

September 1, 2022



Research Center

Morning KISI/

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Equity Strategy Testing resiliency

Sep 1, 2022

Navigating through difficult options on subsidized fuel prices

Due to the dwindling quota of subsidized fuel (i.e. Peralite and Biosolar), gov't still mulls over the decision to increase subsidized fuel prices in the past 2 months, having previously kept them at the same price since Jan2019 to anchor inflation expectations. Both Ministry of Finance (MoF) and Bank Indonesia (BI) have taken necessary measures to maintain people purchasing power to support domestic economic growth and curb the impact of potentially surging inflation.

Neutral

Index Target: 7,300 (end FY22)

JCI Index (Aug 31):7,179

A glance at a similar situation ~8 years ago

When gov't increased both Premium (RON 88) and Solar (CN48) by 30.7% and 36.4%, respectively in Nov2014, inflation surged to as high as 8.3% (from 4.8% before fuel price hike) before settling around 6-7% range, while GDP growth dipped below 5% for the next three quarters (vs. 5.1% in 4Q14). However, on the equity side, JCI index fell just 0.5% within a month before bouncing back strongly with heavyweights from trade, financials, and consumer sectors leading the way.

Transport & cement sectors are potentially being hit the hardest

Our sensitivity analysis showed that transportation, cement & consumer non-cyclical are susceptible to severe earnings impact if fuel price increases are not passed on to customers. Meanwhile, infrastructure, telco, and real estate sectors are the most impacted by interest rate hikes due to their leverage and floating debt structure.

Stick with counters generating all-time high earnings

We expect a 16.7% EPS growth in 2022 for our coverage universe, primarily driven by banks' earnings recovery continuation and sustained-high selected commodities-related. We expect JCI to trade at its +1 std dev of its FY22F PE, translating to an index target of 7,300 at the end of 2022. Amid global uncertainties and potential inflation pressure, we prefer exposure to: 1) reasonably-valued big SOE banks (BBNI, BMRI), 2) beneficiaries of sustained high coal prices (ITMG, ADRO, UNTR) and & crude oil prices (PGAS) and 3) steady earnings generators in the current volatile environment (TLKM, TOWR).

JCI Index performance



Source: Bloomberg

Key picks

Stock	Market cap IDR tn	Current price IDR / share	EPS growth (%)		Price to earnings (x)		ROE (%)
			FY22F	FY23F	FY22F	FY23F	FY22F
ADRO	88.6	2,770	62.7	(30.3)	5.2	7.5	28.6
BBNI	142.7	7,650	47.2	24.9	9.9	7.9	11.8
BMRI	351.2	7,525	5.0	14.4	10.9	9.5	16.5
ITMG	36.2	32,000	122.6	(30.3)	2.9	4.2	60.0
PGAS	37.1	1,530	NM	3.6	8.8	8.5	9.8
TLKM	398.2	4,020	4.3	5.1	15.4	14.7	20.0
TOWR	57.6	1,130	5.0	17.2	19.6	16.7	24.2
UNTR	100.0	26,800	86.0	(40.7)	6.6	11.1	23.5

Source: Bloomberg, KISI

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Market Commentary

Market Commentary

- JCI fight back to end modestly higher on Wednesday, as buying in the deep action in big cap stocks drove the index to closed in the green. While regional equities remain mixed sentiment was still cautious given Fed is tightening aggressively.
- The JCI started with a steep drop led by tech and consumer stocks after disappointing 1H results, while the big cap stocks keep the index struggling and maintained to end above the water.
- RUPIAH 0.00% at 14.843 against USD.
- Market was traded mixed with Financials, Infrastructures, and Industrials were among today's winners. While Technology, Consumers, and Property remained the lags.
- Big banks and other big-cap names contributed the most to the index rebound. BBRI IJ +1.88%, BMRI IJ +2.31%, TLKM IJ +1.79%, ASII IJ +1.09%.
- Tech stocks remain at the ground led by GOTO IJ -6.79% amid weak 1H earning results and facing more pain on the prospect of the continued aggressive rate hikes. BUKA IJ -1.32%, WIRG IJ -0.94%.
- Consumer stocks were among today's losers led by noodle producers on weak 1H results. INDF IJ -4.23%, ICBP IJ -4.87%, ERAA IJ -3.37%.
- Top value were: BBKA IJ +0.31%, BUMI IJ +5.00% IJ, BBRI IJ +1.88%
- Top Gainers: BBRI (+1.88%), TLKM (+1.79%), BMRI (+2.31%)
- Top Losers: GOTO (-6.79%), INDF (-4.23%), ICBP (-4.87%)

News

Macroeconomic, Sector and Corporate News

- ISAT – considers to sell its 1,800 telco towers to raise up to USD250mn. (Bisnis)
- BBRI IJ, BMRI IJ, BBNI IJ – have disbursed KUR loan of IDR144.5tn (7M22 at 56.9% of FY22 target), IDR24.2tn (7M22 at 60.5% of FY22 target) & IDR23tn (8M22 at 60.5% of FY22 target), respectively. (Kontan)
- SRAJ – plans to issue IDR950bn bond for expansion and renovation of existing hospitals. (Kontan)
- PGAS – signed long term agreement until 2035 to supply gas to FASW. (Kontan)
- INDF – recorded 1H22 net profit of IDR2.9tn, down 16% YoY. (Bisnis)
- BUMI – recorded 1H22 net profit of USD167.7mn (vs. 1H21 net profit of USD1.9mn). (Investor daily)
- KRAS – recorded 1H22 net profit of USD77.5mn, +139% YoY. (Kontan)
- CARE – recorded 1H22 net loss of IDR 51.9 bn (vs. 1H21 net profit of IDR 15.9 bn). (Bisnis)
- PMMP – recorded 1H22 net profit of USD6.46mn, +5% YoY. (Kontan)

Outliers

Outlier Stocks

- Sharp Movers (Up) : PTDU (+29.6%), SICO (+20%), TUGU (+19.6%)
- Sharp Movers (Down) : PPGL (-9.9%), OLIV (-7.7%), MEDS (-7%)

Macro Calendar

September 1, 2022

Mon	Tue	Wed	Thu	Fri
1	2	3	4	5
Korea> July exports US> July ISM manufacturing PMI China> July Caixin manufacturing PMI	Korea> July CPI	US> MBA mortgage applications July ISM services PMI June durable goods orders (F) China> July Caixin services PMI	US> June trade balance New jobless claims	US> July change in non-farm payrolls July jobless rate
8	9	10	11	12
China> July imports and exports (Aug 7) July trade balance (Aug 7) July FX reserves (Aug 7)	OECD leading economic index	Korea> July unemployment rate US> MBA mortgage applications July CPI China> July PPI July CPI	MSCI quarterly review The OPEC Monthly Oil Market Report Japan> Market closed (Mountain Day)	US> August Michigan Consumer Confidence (P)
15	16	17	18	19
Korea> Market closed (National Liberation Day) US> August manufacturing index (New York) China> June mining and manufacturing production July fixed asset investment Japan> June mining and manufacturing production (F) 2Q GDP (P)	US> July housing starts July mining and manufacturing production July capacity utilization	US> July retail sales Europe> 2Q GDP (P) Japan> July core machinery orders	US> FOMC minutes New jobless claims July existing home sales Europe> July CPI	Japan> July CPI
22	23	24	25	26
	US> July new home sales	US> July durable goods orders (P) MBA mortgage applications	Korea> The BoK monetary policy meeting US> Jackson Hole symposium (Aug 25-27) 2Q GDP New jobless claims	US> August Michigan Consumer Confidence (F) July personal consumption expenditures (PCE) price index
29	30	31		
US> August Dallas Fed manufacturing survey	US> August CB consumer confidence index	Korea> July mining and manufacturing production US> MBA mortgage applications Europe> August CPI (P) China> August manufacturing PMI Japan> July mining and manufacturing production (P)		

Note: 1) Figures in parentheses represent the latest reported figures, Bloomberg estimates and previous reported figures in that order. For example: Data (actual reported figures, Bloomberg estimate, previous reported figures). Bloomberg estimates are subject to change 2) Earnings release date is from Bloomberg or company announcement