme 2	1,895	1,900	2,300	Buy	21.4	-0.3%	27.6	43.2x	6.5x	15.7	N/A	15.8	18.2
LPPF	Theme 2	3,450	3,480	5,500	Buy	59.4	-0.9%	10.0	10.0x	5.4x	45.6	9.8	(1.7)	(41.2)
RALS	Theme 2	1,410	1,485	2,070	Buy	46.8	-5.1%	10.0	14.5x	2.4x	17.5	3.6	(0.4)	428.0
MAPI	Theme 2	900	965	1,300	Buy	44.4	-6.7%	15.0	33.2x	2.7x	10.5	1.1	8.4	(62.3)
Property														
PWON	Theme 1	730	770	725	Hold	(0.7)	-5.2%	35.9	13.3x	2.7x	22.3	0.8	3.9	28.1
CTRA	Theme 1	1,150	1,180	1,080	Hold	(6.1)	-2.5%	22.2	16.6x	1.5x	9.5	0.8	21.3	114.3
PTPP	Theme 1	2,210	2,260	2,450	Hold	10.9	-2.2%	13.8	9.1x	1.1x	12.4	2.2	34.9	12.0
WSKT	Theme 1	2,010	2,000	2,500	Buy	24.4	0.5%	27.4	8.7x	1.5x	18.5	3.6	(30.0)	(53.0)
WIKA	Theme 1	2,430	2,340	2,100	Hold	(13.6)	3.8%	22.1	11.9x	1.5x	13.2	1.6	3.9	66.9
Basic Ind.														
KRAS	Theme 2	418	438	600	Buy	43.5	-4.6%	8.1	N/A	0.3x	(7.3)	N/A	(13.8)	(966.7)
Misc Ind.														
ASII	Theme 2	7,450	7,450	8,600	Buy	15.4	0.0%	297.6	13.6x	2.1x	16.2	2.9	6.8	4.9
Mining														
ADRO	Theme 1	1,360	1,225	1,750	Buy	28.7	11.0%	44.0	6.7x	0.8x	12.6	6.6	10.8	59.2
PTBA	Theme 1	2,960	2,900	5,100	Buy	72.3	2.1%	34.9	6.8x	1.8x	29.2	11.2	(7.2)	(21.7)
INCO	Theme 2	3,120	2,880	3,350	Hold	7.4	8.3%	32.0	67.1x	1.2x	1.8	N/A	(25.8)	N/A
ANTM	Theme 2	845	800	1,200	Buy	42.0	5.6%	20.5	25.7x	1.0x	4.1	1.5	8.5	(30.1)
Agriculture														
AALI	Theme 1	10,400	10,350	16,000	Buy	53.8	0.5%	20.2	18.0x	1.1x	6.0	3.2	9.3	(89.5)
LSIP	Theme 1	1,120	1,160	1,500	Buy	33.9	-3.4%	7.8	30.5x	0.9x	3.0	1.7	6.9	(64.7)

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