

## Weekly Brief (August 7 - 11, 2023)

### Summary:

### Last week review:

**The weekly percentage declines for the S&P and Nasdaq were the largest since March**, with some investors going into profit-taking after a five-month rally, due to economic data, disappointing earnings, and rising Treasury yields to a November 2022 high. Of the 422 companies in the S&P 500 that have reported quarterly earnings up to Friday, 79.1% have topped autonomous expectations, according to Refinitiv data. The benchmark S&P 500 index is up 16.6% this year, driven by an improving economic outlook, optimism over developments in artificial intelligence (AI); and signs that the Federal Reserve is nearing the end of US interest rate hikes. The S&P 500 fell 2.27% this week, its biggest weekly decline since March 10. The S&P 500 trades at about 19.5 times next 12-month earnings estimates, much more expensive than its long-term average of about 15.6 times, according to Refinitiv Datastream. Fitch downgraded the United States to AA+ from AAA, citing expected fiscal deterioration over the next three years as well as rising government debt. Fitch is the second major agency to cut the country's rating after Standard & Poor's in 2011 eliminated the US from its triple-A rating. Several major brokerages said the downgrade should not result in a significant drag on US financial markets, given that the economy is stronger now than it was in 2011. With the market entering August as a seasonally slow month, the Fitch downgrade offers an opportunity for investors to take a break from trading/market activity.

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**Market participants and policymakers assessed US economic conditions based on macroeconomic data releases in the past week** to weigh whether interest rate hikes should continue. As for the US manufacturing data, it appears to have stabilized at a slow but still on an expansionary path in July as new orders gradually improved, while a survey showed factory job openings fell to the lowest level in three years, suggesting that layoffs are accelerating. The crucial labor report, ADP Nonfarm Employment Change (July) showed that private sector employment rose further than expected in July to 324k (versus forecast of 189k); on the other hand Nonfarm Payrolls (July) aka public sector employment came in lower than expected at 187k (versus forecast of 200k). Despite the hotter-than-expected private jobs report, some economists believe that the labor market is already slowing down as an effect of the Federal Reserve's upward trend in interest rates. In a way, the continued resilience of the labor market may also protect the economy from recession. The Labor Department reported the number of Americans filing new claims for unemployment benefits (Initial Jobless Claims) increased slightly last week, while actual layoffs fell to an 11-month low in July as labor market conditions remained tight. The Unemployment Rate stood at 3.5% (lower than the 3.6% forecast). These US economic data readings also showed US worker productivity rose sharply in the second quarter, while labor costs slowed; thereby fueling further optimism that the taming of inflation seen recently is likely to continue. Nevertheless, some Federal Reserve officials are still concerned that US inflation remains too high from its 2% target and further interest rate hikes are still needed, despite recent readings suggesting price pressures are easing.

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**From the Europe**, Euro Zone Inflation slipped back to 5.3% yoy as expected (vs 5.5% in June), but Core CPI was still at 5.5% yoy, unchanged from the previous month. Market participants took this as a comforting sign for the European Central Bank (ECB) to consider ending its brutal interest rate hiking trend. The Euro Zone also reported 2Q23 GDP which was slightly above expectations at 0.6% yoy, but clearly still weaker than the previous quarter. This was matched by German Retail Sales (June) which despite the slowdown still showed negative growth on both an annual and monthly basis at -1.6% yoy and -0.8% mom. PMI highlights in continental Europe still put the Eurozone on the path of contraction as the S&P Global Composite PMI (July) is still wallowing at 48.6, having not yet managed to move into the 50 boundary area. Slowing Inflation is also being felt at the producer level as the Eurozone PPI (June) is at a deflationary level of -3.4% yoy, and -0.4% mom. All of which explains the worse-than-expected decline in Eurozone business activity in July as the decline in manufacturing was accompanied by a further slowdown in growth in the bloc's dominant service industries. As for the Bank of England, it just raised interest rates by 25 bps (as expected) to 5.25%, its 14th hike, and warned that borrowing costs are likely to remain high for some time. Speaking of PMIs, France, Germany, Euro Zone, and the UK reported PMIs that weakened further in contractionary territory.

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**From the Asian continent**, South Korea & Japan reported fresher economic conditions than China, although some were still below expectations. Japan's factory output increased for the first time in 2 months in June, indicating rising confidence among manufacturers on the back of strong demand. Japan's unemployment rate eased to 2.5%, down slightly from May's 2.6%, while South Korea released a Trade Balance surplus (in July). South Korea and Japan also successfully reported higher than expected Manufacturing PMI (July) although both still stayed in contraction territory aka below 50 points. On the other hand, Indonesia's PMI performance was the best for July where it was more expansionary at 53.3, up from June at 52.5; representing the 23rd consecutive month of expansionary growth in manufacturing activity. Indonesia reported an increasingly subdued July Inflation at 3.085 yoy, lower than expected 3.1% and previous month's 3.52%. Core Inflation also tamed further at 2.43%, lower than the forecast of 2.5% and June's 2.58%. Meanwhile, China Manufacturing PMI (July) fell for the 4th consecutive month in July, albeit at a slower pace, confirming the need for further policy support (stimulus) to boost domestic demand. In good news, the Caixin Services PMI (July) reported increasingly expansionary growth in China's services sector at 54.1 (higher than expected & previous month).

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### This week's outlook:

**All eyes will be on the US this week as inflation data is released on Thursday, August 10th.** GDP data from the UK will show how the economy is holding up against continued interest rate hikes. Data from China could show deflation risks in the world's number two economy. Investors are also closely watching the path of US Treasury yields, which roiled equity markets in recent days by climbing to fresh highs this year. Rising bond yields, seen as one of the world's safest investments because it is backed by the US government, in a way that can drag down the stock market. Some investors fear that stubborn inflation could force the Fed to keep interest rates at their current high levels for longer than expected. On Friday, the US will release PPI (July) data where core inflation growth at the producer level is expected to come in at 2.3% yoy. Market participants will also monitor the statements of several Fed officials for future monetary policy.

**The UK will release second quarter GDP data on Friday which is expected to move slightly higher, suggesting that the overall economy remains stagnant.** Central bank officials have said that keeping interest rates relatively high over a long period of time is key to cutting inflation, even as the BoE sees the economy will only grow minimally in the coming years. In the Euro Zone, Germany will release industrial production data on Monday. The report is expected to show a decline amid slowing global demand, especially from China. The German economy stagnated in the second quarter of 2023, blowing away forecasts of moderate growth; as weak purchasing power, higher interest rates, and low factory orders all weighed on the Euro Zone's largest economy.

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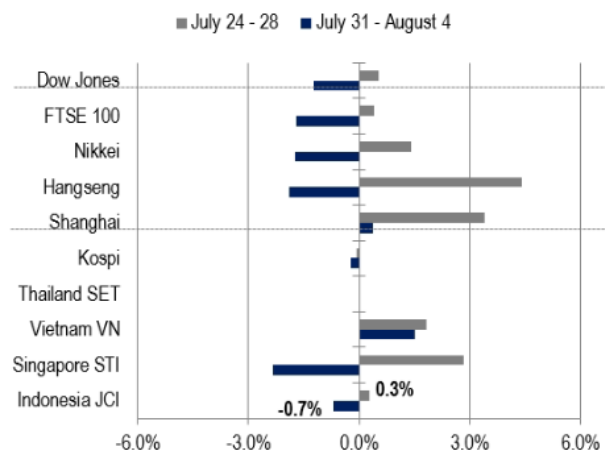
### This week's outlook:

**China will release trade figures on Tuesday followed by July inflation data on Wednesday**, which is expected to show a decline in consumer prices, amid concerns over the outlook for the world's second largest economy. This morning Indonesia will release 2Q23 GDP data which is expected to fall slightly to 4.935 yoy from the previous quarter's 5.03%, but quarterly growth is believed to be a stronger 3.72% qoq than 1Q23's minus 0.92%. Later this week, Indonesian capital market traders/investors will also monitor Consumer Confidence (July).

**JCI Index : 6,852.84 (-0.7%)**  
**Foreign Flow : Net Sell of IDR 1.9 Trillion (Vs. last week's net sell of IDR 479 Billion)**  
**USD/IDR : 15,170 (0.50%)**

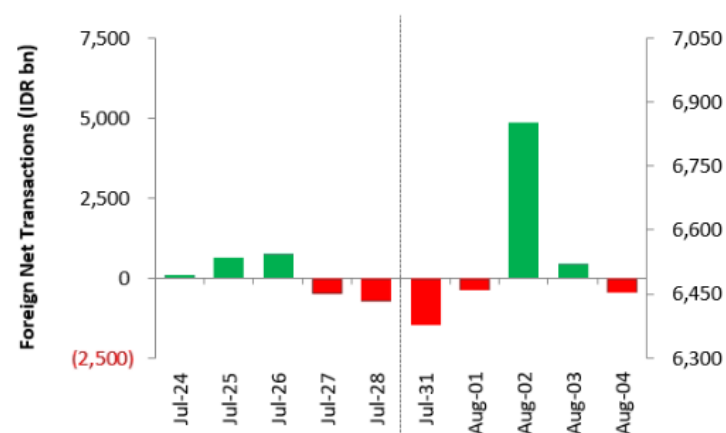
# Last Week's JCI Movement

## Global Market Movement



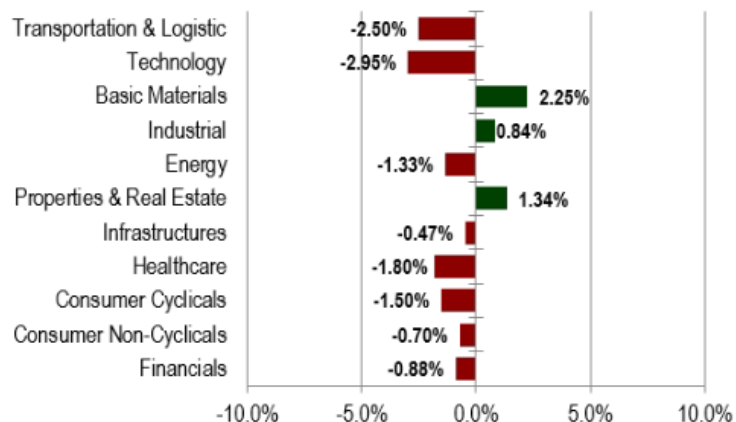
Source: Bloomberg, NHKSI Research

## Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

## JCI Sector Movement



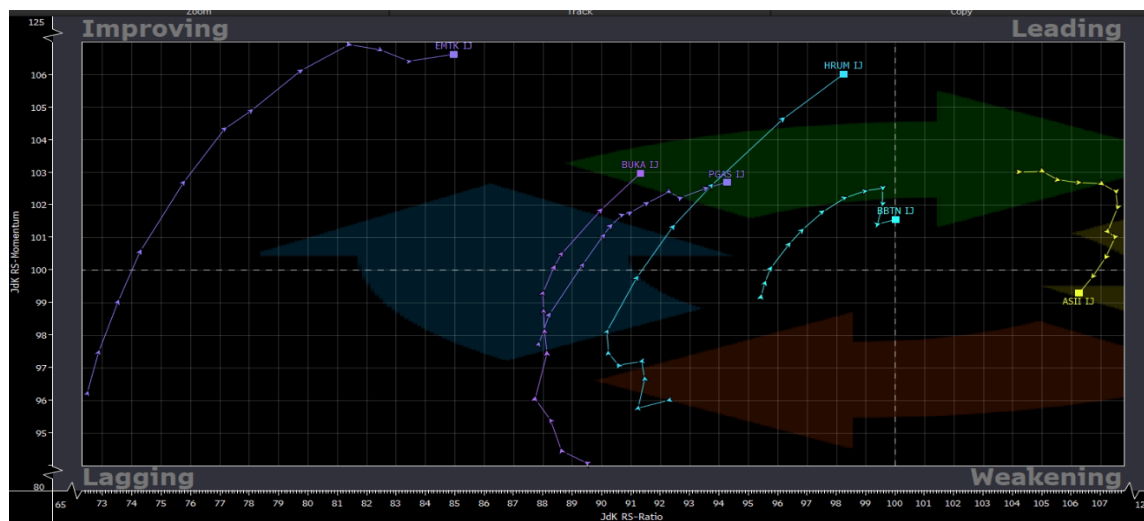
Source: Bloomberg, NHKSI Research

## JCI's Top Foreign Transaction

Top Buy (RG)	NB Val. (IDR Mn)	Top Sell (RG)	NS Value (IDR Mn)
ASII	377,463	TLKM	487,134
BMRI	342,104	BBCA	438,641
AMMN	169,977	BBNI	370,577
KLBF	114,069	AKRA	143,355
UNTR	67,738	UNVR	137,908

Source: Bloomberg, NHKSI Research

# Stocks Recommendation



Source: Bloomberg, NHKSI Research

Stocks	TP	SL
PGAS	1410 / 1440 / 1475	1350
HRUM	1710 / 1810-1825	1585
EMTK	665 / 700 / 725	560
BUKA	246-250 / 256 / 268-270	214
ASII	7225 / 7500	6600
BBTN	1350 / 1395- 1400 / 1415-1430	1270

Source: Bloomberg, NHKSI Research

# JCI Index

<b>Support</b>	6850 / 6765-6740 / 6670 / 6620-6600 / 6560-6550	<b>Resistance</b>	6900 / 6950-6970 / 7000
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Source: NHKSI Research, Bloomberg

# Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Consensus	Previous
<b>Monday</b>	CH		Foreign Reserves	Jul	\$3201.50b	\$3193.00b
<i>7 – Aug</i>	ID	10:00	Foreign Reserves	Jul	—	\$137.50b
	ID	11:00	GDP YoY	2Q	5.00%	5.03%
	GE	13:00	Industrial Production SA MoM	Jun	-0.4%	-0.2%
<b>Tuesday</b>	US	19:30	Trade Balance	Jun	-\$65.0b	-\$69.0b
<i>8 – Aug</i>	US	21:00	Wholesale Inventories MoM	Jun F	-0.3%	-0.3%
	CH		Trade Balance	Jul	\$66.91b	\$70.62b
	GE	13:00	CPI MoM	Jul F	0.3%	0.3%
	GE	13:00	CPI YoY	Jul F	6.2%	6.2%
	KR	06:00	BoP Current Account Balance	Jun	—	\$1927.2m
	JP	06:50	BoP Current Account Balance	Jun	¥1452.5b	¥1862.4b
	JP	06:50	Trade Balance BoP Basis	Jun	¥207.6b	-¥1186.7b
<b>Wednesday</b>	US	18:00	MBA Mortgage Applications	Aug 4	—	-3.0%
<i>9 – Aug</i>	CH	08:30	CPI YoY	Jul	-0.5%	0.0%
	CH	08:30	PPI YoY	Jul	-4.0%	-5.4%
	CH		Money Supply M2 YoY	Jul	11.0%	11.3%
	KR	06:00	Unemployment Rate SA	Jul	—	2.6%
	JP	06:50	Money Stock M2 YoY	Jul	—	2.6%
	JP	06:50	Money Stock M3 YoY	Jul	—	2.1%
	JP	13:00	Machine Tool Orders	Jul P	—	-21.1%
<b>Thursday</b>	US	19:30	CPI MoM	Jul	0.2%	0.2%
<i>10 – Aug</i>	US	19:30	CPI YoY	Jul	3.3%	3.0%
	US	19:30	Initial Jobless Claims	Aug 5	—	227K
	JP	06:50	PPI YoY	Jul	3.5%	4.1%
<b>Friday</b>	US	19:30	PPI Final Demand MoM	Jul	0.2%	0.1%
<i>11 – Aug</i>	US	21:00	U. of Mich. Sentiment	Aug P	71.0	71.6

Source: Bloomberg, NHKSI Research

## Corporate Action Calendar

Date	Event	Company
<b>Monday</b>	RUPS	—
<i>7 – Aug</i>	Cum Dividend	SMSM
<b>Tuesday</b>	RUPS	BBYB
<i>8 – Aug</i>	Cum Dividend	SMDR
<b>Wednesday</b>	RUPS	—
<i>9 – Aug</i>	Cum Dividend	—
<b>Thursday</b>	RUPS	MDIA
<i>10 – Aug</i>	Cum Dividend	—
<b>Friday</b>	RUPS	SOCI
<i>11 – Aug</i>	Cum Dividend	EAST

Source: 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
<b>Finance</b>							3,678.8							
BBCA	9,175	8,550	10,200	Overweight	11.2	16.5	1,131.0	24.1x	5.0x	21.9	2.2	22.2	34.2	0.9
BBRI	5,650	4,940	6,000	Overweight	6.2	29.6	856.3	15.7x	3.0x	19.8	5.1	10.3	28.8	1.0
BBNI	9,025	9,225	12,000	Buy	33.0	9.4	168.3	8.5x	1.2x	14.9	4.4	12.2	17.0	1.2
BMRI	5,900	4,963	6,750	Overweight	14.4	43.0	550.7	13.1x	2.4x	21.3	4.5	16.9	24.8	1.3
AMAR	300	232	392	Buy	30.7	7.0	5.5	71.9x	1.3x	(4.3)	N/A	#N/A	N/A	0.8
<b>Consumer Non-Cyclicals</b>							1,184.4							
INDF	7,075	6,725	8,600	Buy	21.6	6.8	62.1	6.9x	1.1x	16.7	3.6	6.3	92.1	0.5
ICBP	11,125	10,000	13,000	Buy	16.9	26.4	129.7	15.5x	3.3x	22.2	1.7	5.8	195.8	0.4
UNVR	3,760	4,700	4,200	Overweight	11.7	(20.3)	143.4	30.5x	36.4x	110.4	3.7	(5.5)	(20.0)	0.5
MYOR	2,510	2,500	3,200	Buy	27.5	29.4	56.1	22.3x	4.3x	20.2	1.4	3.1	89.7	0.6
CPIN	5,050	5,650	5,500	Overweight	8.9	(12.2)	82.8	43.7x	3.0x	7.1	N/A	7.9	(42.9)	0.5
JPFA	1,255	1,295	1,300	Hold	3.6	(17.2)	14.7	37.4x	1.2x	3.1	4.0	(1.3)	(92.7)	0.6
AALI	7,700	8,025	9,200	Buy	19.5	(17.2)	14.8	11.5x	0.7x	6.1	5.2	(14.4)	(54.6)	1.0
<b>Consumer Cyclicals</b>							438.6							
ERAA	540	392	600	Overweight	11.1	8.0	8.6	8.8x	1.2x	14.7	3.5	23.5	(9.2)	0.8
MAPI	1,955	1,445	2,000	Hold	2.3	103.6	32.5	15.2x	3.6x	27.0	0.4	27.3	(5.2)	0.7
<b>Healthcare</b>							283.7							
KLBF	1,850	2,090	2,300	Buy	24.3	16.4	86.7	26.2x	4.3x	16.7	2.1	9.4	(6.4)	0.4
SIDO	645	755	700	Overweight	8.5	(15.1)	19.4	17.5x	5.9x	34.0	5.7	2.6	0.6	0.6
MIKA	2,850	3,190	3,000	Overweight	5.3	9.6	40.6	42.9x	7.0x	17.9	1.3	(1.2)	(15.5)	0.3
<b>Infrastructure</b>							847.73							
TLKM	3,710	3,750	5,000	Buy	34.8	(20.2)	367.5	18.2x	3.0x	16.6	4.5	2.1	(4.2)	0.8
JSMR	3,760	2,980	5,100	Buy	35.6	8.7	27.3	9.6x	1.2x	13.2	2.0	21.2	34.3	0.9
EXCL	2,250	2,140	3,800	Buy	68.9	(13.5)	29.5	23.3x	1.1x	5.0	1.9	12.0	(13.8)	0.8
TOWR	960	1,100	1,370	Buy	42.7	(23.8)	49.0	14.5x	3.2x	23.7	2.5	8.7	(8.8)	0.4
TBIG	1,950	2,300	2,390	Buy	22.6	(37.5)	44.2	29.3x	4.1x	12.9	1.8	(0.7)	(18.6)	0.4
MTEL	695	800	865	Buy	24.5	(9.7)	58.0	30.1x	1.7x	5.8	3.1	#N/A	N/A	N/A
WIKA	400	800	1,280	Buy	220.0	(59.2)	3.6	N/A	0.3x	(4.6)	N/A	#N/A	N/A	1.2
PTPP	595	715	1,700	Buy	185.7	(37.7)	3.7	13.0x	0.3x	2.5	N/A	(10.8)	14.3	1.1

Source : Bloomberg, NH KSI 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
<b>Property &amp; Real Estate</b>							284.1							
CTRA	1,100	940	1,500	Buy	36.4	19.6	20.4	11.0x	1.1x	10.2	1.4	(4.6)	(4.3)	0.9
PWON	482	456	690	Buy	43.2	3.9	23.2	12.3x	1.3x	10.8	1.3	5.3	45.8	1.1
<b>Energy</b>							1,223.0							
PGAS	1,390	1,760	1,770	Buy	27.3	(13.1)	33.7	7.3x	0.8x	10.9	10.1	11.6	(20.0)	0.9
PTBA	2,770	3,690	4,900	Buy	76.9	(32.8)	31.9	2.8x	1.1x	41.1	39.5	21.4	(48.9)	1.0
ADRO	2,390	3,850	3,900	Buy	63.2	(23.6)	76.4	1.9x	0.8x	46.2	20.4	50.1	15.3	1.3
<b>Industrial</b>							449.8							
UNTR	27,575	26,075	32,000	Buy	16.0	(15.2)	102.9	4.6x	1.4x	29.2	25.4	13.6	11.2	0.9
ASII	6,850	5,700	8,000	Buy	16.8	3.4	277.3	9.8x	1.5x	15.2	9.3	13.0	(4.0)	1.1
<b>Basic Ind.</b>							1,184.4							
SMGR	7,100	6,575	9,500	Buy	33.8	4.7	48.1	18.5x	1.1x	6.1	3.5	2.0	(9.0)	0.8
INTP	11,025	9,900	12,700	Buy	15.2	13.7	40.6	16.8x	1.9x	11.8	1.5	15.3	141.8	0.7
INCO	6,750	7,100	8,200	Buy	21.5	10.7	67.1	20.2x	1.8x	9.2	1.3	16.7	12.6	1.2
ANTM	2,030	1,985	3,450	Buy	70.0	0.5	48.8	12.1x	1.9x	16.9	3.9	18.9	13.5	1.4

Source : Bloomberg, NH KSI Research

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