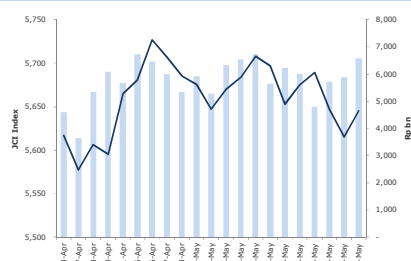


Premier Insight

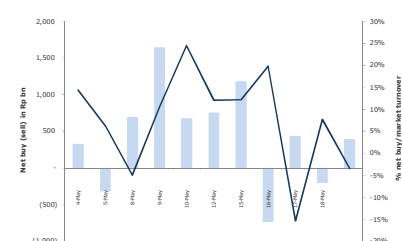
22 May 2017

News & Analysis
Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,792	2.6%	22.9%	9.3%
LQ45	970	3.1%	20.5%	9.7%
DJI	20,805	0.7%	18.9%	5.3%
SET	1,550	0.2%	11.8%	0.4%
HSI	25,175	0.2%	26.8%	14.4%
NKY	19,591	0.2%	17.1%	2.8%
FTSE	7,471	0.5%	21.4%	4.6%
FSSTI	3,222	0.0%	16.6%	11.7%
EIDO	27	5.4%	25.5%	13.5%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	50.3	2.0%	4.5%
CPO/tonne	611.6	0.3%	4.6%
Soy/bushel	9.3	0.9%	-12.6%
Rubber/kg	2.3	0.0%	23.7%
Nickel/tonne	9,325	2.1%	9.6%
Tins/tonne	20,550	1.0%	24.4%
Copper/tonne	5,665	1.9%	23.3%
Gold/try.oz (Spot)	1,256	0.7%	0.3%
Coal/tonne	74.3	0.3%	45.7%
Corn/bushel	3.5	1.9%	-7.7%
Wheat/bushel*	146.4	-0.6%	-10.8%

*: 1 month change

Source : Bloomberg

AISA: Tiga Pilar (AISA IJ; Rp2,080; Buy) to launch seasonal products such as Wafer Stick Pro to trigger sales increase during Lebaran season. Historically, sales increase during Lebaran usually comes from snack products. In FY17, AISA sets revenue target of Rp7.6tn (+11.7% yoy). This year's capex will be at Rp494bn. (Kontan)

Comment: As Lebaran season usually trigger consumer spending, we view this will be positive to most consumer companies in Indonesia including AISA, Unilever Indonesia (UNVR IJ; Rp48,750; Hold), Kalbe Farma (KLBF IJ; Rp1,580; Buy) and Nippon Indosari (ROTI IJ; Rp1,540; Hold).

CTRA: Ciputra Development (CTRA IJ; Rp1,185; Buy) is optimist to launch several new clusters in 2H17 despite weak property demand. Company has just launched its two clusters in Citraland Cibubur and three clusters in Citraland Tallsa City in Makassar. Company said it has managed to accumulate Rp350bn from latest Citraland Cibubur which achieve CTRA's internal target. Company will launch its second phase this week. Meanwhile in Makassar, company is aiming pre sales of Rp190bn with ASP of Rp700mn – Rp2bn per unit. (Bisnis Indonesia)

MPMX: Mitra Pinasthika Mustika (MPMX IJ; Rp850; Buy) targets FY17 revenue and net profit growth at 10% and 25% respectively. Company expects larger growth from automotive services, parts sales, and financial services segments, which contribute 22.36% of FY16 revenue. As of 4M17, based on Gabungan Industri Kendaraan Bermotor Indonesia (Gaikindo) wholesales data, sales of Datsun brand decreased (-73.7%), while Nissan increased (11.9%). Company also planning to add more brand variant to boost this year's revenue. (Bisnis Indonesia)

Markets & Sector

Strategy: S&P finally upgraded Indonesia's sovereign credit rating to investment grade, more than five years behind peers (eg. Fitch, Moody's, JCR). We view this belated rating upgrade will have limited impact on the economy, earnings and financial markets. Yields on Indonesia's 10-yr and 20-yr USD bonds have fallen by c.10-12bps as also its 5-yr & 10-yr CDS rates, which are still within their weekly volatility ranges, while USD/IDR rate was barely unchanged. We see limited scope for yields to fall further as they are already near record lows post US Fed tapering news in May 2013 while US rates are expected to continue rising in next 2 years. Earnings impacts are also likely to be limited as most corporate bond issuers have low leverage.

We believe there is scope to upgrade our 5,800 JCI target, which assumes 10-yr yield of 8.0% and 2017 JCI earnings integer of 345 (at present: 7.0% and 350, respectively), but this would be largely driven by the fall in yields in 2017 (not due to S&P upgrade). We believe impact on fund inflows will be limited as fund inflows have returned to bond and equity markets (YTD: Rp77tn and Rp24tn, respectively). We keep our sector picks of banks (BMRI, BBRI, BBTN), telcos (TLKM, ISAT), autos (ASII), construction (WSKT, WIKA) and coal plays (UNTR, ADRO) unchanged.

Retail Sector: Foreign retail company, Miniso Industries Co Ltd, which sold consumer product such as electronic, households, and food plans to open 200 stores in Indonesia this year. Company claims to have signed an agreement with a property developer and 100 shopping malls in Indonesia to open their new stores. Average daily transaction of Miniso's existing store ranged from US\$ 1,000 to US\$ 2,000. Note: Foreign retailer turnover is 20% of retail domestic turnover in Indonesian market (Rp 200tn). (Kontan)

Economic

State budget: The minister of finance conveyed principles of fiscal policies for 2018 budget plan last week (19/05). Main strategies include: (1) supporting productive and priority spending in 2018 budget, (2) enhancing spending quality, and (3) increasing effectiveness of social assistance, subsidy, and transfer to the regions. Some key assumptions for 2018 budget:

- Exchange rate: 13,200-13,900
- ICP : US\$35-50 per barrel
- Inflation : 3.5% +/- 1%
- Economic growth : 5.4-6.1%
- Oil lifting : 630-680 thousand bpd
- Gas lifting : 1100-1200 mbpoed

(Kontan)

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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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