

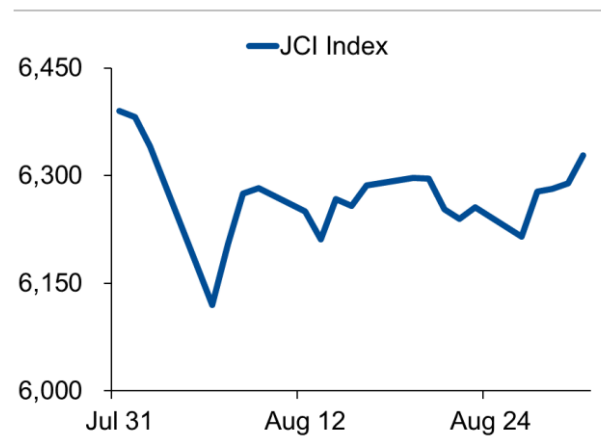
Weekly Brief (September 2nd – 6th, 2019)

Summary:

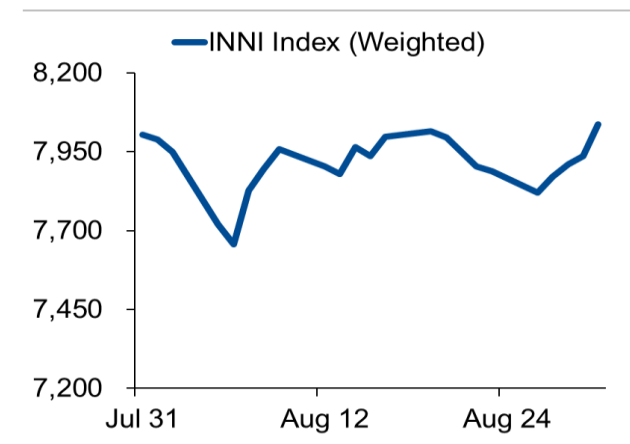
Last week review: External sentiments ranging from the inverted yield curve to China's retaliatory tariffs had been drags on JCI. The inverted yield sounded warning of the US recession and China's decision to impose additional tariffs on US products drove markets to pull their capital out of JCI. The exaggerating trade disputes between South Korea and Japan dismay the global state. Back in the domestic highlights, the relocation of Indonesia's seat of power from Jakarta to East Kalimantan—North Penajam and Kutai Kartanegara— is a paradoxical sentiment.

This week's outlook: Hope on peace trade between the US and China flickers after Trump stated China's willingness to get back to the negotiation table. In the domestic backdrop, markets are anticipating the reading of August's inflation on Monday, Sept. 2nd, 2019. The rupiah's exchange rate for the US dollar within a week was still depreciated. The rupiah performance should disappoint investors, but it sharpens the allure of gold, typically collected as safe haven. The increasing anxieties about global state lead yellow metal's prices to pave the way for buoyant performance, reflected in ANTM's rising price. Thus, we maintain BUY recommendation on ANTM, estimated to hit the price target of IDR1,200 based on a 18.5x P/E trailing band.

JCI - one month



INNI Index – one month



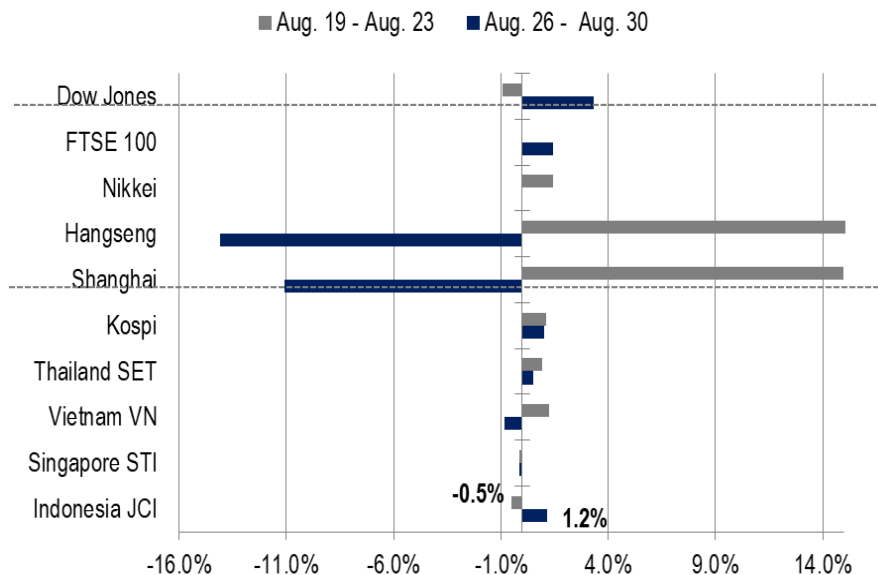
Last Week's JCI Movement

- JCI Index : 6,328.47 (+1.16%)
- Foreign Flow : *Net sell* of IDR1.4 trillion (vs. *net sell* last week of IDR1.5 trillion)
- USD/IDR : 14,198 (-0.12%)
- Yields of sovereign bond with 10-years tenor : 7.335% (-9,30 bps)

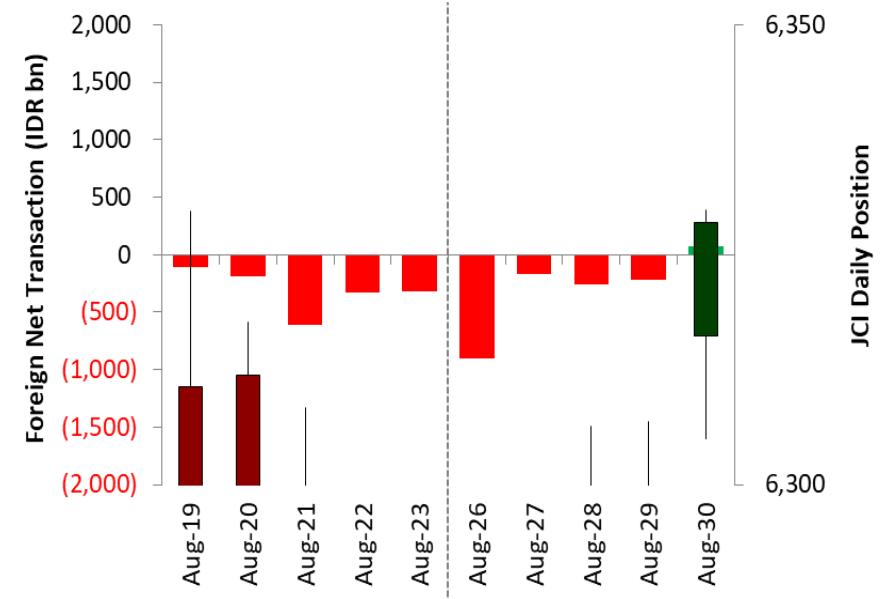
JCI Rallied Despite Worse Global State

Global sentiments were major catalysts for JCI's last week moves. The inverted yield curve for US Treasuries, a preliminary signal of recession and the increasingly bitter trade disputes between the US and China had been a drag on JCI and culprit in foreign outflows of IDR900 billion dated Monday, Aug. 26, 2019. The yields relationship between the two-year Treasury bonds and the 10-year Treasury bonds turned upside down as longer-term yields bottoming shorter-term ones yelled warning of the US economy moving toward a recession. Adding to the early signal of the US recession was the worsening tariff wars between the world's two powerhouse economies. China confronted US locking an additional 15% tariffs in Sept. 1st by USD750 billion worth of countermeasures against the US goods. The dismal global state failed to dismay Asia markets as trading activities in most of Asia markets were rebounding on the mid-days of last week. The uncertainty about the US and China trade resolution and the removal of South Korea from Japan's white list of favored trade partners drove investors to buy large-cap. stocks. Apart from the global highlights, the relocation of Indonesia's seat of power from Jakarta to East Kalimantan—North Penajem and Kutai Kartanegara districts—stands to benefit property and construction stocks. On Friday of Aug.30, 2019, JCI was rebounding, underpinned by foreign outflows of IDR68 billion.

Global Market Movements



Foreign Net Flows – Last 10 Days



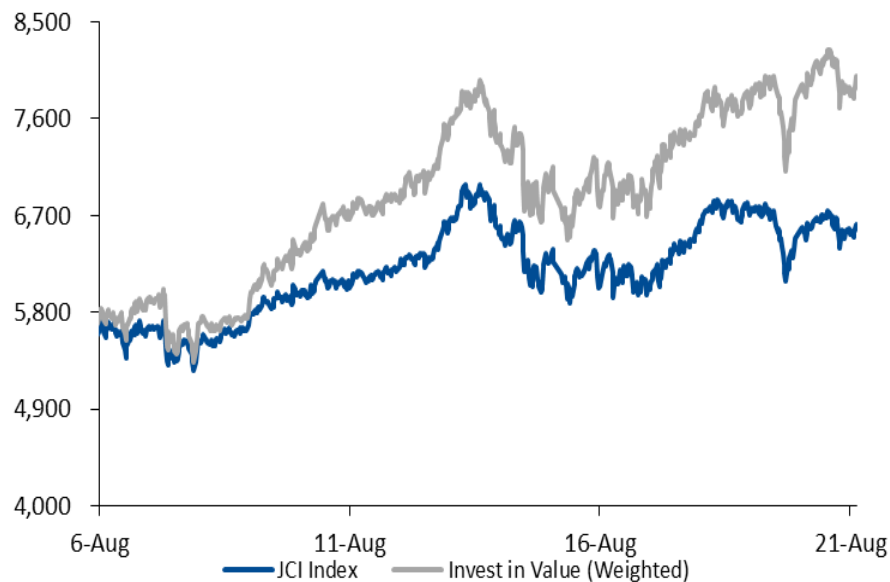
Last Week's INNI Movement

•INNI Index	: 8,036.06 (+1.9%)
INNI Theme 1 (Value)	: 7,996.68 (+2.0%)
INNI Theme 2 (Trend)	: 8,103.11 (+1.7%)

INNI Index Rallied

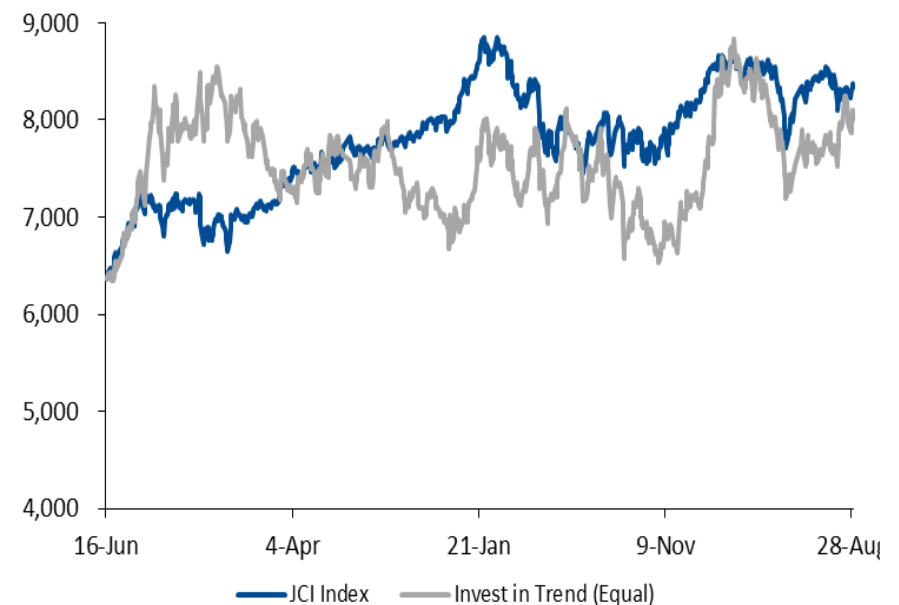
INNI index rallied on Tuesday's trading session of Aug.27, 2019 as the US and China were willing to get back to the negotiation table. Apart from the external positive catalyst, healthcare stocks, i.e. MIKA and SILO were also fundamental to INNI's moves. Those two stocks picked up after Ministry of Health of the Republic of Indonesia decided to inject funds of ~Rp48.8 trillion to the Healthcare and Social Security Agency (BPJS Kesehatan) bleeding from swollen deficits. The later injection was an 82% increase from the prior one of IDR26.7 trillion. INNI continued its solid moves due to ANTM gold bug. ANTM's gold price continues to be bullish as fears of volatile global state sharpen the popularity of gold as a safe haven. On Friday (08/30), INNI rallied as one of its mining stocks, PTBA posted a 2.5% gain. PTBA starts to penetrate real estate and construction sectors despite the sluggish coal business

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 Sectoral Review

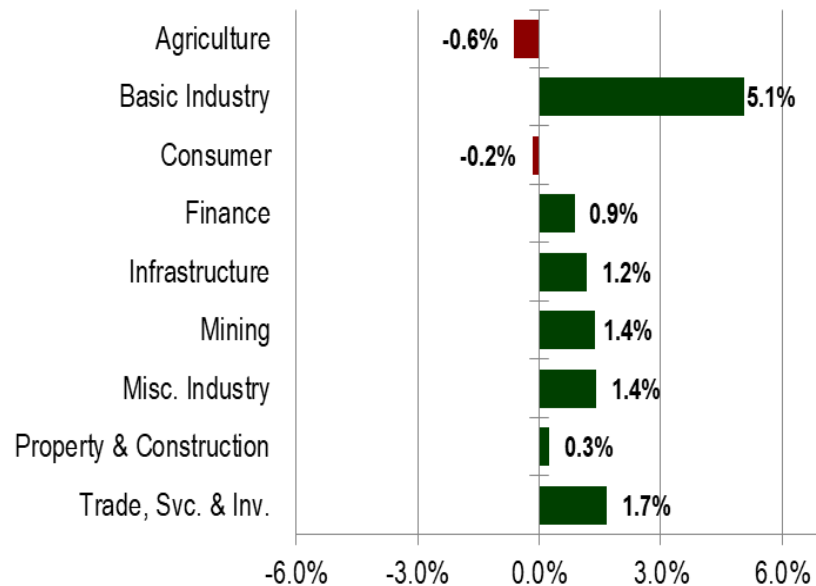
- **JCI's Top Gainers**

Last week, most of JCI sector rallied. The basic industry posted a 5.1% gain as TPIA advanced +5.05% within a week. TPIA cooperation with PT Krakatau Tirta Industri to supply materials PVC pipes succeeded to boost its moves. Another to the cooperation with PT Krakatau Tirta Industri, its project of completing the construction of petrochemical plants with Mubala Investment Company was also another boost for its big moves to bullish zone. The relocation of administrative headquarters from Jakarta to East Kalimantan is a long-term potent driver for cement makers.

- **INNI Index's Top Gainers**

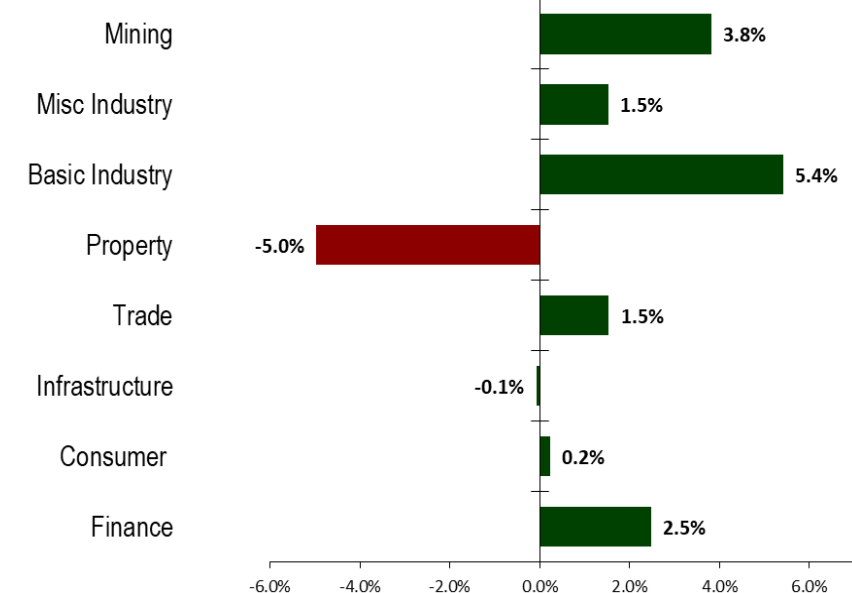
The mining sector posting a 3.8% gain was INNI top gainer. Although the mining sector lagged, ADRO posted the 1H19 sound performance. It secured revenues of USD1.7 billion higher than 1H18 of USD1.6 billion due to declines in mining costs. ADRO's earnings boosted its stock to make a 3.6% gain.

JCI's Last Week Sectoral Movements



Source: Bloomberg, NHKS Research

INNI's Last Week Sectoral Movements



Source: Bloomberg, NHKS Research

This Week's Outlook: JCI Direction

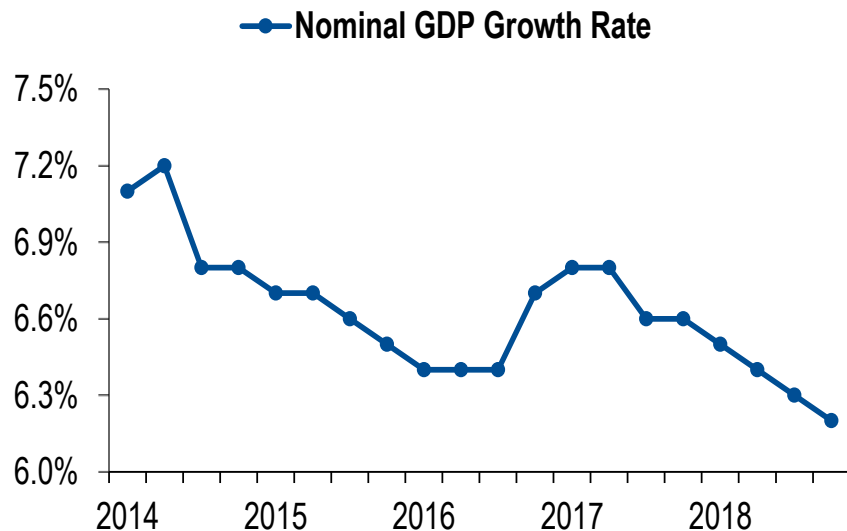
- **Hope for Resolution of Trade Disputes**

China's economy hit hardest by the increasingly bitter trade disputes is a signal on a dismal global economic growth. Trump said after the G7 summit of the world leaders in Biarritz, France, that China was finally willing to find mutual tariffs after it unveiled additional tariffs of 5%-10% worth of US goods, taking into effects starting Sept. 1, while the remaining will be effective from Dec.15. China's tariff threats heightened markets fears as Asia markets retreated. But, Trump citing Beijing's sincere willingness to resolve trade disputes ease markets fears. JCI likely get boosts to trade in the green zone should the world's two powerhouse economies get back to resolution.

- **August's Inflation Release**

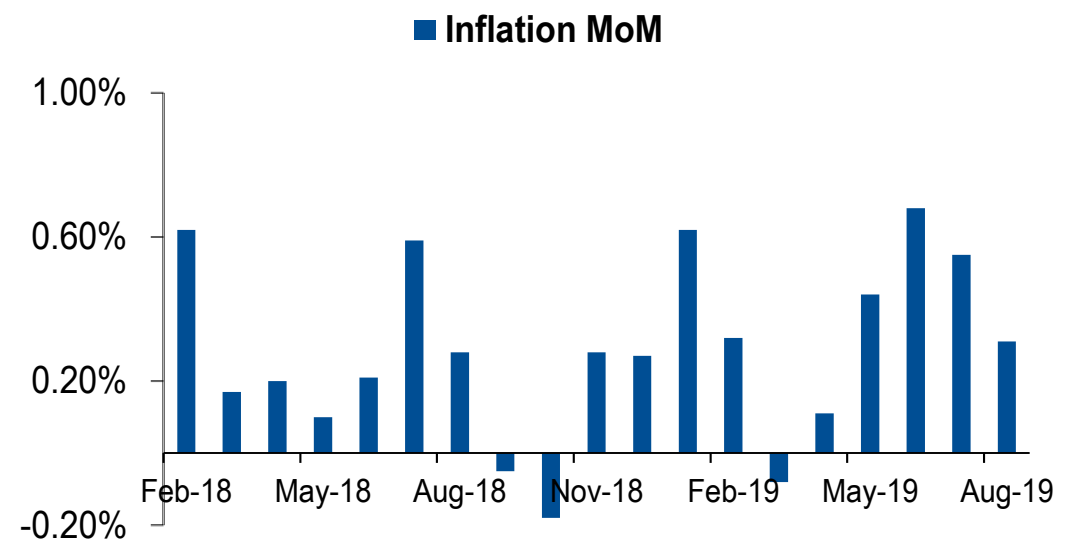
On Monday (09/02) there will be reading on MoM inflation for August. Markets estimate August's figure to settle at 0.26% after June's reading at 0.31%. August's estimate is below July's reading because of lagging volatile foods. However, BI Governor Perry Warjiyo explains that August's more benign inflation is still reasonable. JCI is likely to be bearish should August's reading is below 0.26%, vice versa.

China's GDP Growth Rate



Source: CEIC, Emerging Advisor, McKinsey Analysis, NHKS Research

Indonesia's GDP Growth Rate



Source: Badan Pusat Statistik, NHKS Research

This Week's Outlook: Gold Miners' Lustrous Outlook

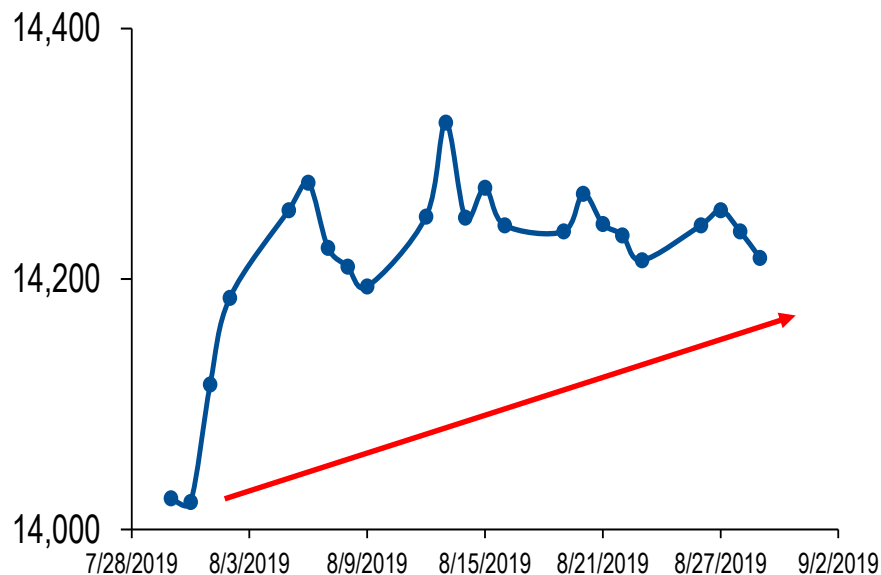
- **Rupiah Depreciation**

The rupiah exchange rate against the US dollar at the spot market within the last one month was depreciated due to the increasingly bitter trade disputes between the US and China. The disputes definitely pose Indonesia as one of countries in the Asia Pacific with largest export and import activities at risks as global downturn casts looming currencies depreciation. The rupiah exchange rate during this week hinges on the reading of August's inflation. Its appreciation should prove positive sentiments for investors, but its depreciation should heighten yellow metal's allure for worried investors.

- **ANTM Gold Bug**

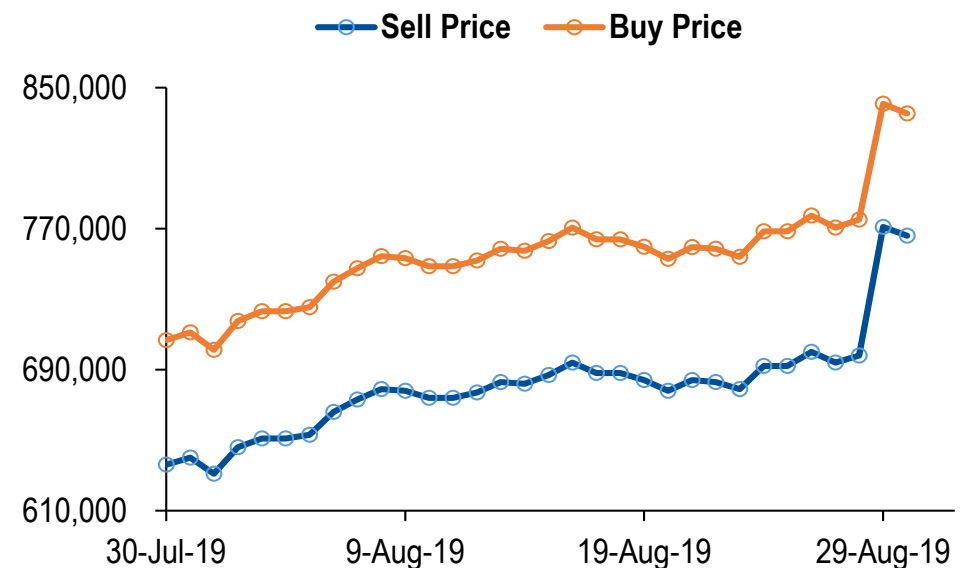
ANTM's gold price was bullish during last week and hit the purchasing price of IDR774,000/gram and selling prices of IDR700,000/gram. In the trading session of Aug. 30, its gold purchasing price was at IDR766,000/gram, with selling prices of IDR693,000. ANTM's bullish favor should be a driver for its peers to continue their lustrous momentum until the early of September. ANTM responses to consumers gold binge by increasing production working hours. Gold miners' path in this week remain lustrous, and that is a boost for JCI's moves.

USDIDR Trend



Source: Bloomberg, NHKS Research

Antam's Gold Price in Last 30 Days



Source: Harga-Emas.org, NHKS Research

Aneka Tambang Tbk (ANTM IJ – Gold Mining)

Dec 2019 Target Price	1,200
Consensus Price	1,240
Last Price (IDR) as of Aug 30, 2019	1,070
TP vs. Last Price	12.1%

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

IDR bn	FY2017	FY2018	FY2019E	FY2020E
Revenue	12,654	25,241	28,807	31,951
y-y	39.0%	99.4%	14.3%	10.9%
Net Profit	137	874	1,284	1,591
y-y	110.7%	573.9%	46.9%	23.9%
NPM	1.1%	3.5%	4.4%	4.9%
EPS	5.6	36.3	58.1	74.3
P/E	152.3	23.8	18.5	14.2

- **NHKS** maintains recommendation BUY on ANTM, estimated to hit the price target of IDR1,200 based on a 18.5x P/E trailing band. The estimate is on grounds of the 1H19 sound performance and business expansion of electric-vehicle battery (EVB/traction battery).

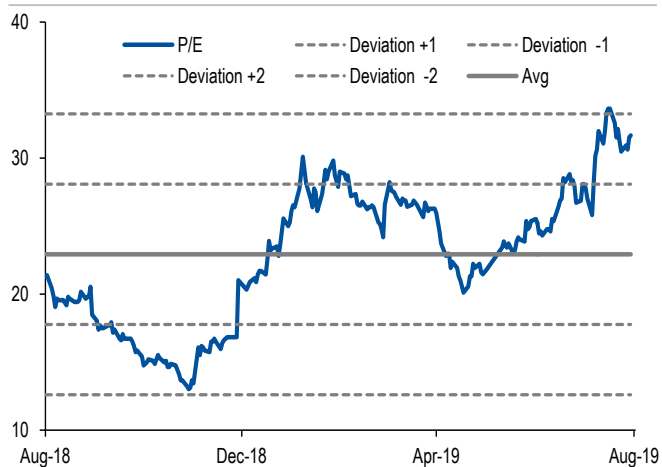
- **1H19 Sound Sales**

ANTM enjoyed a 22% YoY increase in 1H19 sales to IDR14.4 trillion. Gold contributed IDR9.61 trillion (64% to the total revenues) as the segment sold 15.7 tons gold or a 14% YoY increase. ANTM benefits from wary investors typical binge on gold as safe haven; that's why ANTM's gold price ahead remains buoyant.

- **Business Expansion of Traction Batteries**

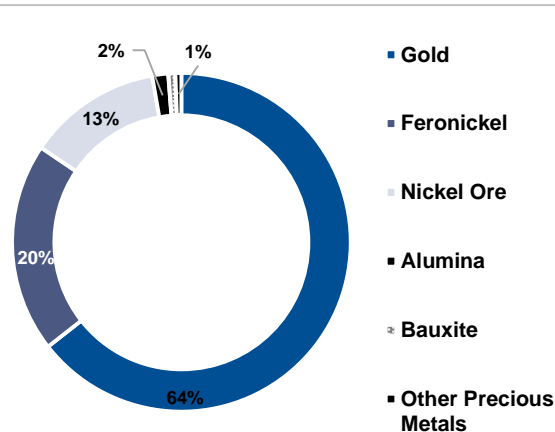
Adding to gold as the biggest contributor to revenues is ferronickel is the second biggest contributor (20% or equal to IDR2.3 trillion) to the total revenues. The government rolls out the mandatory of nickel-based batteries to power electric cars, and ANTM response to a hint of profitable expansion by eyeing on partners to collaborate in production and innovation of traction batteries.

1-Year P/E Trailing Band



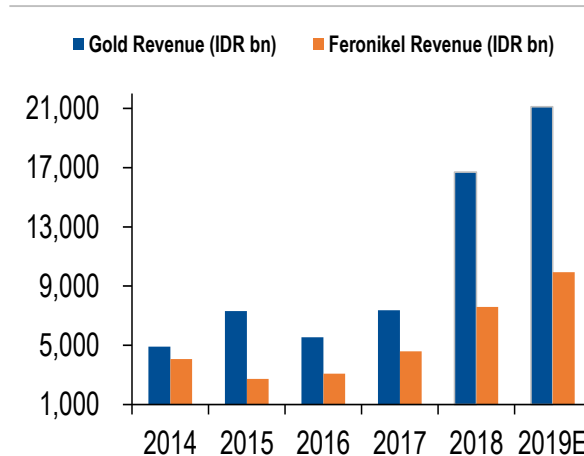
Source : Bloomberg, NHKS Research

Revenue Breakdown 6M19



Source : Company Data, NHKS Research

Gold & Feronikel Contribution



Source: Company Data, NHKS Research

INNI Index'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	30,500	29,975	32,000	Hold	4.9	1.8%	752.0	27.5x	4.7x	18.4	1.1	16.8	12.7
BBRI	Theme 1	4,270	4,080	4,950	Buy	15.9	4.7%	526.7	15.5x	2.8x	19.0	3.1	12.5	8.5
BMRI	Theme 1	7,250	7,175	8,275	Hold	14.1	1.0%	338.3	12.8x	1.8x	15.0	3.3	9.1	11.1
Consumer														
GGRM	Theme 1	69,475	76,475	110,000	Buy	58.3	-9.2%	133.7	15.7x	3.0x	20.0	3.7	16.4	20.5
UNVR	Theme 1	48,850	45,825	59,000	Buy	20.8	6.6%	372.7	40.2x	73.4x	183.9	2.4	1.3	5.2
ICBP	Theme 1	12,050	11,775	11,600	Hold	(3.7)	2.3%	140.5	28.9x	6.2x	22.9	1.6	13.7	12.8
INDF	Theme 1	7,925	7,775	8,700	Hold	9.8	1.9%	69.6	14.6x	2.0x	14.4	3.0	7.2	30.0
KAEF	Theme 2	3,060	3,210	4,100	Buy	34.0	-4.7%	17.0	49.7x	7.5x	16.6	0.5	33.0	(60.9)
KLBF	Theme 2	1,690	1,620	1,870	Hold	10.7	4.3%	79.2	31.7x	5.4x	17.9	1.5	7.7	3.5
Infrastructure														
TLKM	Theme 1	4,450	4,380	4,700	Hold	5.6	1.6%	440.8	21.6x	4.7x	22.8	3.7	7.7	27.4
JSMR	Theme 1	5,600	5,700	6,000	Hold	7.1	-1.8%	40.6	18.3x	2.3x	13.3	0.8	(25.9)	1.4
Trade														
UNTR	Theme 1	20,925	20,500	39,550	Buy	89.0	2.1%	78.1	7.0x	1.4x	21.6	5.7	11.2	1.8
SILO	Theme 2	6,475	6,175	4,350	Sell	(32.8)	4.9%	10.5	228.2x	1.7x	0.7	N/A	#N/A N/A	N/A
MIKA	Theme 2	2,550	2,340	2,300	Hold	(9.8)	9.0%	37.1	56.0x	8.6x	16.3	0.7	#N/A N/A	13.6
LPPF	Theme 2	3,020	3,100	5,500	Buy	82.1	-2.6%	8.5	9.4x	4.7x	45.2	11.0	0.6	(11.5)
RALS	Theme 2	1,210	1,250	2,070	Buy	71.1	-3.2%	8.6	11.8x	2.0x	17.7	4.1	(0.2)	21.1
MAPI	Theme 2	990	1,000	1,200	Buy	21.2	-1.0%	16.4	22.2x	2.8x	14.5	1.0	10.2	25.0
Property														
PWON	Theme 1	640	670	725	Hold	13.3	-4.5%	30.8	11.1x	2.3x	22.4	1.1	3.8	20.9
CTRA	Theme 1	1,095	1,220	1,550	Buy	41.6	-10.2%	20.3	15.6x	1.4x	9.4	0.9	12.1	74.3
PTPP	Theme 1	1,850	1,890	2,450	Buy	32.4	-2.1%	11.5	8.3x	0.9x	11.3	2.6	12.8	(23.4)
WSKT	Theme 1	1,745	1,790	2,500	Buy	43.3	-2.5%	23.7	12.0x	1.3x	11.3	4.2	(35.4)	(66.8)
WIKA	Theme 1	2,210	2,340	2,100	Hold	(5.0)	-5.6%	19.8	9.4x	1.3x	14.9	1.7	#N/A N/A	72.2
Basic Ind.														
KRAS	Theme 2	350	332	600	Buy	71.4	5.4%	6.8	N/A	0.3x	(11.2)	N/A	(17.8)	(775.0)
SMGR	Theme 2	13,250	13,075	14,600	Hold	10.2	1.3%	78.6	30.3x	2.6x	8.7	1.6	#N/A N/A	(50.0)
INTP	Theme 2	21,725	21,175	22,300	Hold	2.6	2.6%	80.0	55.9x	3.7x	6.5	2.5	7.7	80.2
Misc Ind.														
ASII	Theme 2	6,675	6,575	8,600	Buy	28.8	1.5%	270.2	12.8x	1.9x	15.8	3.2	3.2	(5.8)
Mining														
ADRO	Theme 1	1,125	1,085	1,750	Buy	55.6	3.7%	36.0	4.9x	0.7x	14.2	8.0	10.2	51.9
PTBA	Theme 1	2,470	2,490	5,100	Buy	106.5	-0.8%	28.5	5.5x	1.5x	29.2	13.8	(7.2)	(21.7)
INCO	Theme 2	3,530	3,300	3,370	Hold	(4.5)	7.0%	35.1	471.2x	1.3x	0.3	N/A	(22.0)	N/A
ANTM	Theme 2	1,070	1,015	1,200	Hold	12.1	5.4%	25.7	32.1x	1.3x	4.1	1.2	8.5	(30.1)

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