

Tuesday, 3 March 2015

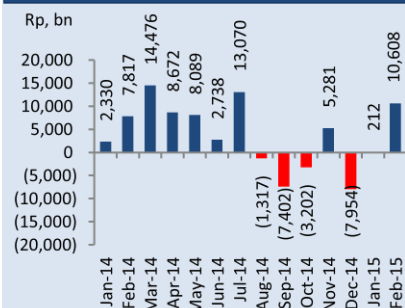
**OVERWEIGHT**

## Weekly Report

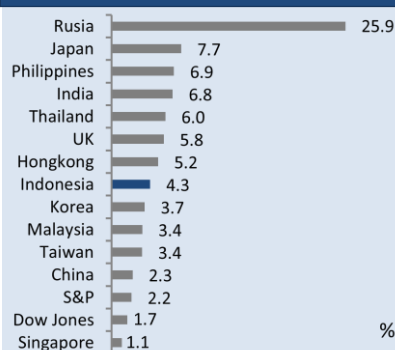
### Deflation accelerates

Less noise on the political front coupled with continued macro improvements has underpinned the market's upward trend which has resulted in fresh highs. Foreign inflows continued to increase: reaching IDR10.6t in February, the highest in 7 months. More good news comes in the announcement of further deflation in February, reaching 0.36% m-m, mainly on lower food and transportation prices. This month, however, the accelerating deflation trend may be broken due to the recent hikes in gasoline and LPG canister prices. Encouragingly, the deflation may give BI more room to cut its benchmark rate further, not only helping to accelerate economic growth but also providing support for the currently weak IDR.

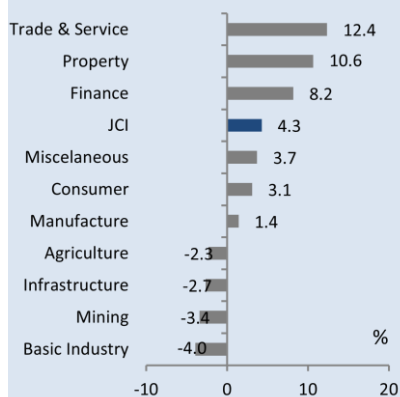
#### Foreign Fund Flows



#### 2015 Ytd Regional Performance



#### 2015 Ytd Sectoral Performance



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

#### Further deflation in February – more interest rate cuts to come?

Developments on the macro front remain favorable - as seen in the further deflation in February. The deflation in February was all the more remarkable given the widely-publicized increases in rice prices during the month. In February, deflation reached 0.36% m-m, or even greater than January's deflation of 0.24%. February's deflation owed to two main factors: 1. Easing food prices with deflation of 1.47% m-m (on lower prices of spices) and 2. Easing prices in the transportation component with deflation of 2.3% m-m. By comparison, the impact of higher rice prices on inflation was relatively low at only 0.11%. The deflation in February brings down overall inflation to only 6.29% from 6.96% in January and 8.36% at the end of 2014. Historically, inflationary pressure is low in both March and April, especially with the start of the main harvesting season in Indonesia. Nonetheless, the recent hikes in both gasoline and LPG canister prices could break the trend of accelerating deflation in March.

With continued deflation, all eyes are now on BI to see whether it cuts interest rates further after reducing its benchmark BI rate by 25 bps two weeks ago. In our view, the recent rate cut highlights two main points: firstly that BI's inflation targeting framework is still in place, suggesting that further deflation would lead to more rate cuts in the future, and secondly that BI has greater flexibility (and is more willing) to move away from its tight monetary policy stance. We view that more relaxed monetary policy is crucial to help the government achieve its ambitious 5.7% economic growth target this year. As such, further rate cuts could be on the cards, and if they do materialize, this would bode well for the stock market going forward. Our economist expects for a rate cut in Mar-May period and another cut in Nov-Dec period, totalling 50 bps.

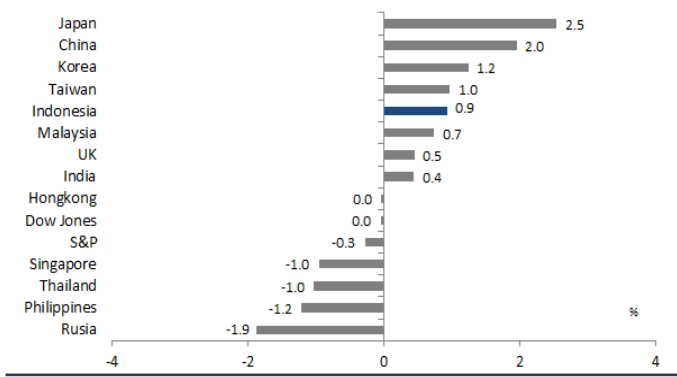
#### Fuel price hikes in March and a weak IDR

With rising crude oil prices in February, the government has decided to raise gasoline prices by IDR200 to IDR6,800/liter (up 3%) whilst maintaining the price of diesel fuel at IDR6,400/liter, arguably to minimize the impact on overall inflation. The increase in gasoline prices is, however, much less than the 18% m-m increase in the average Brent oil price in February of USD58.8/barrel, implying that: 1. the government still controls the balance between a larger fuel subsidies budget (and higher deficit) and inflation, with the risk on the former much smaller at this juncture; and 2. The possibility of further increases in gasoline prices – although minimal – since the spot Brent oil price now stands above USD60/barrel. In the short term, rupiah weakness remains a main concern. Whilst macro improvements have taken place, the currency has continued to move south, and the IDR even touched the psychologically-important level of IDR13,000/USD. Nonetheless, we still believe that IDR strengthening will gradually transpire, especially in 2H when the impact of the government's efforts to accelerate growth start to show.

#### The market's rerating continues

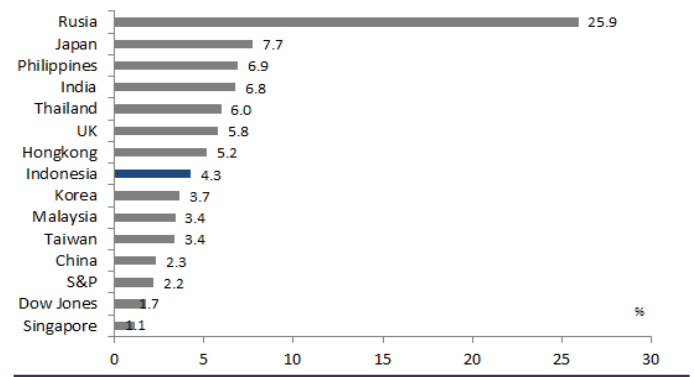
Less noise on the political front coupled with continued macro improvements has underpinned the market's upward trend which has resulted in fresh highs. Last week, the JCI went up 0.9%, with YTD performance reaching 4.3%. Weekly inflows surged to IDR3.38t last week, bringing the total monthly inflows in February up to IDR10.6t, the highest monthly inflow in 7 months. In the short term, the market will focus on: 1. the release of more 2014 corporate results; 2. BI's rate policy following the announcement of further deflation in February; and 3. progress on budget spending, especially on infrastructure. In regard to point one, 15 companies under our coverage have so far released their 2014 figures. Overall the results are pretty much inline with expectations. Banks and construction stand out while the heavy weight Astra International was hit by impairments on its coal assets.

**Exhibit 1. Regional weekly performance**



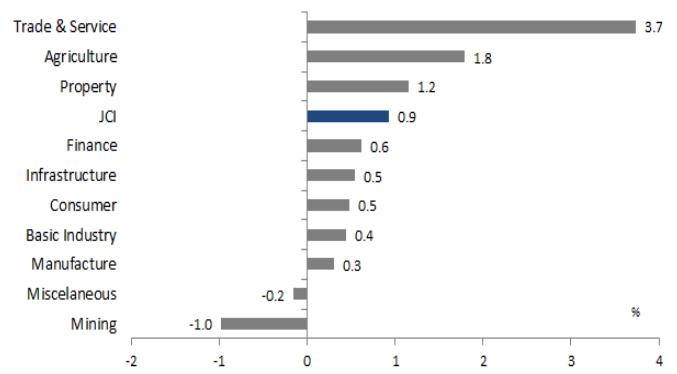
Source: Bloomberg, as of 27 Feb 2015

**Exhibit 2. Regional Ytd 2015 performance**



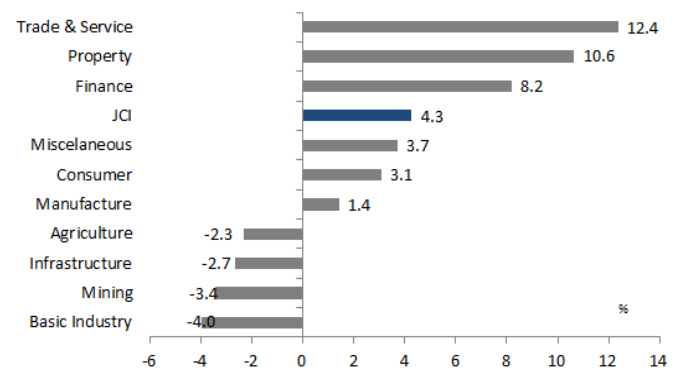
Source: Bloomberg, as of 27 Feb 2015

**Exhibit 3. Sector weekly performance**



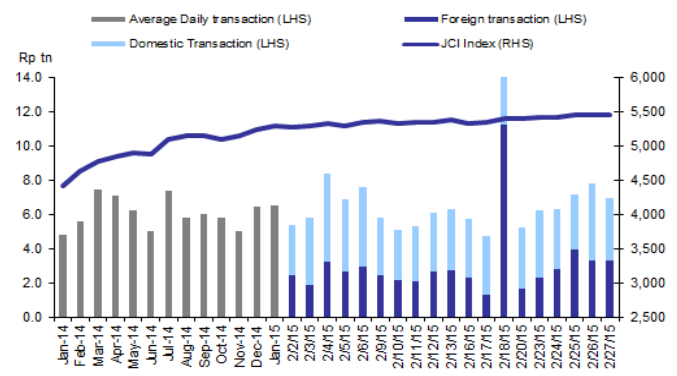
Source: Bloomberg, as of 27 Feb 2015

**Exhibit 4. Sector Ytd 2015 performance**



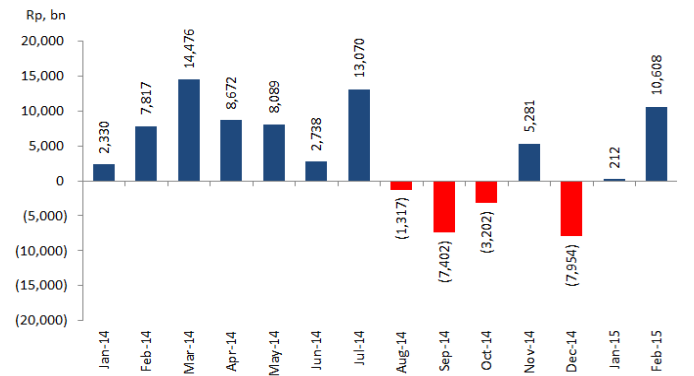
Source: Bloomberg, as of 27 Feb 2015

**Exhibit 5. Average daily transactions**



Source: IDX, as of 27 Feb 2015

**Exhibit 6. Foreign fund flows**



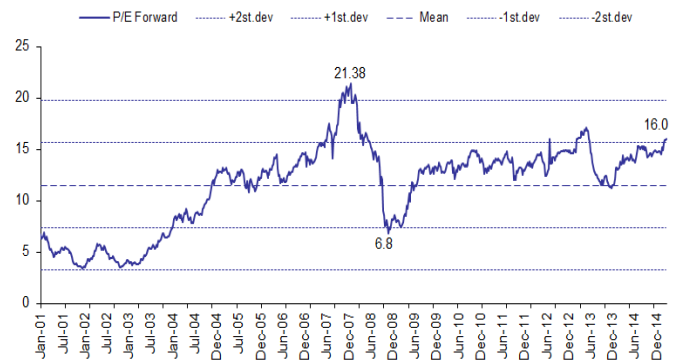
Source: IDX, as of 27 Feb 2015

**Exhibit 7. Regional market valuations**

	2015F	2016F
Philippines	19.6	17.3
Malaysia	16.1	14.8
NKY	19.9	17.5
Singapore	14.1	12.8
JCI	15.8	13.5
Dow Jones	16.9	15.2
Sensex	19.2	16.2
Thailand	15.4	13.5
FTSE	16.0	14.0
Hongkong	11.6	10.5
China	12.6	11.0
Taiwan	13.3	12.4
<b>Average</b>	<b>15.5</b>	<b>13.8</b>

Source: Bloomberg, as of 27 Feb 2015

**Exhibit 8. JCI Valuation**



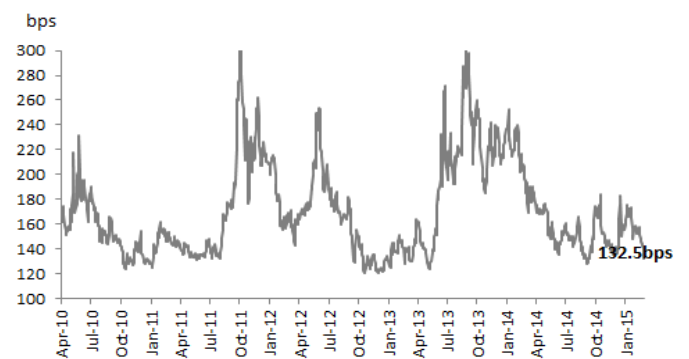
Source: Danareksa Sekuritas, as of 27 Feb 2015

**Exhibit 9. USD/IDR performance**



Source: Bloomberg, as of 27 Feb 2015

**Exhibit 10. CDS - 5 years**



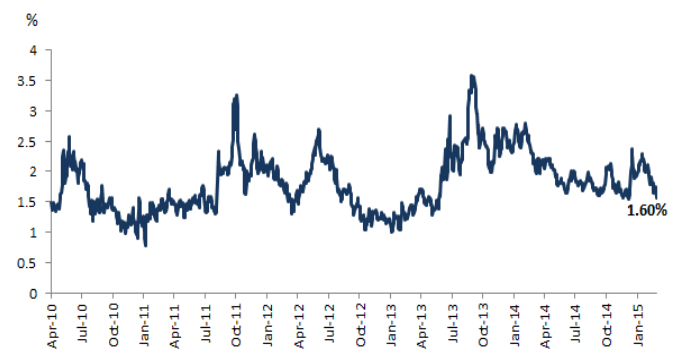
Source: Bloomberg, as of 27 Feb 2015

**Exhibit 11. Danareksa bonds yield index**



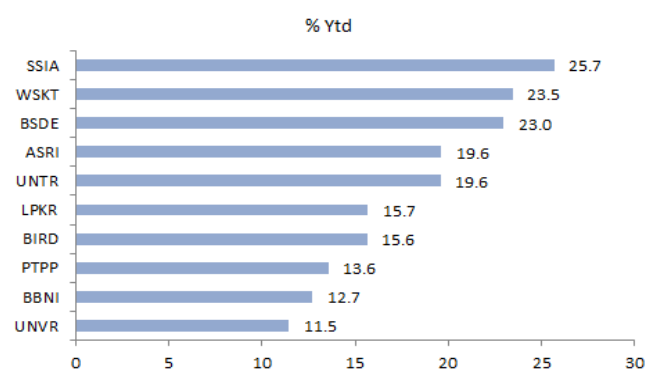
Source: Danareksa Sekuritas, as of 27 Feb 2015

**Exhibit 12. Country risk premium**



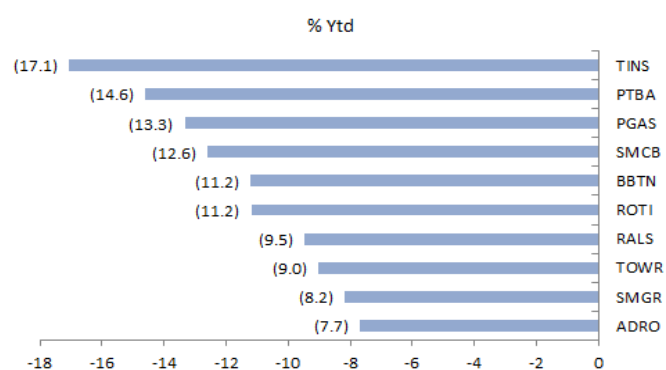
Source: Danareksa Sekuritas, as of 27 Feb 2015

Exhibit 13. Winners within our coverage



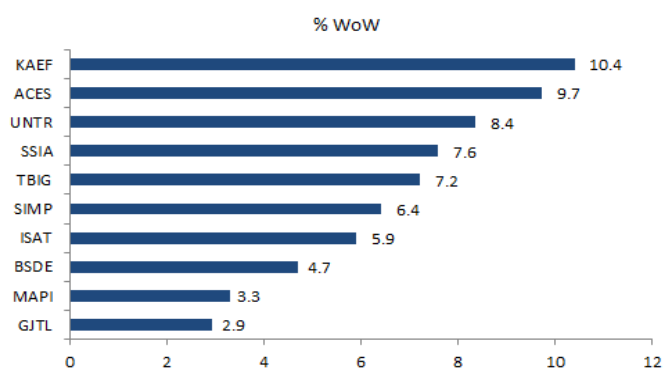
Source: Bloomberg and Danareksa Sekuritas, as of 27 Feb 2015

Exhibit 14. Losers within our coverage



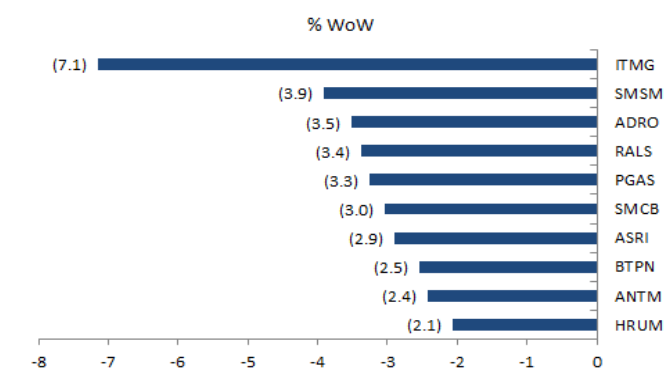
Source: Bloomberg and Danareksa Sekuritas, as of 27 Feb 2015

Exhibit 15. Winners within our coverage (Weekly)



Source: Bloomberg and Danareksa Sekuritas, as of 27 Feb 2015

Exhibit 16. Losers within our coverage (Weekly)



Source: Bloomberg and Danareksa Sekuritas, as of 27 Feb 2015

Exhibit 17. Fuel price adjustment until March 2015

	Previous Price (IDR/ltr)	Price adjustment (IDR/ltr)	Price adjustment (%)	New Retail Price, inc tax (IDR/ltr)
<b>Price Hike in November 2014</b>				
Gasoline (Premium)	6,500	2,000	30.8	8,500
Diesel Fuel	5,500	2,000	36.4	7,500
<b>Price Adjustment in Jan 1, 2015</b>				
Gasoline (Premium)	8,500	-900	-10.6	7,600
Diesel Fuel	7,500	-250	-3.3	7,250
<b>Price Adjustment in Jan 19, 2015</b>				
Gasoline (Premium)	7,600	-1,000	-13.2	6,600
Diesel Fuel	7,250	-850	-11.7	6,400
<b>Price Adjustment in Mar 1, 2015</b>				
Gasoline (Premium)	6,600	200	3.0	6,800
Diesel Fuel	6,400	0	0.0	6,400

Source: Various publications

## Exhibit 19. FY14 Results

	Revenue (Rp bn)		Result	
	Actual	Estimate (FY14)	YoY Growth (%)	A/F
BMRI (NII)	39,132	36,247	16	108.0
BBNI (NII)	22,376	20,959	17	106.8
AALI	16,306	15,439	29	105.6
BBRI (NII)	51,442	49,383	17	104.2
LSIP	4,727	4,538	14	104.2
SIMP	14,963	14,558	13	102.8
UNTR	53,141	52,412	4	101.4
BBTN (NII)	5,480	5,509	(3)	99.5
JSMR	6,646	6,724	15	98.8
EXCL	23,460	23,757	10	98.7
ASII	201,701	204,549	4	98.6
WSKT	10,287	10,523	6	97.8
KLBF	17,365	17,821	9	97.4
INCO	12,332	12,701	28	97.1
ADHI	8,654	9,589	(12)	90.2
<b>Overall FY14 Result</b>	<b>488,012</b>	<b>484,709</b>	<b>8</b>	<b>100.7</b>

	Net Profit (Rp bn)		Result	
	Actual	Estimate (FY14)	YoY Growth (%)	A/F
ADHI	324	268	(20)	120.9
WSKT	502	420	36	119.5
INCO	2,044	1,842	402	111.0
BBNI	10,783	9,942	19	108.5
BBTN	1,116	1,075	(29)	103.8
BBRI	24,254	23,750	14	102.1
BMRI	19,872	19,463	9	102.1
KLBF	2,051	2,104	7	97.5
UNTR	5,370	5,532	11	97.1
LSIP	917	973	19	94.3
AALI	2,504	2,666	39	93.9
ASII	19,181	20,753	(1)	92.4
SIMP	842	917	57	91.8
JSMR	1,403	1,580	36	88.8
EXCL	(891)	(624)	(186)	142.8
<b>Overall FY14 Result</b>	<b>90,271</b>	<b>90,660</b>	<b>9</b>	<b>99.6</b>

Source: Company, Danareksa Sekuritas

## Exhibit 20. One week report wrap

Date	Company	Title	Key Point
2-Mar-15	Mitra Keluarga	Set to go public	Mitra Keluarga is Indonesia's largest hospital chain in terms of patient numbers. From the Initial Public Offering the company expects to raise around IDR3.8tn – IDR4.7tn (around USD293-USD364mn). The company will offer 18% of its shares to the public priced between IDR14,500 to IDR18,000.
2-Mar-15	ASII	Time for a change	ASII's strategy, which focuses on protecting its market share against Honda's more aggressive forays, still lacks clarity. ASII's management also explained that its decision on coal assets impairment highlights its transparency, whilst stating that infrastructure would be the next key driver for the company. HOLD.
27-Feb-15	TBIG	Some colors on the share swap	Tower Bersama (TBIG) leaked its unaudited FY14 result in its prospectus for non-preemptive rights issuance. FY14 net profit inched up by 4% YoY to IDR1.30tn and came below our and consensus estimate. Meanwhile, operating profit came at IDR2.50tn, below our estimate of IDR2.71tn and slightly below consensus. maintain SELL.
27-Feb-15	JSMR	January 2015 traffic: Holding up y-y	Toll road traffic is generally the lowest in the first two months of the year due to seasonality. In January 2015, JSMR's traffic was 4.3% m-m lower at 3.55mn vehicles/day but still an impressive 7.0% y-y higher thanks to the contribution from last year's new sections. All in all, total traffic reached 109.6mn vehicles in the first month of 2015. Maintain BUY.
25-Feb-15	ITMG	Expect Stagnant Coal Production	Takeaways from the recent analyst meeting of Indo Tambangraya Megah (ITMG) include the company's forecast of: a) flat growth in coal production for 2015, with sales volume to increase slightly and b) further cash cost reductions supported by a lower expected stripping ratio and the slump in crude oil prices. We reduce our Target Price to Rp18,500. HOLD.
24-Feb-15	Construction Sector	January 2015 new contracts	The four listed state-contractors have started the year slowly, awaiting approval of the 2015 revised state budget. In January 2015, total combined new contracts only reached Rp1.8tn, with each individual company's new monthly contracts ranging from Rp191bn to Rp1,072bn. This is, however, in line with the historical pattern in which January is typically one of the weakest months of the year considering that the tender process has not yet begun, especially in relation to government projects. Overweight.
24-Feb-15	Weekly report	At an all-time high	The market continues to break all-time highs, mainly fuelled by the unexpected cut in BI's benchmark interest rate. In our view, more relaxed monetary policy this year is crucial to help the government achieve its ambitious 5.7% economic growth target. On the political front, Jokowi's firmness in nominating an alternative candidate for the position as national police chief will help dampen the recently high political tensions. Maintain Overweight

Source: Danareksa Sekuritas

Stocks	Last Price (Actual)	Prediction				Potential Gain/Loss (Prediction/Last Price)			
	Thursday, February 27, 2014	6-Mar-14	13-Mar-14	20-Mar-14	27-Mar-14	6-Mar-14	13-Mar-14	20-Mar-14	27-Mar-14
ASII	7,850	7,900	7,875	7,875	7,925	0.64%	0.32%	0.32%	0.96%
UNVR	36,000	36,100	36,075	36,025	36,000	0.28%	0.21%	0.07%	0.00%
BBCA	14,100	13,925	13,825	13,975	13,975	-1.24%	-1.95%	-0.89%	-0.89%
TLKM	2,935	2,960	2,965	2,975	2,980	0.85%	1.02%	1.36%	1.53%
BMRI	12,000	11,825	11,750	11,850	11,850	-1.46%	-2.08%	-1.25%	-1.25%
BBRI	12,875	12,825	12,875	13,000	13,000	-0.39%	0.00%	-0.97%	-0.97%
PGAS	5,200	5,250	5,250	5,275	5,275	0.96%	0.96%	1.44%	1.44%
SMGR	14,875	14,975	15,025	15,000	15,025	0.67%	1.01%	0.84%	1.01%
GGRM	53,425	54,250	54,025	54,100	54,125	1.54%	1.12%	1.26%	1.31%
INTP	24,050	24,050	24,150	24,100	24,075	0.00%	0.42%	0.21%	0.10%
BBNI	6,875	6,875	6,875	6,925	6,925	0.00%	0.00%	0.73%	0.73%
KLBF	1,805	1,830	1,820	1,820	1,825	1.39%	0.83%	0.83%	1.11%
UNTR	20,750	20,100	20,000	20,300	20,300	-3.13%	-3.61%	-2.17%	-2.17%
ICBP	14,300	14,425	14,225	14,175	14,175	0.87%	-0.52%	-0.87%	-0.87%
INDF	7,400	7,475	7,450	7,425	7,425	1.01%	0.68%	0.34%	0.34%
CPIN	3,785	3,830	3,795	3,795	3,800	1.19%	0.26%	0.26%	0.40%
MNCN	3,150	3,160	3,105	3,105	3,115	0.32%	-1.43%	-1.43%	-1.11%
BDMN	4,800	4,675	4,620	4,665	4,665	-2.60%	-3.75%	-2.81%	-2.81%
EXCL	4,795	4,845	4,735	4,750	4,770	1.04%	-1.25%	-0.94%	-0.52%
JSMR	7,100	7,200	7,075	7,100	7,100	1.41%	-0.35%	0.00%	0.00%
SCMA	3,650	3,715	3,725	3,720	3,765	1.78%	2.05%	1.92%	3.15%
ADRO	960	980	935	950	955	2.08%	-2.60%	-1.04%	-0.52%
PTBA	10,675	10,600	10,475	10,525	10,500	-0.70%	-1.87%	-1.41%	-1.64%
LPKR	1,180	1,195	1,170	1,170	1,170	1.27%	-0.85%	-0.85%	-0.85%
BMTR	2,015	2,010	1,975	1,985	1,990	-0.25%	-1.99%	-1.49%	-1.24%
BSDE	2,220	2,250	2,205	2,200	2,200	1.35%	-0.68%	-0.90%	-0.90%
SMCB	1,910	1,930	1,915	1,910	1,920	1.05%	0.26%	0.00%	0.52%
AKRA	4,870	4,895	4,820	4,835	4,845	0.51%	-1.03%	-0.72%	-0.51%
PNBN	1,100	1,090	1,075	1,080	1,060	-0.91%	-2.27%	-1.82%	-3.64%
PWON	550	565	555	555	555	2.73%	0.91%	0.91%	0.91%
ANTM	1,005	1,020	995	1,005	1,010	1.49%	-1.00%	0.00%	0.50%
JPFA	900	895	875	880	890	-0.56%	-2.78%	-2.22%	-1.11%
BHIT	340	323	325	322	329	-5.00%	-4.41%	-5.29%	-3.24%
CTRA	1,485	1,495	1,506	1,505	1,505	0.67%	1.41%	1.35%	1.35%
ACES	845	860	840	840	850	1.78%	-0.59%	-0.59%	0.59%
MPPA	4,180	4,215	4,180	4,190	4,190	0.84%	0.00%	0.24%	0.24%
SMRA	1,815	1,860	1,822	1,820	1,820	2.48%	0.39%	0.28%	0.28%
ASRI	670	690	665	660	665	2.99%	-0.75%	-1.49%	-0.75%
WIKA	3,660	3,690	3,670	3,660	3,660	0.82%	0.27%	0.00%	0.00%
LSIP	1,880	1,890	1,845	1,850	1,855	0.53%	-1.86%	-1.60%	-1.33%
BBTN	1,070	1,080	1,050	1,060	1,070	0.93%	-1.87%	-0.93%	0.00%
INVS	117	119	112	119	119	1.71%	-4.27%	1.71%	1.71%
BJBR	980	990	955	965	965	1.02%	-2.55%	-1.53%	-1.53%
RALS	715	730	730	730	735	2.10%	2.10%	2.10%	2.80%

1 week forecast check			Price Movement		Deviation*
Last Price 20-Feb-15	Last Price 27-Feb-15	Forecast 27-Feb-15	Actual	Forecast	Forecast/actual
7,850	7,850	7,875	No change	Up	0.3%
35,325	36,000	35,475	Up	Up	-1.5%
14,050	14,100	14,075	Up	Up	-0.2%
2,890	2,935	2,910	Up	Up	-0.9%
12,075	12,000	11,875	Down	Down	-1.0%
12,725	12,875	12,475	Up	Down	-3.1%
5,375	5,200	5,400	Down	Up	3.8%
14,750	14,875	14,725	Up	Down	-1.0%
55,000	53,425	55,625	Down	Up	4.1%
23,650	24,050	23,600	Up	Down	-1.9%
6,900	6,875	6,825	Down	Down	-0.7%
1,790	1,805	1,810	Up	Up	0.3%
19,150	20,750	19,300	Up	Up	-7.0%
14,200	14,300	14,275	Up	Up	-0.2%
7,350	7,400	7,475	Up	Up	1.0%
3,785	3,785	3,835	No change	Up	1.3%
3,075	3,150	3,070	Up	Down	-2.5%
4,650	4,800	4,655	Up	Up	-3.0%
4,825	4,795	4,885	Down	Up	1.9%
7,200	7,100	7,200	Down	No change	1.4%
3,710	3,650	3,705	Down	Down	1.5%
995	960	1,000	Down	Up	4.2%
10,600	10,675	10,750	Up	Up	0.7%
1,165	1,180	1,180	Up	Up	0.0%
1,855	2,015	1,875	Up	Up	-6.9%
2,120	2,220	2,130	Up	Up	-4.1%
1,970	1,910	1,980	Down	Up	3.7%
4,870	4,870	4,865	No change	Down	-0.1%
1,030	1,100	1,015	Up	Down	-7.7%
535	550	533	Up	Down	-3.1%
1,030	1,005	1,040	Down	Up	3.5%
825	900	840	Up	Up	-6.7%
287	340	289	Up	Up	-15.0%
1,500	1,485	1,515	Down	Up	2.0%
770	845	785	Up	Up	-7.1%
4,470	4,180	4,335	Down	Down	3.7%
1,830	1,815	1,805	Down	Down	-0.6%
690	670	670	Down	Down	0.0%
3,635	3,660	3,605	Up	Down	-1.5%
1,875	1,880	1,895	Up	Up	0.8%
1,055	1,070	1,060	Up	Up	-0.9%
117	117	118	No change	Up	0.9%
945	980	905	Up	Down	-7.7%
740	715	760	Down	Up	6.3%

Stocks	Last Price (Actual)	Prediction				Potential Gain/Loss (Prediction/Last Price)			
	Thursday, February 27, 2014	6-Mar-14	13-Mar-14	20-Mar-14	27-Mar-14	6-Mar-14	13-Mar-14	20-Mar-14	27-Mar-14
BKSL	145	149	146	146	151	2.76%	0.69%	0.69%	4.14%
APLN	459	465	465	463	467	1.31%	1.31%	0.87%	1.74%
PNLF	310	303	299	301	303	-2.26%	-3.55%	-2.90%	-2.26%
BBKP	795	805	790	800	805	1.26%	-0.63%	0.63%	1.26%
BIPI	111	113	112	114	114	1.80%	0.90%	2.70%	2.70%
SSIA	1,345	1,360	1,325	1,320	1,320	1.12%	-1.49%	-1.86%	-1.86%
Index	100	100.15	99.64	100.03	100.17				
Change in Index		0.15%	-0.36%	0.03%	0.17%				

1 week forecast check			Price Movement		Deviation*
Last Price 20-Feb-15	Last Price 27-Feb-15	Forecast 27-Feb-15	Actual	Forecast	Forecast/actual
133	145	138	Up	Up	-4.8%
471	459	480	Down	Up	4.6%
286	310	289	Up	Up	-6.8%
800	795	810	Down	Up	1.9%
112	111	113	Down	Up	1.8%
1,250	1,345	1,285	Up	Up	-4.5%

\*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 %

### DQM model commentary:

Last week JCI continued its rally, recorded a positive w-w return of 0.9% driven by a strengthening in all sectors other than miscellaneous and mining sectors. However, this is not inline with our model estimation as big banks such as BBKA and BBRI share price jumped. This week ,our DQM model expect another rally on market underpinned by strong performance by some big caps stocks such as ASII, UNVR, TLKM, PGAS and etc. Nonetheless, we expect some big banks to record negative return. As such, our model expects a positive movement on the JCI this week. (Please see the detail on table above).

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