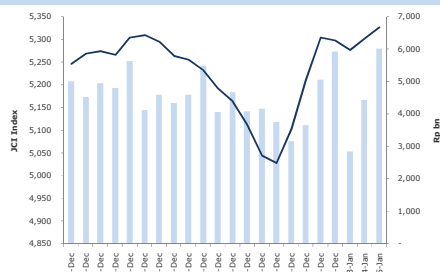


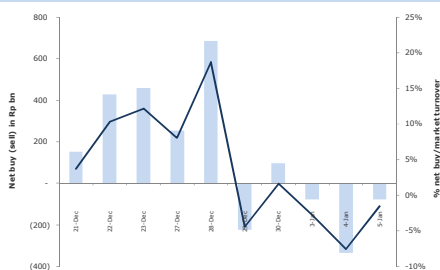
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

| Index | Closing | 1 day | 1 year | YTD |
|-------|---------|-------|--------|------|
| JCI | 5,326 | 0.5% | 15.5% | 0.5% |
| LQ45 | 897 | 0.6% | 11.9% | 1.5% |
| DJI | 19,899 | -0.2% | 17.7% | 0.7% |
| SET | 1,571 | 0.5% | 24.7% | 1.8% |
| HSI | 22,457 | 1.5% | 7.0% | 2.1% |
| NKY | 19,521 | -0.4% | 7.3% | 1.5% |
| FTSE | 7,195 | 0.1% | 18.5% | 0.7% |
| FSSTI | 2,954 | 1.1% | 5.3% | 2.5% |
| EIDO | 25 | 1.3% | 18.0% | 2.9% |

Commodity price

| Commodities | Last price | Ret 1 day | Ret 1 year |
|--------------------|------------|-----------|------------|
| (in USD) | | | |
| Oil/barrel (WTI) | 53.8 | 0.9% | 49.5% |
| CPO/tonne | 691.6 | -1.4% | 26.2% |
| Soy/bushel | 10.0 | -0.3% | 15.8% |
| Rubber/kg | 2.4 | 1.7% | 93.0% |
| Nickel/tonne | 10,241 | 0.8% | 20.7% |
| Tins/tonne | 21,153 | -0.5% | 49.1% |
| Copper/tonne | 5,561 | -1.2% | 19.8% |
| Gold/try.oz (Spot) | 1,180 | 1.4% | 7.9% |
| Coal/tonne | 85.7 | -3.3% | 70.5% |
| Corn/bushel | 3.4 | 0.4% | 0.5% |
| Wheat/bushel* | 122.5 | 0.0% | -22.3% |

* : 1 month change

Source : Bloomberg

PGAS: Perusahaan Gas Negara (PGAS IJ; Rp2,860; Hold) build a new gas pipeline in East Java of 141km which will serve retail customers such as hotel, food manufacturing, household and hospitals. The first stage of this project, Gresik-Lamongan of 11.5km is expected to be completed in 1Q17. Currently, PGAS has 1155km pipeline in East Java consist of Surabaya 552km, Sidoarjo 404km and Pasuruan 199km. (Business Indonesia)

Comment: PGAS has been concentrating to expand its pipeline network into retail business. Nevertheless, the retail business remains relatively insignificant compared to gas consumption from PLN. We think that PGAS tries to diversify its business model away from PLN as the single large buyer.

SMGR: Semen Indonesia (SMGR IJ; Rp9,500; Buy) has budgeted capex of Rp6.0tn for FY17 which will be used for start construction of cement plant in Aceh and Kupang. Both plants are estimated to have total capex of Rp3-4tn with a capacity of 2.5-3.0mn tons each. Semen Indonesia will also invest in new packing plant in Bengkulu and Maluku. Additionally, current waste heat recovery project is to be completed in Tuban. (Kontan)

Comment: It seems that Semen Indonesia is rushing things with its expansion in Aceh and Kupang. Oversupply condition still exists in the market with no immediate sign to be over soon. We think that Semen Indonesia should only prepare the site without starting the construction.

SSIA: Surya Semesta Internusa (SSIA IJ; Rp442; Not Rated) allocates capex of Rp1.5tn FY17. Company will utilize the capex for property, construction, office and hotel. The funding will come from internal cash and last year's bond of Rp900bn. Company will continue acquire land in Subang and focus on infrastructure and real estate business. (Investor Daily)

Markets & Sector

E-commerce sector: Coordinating Minister for Economic Affairs, Darmin Nasution, wants e-commerce industry to include local economic sectors including agriculture, plantations and fisheries to strengthen the trade relationship between urban and suburban areas. For instance, digital apps for farmers and fishermen are expected to support efficiency ties between producers and consumers. As such, Mr. Nasution expects more startups and SMEs to "go digital" in order to drive e-commerce activities. (Bisnis Indonesia)

Tobacco sector: On 28 December 2016, Finance Ministry Sri Mulyani has signed the regulation to increase VAT in the tobacco industry, effective in 1 January 2017. There will be an increase of VAT rate at the producer level to 9.1% from 8.7%. This year, all cigarettes' players are formulating higher cigarettes' selling prices to secure its margin. (Kontan)

Economic

Policy Package: The government is preparing to roll out another policy package later this month which will be aimed at reducing dwelling time duration at ports. According to Coordinating Minister for Economic Affairs Darmin Nasution, the package will cover issues about logistics and implementation of single data and information submission through the Indonesia National Single Window portal (INSW). (Jakarta Globe)

Refer to Important disclosures on the last of this report

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INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period
HOLD : Expected total return between -10% and 10% within a 12-month period
SELL : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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