

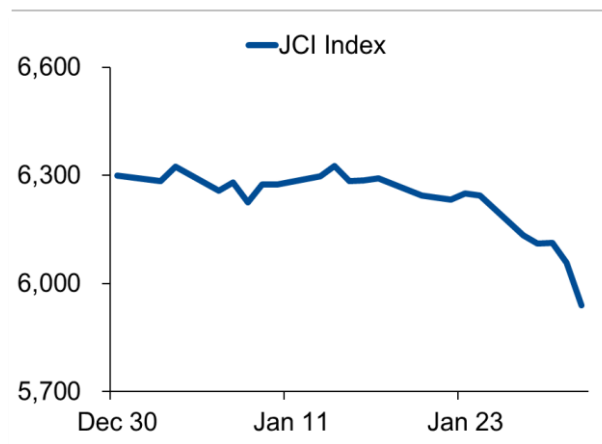
Weekly Brief (February 03rd – 07th)

Summary:

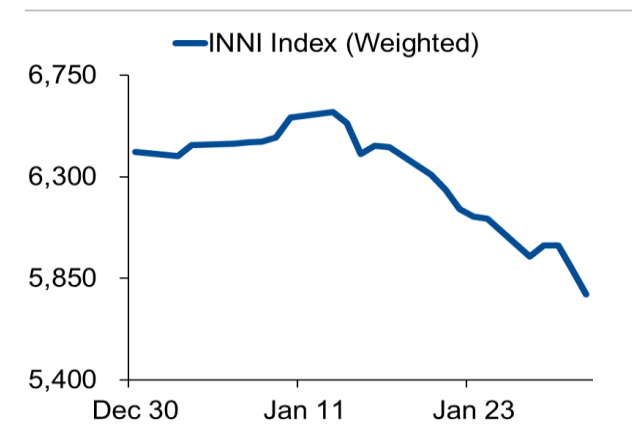
Last week review: Fears of coronavirus's death toll to lethally deteriorate the global economy and January's sharp fall in trading activities were among catalysts for diminishing JCI. The pandemic and January's ebbing trade left JCI ailing even a burgeoning reading of foreign direct investment reading (PMA) and the Fed's unchanged rates gave boosts for its lethargic paces.

This week's outlook: The Indonesia's rupiah better appreciation against US dollar and Indonesia's Nikkei Manufacturing PMI to fit well market's estimate are two precondition for JCI's faster paces to the green zone, any probable deviance against those preconditions should otherwise impede or even trap JCI in the red zone. NHKS highlights that miners, nickel miners in particular, will enjoy leading momentum as the ban on nickel ore exports and EV's tipping point growth prevail. Taking into account to the prevailing trend, NHKS recommends INCO with the price target of IDR4,200 based on a 35.6x P/E trailing band.

JCI - one month



INNI Index – one month



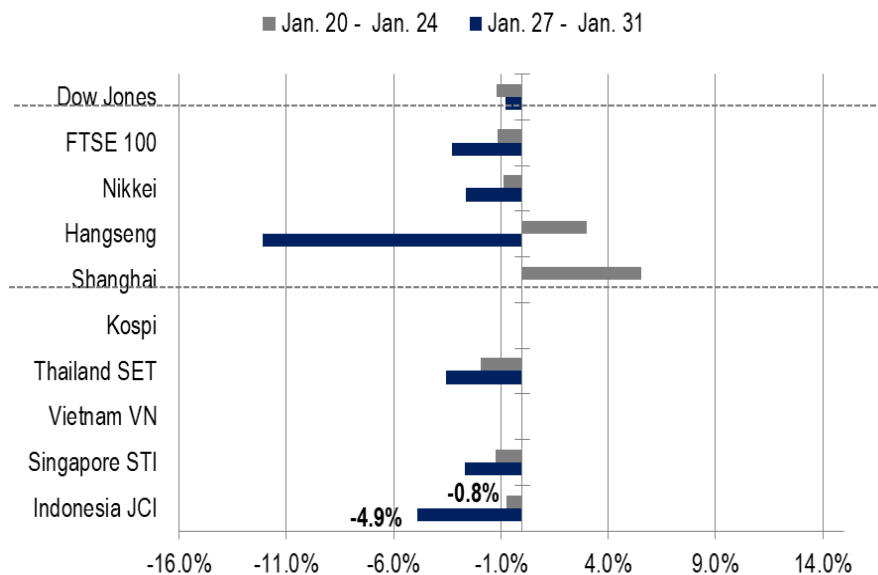
Last Week's JCI Movement

- JCI Index : 5,940.04 (-4.9%)
- Foreign Flow : *Net sell* of IDR2.3 trillion (vs. *net buy* last week of IDR328 billion)
- USD/IDR : 13,655 (+0.53%)
- Yields of sovereign bond with 10-years tenor : 6.669% (+4.30 bps)

JCI Ebbbed

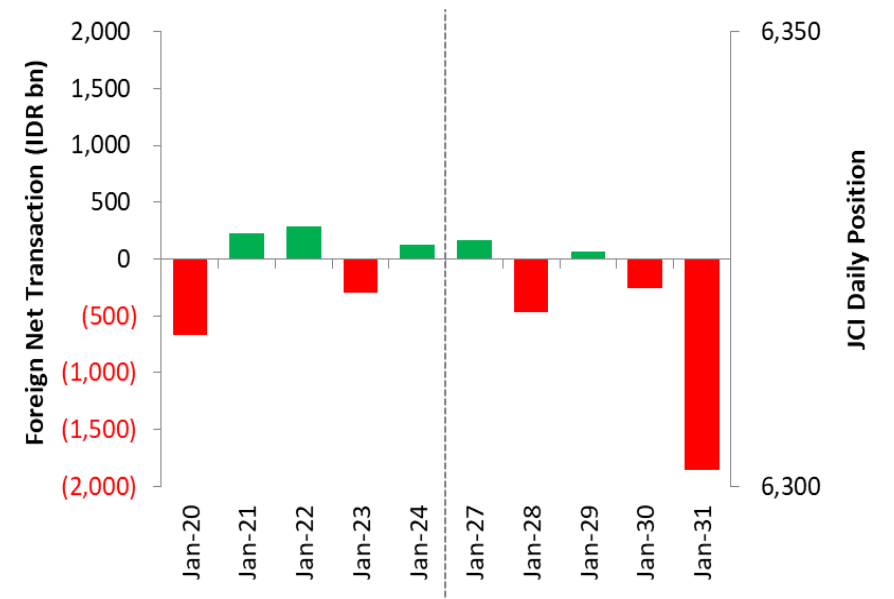
Wuhan's outbreak of coronavirus throw China into disarray and infect the worldwide economies with relentless fears of the pandemic heavy blow to the world's second-largest economy. The infectious pandemic ebbbed global equity markets, including JCI which was low from immune to the deadly coronavirus and tumbled in the early last week. Following better resistance to "infectious market malaise" over the virus, JCI was a bit recovery to pace to the green zone in the middle of last week as the Investment Coordination Board (BKPM) to display 4Q19's burgeoning PMA was a booster for ailing JCI. Aside from the domestic backdrop, the Fed decided to remain patiently holding its rates unchanged after a two-day FOMC meeting of Jan. 28-29, 2020; the Fed's stance was underlined by the optimistic tone about the US's stable economic growth and more certain policies on trading. IDX to post January's 2020 sharp tumble in trading transactions compared to January 2019 transactions left JCI bearish on Friday of Jan 31.

Global Market Movement



Source: Bloomberg, NHKS Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKS Research

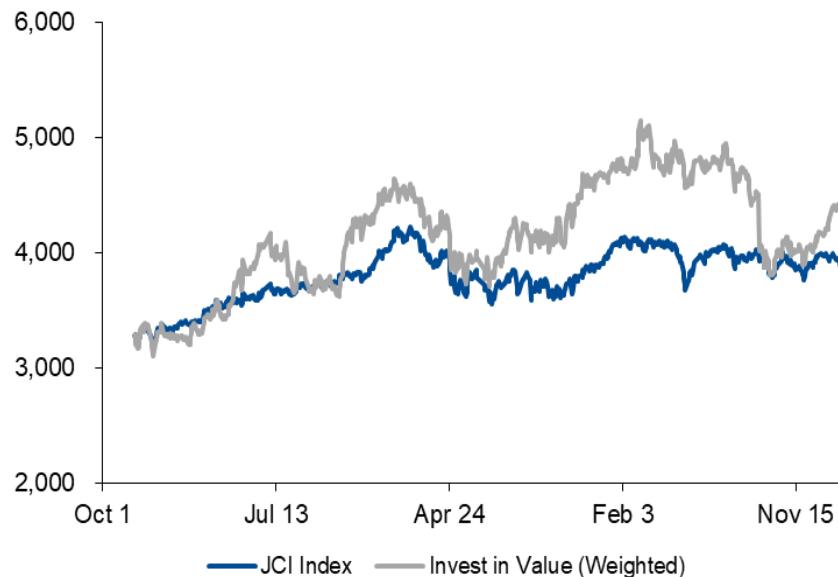
Last Week's INNI Movement

•INNI Index	: 5,940.05 (-5.5%)
INNI Theme 1 (Value)	: 4,260.90 (-4.9%)
INNI Theme 2 (Trend)	: 6,828.62 (-5.7%)

INNI Index Diminished

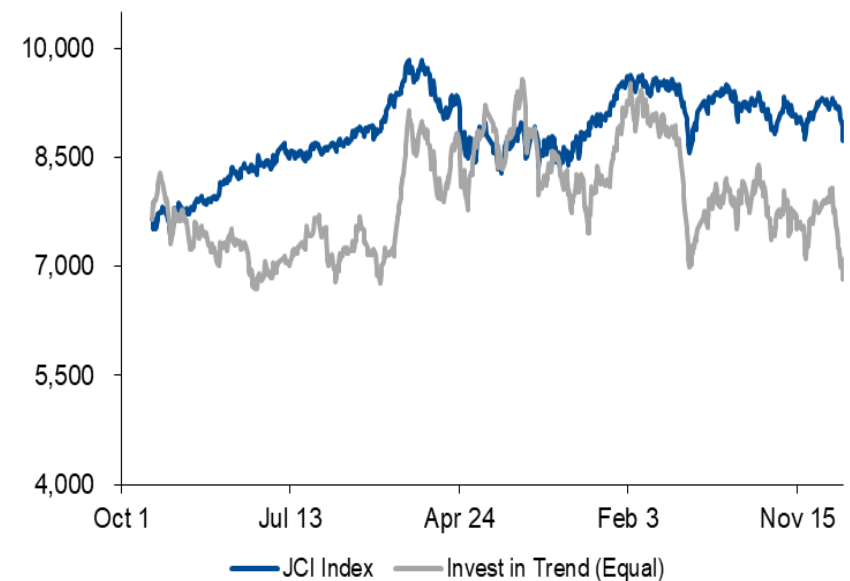
INNI index ebbed on Monday's trading session of Jan. 27 even though BBCA posted largest gains among the rest of INNI's bearish sectors. After INNI's ailing state in the early of last week; it recovered and made a bit faster pace to the green zone, immunized by robust infrastructure stocks (i.e., TLKM and JSMR). TLKM to post revenues of IDR102.63 trillion or a 3.45% y-y hike was attributable to the mushrooming cellular data subscribers; meanwhile, the key to JSMR's gain was its optimism about 2020's strong revenues, supported by few adjustments to tariffs on a number of toll-roads sections and the operation of some of new toll-road sections. On Friday of Jan. 31, KINO and KLBF, the consumer stocks, subdued and ebbed INNI index.

Theme 1. Invest in Value (10 Stocks) – Market Cap Base



Source: Bloomberg, NHKS Research

Theme 2. Invest in Trend (10 Stocks) – Policy Base



Source: Bloomberg, NHKS Research

Last Week Sectoral Review

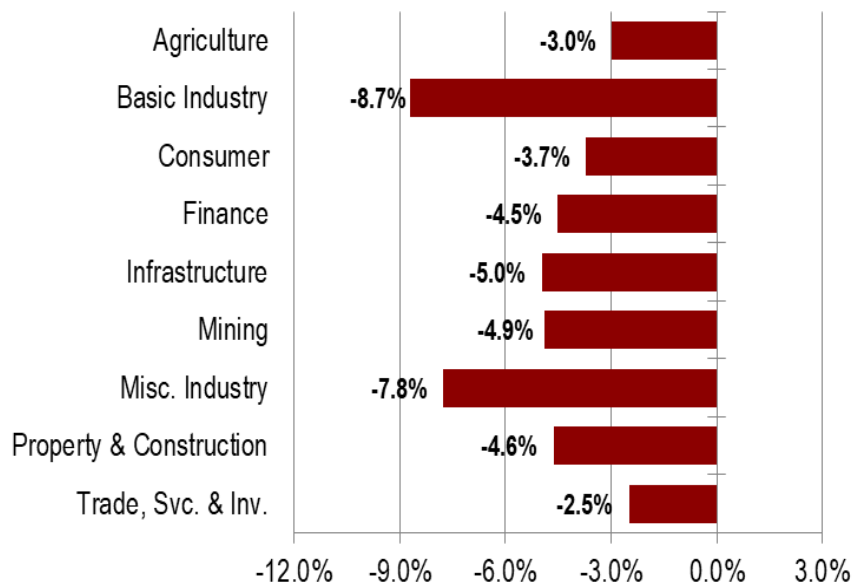
- JCI's Top Losers**

Last week, JCI ebbed as its sectors mostly diminished, with the basic industry sector to gave up the largest gains among the rest. INTP and SMGR respectively slumped 14.26% and 8,57%. Motivated to regain positive performance in 2020, INTP targets to boost a 3%-4% growth to 18.54-18.72 million tons of cement; that was higher sales target than 2019's target, SMGR, meanwhile, will focus to produce derivative products and expand its sales to the regional market in order to improve better in 2020.

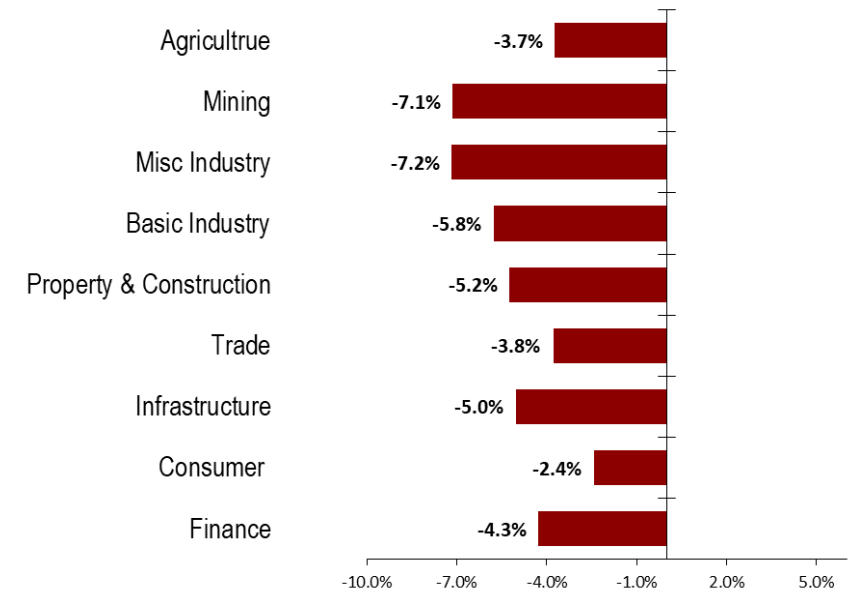
- INNI Index's Top Losers**

The miscellaneous sector (i.e., ASII) to tumble to 7.2% led the worst performance in INNI Index. In 2020, INNI will face challenges (e.g., soft consumption and struggling prices of coal). The Association of Indonesian Car Producers (Gaikindo) recorded ASII's 4W sales in 2019 to drop 7.9% to 536,402 units much lower than that of 582,446 in 2018

JCI's Last Week Sectoral Movements



INNI's Last Week Sectoral Movements



This Week's Outlook: The Direction of JCI

- **Better Rupiah Appreciation**

The exchange rate of Indonesia rupiah against US dollar to fall short in the range of IDR16,664-IDR16,720 is one of determiners of this week's market moves. Despite the exchange rate of IDR to USD susceptibility to geopolitical state and volatile prices of commodities, we hold true that Indonesia's manufacturing sector's better improvement and Indonesia's economy stably standing at 5% are real strong footing for this week's Indonesian rupiah appreciation. The rupiah solid performance against the greenback to suggest Indonesia's economy grows better, characterized by burgeoning bisnis activities by large-cap. companies whose stocks are listed on IDX, is a potent driver for both foreign and domestic capital inflows and JCI to run smoothly to the green zone, any probable rupiah depreciation should otherwise disrupt JCI's steps to the green zone.

- **Indonesia Manufacturing PMI Reading**

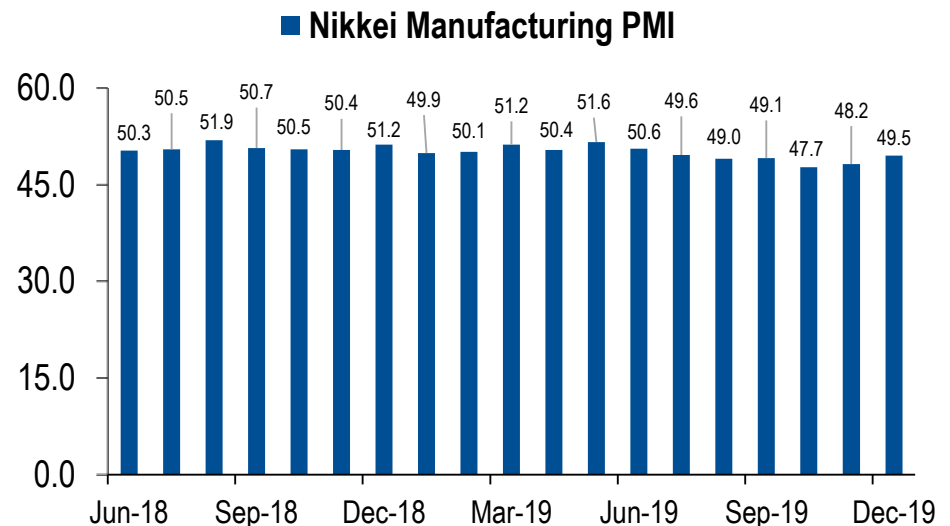
On Monday of February 3, 2020, IHS Markit releases Indonesia Manufacturing PMI in January, and IHS Markit PMI data derives from surveys of varied private companies' financial performance in 37 different sectors to indicate the overall health of an economy and sub-indices. The indices vary between 0 and 100, with a reading above 50 to suggest Indonesia's expansive business activities, and a reading below 50 to indicate overall lethargic business activities. Indonesia Nikkei Manufacturing PMI from October to December 2019 hovered at 47.7 - 49.5, and investors expect January's reading to top 50.0, to boost their confidence in investing their money in Indonesia. January's reading to fit investors' expectation should be steep-up gears for JCI's paces to the green zone, any reading displaying otherwise should be indicative of JCI's lethargic paces to the green zone.

USDIDR Movement



Source: Investing.com, NHKS Research

Nikkei Manufacturing PMI



Source: Markit Economics, NHKS Research

This Week's Outlook: Metal Mining as the Leading Sector

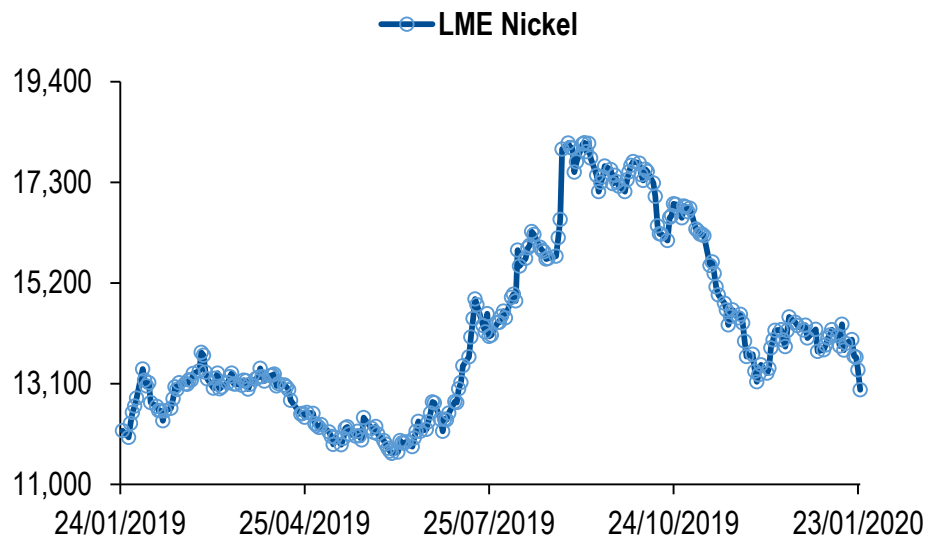
• Mining's Leading Momentum

A mandatory ban on raw minerals exports (e.g., bauxite, tin, coal, and nickel) and policy on downstream-required processing of value-added minerals derivatives are driving catalysts for mining. INCO as a nickel miner in 2002 focuses on finishing its smelter facilities in Bahodopi and Pomalaa to process value-added nickel or higher-grade nickel ore, with higher selling prices. The economic analysts project nickel's bullish momentum because the Indonesian government's ban on non-value added nickel ore to inevitably cut the world's nickel supplies and the EV domination. Tesla, for instance, kicks off production in China to herald its domination in Asia's EV market. Although the global nickel prices are currently downbeat, its one-recent year prices are still at a high level and herald February's dawn of bullish state. Thus, we recommend metals miners.

• Electric Vehicle and Stainless Steel Industries

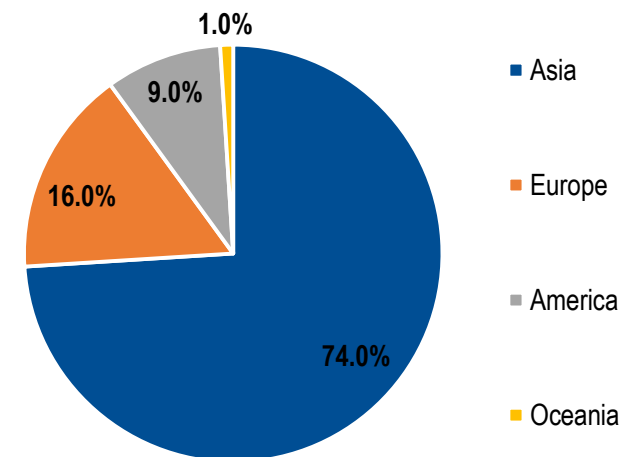
The electric vehicle (EV) industry is at a tipping point growth amid the economic. In 2019, the worldwide EV sales accounted for 3 million units and are likely to record 27 million units in 2030 on grounds of the annual average growth of 21.1% and the EV landmark year, signified by prices of nickel to continue its positive momentum at USD17,315 per ton in Sept. 26, 2019; we pencil in. The EV industry banks on nickel, a vital component for battery electric vehicles (BEV), and Indonesia as one of the world's largest nickel producers should stand to benefit from nickel's best-performing momentum by means of developing well-integrated national nickel from upstream to downstream manufacturing. In 2016, Indonesia's exported nickel made up 39% portion of the world's nickel supply and increased to 63% in 2017 as Indonesia currently positions as the world's seventh-largest nickel ore producer. Another to the EV industry, the stainless steel industry whose derivatives products are supplied to power plants, chemicals, automotive, and defense industries is highly dependable on nickel ore.

Global Nickel Prices



Source: Bloomberg, NHKS Research

Primary Nickel Usage Proportion



Source: INSG, NHKS Research

Vale Indonesia Tbk (INCO IJ – Mining)

Dec 2020 Target Price	4,200
Consensus Price	3,845
Last Price (IDR) as of Jan 31, 2020	3,160
TP vs. Last Price	32.9%
Export Destination:	
Canada	80%
Japan	20%

USD mn	FY2018	FY2019E	FY2020E	FY2021E
Revenue	777	749	801	858
y-y	23.4%	-3.6%	6.9%	7.1%
Net Profit	61	56	69	86
y-y	-431.1%	-11.4%	19.6%	27.5%
NPM	7.8%	7.5%	8.6%	10.0%
EPS (IDR)	88	84	101	128
P/E	34.1x	35.6x	29.8x	23.4x

- NHKS** recommends INCO as this week's top-pick stocks whose the price target is likely to arrive at IDR4,200 based on a 35.6x P/E trailing band. The estimate is underlined by the global nickel prices to settle at the high level in the last-3 year, operational efficiency, and its cooperation with SOEs.

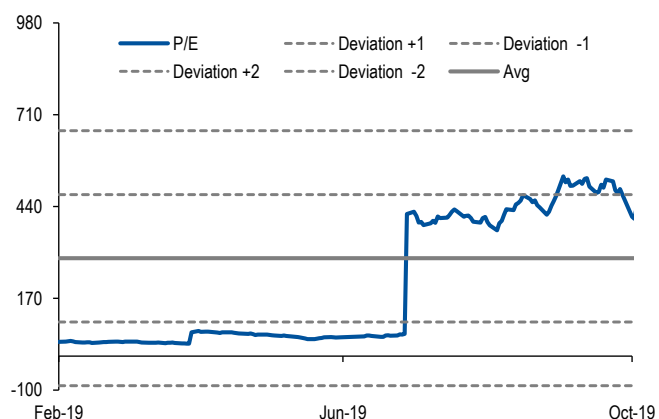
- Global Nickel Prices Support INCO's Performance**

The 3Q19 global nickel prices to hover in USD12,095-USD18,115 per ton drove INCO's ASP up to USD10,712 per ton (-3.1% YoY; +9.6% QoQ). Although the 3Q19 ASP was not as high as the 3Q18 ASP, it was the third-highest ASP within the last 4 years. Its 3Q19 outshining performance was also proven by nickel production of 18,193 tons as high as 3Q18 production and sales volume of 19,998 tons (+7.7% YoY; +17.9% QoQ). That performance topped our estimate, hence, we revise our estimate of INCO's 2019F performance to likely post revenues of USD749 million (vs. the initially estimated revenues of USD736 million), supported by the sales of 72,828 tons of nickel ore, with the ASP to fall short in the range of USD10,272-USD10,287 per ton.

- INCO Benefits from Efficiency and Synergy with MIND ID**

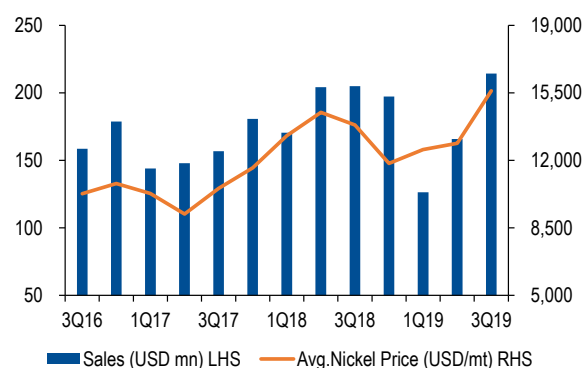
INCO's 3Q19 production costs were relatively high as it made use high sulfur fuel oil (HSFO) prices of which declined to USD67.1 per barrel as much as 392,269 barrels (-1.6% YoY; +21.5% QoQ). INCO's 3Q19 high production cost despite the declining HSFO prices should not prevail in the 4Q19 as we believe that the minimum HSFO use to grow little by 6%-10% are tangible efforts to run efficient operation. Another to efficient operation, its synergy with MIND ID, a state-owned enterprise, to be complete in March 2020 in a long run is a benefit for INCO.

12-Month P/E Trailing Band



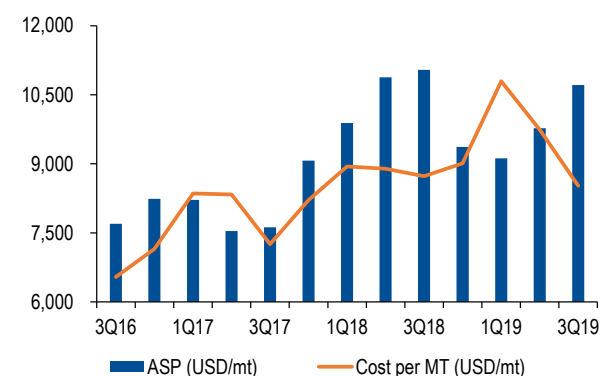
Source : Bloomberg, NHKS Research

Sales & Avg. Nickel Prices



Source : Company Data, NHKS Research

ASP & Cost Per Metric Tons



Source : Company Data, NHKS Research

INNI Index's Stocks List

	Theme 1/2	Last Price	Last Week Price	2020 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	33,000	34,050	32,000	Hold	(3.0)	-3.1%	798.8	28.3x	4.8x	18.1	1.1	15.0	13.0
BBRI	Theme 1	4,480	4,740	4,950	Hold	10.5	-5.5%	550.1	15.9x	2.7x	17.7	3.0	16.0	6.2
Consumer														
GGRM	Theme 1	55,650	58,300	61,800	Hold	11.1	-4.5%	107.3	11.6x	2.3x	20.5	4.7	16.9	25.8
KINO	Theme 1	2,960	2,920	4,680	Buy	58.1	1.4%	4.1	8.4x	1.6x	21.2	1.7	34.1	323.0
ICBP	Theme 1	11,425	11,700	12,875	Hold	12.7	-2.4%	132.7	26.6x	5.5x	22.2	1.2	11.2	11.4
KLBF	Theme 1	1,475	1,540	1,780	Buy	20.7	-4.2%	67.0	26.1x	4.4x	17.6	1.8	7.3	6.2
Infrastructure														
TLKM	Theme 1	3,830	3,920	4,700	Buy	22.7	-2.3%	376.4	18.6x	3.8x	21.3	4.3	3.5	15.6
JSMR	Theme 1	4,680	5,075	6,000	Buy	28.2	-7.8%	33.4	17.3x	1.8x	11.3	1.0	(22.8)	(15.2)
Trade														
UNTR	Theme 2	19,375	20,200	26,300	Buy	35.7	-4.1%	71.6	6.7x	1.3x	19.8	6.4	7.3	(4.8)
MAPI	Theme 2	980	1,015	1,300	Buy	32.7	-3.4%	15.9	19.5x	2.7x	14.8	1.0	11.4	14.7
Property														
CTRA	Theme 2	910	990	1,550	Buy	70.3	-8.1%	16.6	16.4x	1.1x	7.2	1.1	(0.7)	(28.9)
WSKT	Theme 2	1,240	1,310	2,600	Buy	109.7	-5.3%	16.7	12.0x	0.9x	7.8	5.9	(39.2)	(69.4)
WIKA	Theme 2	1,915	1,960	2,500	Buy	30.5	-2.3%	17.0	7.6x	1.1x	15.3	2.0	(12.9)	57.3
Basic Ind.														
SMGR	Theme 1	12,225	12,975	14,300	Buy	17.0	-5.8%	70.9	31.0x	2.3x	7.5	1.7	31.1	(38.1)
Misc Ind.														
ASII	Theme 1	6,475	6,975	8,600	Buy	32.8	-7.2%	257.1	12.6x	1.8x	14.9	3.3	1.2	(7.1)
Mining														
TINS	Theme 2	720	770	800	Hold	11.1	-6.5%	5.3	37.4x	0.9x	1.6	3.5	114.6	N/A
PTBA	Theme 2	2,220	2,370	2,300	Hold	3.6	-6.3%	25.5	5.6x	1.4x	26.4	15.4	1.4	(24.9)
INCO	Theme 2	3,020	3,310	4,200	Buy	39.1	-8.8%	31.4	397.3x	1.2x	0.3	N/A	(12.6)	N/A
ANTM	Theme 2	730	785	1,100	Buy	50.7	-7.0%	17.3	21.5x	0.9x	4.1	1.8	23.0	(11.1)
Agriculture														
AALI	Theme 2	11,625	12,075	15,600	Buy	34.2	-3.7%	22.9	53.7x	1.2x	2.3	1.9	(10.0)	(90.1)

Source : Bloomberg, NHKS Research

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