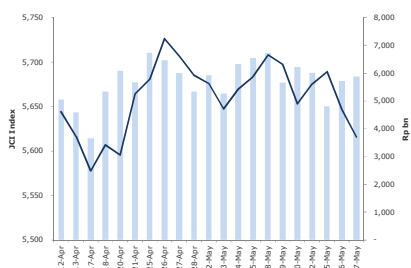


Premier Insight

18 May 2017

News & Analysis
Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,615	-0.6%	18.6%	6.0%
LQ45	934	-0.8%	15.4%	5.6%
DJI	20,607	-1.8%	17.6%	4.3%
SET	1,548	0.1%	10.6%	0.3%
HSI	25,294	-0.2%	27.6%	15.0%
NKY	19,815	-0.5%	19.0%	2.1%
FTSE	7,503	-0.2%	21.7%	5.0%
FSSTI	3,228	0.0%	16.2%	11.9%
EIDO	26	-2.6%	17.7%	7.1%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	49.1	0.8%	1.6%
CPO/tonne	610.8	1.3%	1.7%
Soy/bushel	9.5	0.2%	-11.2%
Rubber/kg	2.3	0.9%	23.8%
Nickel/tonne	9,166	1.1%	4.7%
Tins/tonne	20,540	2.4%	21.1%
Copper/tonne	5,593	0.0%	20.0%
Gold/try.oz (Spot)	1,261	2.0%	0.2%
Coal/tonne	73.8	0.8%	45.1%
Corn/bushel	3.5	1.1%	-10.2%
Wheat/bushel*	146.4	-0.6%	-10.8%

*: 1 month change

Source : Bloomberg

Markets & Sector

Coal sector: Government of Indonesia will limit coal production to 400mn tons per year starting in 2019 with priority to fulfill increasing domestic demand which expected to reach 240mn tons in 2019 (vs. ~110mn tons in 2016). Thus, Indonesia coal export will decrease significantly to approximately 160mn tons in 2019 (vs. ~310mn tons in 2016) which will further decrease in the following years as domestic demand will increase further while production limit will remain at 400mn tons per year. (Jakarta Post)

Comment: This will be positive for coal price long term outlook. Adaro Energy (ADRO IJ; Rp1,410; Buy) and United Tractors (UNTR IJ; Rp23,025; Buy) remains our top pick in the coal sector. At this stage, we maintain our Buy rating for ADRO (TP: Rp2,000) and UNTR (TP: Rp28,500).

Construction sector: government has finally issued legal basis in form of second revision of presidential regulation no.49/2017 that dictates Kereta Api Indonesia (KAI) to become investor for project's infrastructure and facilities as well as operator of Light Rail Transit (LRT). The regulation does not provide detail on financing scheme but it allows KAI to issue government- guarantee bonds. KAI plans to get Rp5.6tn of state capital injection, Rp9tn external funding and Rp18tn from syndicated bank loan. Meanwhile, Adhi Karya (ADHI IJ; Rp2,210; Buy) will issue bond of Rp1tn and allocate Rp5tn capex to build LRT this year while waiting for KAI's payment. (Jakarta Post)

Comment: Despite heavier working capital due to delay in LRT payment, ADHI has not been appointed as LRT investor which is positive for the company. We have not included LRT into our forecast which may serve as upside potential for the stock. Maintain BUY

Economic

Access to financial account: President Joko Widodo recently signed a regulation pertaining opening of financial accounts through Government Regulation in Lieu of Law (Perpu) Number 1 Year 2017. With the new regulation, the procedure to open the access to financial accounts is now shortened to approximately 30 days, or down by more than 80% from previously 239 days and is valid for all Indonesian taxpayers and foreign taxpayers working in Indonesia. The Perpu effectively replaces some articles in laws pertaining the general tax administration, banking, capital market, Islamic financing, and commodities future trading. (Kontan, OJK)

Comment: We believe the news would bring negative sentiment to the market but notably on banking sector. On another concern, however, this would help increase tax collection and law enforcement for tax evaders, which should be positive for Indonesian budget.

Refer to Important disclosures in the last page 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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