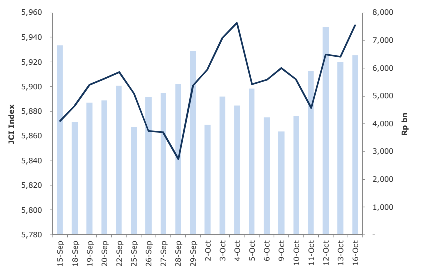
INDOPREMIER

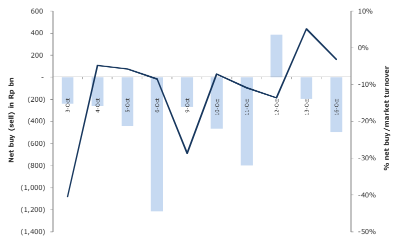
Premier Insight

17 October 2017

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,950	0.4%	10.0%	12.3%
LQ45	991	0.5%	6.2%	12.1%
DJI	22,957	0.4%	26.9%	16.2%
SET	1,727	0.8%	16.9%	11.9%
HSI	28,693	0.8%	24.5%	30.4%
NKY	21,256	0.5%	25.8%	11.8%
FTSE	7,527	-0.1%	8.3%	5.4%
FSSTI	3,319	0.0%	17.8%	15.4%
EIDO	27	-0.1%	3.0%	11.8%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	51.9	0.8%	3.0%
CPO/tonne	654.3	0.2%	3.8%
Soy/bushel	9.6	-0.7%	1.4%
Rubber/kg	1.7	0.0%	-8.1%
Nickel/tonne	11,806	1.7%	13.0%
Tins/tonne	20,675	-0.3%	6.1%
Copper/tonne	7,122	3.8%	53.0%
Gold/try.oz (Spot)	1,295	-0.7%	3.1%
Coal/tonne	96.2	0.4%	7.5%
Corn/bushel	3.2	-0.9%	-3.3%
Wheat/bushel	436.3	-0.1%	2.9%

Source : Bloomberg

Economic Update

Oil fuelled surplus

- **Trade in Sep17 generated a high surplus of US$1.76bn**
- **...on the increase of oil and gas exports last month**
- **...and higher raw materials and consumer goods imports**
- **Trade will remain positive after adjusting for higher imports appetite and IDR's recent depreciation**

Trade surplus. Goods trade was recording a US$1.76bn surplus in Sep17, which should be positive, as it was higher than consensus expectation by US$580mn and higher than the average surplus recorded in 2017 and within the last two years. Calendar year trade balance is US$10.8bn as of recently, or 72% higher than last year's position as trade continues its upward trajectory this year driven by higher commodity prices, albeit the effect has relatively faded recently.

Oil and gas exports. We believe the key driver behind the outperforming trade balance was the increase in oil and gas exports (OG) on account of higher crude oil price in the month (Brent: +9.8% mom, +17.3% yoy; WTI: +11.2% mom, +7.2% yoy). The higher oil price managed to increase OG exports by 35.6% yoy (+12.7% mom), offsetting the volume increase of only 9.3% yoy. In the same token, the year trend for non-oil and gas exports also remains increasing, by 13.8% yoy, driven by the traditional crude palm oil and coal, which together account for 29% of non-oil and gas export (the monthly trend for non-oil and gas exports were different, as it was down by 6.1% mom). Unlike coal, palm oil price trend had gone down relative to last year; the increase of which in terms of value should represent its volume growth. If the recent October's uptick sustains, we should expect for better non-OG export performance this month, *ceteris paribus.*

Non-oil and gas imports. Imports were increasing by 13.1% yoy albeit declining by 5.4% on monthly basis. The increase was supported by mostly raw materials and consumer goods, +13.2% yoy and +13%, respectively; commodity wise, including fruits and cacao. Last month also saw discussion about impeded imports flow due to enforcement made in the inspection process, with the Directorate General of Customs announcing around 7% of Indonesian imports went through the red line. Going forward, increased compliance and ease of importing should encourage more consumer goods imports, whose trend has gradually increased.

Fig.1: Trade performance in calendar year

	Jan-Sep2017 (US$bn)	Jan-Sep 2016 (US$bn)	% change 2017
Export	**123.4**	**105**	**17.5%**
Export oil and gas	11.5	9.7	18.6%
Export non-oil and gas	111.9	95.3	17.4%
Export Manufacturing	92.2	80.5	14.5%
Export Agriculture	2.7	2.3	17.4%
Export Mining	16.9	12.6	34.1%
Import	**112.5**	**98.7**	**14%**
Import oil and gas	17.3	13.8	25.4%
Import non-oil and gas	95.1	84.9	12%

Source: Statistics Indonesia, IndoPremier

Positive trade in remaining 2017 months. The extent of surplus in the remaining months of 2017 will be dependent on the trend with oil and commodity prices and the magnitude of how imports will be affected after adjusting for the aforementioned compliance procedure. As the year almost concludes, there is a higher likelihood of spending to what is already increasing portion in consumer goods import (averaging 11% of non-OG imports in 2017 vs 9% in 2015). This, however, should be offset by the depreciation in USD/IDR by 1%, which should encourage more exports. We believe trade will remain positive within the remaining 2017.

News & Analysis

Corporates

DMAS: Puradelta Lestari (DMAS IJ; Rp187; Buy) booked total marketing sales of Rp811bn, which is 54% of FY17 target of Rp1.5tn on the back of increase in commercial area land sales to 3.8ha in 9M17 (9M16: 0.6ha). As of now, company is still confidence to reach their industrial land sales FY17 target of 60ha. (Bisnis Indonesia).

Comment: As of this stage we still maintain our forecast for DMAS, Buy on DMAS with TP 280.

JRPT: Jaya Real Property (JRPT IJ; Rp860; Not Rated) target marketing sales of Rp800bn from Superblock project Silk Town in South Tangerang. Since the launching back in 2015, JRPT has sold 60% of Silk Town first tower; Alexandria from total 869 units. Company claims that the most demanded unit is studio type with ticket price of Rp415mn, which is usually rented out to students and young families. JRPT will launch the second tower after completing Alexandria's unit handover in 2019. (Investor Daily).

KIJA: Kawasan Industry Jababeka (KIJA IJ; Rp310; Not rated) through its subsidiary, PT Grahabuana Ciakarang will develop Jababeka Residence to become international township for expatriate with total development area of 500ha. Previously, KIJA has established a JV with Japanese company, Creed Group to develop Jababeka Golf City with total area of 3.7ha in Jababeka Residence. The JV will have a total investment of Rp1tn with completion target in the next 5 years. (Investor Daily)

KINO: Kino Indonesia (KINO; Rp1,990; Hold) just launched new product for women named Resik V Godokan Sirih. The company also stated that they plan to launch several products this year to achieve their revenue growth target of 4%-5% yoy. Albeit KINO's revenue declined by 26% yoy in 1H17, the company believes that they could achieve their full year target with launching 20 SKUs (personal care products) in 2H17. (Kontan).

PPRO: PT PP Properti (PPRO IJ; Rp208; Buy) booked pre-sales of Rp2.3tn (+60% yoy) or 80% of FY17 target and earnings of Rp275bn until 9M17. Company still has several launches towards end of this year, namely: Apartment Weston View Surabaya, Student apartment Louvia Jatinangor Bandung and soft opening mall lagoon avenue in Bekasi to add recurring income. PPRO expects net profit to reach Rp425-435bn this year. (Bisnis Indonesia).

TLKM: Telkom Indonesia (TLKM IJ; Rp4,450; Buy) has a dispute on contract works with Citra Sari Makmur CSM), a infrastructure provider company. According to Telkom the contract with CSM has ended in FY14 with no new contract extension. Additionally, Telkom ended the contract as CSM was not able to delivery service accordingly. Nevertheless, CSM sees Telkom to terminate the contract and should be liable to compensate CSM with an amount of Rp16tn. (Kontan).

Markets & Sector

Automotive sector: 4W sales lost its growth momentum as demand slowed -9.1% mom in Sep17 and -5.9% yoy. Weaker demand could be triggered due to post of Autoshow in Aug17. Cumulatively, total auto demand increased by +2.4% yoy. Astra operation faced steeper decline of -14.3% mom vs the rest of the industry of -3.0% mom. We suspect that competition from Mitsubishi Xpander could be one reason. However, growth momentum of a new model is usually 6-9months before maturing. We continue to believe superiority of brand equity of Toyota-Daihatsu vs its competitors.

	Aug-17	Sep-17	% +/-	Sep-16	% +/-	9M16	9M17	% +/-
Astra	52,412	44,911	-14.3%	55,452	-19.0%	423,215	443,811	4.9%
Others	44,049	42,734	-3.0%	37,704	13.3%	360,629	359,008	-0.4%
Total	96,461	87,645	-9.1%	93,156	-5.9%	783,844	802,819	2.4%

Meanwhile, 2W sales also remained weak with industry demand to decline by -1.5% mom abd -1.7% yoy. Cumulatively demand continued to shrink by -1.1% yoy for the nine months of FY17. Honda's volume was lower by -2.6% mom with other brands posting positive growth. Strong growth was attributed by Suzuki of 8.7% mom and Kawasaki of 20.2% mom. Nevertheless, we believe that such growth will not sustain. (Company)

	Aug-17	Sep-17	% +/-	Sep-16	% +/-	9M16	9M17	% +/-
Honda	418,931	408,116	-2.6%	423,256	-3.6%	3,210,150	3,236,478	0.8%
Yamaha	123,620	124,360	0.6%	119,717	3.9%	1,054,006	983,483	-6.7%
Suzuki	6,279	6,823	8.7%	4,628	47.4%	45,988	59,104	28.5%
Kawasaki	6,009	7,224	20.2%	8,036	-10.1%	75,756	60,252	-20.5%
TVS	84	84	0.0%	183	-54.1%	1,497	935	-37.5%
Total	554,923	546,607	-1.5%	555,820	-1.7%	4,387,397	4,340,252	-1.1%

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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.