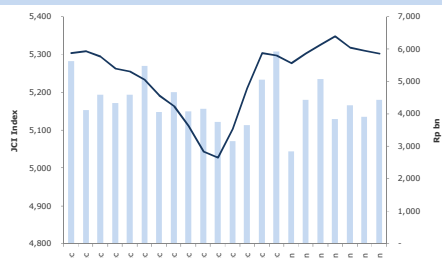


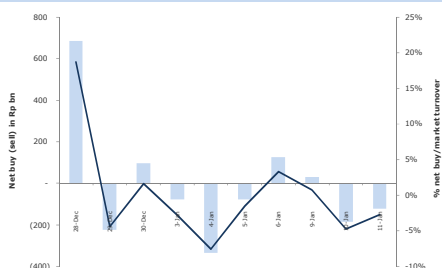
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,301	-0.2%	17.5%	0.1%
LQ45	889	-0.4%	12.9%	0.5%
DJI	19,954	0.5%	20.8%	1.0%
SET	1,573	0.1%	25.3%	1.9%
HSI	22,935	0.8%	16.4%	4.2%
NKY	19,365	0.3%	12.5%	0.1%
FTSE	7,290	0.2%	23.0%	2.1%
FSSTI	3,001	-0.2%	11.5%	4.2%
EIDO	25	0.2%	22.1%	2.2%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	52.3	2.8%	66.3%
CPO/tonne	701.2	1.7%	30.7%
Soy/bushel	10.0	-0.2%	15.0%
Rubber/kg	2.5	3.1%	110.4%
Nickel/tonne	10,127	-4.1%	23.0%
Tins/tonne	21,145	-0.1%	55.1%
Copper/tonne	5,690	-0.8%	30.0%
Gold/try.oz (Spot)	1,192	0.3%	9.7%
Coal/tonne	82.2	0.8%	66.6%
Corn/bushel	3.4	-0.3%	-0.3%
Wheat/bushel*	122.5	0.0%	-22.3%

* : 1 month change

Source : Bloomberg

CTRA: Ciputra Residence, subsidiary of Ciputra Development (CTRA IJ; Rp1,275; Buy) will allocate capex of Rp1tn this year which half will be used to build two commercial project in Citra Raya Tangerang, namely; Mall Ciputra and Yellow Hotel, while remaining capex will be used for working capital. Company expects the groundbreaking to be held in 2H17. (Bisnis Indonesia)

Comment: the development in Citra Maja may support company's long term pipeline to aim more middle income class. Overall, we still like CTRA due to its massive and diversified portfolio across Indonesia. Maintain Buy.

RALS: Amid unconducive retail environment, Ramayana Lestari (RALS IJ; Rp1,225; Buy) has successfully achieved its target last year with revenue reported at Rp801.6bn during the month of December 2016, which brings the total revenue to Rp8.3tn in FY16. SSSG was reported at 6.6% in December, higher than previous month of only 1.8% due to seasonality. Note that, highest SSSG is reported outside Java with 8.1%, followed by Java excluding Jakarta with 7.8% and lastly 4.8% in Jakarta. (Kontan)

Comment: RALS achieved an impressive target of 6% SSSG despite slow recovery in economy. We think the company transformation initiatives in FY16 have proven to be successful for RALS. Reiterate BUY.

UNVR: Unilever Indonesia (UNVR IJ; Rp39,975; Hold) to allocate capex of Rp1.6tn in 2017 (vs. 2016: Rp2tn) for capacity expansion especially in Home and Personal Care segment (HPC). Company plans to launch 40 new products in 2017 including re-branding and re-launching of the existing products. (Bisnis Indonesia)

Comment: As the market leader in most of its segments, we believe UNVR will continue to benefit from rising middle income population in Indonesia.

WTON: Wika Beton (WTON IJ; Rp835; Not Rated) aims net profit of Rp330bn 17.8% yoy from FY16E of Rp280bn. Top line is forecasted at Rp5tn in FY17, 42% yoy from FY16E while new contract is at Rp6.3tn. New contract's source still mostly dominated by projects from parent's company, Wijaya Karya (WIKA IJ; Rp2,480; Buy). (Bisnis Indonesia)

Markets & Sector

Consumer Sector: F&B Producers are optimistic that the consumption to get better starting February this year. According to survey carried out by Bank Indonesia, F&B retail sales have improved to 10.1% in December 2016 from 8.6% in the previous month. (Bisnis Indonesia)

Comment: This will be positive for most F&B companies especially with exposure in non-staples foods such as UNVR, Kino Indonesia (KINO IJ; Rp2,870; Hold) including Indofood CBP (ICBP IJ; Rp8,575; Buy).

Construction sector: government will allocate Rp2tn this year to pay LRT Jabodetabek and Palembang this year. Adhi Karya (ADHI IJ; Rp2,220; Buy) said the payment will be paid gradually, but not mentioning the exact timeline. However, both ADHI and Waskita Karya (WSKT IJ; Rp2,590; Buy) has prepared capex of Rp11tn to fund all LRT projects this year. On separate news, ADHI has expressed its interest for KA trans Sulawesi project that has 116km in length. The tender will start in early 2017. (Bisnis Indonesia, Investor Daily)

Comment: the allocation of LRT budget show strong government commitment for the project. ADHI and WSKT are planning to issue bonds and seek bank loans to cover up the payment mismatch which we expect should improve once reimbursment from government received. Maintain Buy for ADHI and WSKT.

Economic

Business Survey: Business activities were slowing in 4Q16 in comparison to 3Q16, as seen in the indicator of weighted net balance which recorded 3.13% (vs 13.2% in 3Q16), according to BI's business survey. The slowing was due to decline of business in general for agriculture, plantation, farming, fishery and forestry sector (-4.07%) as well as mining and quarrying sector (-1.82%). In addition, other weighted net balance indicators such as (1)**Utilisation rate**, was 76.3%, relatively stable compared to 3Q16, with mining and quarrying sector recording lowest utilisation rate of 73% and utilities sector highest with 81.9% utilization and (2)**Use of labour** was also diminishing by 1.93%, deeper than -1.85% previously, (3)**Sales price**, which was weaker with 11.35% (vs 11.9% in 3Q16), experienced mostly by service sector but notably finance, real estate sector. **(Bank Indonesia)**

Comment: The business survey should give us outlook of the economy in 4Q16 – forecast at 4.9%, whose data will only be launched in Mar17, which should be weaker than the 3Q16. It is, however, expected that business will rebound in 1Q17 from its course in 4Q16 to record 6.73% of business weighted net balance, 0.43% of employment weighted net balance, and 12.54% of price weighted net balance.

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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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