

Tuesday, 16 September 2014

OVERWEIGHT

Weekly Report

Lacking momentum

With heavy net outflow last week, JCI fell 1.4% w-w, which made it out of the top 3 best performing market YTD. Uncertainty on potential macro volatility post the fuel price hike as well as political issue will continue to serve as the main hindrance for any meaningful rebound in the short term. With 16 ministers of Jokowi-JK's cabinet will come from political parties, it could be seen as an effort to gain support in the parliament, which is needed to make an effective government.

Out of the top league

After touched an all time high level last week, heavy selling pressure dragged JCI down 1.4% w-w, mainly driven by uncertainty on potential macro volatility post the fuel price hike as well as political issue. JCI is now officially out of the top three leagues, only posted 20.3% return YTD, below India's 27.8%, Philippines' 22.3% and Thailand 21.8%. We have been of the view that in the near term, the removal of fuel subsidies will continue to be the major overhang in the equity market, especially since such a move would put upward pressure on inflation and possibly interest rates as well. Until there's is more clarity in regards of timing and magnitude of the removal of fuel subsidy as well as the potential response from the BI in regards of its rates policy, market is unlikely make meaningful rebound. In fact, it could eventually put impediments on potential positive catalyst in Oct on continuation of positive trade data, inauguration of the new government as well as the cabinet member announcements.

Political tensions is intensifying

Aside from macro issue, the current potential revision of direct regional election continues to highlight the protracted precipitous tension on political front. Based on the recent survey from LSI (Lingkaran Survey Indonesia), vast majority of people in Indonesia still prefer direct election. Nonetheless, with Merah Putih coalition (Prabowo-Hatta) controls the majority of the parliament; the possibility of revision of this current direct election mechanism is widely open, and regional leader election in the future could be decided by Regional and Municipal Legislative Councils (DPRDs). If this revision were to be deliberated into law, it will arguably solidify the Merah Putih coalition position and strengthened their bargaining power. In our view, this situation continues to highlight the current fragile position of the new government, especially in gaining the majority support from the parliament for its future reforms and policies. In a more favourable development, it is reported recently that SBY has openly stated a support for the direct regional election system, which could change the possibility of the outcome, especially with his Party Democrat holds c.26% of parliamentary seat. Furthermore, Jokowi-JK announced yesterday that his cabinet will consist of 34 ministries, of which 16 ministers will come from political parties within his coalition, which ostensibly, could be seen as an effort to gain support from other parties to join his coalition. While the high proportion of political parties-linked minister might create discontentment from the market, stronger coalition would pave the way for a more effective government, in our view.

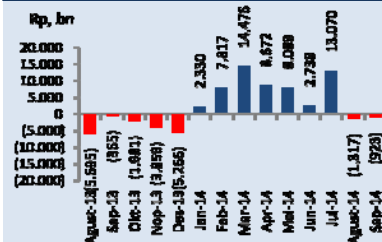
Substantial net out flow of IDR1.7t last week

Foreign net outflow dominated four of the five the trading days last week, with total weekly outflow reached IDR1.7t, even higher than the overall monthly outflow in August. As a results, overall net inflow YTD slightly reduce to IDR54.9t vs end July' level of IDR57.2t. With heavy outflow, market liquidity improved with MTD turnover raised to IDR6.6t/day, up from IDR5.8t/day last week. As the market is expected to move sideways on lack of positive catalyst in the near term, liquidity is likely to weaken.

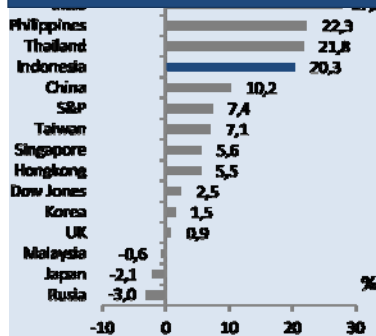
IDR strengthening play: KAEF initiation; Downgrade WTON on valuation call

One of potential positive impacts on continuation of macro improvement is IDR strengthening. In this regards, consumer and pharmaceutical sector will be one of the main beneficiaries given their heavy foreign currency exposure on their cost. We recently initiated coverage on Kimia Farma with BUY recommendation. Kimia Farma is one of the biggest pharmaceutical companies in Indonesia, which will positively impacted by IDR strengthening. The company will also transform itself to become a leading integrated healthcare company. Growth will be underpinned by rolling-out of national health insurance program (JKN), which emphasizes the usage of generic drugs. On the other hand, we started to see a fully priced in optimism on Wika Beton (WTON IJ), which has seen its share price doubled since IPO. We downgrade WTON on valuation call, while still see promising outlook on the construction sector.

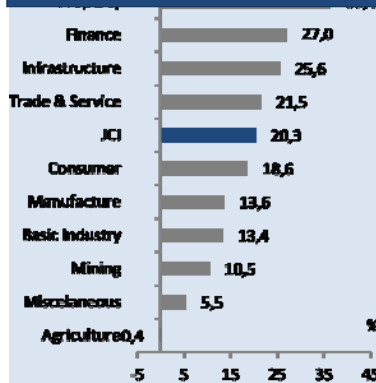
Foreign Fund Flows



Ytd Regional Market Performance



Ytd Sector Performance



Helmy Kristanto

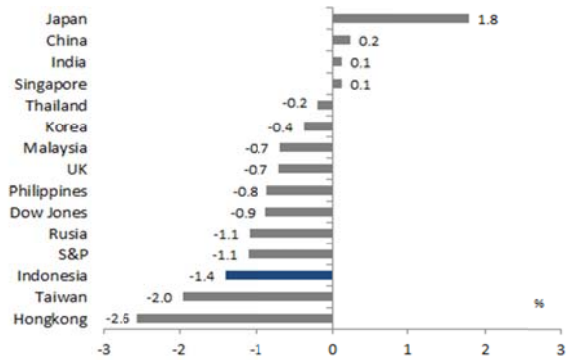
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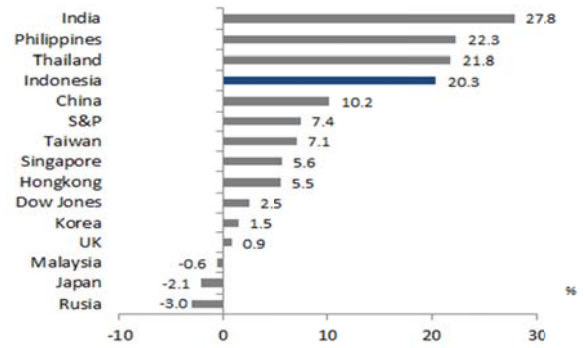
Danareksa research reports are also at Reuters Multex and First Call Direct and Bloomberg.

Exhibit 1. Regional weekly performance



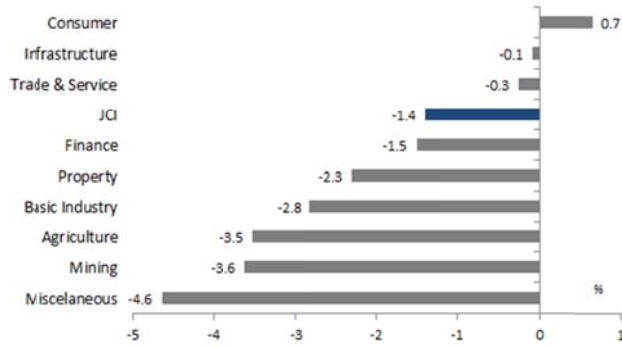
Source: Bloomberg, as of 12 Sep 2014

Exhibit 2. Regional YTD performance



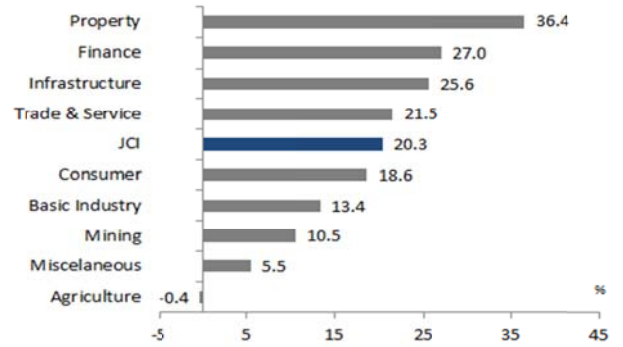
Source: Bloomberg, as of 12 Sep 2014

Exhibit 3. Sector weekly performance



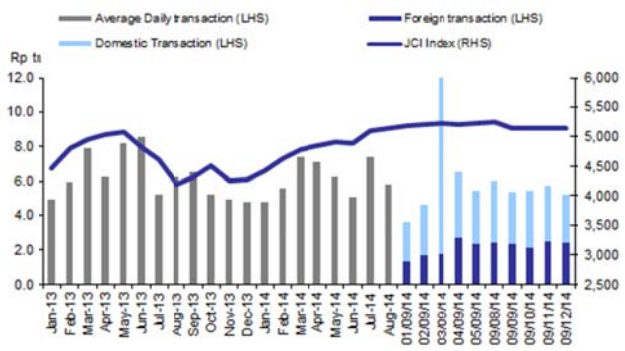
Source: Bloomberg, as of 12 Sep 2014

Exhibit 4. Sector YTD performance



Source: Bloomberg, as of 12 Sep 2014

Exhibit 5. Average daily transactions



Source: IDX, as of 12 Sep 2014

Exhibit 6. Foreign fund flows



Source: IDX, as of 12 Sep 2014

Exhibit 7. Regional market valuations

| | 2014F | 2015F |
|----------------|-------------|-------------|
| Philippines | 20.4 | 17.6 |
| Malaysia | 16.9 | 15.4 |
| NKY | 17.8 | 15.9 |
| Singapore | 14.8 | 13.6 |
| JCI | 16.6 | 14.2 |
| Dow Jones | 15.0 | 13.9 |
| Sensex | 17.3 | 14.5 |
| Thailand | 16.1 | 13.9 |
| FTSE | 14.0 | 13.0 |
| Hongkong | 11.3 | 10.4 |
| China | 9.2 | 8.2 |
| Taiwan | 14.7 | 13.7 |
| Average | 15.4 | 13.4 |

Source: Bloomberg, as of 5 Sep 2014

Exhibit 8. JCI Valuation



Source: Danareksa Sekuritas, as of 12 Sep 2014

Exhibit 9. USD/IDR performance



Source: Bloomberg, as of 12 Sep 2014

Exhibit 10. CDS - 5 years



Source: Bloomberg, as of 12 Sep 2014

Exhibit 11. Danareksa bonds yield index



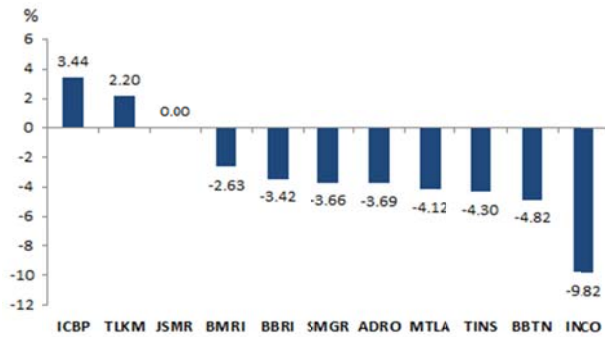
Source: Danareksa Sekuritas, as of 1 Sep 2014

Exhibit 12. Country risk premium



Source: Danareksa Sekuritas, as of 12 Sep 2014

Exhibit 13. Top picks weekly performance



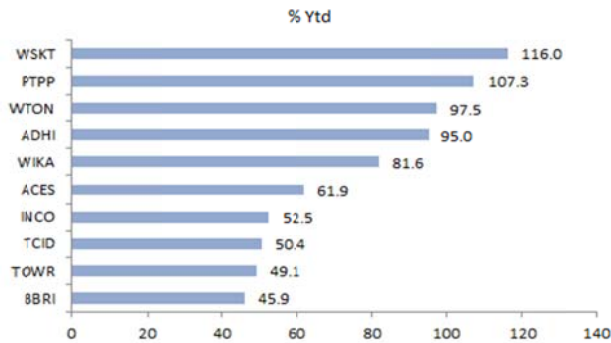
Source: Bloomberg and Danareksa Sekuritas, as of 12 Sep 2014

Exhibit 14. Top picks Ytd performance and upside



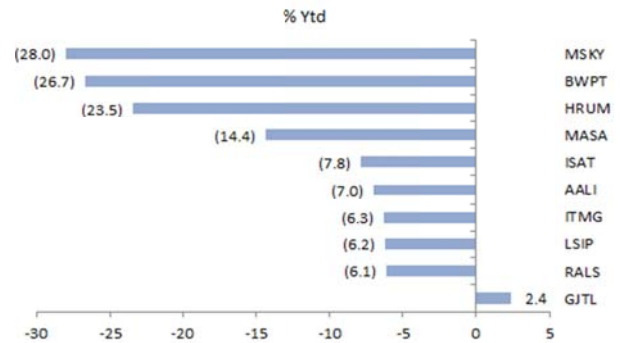
Source: Bloomberg and Danareksa Sekuritas, as of 12 Sep 2014

Exhibit 15. Winners within our coverage



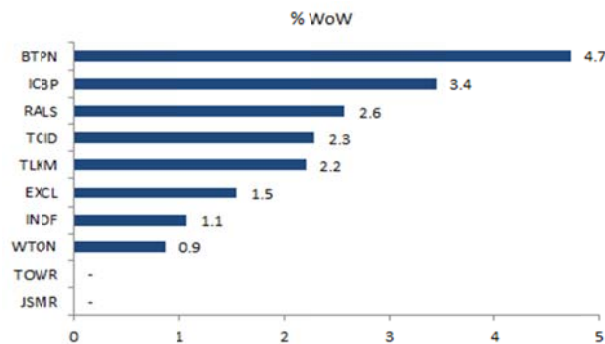
Source: Bloomberg and Danareksa Sekuritas, as of 12 Sep 2014

Exhibit 16. Losers within our coverage



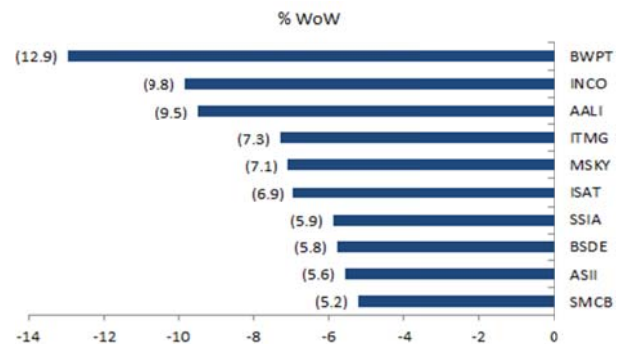
Source: Bloomberg and Danareksa Sekuritas, as of 12 Sep 2014

Exhibit 17. Winners within our coverage (Weekly)



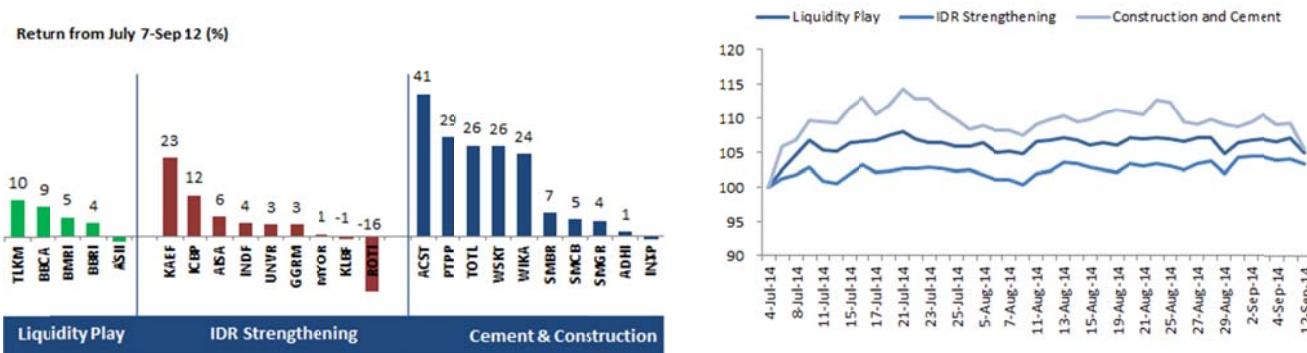
Source: Bloomberg and Danareksa Sekuritas, as of 12 Sep 2014

Exhibit 18. Losers within our coverage (Weekly)



Source: Bloomberg and Danareksa Sekuritas, as of 12 Sep 2014

Exhibit 18. Market play – the 3 themes on Jokowi’s victory



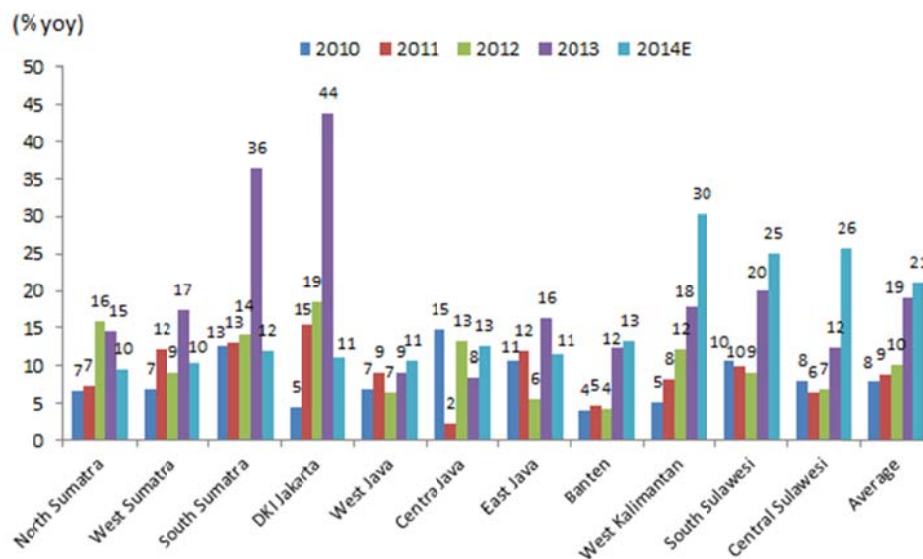
Source: Bloomberg and Danareksa Sekuritas, as of 12 Sep 2014

Exhibit 19. Weekly Reports Wrap

| Date | Company | Title | Key Point |
|-----------|---------------|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15-Sep-14 | KAEF | Initiating coverage: Seize the market opportunity | We initiate coverage on Kimia Farma with a BUY recommendation and Target Price of IDR1,550 based on DCF valuation. All in all, we are upbeat on Indonesia’s pharmaceutical market: although still underdeveloped, it is growing rapidly. Kimia Farma as one of the biggest pharmaceutical companies in Indonesia stands to be a major beneficiary, in our view, backed by its aggressive business expansion and its vision of being a leading integrated healthcare company. |
| 12-Sep-14 | WTON | Priced in all the good things | WTON recorded an impressive performance after its IPO. The share price has doubled while the financial outlook keeps promising. Moreover, the company expansion plan also continues on good progress with target completion mostly in early 2015. We change our recommendation to HOLD on the back of limited upside at current share price. |
| 11-Sep-14 | RALS | (SPAR)ing Partner | RALS management has finally found the way to improve the performance of its Supermarket business. On September 1st 2014, company signed the agreement with SPAR International, the world’s largest food retailer based in the Netherlands. With the recent share price correction that gives more upside to our target price, we upgrade our recommendation to BUY. |
| 10-Sep-14 | PTBA | On track for stronger growth | Although the lackluster coal market reduced the average selling prices (ASP) for its exports by 5% yoy, Bukit Asam (PTBA) still posted better-thanexpected 1H14 results. We also raise our Target Price to Rp16,000 (from Rp13,800 previously), based on DCF valuation. Maintain BUY. |
| 9-Sep-14 | Weekly report | Finding Support | Market liquidity remained low in September, and, in our view, there isn’t likely to be a major improvement until clarity over fuel price hikes emerges. YTD, the JCI is up 22.1%, making it the third-best performer after India and the Philippines. Maintain Overweight. |

Source: Danareksa Sekuritas

Exhibit 20. Minimum wage change (%)



Source: Danareksa Sekuritas

| Stocks | Last Price (Actual) | Prediction | | | | Potential Gain/Loss (Prediction/Last Price) | | | |
|--------|----------------------------|------------|-----------|----------|-----------|---------------------------------------------|-----------|----------|-----------|
| | Friday, September 12, 2014 | 19-Sep-14 | 26-Sep-14 | 3-Oct-14 | 10-Oct-14 | 19-Sep-14 | 26-Sep-14 | 3-Oct-14 | 10-Oct-14 |
| ASII | 7,225 | 7,325 | 7,300 | 7,325 | 7,300 | 1.38% | 1.04% | 1.38% | 1.04% |
| UNVR | 31,300 | 31,350 | 31,300 | 31,275 | 31,250 | 0.16% | 0.00% | -0.08% | -0.16% |
| BBCA | 12,050 | 11,975 | 12,000 | 12,050 | 12,000 | -0.62% | -0.41% | 0.00% | -0.41% |
| TLKM | 2,790 | 2,770 | 2,775 | 2,805 | 2,780 | -0.72% | -0.54% | 0.54% | -0.36% |
| BMRI | 10,200 | 10,250 | 10,250 | 10,300 | 10,225 | 0.49% | 0.49% | 0.98% | 0.25% |
| BBRI | 10,575 | 10,700 | 10,700 | 10,750 | 10,675 | 1.18% | 1.18% | 1.65% | 0.95% |
| PGAS | 5,950 | 5,950 | 5,950 | 6,000 | 5,970 | 0.00% | 0.00% | 0.84% | 0.34% |
| SMGR | 15,775 | 15,700 | 15,650 | 15,625 | 15,600 | -0.48% | -0.79% | -0.95% | -1.11% |
| GGRM | 55,000 | 54,875 | 54,850 | 54,900 | 54,875 | -0.23% | -0.27% | -0.18% | -0.23% |
| INTP | 23,150 | 23,450 | 23,425 | 23,400 | 23,350 | 1.30% | 1.19% | 1.08% | 0.86% |
| BBNI | 5,650 | 5,685 | 5,725 | 5,755 | 5,720 | 0.62% | 1.33% | 1.86% | 1.24% |
| KLBF | 1,665 | 1,655 | 1,660 | 1,675 | 1,655 | -0.60% | -0.30% | 0.60% | -0.60% |
| UNTR | 20,850 | 20,900 | 20,675 | 20,475 | 20,625 | 0.24% | -0.84% | -1.80% | -1.08% |
| ICBP | 11,275 | 11,100 | 11,150 | 11,100 | 11,125 | -1.55% | -1.11% | -1.55% | -1.33% |
| INDF | 7,050 | 7,025 | 7,025 | 7,050 | 7,025 | -0.35% | -0.35% | 0.00% | -0.35% |
| CPIN | 3,940 | 3,920 | 3,905 | 3,915 | 3,905 | -0.51% | -0.89% | -0.63% | -0.89% |
| MNCN | 2,740 | 2,725 | 2,705 | 2,740 | 2,715 | -0.55% | -1.28% | 0.00% | -0.91% |
| BDMN | 3,845 | 3,830 | 3,835 | 3,835 | 3,835 | -0.39% | -0.26% | -0.26% | -0.26% |
| EXCL | 6,575 | 6,420 | 6,415 | 6,455 | 6,425 | -2.36% | -2.43% | -1.83% | -2.28% |
| JSMR | 6,375 | 6,350 | 6,350 | 6,350 | 6,350 | -0.39% | -0.39% | -0.39% | -0.39% |
| SCMA | 3,925 | 3,915 | 3,925 | 3,940 | 3,915 | -0.25% | 0.00% | 0.38% | -0.25% |
| ADRO | 1,305 | 1,300 | 1,300 | 1,295 | 1,300 | -0.38% | -0.38% | -0.77% | -0.38% |
| PTBA | 13,275 | 13,150 | 13,175 | 13,225 | 13,175 | -0.94% | -0.75% | -0.38% | -0.75% |
| LPKR | 1,000 | 990 | 995 | 1,025 | 1,000 | -1.00% | -0.50% | 2.50% | 0.00% |
| BMTR | 1,930 | 1,915 | 1,920 | 1,935 | 1,920 | -0.78% | -0.52% | 0.26% | -0.52% |
| BSDE | 1,550 | 1,540 | 1,545 | 1,565 | 1,550 | -0.65% | -0.32% | 0.97% | 0.00% |
| SMCB | 2,735 | 2,760 | 2,740 | 2,755 | 2,730 | 0.91% | 0.18% | 0.73% | -0.18% |
| AKRA | 5,225 | 5,215 | 5,195 | 5,010 | 5,210 | -0.19% | -0.57% | -4.11% | -0.29% |
| PBNB | 855 | 850 | 865 | 870 | 860 | -0.58% | 1.17% | 1.75% | 0.58% |
| PWON | 409 | 401 | 421 | 415 | 421 | -1.96% | 2.93% | 1.47% | 2.93% |
| ANTM | 1,140 | 1,125 | 1,140 | 1,145 | 1,140 | -1.32% | 0.00% | 0.44% | 0.00% |
| JPFA | 1,365 | 1,345 | 1,345 | 1,340 | 1,345 | -1.47% | -1.47% | -1.83% | -1.47% |
| BHIT | 349 | 345 | 349 | 353 | 348 | -1.15% | 0.00% | 1.15% | -0.29% |
| CTRA | 1,080 | 1,070 | 1,075 | 1,105 | 1,075 | -0.93% | -0.46% | 2.31% | -0.46% |
| ACES | 955 | 960 | 970 | 970 | 965 | 0.52% | 1.57% | 1.57% | 1.05% |
| MPPA | 3,195 | 3,165 | 3,150 | 3,190 | 3,170 | -0.94% | -1.41% | -0.16% | -0.78% |
| SMRA | 1,265 | 1,255 | 1,255 | 1,270 | 1,250 | -0.79% | -0.79% | 0.40% | -1.19% |
| ASRI | 483 | 470 | 475 | 500 | 475 | -2.69% | -1.66% | 3.52% | -1.66% |
| WIKA | 2,870 | 2,855 | 2,855 | 2,880 | 2,845 | -0.52% | -0.52% | 0.35% | -0.87% |
| LSIP | 1,810 | 1,765 | 1,765 | 1,795 | 1,770 | -2.49% | -2.49% | -0.83% | -2.21% |
| BBTN | 1,085 | 1,070 | 1,070 | 1,090 | 1,070 | -1.38% | -1.38% | 0.46% | -1.38% |
| INVS | 885 | 935 | 945 | 945 | 955 | 5.65% | 6.78% | 6.78% | 7.91% |
| BJBR | 820 | 815 | 815 | 825 | 815 | -0.61% | -0.61% | 0.61% | -0.61% |
| RALS | 995 | 985 | 1,000 | 1,005 | 1,010 | -1.01% | 0.50% | 1.01% | 1.51% |

| Last report 1 week forecast check | | | Price Movement | | Deviation* |
|-----------------------------------|----------------------|--------------------|----------------|-----------|-----------------|
| Last Price 5-Sep-14 | Last Price 12-Sep-14 | Forecast 12-Sep-14 | Actual | Forecast | Forecast/actual |
| 7,650 | 7,225 | 7,625 | Down | Down | 5.5% |
| 31,825 | 31,300 | 31,650 | Down | Down | 1.1% |
| 12,100 | 12,050 | 11,975 | Down | Down | -0.6% |
| 2,730 | 2,790 | 2,735 | Up | Up | -2.0% |
| 10,475 | 10,200 | 10,575 | Down | Up | 3.7% |
| 10,950 | 10,575 | 11,050 | Down | Up | 4.5% |
| 5,975 | 5,950 | 6,025 | Down | Up | 1.3% |
| 16,375 | 15,775 | 16,375 | Down | No change | 3.8% |
| 55,000 | 55,000 | 55,125 | No change | Up | 0.2% |
| 24,100 | 23,150 | 24,225 | Down | Up | 4.6% |
| 5,725 | 5,650 | 5,590 | Down | Down | -1.1% |
| 1,680 | 1,665 | 1,690 | Down | Up | 1.5% |
| 21,550 | 20,850 | 22,150 | Down | Up | 6.2% |
| 10,900 | 11,275 | 10,825 | Up | Down | -4.0% |
| 6,975 | 7,050 | 7,050 | Up | Up | 0.0% |
| 3,985 | 3,940 | 4,045 | Down | Up | 2.7% |
| 2,760 | 2,740 | 2,785 | Down | Up | 1.6% |
| 3,865 | 3,845 | 3,895 | Down | Up | 1.3% |
| 6,475 | 6,575 | 6,220 | Up | Down | -5.4% |
| 6,375 | 6,375 | 6,350 | No change | Down | -0.4% |
| 4,000 | 3,925 | 4,005 | Down | Up | 2.0% |
| 1,355 | 1,305 | 1,370 | Down | Up | 5.0% |
| 13,875 | 13,275 | 14,175 | Down | Up | 6.8% |
| 1,045 | 1,000 | 1,060 | Down | Up | 6.0% |
| 1,955 | 1,930 | 1,930 | Down | Down | 0.0% |
| 1,645 | 1,550 | 1,675 | Down | Up | 8.1% |
| 2,885 | 2,735 | 2,865 | Down | Down | 4.8% |
| 5,250 | 5,225 | 5,295 | Down | Up | 1.3% |
| 870 | 855 | 875 | Down | Up | 2.3% |
| 430 | 409 | 432 | Down | Up | 5.6% |
| 1,180 | 1,140 | 1,200 | Down | Up | 5.3% |
| 371 | 349 | 377 | Down | Up | 8.0% |
| 1,115 | 1,080 | 1,120 | Down | Up | 3.7% |
| 1,000 | 955 | 995 | Down | Down | 4.2% |
| 3,160 | 3,195 | 3,110 | Up | Down | -2.7% |
| 1,230 | 1,265 | 1,250 | Up | Up | -1.2% |
| 495 | 483 | 500 | Down | Up | 3.5% |
| 2,905 | 2,870 | 2,930 | Down | Up | 2.1% |
| 1,880 | 1,810 | 1,935 | Down | Up | 6.9% |
| 1,140 | 1,085 | 1,150 | Down | Up | 6.0% |
| 1,230 | 885 | 1,235 | Down | Up | 39.5% |
| 840 | 820 | 845 | Down | Up | 3.0% |
| 970 | 995 | 975 | Up | Up | -2.0% |

| Stocks | Last Price (Actual) | Prediction | | | | Potential Gain/Loss (Prediction/Last Price) | | | |
|-----------------|----------------------------|------------|-----------|----------|-----------|---------------------------------------------|-----------|----------|-----------|
| | Friday, September 12, 2014 | 19-Sep-14 | 26-Sep-14 | 3-Oct-14 | 10-Oct-14 | 19-Sep-14 | 26-Sep-14 | 3-Oct-14 | 10-Oct-14 |
| BKSL | 112 | 110 | 110 | 115 | 110 | -1.79% | -1.79% | 2.68% | -1.79% |
| APLN | 371 | 370 | 370 | 374 | 369 | -0.27% | -0.27% | 0.81% | -0.54% |
| PNLF | 253 | 251 | 252 | 256 | 249 | -0.79% | -0.40% | 1.19% | -1.58% |
| BBKP | 735 | 730 | 730 | 745 | 720 | -0.68% | -0.68% | 1.36% | -2.04% |
| BIPI | 129 | 126 | 130 | 131 | 129 | -2.33% | 0.78% | 1.55% | 0.00% |
| SSIA | 800 | 795 | 799 | 805 | 800 | -0.62% | -0.12% | 0.63% | 0.00% |
| Index | 100 | 99.97 | 100.02 | 100.45 | 99.97 | | | | |
| Change in Index | | -0.03% | 0.02% | 0.45% | -0.03% | | | | |

| Last report 1 week forecast check | | | Price Movement | | Deviation* |
|-----------------------------------|----------------------|--------------------|----------------|-----------|-----------------|
| Last Price 5-Sep-14 | Last Price 12-Sep-14 | Forecast 12-Sep-14 | Actual | Forecast | Forecast/actual |
| 117 | 112 | 119 | Down | Up | 6.3% |
| 390 | 371 | 405 | Down | Up | 9.2% |
| 256 | 253 | 258 | Down | Up | 2.0% |
| 740 | 735 | 740 | Down | No change | 0.7% |
| 130 | 129 | 132 | Down | Up | 2.3% |
| 850 | 800 | 865 | Down | Up | 8.1% |

*Positive sign means our price forecast is higher than actual price by xx %, while negative sign means the price forecast is lower than actual by xx %

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