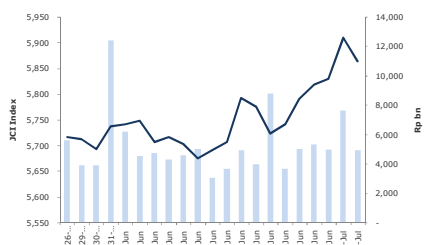


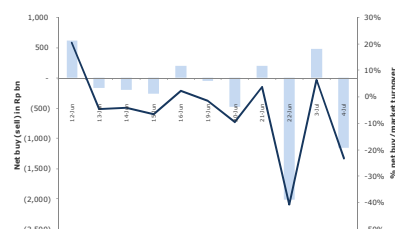
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## Foreign net buy (sell)



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Nickel/tonne	9,141	-2.2%	-9.9%
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**Head Office****PT INDO PREMIER SEKURITAS**

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

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p +62.21.5793.1168

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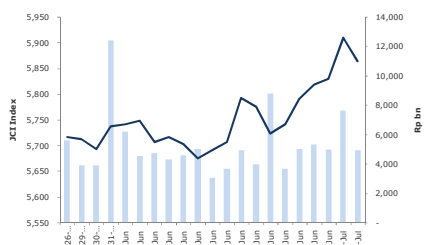
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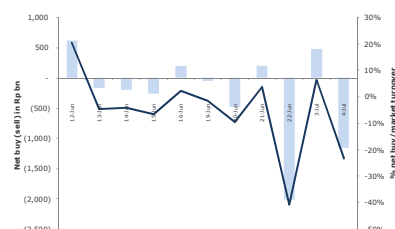
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p +62.21.5793.1168

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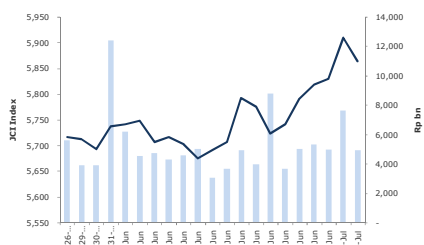
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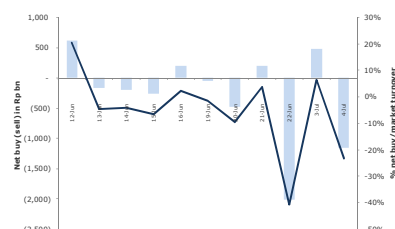
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**Head Office****PT INDO PREMIER SEKURITAS**

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p +62.21.5793.1168

f +62.21.5793.1167

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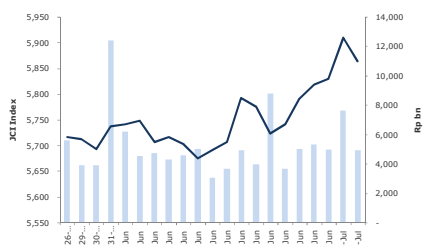
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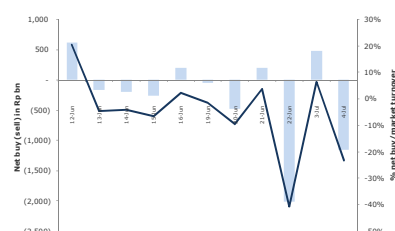
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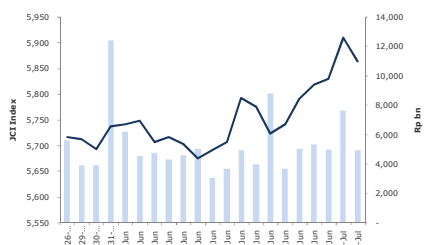
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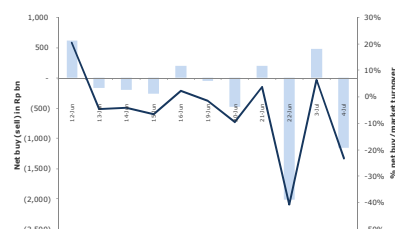
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Wisma GKBI 7/F Suite 718

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p +62.21.5793.1168

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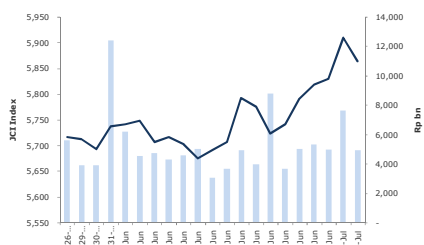
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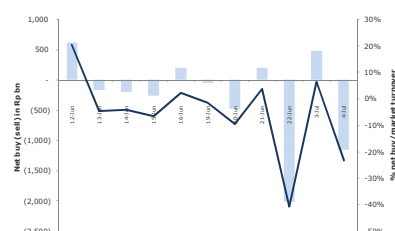
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## Still bullish despite coal price volatility

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## Foreign net buy (sell)



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Nickel/tonne	9,141	-2.2%	-9.9%
Tins/tonne	20,240	-1.1%	12.1%
Copper/tonne	5,867	-0.7%	20.2%
Gold/try.oz (Spot)	1,223	0.3%	-9.8%
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- Coal price volatility in 2017 was mainly caused by supply issues.
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- Maintain Overweight, ADRO and UNTR remain our top sector pick.

**Supply driven price fluctuation.** Supply issues were the main factor for recent coal price correction which was subsequently followed by steep recovery. To note, coal price dropped to \$73 per ton before it recovered to above \$80 per ton in the past several months. The coal price decline can be attributed to China government lifting its coal production limitation while the subsequent price recovery was due to coal production disruption in Indonesia (mostly Kalimantan) caused by heavy rain. Although air temperature is currently decreasing in China (which lower power consumption for air cooling) and improving precipitation in China in the past week will eventually translate to higher hydro power output (substitution of coal fired power plant), China coal buyers are currently willing to pay higher at the seller's offering price as coal supply from Indonesia is limited, resulting in steep coal price recovery.

**Coal price trend is still in-line with our forecast.** Production volumes from Indonesia and Australia are expected to increase in 2H17 due to lower rainfall. Rising temperature in the nino 3.4 region will potentially lower precipitation in Indonesia and Australia in the second half of 2017. These factors, coupled with China production recovery post coal production relaxation may pressure coal price in 2H17. However, we expect price will not decrease to below \$60 per ton. Thus, we maintain our flat coal price assumption of \$65 per ton in 2017F-18F.

**Indonesia's export will decrease, positive for price.** Indonesia plans to secure its coal reserves for future domestic use. The government of Indonesia plans to cap coal production volumes to 400mn tons per year starting in 2019. Coal production will be prioritized to fulfill domestic demand. Thus, with increasing domestic coal demand (for newly built power plants and cement factories) we believe Indonesia's coal export will gradually decrease. We believe this will be positive for the long term coal price outlook, as Indonesia's coal export represent ~35% of total traded volumes in the global thermal coal seaborne market.

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Indo Tambang	ITMG	HOLD	17,800	17,000	8.0	13.5	1.5	1.6	14.7	18.8
United Tractors	UNTR	BUY	28,850	32,000	14.0	11.7	2.4	2.2	11.8	17.5

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### Corporates

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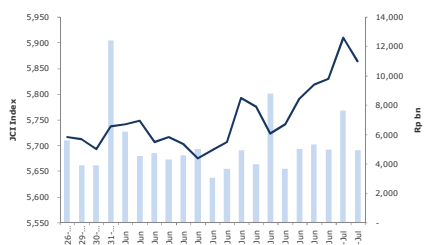
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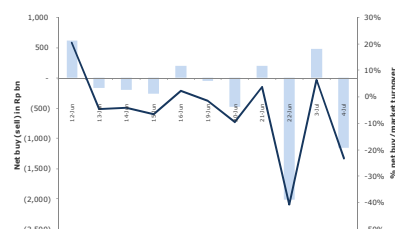
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p +62.21.5793.1168

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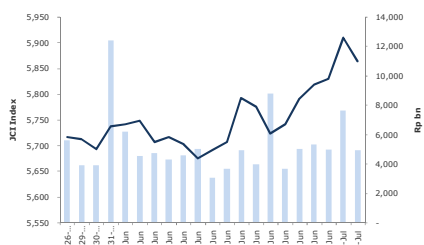
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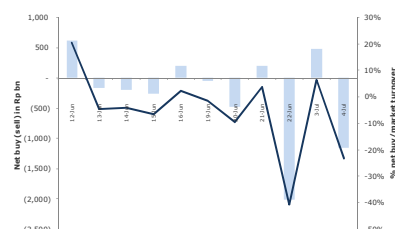
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**Head Office****PT INDO PREMIER SEKURITAS**

Wisma GKBI 7/F Suite 718

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p +62.21.5793.1168

f +62.21.5793.1167

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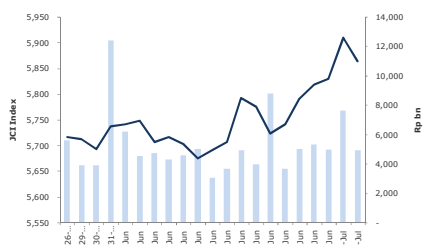
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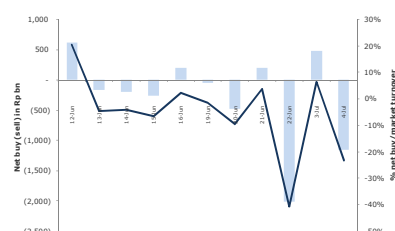
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## Foreign net buy (sell)



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p +62.21.5793.1168

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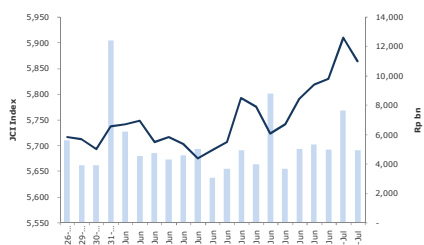
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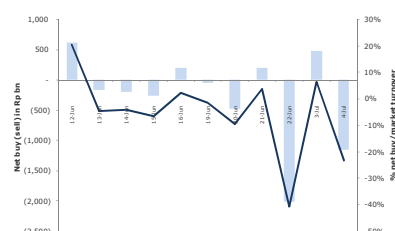
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### Corporates

**CTRA:** Ciputra Property, subsidiary of Ciputra Development (CTRA IJ; Rp x; Buy) will launch five new projects in 2H17 with estimated value of Rp800bn. The projects will be located in Yogyakarta, Batam, Jakarta and Bali, and will include high rise and landed house. (Kontan)

*Comment: we think Jakarta (Newton 2) and Bali (Ciputra Beach Resort) are promising due to high demand in both projects. Maintain Buy at CTRA with TP of Rp1,370*

**ACST:** Acset Indonusa (ACST IJ; Rp x; Not Rated) received Rp600bn loan from its parent company United Tractor (UNTR IJ; Rp x; Buy). The company also stated its plan to issue more loan to fund 2017 opex. As 1H17, ACST already acquired new contract of Rp7.1tn, which is 94.6% from its FY17 target of Rp7.5tn. (Bisnis Indonesia)

**TLKM:** Telekomunikasi Indonesia(TLKM IJ; Rp x; Buy) during Eid holiday 2017, TLKM gained 130% growth on data traffic compare to 2016's holiday. This increase was caused by the migration from voice and SMS service to internet service. During 1Q16, TLKM's data service already increased by +25.4% yoy. To ensure its future growth, TLKM is planning to acquired five companies which engages in the field of information technology, telecommunications, and digital. During 2H17, company is confident to reach double-digit revenue growth. (Kontan)

**ROTI:** ROTI reported disappointing net profit of Rp27.7bn (-67.9% yoy in 1Q17) on the back of revenue deceleration of 1.4% yoy in 1Q17. White bread which contributed to 74.5% of total sales slightly grew by 4.9% while sweet bread (46.1% of total sales) grew by 10.26% yoy in 1Q17. Meanwhile, sales return worsens to 24% of total sales in 1Q17 (1Q16:13.6%). Gross margin shrunk by 340 bps to 49.6% in 1Q17 and net margin contracted to 4.6% in 1Q17 (1Q16: 14.1%).

*Comment: The earnings were far below our/consensus expectation (only accounting for 7.9%/8.1%, respectively). Meanwhile, the return rate has significantly higher since 4Q16 as consumer tends to hold off their purchase on non-necessity items. Despite the disappointing performance, we remain BUY on ROTI due to the potential bread market in Indonesia and the strong brand equity that ROTI posses.*

**Fig. 7: Earnings Result**

(in Rp bn)	1Q17	1Q16	YoY	1Q17	4Q16	QoQ
Revenue	602	611	-1.4%	602	685	-12.0%
White Bread	449	428	4.9%	449	494	-9.2%
Sweet Bread	278	252	10.3%	278	315	-11.9%
Gross Profit	299	324	-7.8%	299	351	-14.8%
Operating Profit	41	113	-64.1%	41	159	-74.4%
Net Profit	28	86	-67.9%	28	76	-63.6%
Gross Margin (%)	49.6%	53.1%		49.6%	51.2%	
Operating Margin (%)	6.7%	18.6%		6.7%	23.2%	
Net Margin (%)	4.6%	14.1%		4.6%	11.1%	

### Economic

We joined a policy forum this afternoon in which Communication and Information Minister Rudiantara and former Trade Minister Marie Pangestu spoke along with other panelists. The event themed around digital connectivity and trade and was a combination of book launch and discussion series, with some of the following highlights:

- The government has a vision of US\$130bn value in e-commerce by 2030 (~11-12% of forecast GDP) in which the future is predicted to be based more on the sharing economy such as through the platforms of Go-jek. Internet users have amounted 57mn by 2015, a

sixfold increase in a decade.

- Given so, internet penetration remains low at 25% with around four-fifth users located in Java and Sumatera and challenges faced in infrastructure and skill. There is currently effort to develop community-based rural internet network in areas mostly considered unprofitable by regular ISPs. Facebook is interested to invest in the initiative, hosting the largest MikroTik Indonesia discussion group for neighbourhood networks, to commence early Aug17. Despite supported by the government and inviting foreign interest, at this stage, we think the bottom-up initiative is not a direct competition vis-a-vis conventional ISPs.
- It is seen that digitalisation would in future invite business polarisation but mostly in printed media industry, in which middle-class business will be wiped out, leaving conglomerates model to stay. Media outlets such as Pikiran Rakyat and The Jakarta Post will be exposed to such challenge. Jusuf Wanandi expects the government to meddle in the situation, arguing that without government intervention in conventional printed media, the future of democracy will be at stake.
- In trade issue, an interesting insight by Peter Drysdale (supported by Marie Pangestu) elaborates how Indonesia could be expected to bring about the leadership for trade openness, considering its political and geographical position in ASEAN. ASEAN is said to be a successful experiment of open regionalism, which could be further advanced. (Indonesia Project, CSIS, ISEAS)

**Head Office****PT INDO PREMIER SEKURITAS**

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

Jakarta 10210 - Indonesia

p +62.21.5793.1168

f +62.21.5793.1167

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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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