

Weekly Brief (July 24 – 28, 2023)

Summary:

Last week review:

China released another disappointing economic growth data after the previous week they revealed mounting deflationary pressures, in PPI (June) they recorded the sharpest decline since 2015 triggered by both domestic and foreign demand which both weakened; and CPI (June) which also remained flat at 0% YoY which is the slowest growth since 2021. As for the latest Chinese economic data, it showed 2Q23 GDP growth of 0.8% in the second quarter, indeed above the forecast of 0.5%, but the annualized pace at 6.3% missed expectations of 7.3%. From the start of the year, China's GDP has grown by 5.5% yoy in the two quarters so far; and it looks like they will only set a fairly moderate target of around 5% until the end of the year. Analysts think that the post-COVID economic boom is over and China's economic situation has lost its momentum. Market players are waiting for the implementation of stimulus measures and loose monetary policy aka further cuts in China's benchmark interest rate to further stimulate the economy. Lastly, China set its benchmark interest rate to stay at 3.55%.

US corporates began reporting 2Q23 results, which were expected to fall 8.1% (according to Refinitiv data), falling further from the 5.7% decline expected at the beginning of the month. US bank stocks continued their rally and managed to prop the Dow Jones up 2.1% last week; while the S&P500 added 0.7%, and the Nasdaq fell 0.6%. This positive sentiment managed to offset the US Retail Sales (June) report which came in below expectations, with Industrial Production (June) even recording negative growth. The US property sector has not helped much either as the US Building Permits and Housing Starts data in June all showed declines. US Initial Jobless Claims last week unexpectedly dropped to a 2-month low.

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Better news came from continental Europe where the UK and Euro Zone managed to report increasingly subdued Inflation growth in June. Retail Sales in the UK for June and the Euro Zone Consumer Confidence Index for July showed improvement with a slowing of the decline. Things like this have more or less made market participants feel that the world might be able to avoid recession this year.

Indonesia reported a Trade Balance (June) surplus that surged unexpectedly to USD3.46bn, more than double the estimate, and much higher than May's USD440mn; helped by Imports falling more than Exports on a monthly basis; whereas on a yearly basis, June 2023 Exports & Imports both fell -21.18% yoy and -18.35% yoy respectively. Indonesia also reported 2Q23 Foreign Direct Investment (FDI) which grew 14.2% yoy, lower than the previous quarter at 20.2%.

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This week's outlook:

This week will be dominated by a number of central bank meetings, where the Federal Reserve and European Central Bank are expected to raise US & Eurozone interest rates by 25bps each; while Bank Indonesia and Bank of Japan Board of Governors Meetings will keep their benchmark rates at 5.75% and -0.1% respectively. Regarding US interest rates, some investors are of the view that this will be the last hike since the Federal Reserve raised the Fed Funds Rate by 500bps since March 2022, the beginning of 40 years of tight monetary policy to combat inflation. Market participants will also be watching the ECB's plans and ECB President Christine Lagarde's comments for September on whether there will be another rate hike or a chance for a pause. Inflation in the Eurozone has cooled since hitting a high of 10.6% in December but is still above the 2% Target of the ECB. The ECB itself has started this rate hiking path since July 2022 by 400bps.

Meanwhile, the Bank of Japan will set its interest rates on Friday amid speculation about whether policymakers will be able to adjust its extra-loose monetary policy as inflationary pressures begin to kick in. Data on Friday suggested that Japan's Core Inflation for June remained above the central bank's target of 2% for the 15th consecutive month but that price pressures are thought to have peaked.

Investors should reassess whether there is still positive sentiment to support a rally in stocks. Analysts expect that there will be only limited upside potential for US stocks whose valuations are already high; even the S&P500 is now trading at a forward P/E of 19.7x. US Consumer Confidence (July) is likely to play a role as its level is expected to rise to 113 from 109.7 the previous month, which could indicate increased market optimism. Building Permits, Pending Home Sales, as well as New Home Sales (June) will give clues on the further health of the US property sector. US Core Durable Goods Orders (June) and Initial Jobless Claims on Thursday, as well as the Core PCE Price Index (June) will be the last data of the week to guide the future direction of US monetary policy.

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This week's outlook:

World crude oil prices rose nearly 2% last Friday, capping off a winning week for the fourth consecutive week; helped by the potential for lower inventories in the coming months due to planned production cuts by OPEC+; as well as rising tensions between Russia & Ukraine that will also interfere with supply activities.

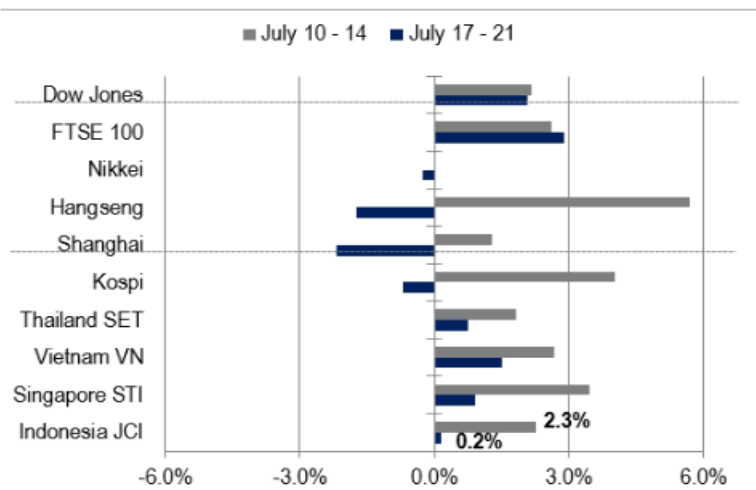
JCI Index : 6,880.80 (0.2%)

Foreign Flow : Net Buy of IDR 2.1 Trillion (Vs. last week's net buy of IDR 1.2 Trillion)

USD/IDR : 15,025 (0.45%)

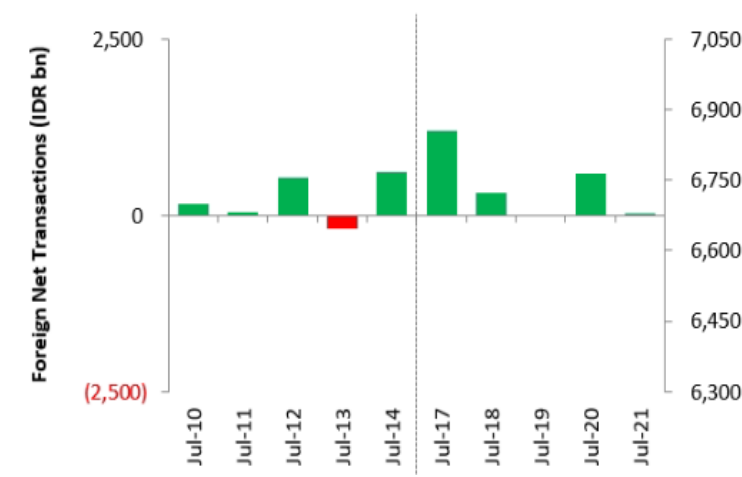
Last Week's JCI Movement

Global Market Movement



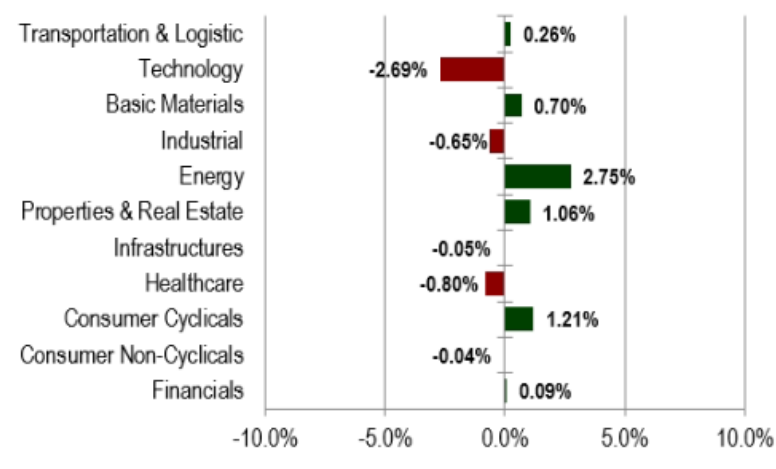
Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

JCI Sector Movement



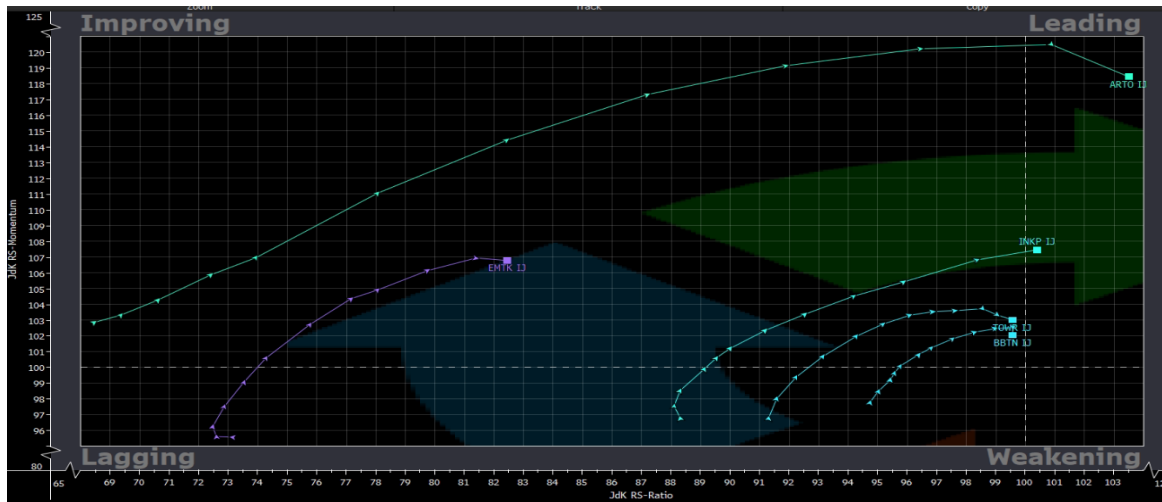
Source: Bloomberg, NHKSI Research

JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
BBRI	778,493	GOTO	349,372
BMRI	577,815	TLKM	240,735
BBCA	230,062	BBNI	107,935
ICBP	208,257	ANTM	62,374
KLBF	123,395	ADRO	45,188

Source: Bloomberg, NHKSI Research

Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
ARTO	3310 / 3500	2990
INKP	9500-9600	8600
TOWR	1130-1160	1025
BBTN	1400 / 1430	1310
EMTK	790-800	690

Source: Bloomberg, NHKSI Research

JCI Index

Support	6820-6800 / 6765-6745 / 6725 / 6620-6600 / 6560-6550.	Resistance	6900-6930 / 6960-6970 / 7000.
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Jakarta Stock Exchange Composite Index, Indonesia, Jakarta:JKSE, D



Source: NHKSI Research, Bloomberg

Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
Monday	US	20:45	S&P Global US Manufacturing PMI	Jul P	46.1	46.3
<i>24 – July</i>	GE	14:30	HCOB Germany Manufacturing PMI	Jul P	41.0	40.6
	JP	07:30	Jibun Bank Japan PMI Mfg	Jul P	—	49.8
Tuesday	US	21:00	Conf. Board Consumer Confidence	Jul	112.0	109.7
<i>25 – July</i>	ID	14:20	Bank Indonesia 7D Reverse Repo	Jul 24	5.75%	5.75%
	GE	15:00	Ifo Business Climate	Jul	88.0	88.5
	GE	15:00	Ifo Expectations	Jul	82.6	83.6
	KR	06:00	GDP YoY	2Q A	0.9%	0.9%
	KR	06:00	GDP SA QoQ	2Q A	0.6%	0.3%
Wednesday	US	18:00	MBA Mortgage Applications	Jul 21	—	1.1%
<i>26 – July</i>	US	21:00	New Home Sales	Jun	722K	763K
Thursday	US	01:00	FOMC Rate Decision (Upper Bound)	Jul 26	5.50%	5.25%
<i>27 – July</i>	US	19:30	GDP Annualized QoQ	2Q A	1.8%	2.0%
	US	19:30	Durable Goods Orders	Jun P	1.0%	1.8%
	US	19:30	Initial Jobless Claims	Jul 22	—	228K
	GE	13:00	Gfk Consumer Confidence	Aug	-25.0	-25.4
	KR	04:00	Business Survey Manufacturing	Aug	—	72
Friday	US	19:30	Personal Income	Jun	0.5%	0.4%
<i>28 – July</i>	US	19:30	Personal Spending	Jun	0.4%	0.1%
	US	21:00	U. of Mich. Sentiment	Jul F	72.6	72.6
	KR	06:00	Industrial Production YoY	Jun	-5.5%	-7.3%
	JP	06:30	Tokyo CPI Ex-Fresh Food YoY	Jul	2.9%	3.2%
	JP		BOJ Policy Balance Rate	Jul 28	-0.1%	-0.1%

Source: Bloomberg, NHKSI Research

Corporate Action Calendar

Date	Event	Company
Monday	RUPS	CSMI, ELTY, JATI
<i>24 – July</i>	Cum Dividend	—
Tuesday	RUPS	—
<i>25 – July</i>	Cum Dividend	—
Wednesday	RUPS	AKKU, BOLA
<i>26 – July</i>	Cum Dividend	—
Thursday	RUPS	PADA
<i>27 – July</i>	Cum Dividend	—
Friday	RUPS	DPUM, MTSM
<i>28 – July</i>	Cum Dividend	—

Source: NHKSI Research

NHKS Stock Coverage

	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 (%)	Adj. Beta
Finance							3,683.7							
BBCA	9,125	8,550	10,050	Overweight	10.1	24.6	1,124.9	25.4x	5.3x	21.8	2.2	22.1	44.6	0.9
BBRI	5,650	4,940	6,000	Overweight	6.2	32.3	856.3	15.7x	3.0x	19.8	5.1	10.3	28.8	1.1
BBNI	9,050	9,225	12,000	Buy	32.6	17.5	168.8	8.6x	1.2x	14.7	4.3	12.5	31.6	1.2
BMRI	5,575	4,963	6,300	Overweight	13.0	42.0	520.3	11.9x	2.4x	21.2	4.7	16.0	25.1	1.3
AMAR	296	232	392	Buy	32.4	(1.2)	5.4	N/A	1.3x	(4.3)	N/A	0.7	N/A	0.9
Consumer Non-Cyclicals							1,224.7							
INDF	7,300	6,725	8,600	Buy	17.8	3.5	64.1	8.2x	1.1x	14.4	3.5	11.3	62.8	0.5
ICBP	11,525	10,000	13,000	Overweight	12.8	22.6	134.4	20.4x	3.4x	17.3	1.6	11.4	104.2	0.5
UNVR	4,290	4,700	4,850	Overweight	13.1	(14.2)	163.7	34.4x	30.6x	81.0	3.3	(2.2)	(30.2)	0.5
MYOR	2,490	2,500	3,200	Buy	28.5	26.7	55.7	23.5x	4.2x	19.1	1.4	11.4	135.7	0.7
CPIN	5,175	5,650	5,500	Overweight	6.3	(12.7)	84.9	42.8x	3.2x	7.5	2.1	1.9	(79.5)	0.5
JPFA	1,315	1,295	1,300	Hold	(1.1)	(13.5)	15.4	27.0x	1.2x	4.5	3.8	(3.2)	N/A	0.6
AALI	8,075	8,025	9,200	Overweight	13.9	(15.0)	15.5	10.6x	0.7x	6.8	5.0	(27.7)	(53.5)	1.0
Consumer Cyclicals							416.8							
ERAA	480	392	600	Buy	25.0	(5.0)	7.7	8.0x	1.1x	14.2	4.0	28.9	(21.1)	0.8
MAPI	1,925	1,445	2,000	Hold	3.9	109.2	32.0	15.9x	3.8x	27.1	0.4	32.5	(30.6)	0.7
Healthcare							292.4							
KLBF	1,965	2,090	2,300	Buy	17.0	14.6	92.1	26.8x	4.3x	16.4	1.9	12.2	3.1	0.4
SIDO	700	755	1,000	Buy	42.9	(28.2)	21.0	18.9x	6.7x	35.8	5.2	3.0	1.8	0.6
MIKA	3,010	3,190	3,000	Hold	(0.3)	11.5	42.9	43.3x	7.4x	17.9	1.2	(6.0)	(14.5)	0.3
Infrastructure							865.46							
TLKM	3,900	3,750	5,000	Buy	28.2	(7.8)	386.3	18.3x	2.8x	16.0	4.3	2.5	5.0	0.8
JSMR	3,890	2,980	5,100	Buy	31.1	10.8	28.2	9.9x	1.3x	13.2	1.9	21.2	34.3	0.8
EXCL	2,050	2,140	3,800	Buy	85.4	(16.7)	26.9	19.2x	1.0x	5.1	2.0	11.9	23.1	0.8
TOWR	1,055	1,100	1,370	Buy	29.9	(7.9)	53.8	15.8x	3.5x	23.8	2.3	9.4	(11.8)	0.3
TBIG	1,990	2,300	2,390	Buy	20.1	(36.8)	45.1	28.8x	3.8x	14.5	1.8	(1.4)	(25.6)	0.4
MTEL	665	800	865	Buy	30.1	(8.9)	55.5	30.2x	1.6x	5.3	3.2	9.9	9.1	N/A
WIKA	496	800	1,280	Buy	158.1	(46.1)	4.4	N/A	0.4x	(4.6)	N/A	37.4	N/A	1.2
PTPP	630	715	1,700	Buy	169.8	(29.6)	3.9	13.9x	0.3x	2.5	N/A	1.9	20.0	1.1

Source : Bloomberg, NHKSI Research

NH KSI Stocks Coverage

	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 (%)	Adj. Beta
Property & Real Estate							274.4							
CTRA	1,150	940	1,500	Buy	30.4	29.9	21.3	11.5x	1.1x	10.2	1.3	(4.6)	(4.3)	0.9
PWON	505	456	690	Buy	36.6	12.7	24.3	13.8x	1.4x	10.3	1.3	5.9	60.5	1.1
Energy							1,243.5							
PGAS	1,385	1,760	1,770	Buy	27.8	(13.7)	33.6	7.3x	0.8x	10.9	10.2	11.6	(20.0)	0.9
PTBA	2,800	3,690	4,900	Buy	75.0	(30.9)	32.3	2.8x	1.1x	41.1	39.1	21.4	(48.9)	1.0
ADRO	2,420	3,850	3,900	Buy	61.2	(20.1)	77.4	2.0x	0.8x	46.2	20.1	50.1	15.3	1.3
Industrial							426.1							
UNTR	24,775	26,075	32,000	Buy	29.2	(17.6)	92.4	4.1x	1.0x	27.2	28.3	24.7	26.6	0.9
ASII	6,500	5,700	8,000	Buy	23.1	7.0	263.1	8.5x	1.3x	16.3	9.8	15.5	27.2	1.1
Basic Ind.							1,099.8							
SMGR	6,900	6,575	9,500	Buy	37.7	6.0	46.6	17.5x	1.1x	6.1	3.6	4.5	(2.1)	0.9
INTP	10,300	9,900	12,700	Buy	23.3	9.0	37.9	17.4x	1.8x	10.0	1.6	19.3	109.8	0.8
INCO	6,550	7,100	8,200	Buy	25.2	14.9	65.1	18.7x	1.8x	9.9	1.4	54.5	45.6	1.2
ANTM	1,990	1,985	3,450	Buy	73.4	11.8	47.8	11.9x	1.9x	16.9	4.0	18.9	13.5	1.4

Source : Bloomberg, NH KSI Research

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