

FROM EQUITY RESEARCH

Indosat Ooredoo: Takeaways from the 3Q18 con call; Ex-Java fever (ISAT IJ.IDR 2,030. BUY.TP IDR 3,100)

The main takeaway from our conference call with ISAT is that Ex-Java areas are seen as a land of opportunity for contender telcos given the investment appetite in other islands. Our view is that the incumbent's presence has paved the way for data services which should allow contenders to enter more quickly and ride on that footprint.

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- Government: Customs and excise tax collection is 82.87% of the full year target

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KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	6.014	(0,2)	(5,4)	481
Thailand	1.634	0,2	(6,8)	1.120
Philippines	7.414	0,2	(13,4)	136
Malaysia	1.685	(1,0)	(6,2)	337
Singapore	3.090	(0,1)	(9,2)	743
Regional				
China	2.575	(0,0)	(22,1)	21.201
Hong Kong	26.332	(0,2)	(12,0)	10.049
Japan	21.952	0,6	(3,6)	12.410
Korea	2.099	0,8	(14,9)	3.969
Taiwan	9.779	0,1	(8,1)	3.230
India	35.513	0,4	4,3	338
NASDAQ	7.083	0,0	2,6	104.957
Dow Jones	24.749	0,4	0,1	10.220

CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	14.515	0,5	4,7	(7,1)
BI7DRRR	%	6,00	0,3	0,3	1,8
10y Gov	Indo bond	7,88	(0,2)	(0,8)	1,6

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	102	0,1	(7,4)	0,7
Gold	US\$/toz	1.215	(0,0)	(1,5)	(6,8)
Nickel	US\$/mt.ton	10.804	(0,4)	(8,7)	(15,0)
Tin	US\$/mt.ton	18.889	0,4	(2,4)	(6,0)

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2.090	(0,3)	(6,5)	10,0
Corn	US\$/mt.ton	131	0,3	3,4	4,7
Oil (WTI)	US\$/barrel	52	1,0	(23,0)	(13,8)
Oil (Brent)	US\$/barrel	60	(0,4)	(22,4)	(10,0)
Palm oil	MYR/mt.ton	1.749	(1,0)	(13,8)	(26,8)
Rubber	US\$/kg	121	(1,3)	(7,0)	(17,4)
Pulp	US\$/tonne	1.205	N/A	2,8	20,5
Coffee	US\$/60kgbag	84	1,2	(0,1)	(6,0)
Sugar	US\$/MT	336	(0,8)	(9,8)	(14,8)
Wheat	US\$/ton	138	(1,5)	(3,4)	2,7
Soy Oil	US\$/lb	27	0,7	(3,6)	(17,9)
Soy Bean	US\$/by	876	1,5	3,6	(8,0)

Wednesday, 28 November 2018

BUY
Maintain

Last price (IDR) 2,030
Target Price (IDR) 3,100
Upside/Downside +52.7%
Previous Target Price (IDR) 3,100

Stock Statistics

Sector Telco
Bloomberg Ticker ISAT IJ
No of Shrs (mn) 5,434
Mkt. Cap (IDRbn/USDmn) 11,031/762
Avg. daily T/O (IDRbn/USDmn) 3.5/0.2

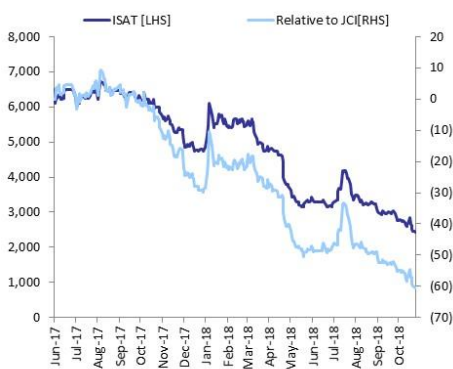
Major shareholders (%)

Ooredoo Asia Pte. Ltd. 65.0
Government 14.3
Estimated free float 20.7

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	(416.0)	(275.1)	(181.4)
Consensus	(220.3)	(88.7)	(20.2)
Danareksa/Cons	88.9	210.2	798.9

ISAT relative to JCI Index



Source : Bloomberg



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Indosat Ooredoo (ISAT IJ)

Takeaways from 3Q18 con call; Ex-Java fever

The main takeaway from our conference call with ISAT is that Ex-Java areas are seen as a land of opportunity for contender telcos given the investment appetite in other islands. Our view is that the incumbent's presence has paved the way for data services which should allow contenders to enter more quickly and ride on that footprint.

Ex-Java land of opportunity ISAT CEO reassured in his remarks that ex-Java expansion is on track by strengthening presence in South Kalimantan and South Sulawesi showing 26% and 14% growth respectively after launching in September, while already being present in Lampung from earlier quarters. ISAT aims 80% 4G population coverage end '18, (56% in June, 71% currently), while ex-Java 4G coverage is aimed at 60% from when it was 27% at beginning of 2018 by expanding even further to adjacent areas of those ex-Java cities. Additionally, user download speed has improved by 50%yoy. Management says the growth is continuing in 4Q18 relying in ex-Java coverage expansion.

Positive pricing sentiment maintained Management sees that data prices have increased overall in the industry including theirs referencing on the growth of its 3Q18 ARPU to Rp21.6k (+35.8%qoq, +5.1%yoy), while confirming that this trend continues. We think ISAT's rhetoric has been consistent so far in terms of pricing improvements post sim-reregistration, while we also see data yield in 3Q has stabilized.

On the sources for \$2 bn capex. Company still devises the financing plan for its \$2 bn capex (~Rp29 tn) for 2019-21 period while its internal budget is set FY19 target at Rp10.3 tn. Company has net debt / EBITDA is 2.5x in 3Q18 and key debt covenant is 4x, and indicated that ratio will remain elevated to partly finance capex expecting to be balanced out with EBITDA growth.

Management guidance explained. Management has changed the FY18 EBITDA margin guidance to mid 30s from high 30s due to challenging 1H18 performance. Part of its digital transformation will be on getting more efficiencies in OPEX and CAPEX. Capex guidance is maintained at Rp8 tn, having spent 9M about Rp4.86 tn while in 3Q18 we saw personnel cost coming down on fewer employees, while G&A was up due to one-off bad debt provision. ISAT guides FY18 revenue to grow below industry level, and drivers going forward will be a combination of increasing subscriber base by improving a) overall customer experience and b) network coverage and better rationalization of data prices.

BUY maintained. The above reaffirm our view that ISAT draws a positive trajectory, seeing 3Q revenue improvement and Company working to sustain that trend. We are awaiting for a) updates on the funding (towers disposals seems to be in play) b) how KPIs will develop as we look 3Q 4G BTS additions adding #1570 vs. EXCL's 3,160. We maintain our BUY recommendation, with TP:Rp3100, and seeing limited downside risk.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	29,185	29,926	22,628	23,911	25,764
EBITDA (IDRbn)	12,864	12,763	6,973	8,631	9,768
EBITDA Growth (%)	12.1	(0.8)	(45.4)	23.8	13.2
Net profit (IDRbn)	1,105	1,136	(2,261)	(1,495)	(986)
EPS (IDR)	203.4	209.0	(416.0)	(275.1)	(181.4)
EPS growth (%)	(184.4)	2.8	(299.0)	(33.9)	(34.1)
BVPS (IDR)	2,456.8	2,575.8	2,159.8	3,724.9	4,647.7
DPS (IDR)	103.1	0.0	0.0	0.0	0.0
PER (x)	16.0	15.6	n/m	n/m	n/m
PBV (x)	1.3	1.3	1.5	0.9	0.7
Dividend yield (%)	3.2	0.0	0.0	0.0	0.0
EV/EBITDA (x)	2.8	2.8	5.0	3.4	2.8

Source : ISAT, Danareksa Estimates

MARKET NEWS

MACROECONOMY

Bank Indonesia: Preparing for global economic turmoil in 2019

BI still foresees the risk of global economic uncertainty ahead. Therefore, BI has prepared 5 plans to control financial stability: 1) through pre-emptive and ahead-of-the-curve monetary policy (increasing benchmark rates by 175bps since the beginning of the year), 2) macroprudential relaxation through the macroprudential intermediate ratio (RIM) and macroprudential liquidity buffer (PLM) to support SMEs, exporters, the tourism sector and prioritized sectors, 3) non cash development through the National Payment Gate (GPN), 4) accelerating financial market development through electronic trading platforms and a central counterparty for derivatives transactions, and 5) developing the Sharia economy through Sukuk Bank Indonesia. (Kontan)

Government: Customs and excise tax collection is 82.87% of the full year target

The Directorate General of Customs reported that customs and excise tax collection as of November 2018 had reached IDR 160.85tn or 82.87% of the 2018 target. Customs-in reached IDR 34.88tn or 97.7% of the annual target and customs-out reached IDR 6.07tn or up by 202%yoy. Meanwhile, the excise tax collection reached IDR 119.9tn or 77.2% of the 2018 target (+13.8%yoy). (Bisnis Indonesia)

SECTOR

Government claims that biodiesel incentives are sufficient to support the B20 program up to FY19

The Indonesian government claims that the Indonesia Estate Crop Fund will have enough funds to support the B20 program up to FY19, although discussions will be regularly held to ensure sustainability. As of 9M18, the Indonesia Estate Crop Fund had managed to collect Rp11.7tn, of which only Rp5.4tn had been channeled as biodiesel incentives. (Bisnis Indonesia)

CORPORATE

Adhi Karya: New contracts are only 54% of the full year target

Adhi Karya (ADHI) booked new contracts as of the third week of Nov 18 of IDR12.6tn. This figure is only 54% of the full year target of IDR23.4tn. Around 90% of the new contracts are from infrastructure and the energy division, while property accounted for 8%. By project owner, 46% of the new contracts are private, 28% are SOE projects, and 26% are government projects. Hence, the order book in 2018 is targeted to reach IDR59.6tn, including IDR36.2tn of carry over contracts. (Kontan)

Astra International: Toyota expected to maintain market share of 31% in 2019

Toyota Astra Motor (TAM) said that the company hopes to maintain the market share of Toyota in the domestic car market at around 30 – 31% in 2019. With domestic car sales expected to surpass 1mn units in 2019, Toyota targets sales of around 300 – 310k. As of 10M18, Toyota had 326 outlets, up from 317 outlets at the end of 2017. (Kontan)

Comment: Based on data from Gaikindo, the sales volume of Toyota (including Lexus) in 10M18 reached 294,732 units implying market share of 30.6%. For 2019, we expect domestic car sales to grow by 3% yoy to 1.16mn units.

DANAREKSA VALUATION GUIDE

Equity Valuation		Rating	Price (Rp)	Price Target	Mkt Cap Rp bn	Net profit, Rp bn		EPS (Rp)		Core EPS (Rp)		EPS Growth		PER (x)		EV / EBITDA (x)		PBV (x)		ROE		
					2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Danareksa Universe					3,851,800	223,175	247,560	218,6	242,5	396,7	432,7	12,0%	10,9%	17,3	15,6	18,5	17,0	2,8	2,5	17,1	17,1	
Auto					340,062	19,727	21,517	396,7	432,7	487	532	4,5%	9,1%	17,2	15,8	12,7	11,6	2,5	2,3	15,3	15,4	
Astra International	ASII	BUY	8.400	8.600	340.062	19.727	21.517	487	532	488	522	4,5%	9,1%	17,2	15,8	12,7	11,6	2,5	2,3	15,3	15,4	
Banks					1,654,024	102,396	115,850	457,3	517,4	1,065	1,215	14,3%	13,1%	16,2	14,3	N/A	N/A	2,5	2,2	16,5	16,6	
BCA	BBCA	HOLD	25.500	22.700	628.703	26.257	29.958	1.065	1.215	1.065	1.215	12,6%	14,1%	23,9	21,0	N/A	N/A	4,1	3,5	18,5	18,0	
BNI	BNNI	BUY	8.650	9.500	161.311	15.262	16.720	818	897	818	897	12,1%	9,6%	10,6	9,6	N/A	N/A	1,5	1,3	14,6	14,2	
BRI	BBRI	BUY	3.600	4.350	444.045	32.924	38.684	267	314	267	314	13,5%	17,6%	13,5	11,5	N/A	N/A	2,4	2,1	18,6	19,3	
Bank Tabungan Negara	BBTN	BUY	2.640	3.600	27.958	3.490	3.794	330	358	330	358	15,4%	8,5%	8,0	7,4	N/A	N/A	1,1	1,0	15,1	14,6	
Bank Mandiri	BMRI	BUY	7.450	8.700	347.667	24.463	26.694	524	572	524	572	18,5%	9,1%	14,2	13,0	N/A	N/A	1,9	1,8	14,1	14,2	
BTFN	BTFN	HOLD	3.600	3.900	21.058	1.723	2.011	300	350	300	350	41,1%	16,7%	12,0	10,3	N/A	N/A	1,2	1,1	10,1	10,9	
BTPS	BTPS	BUY	1.710	2.100	13.173	906	1.174	118	152	118	152	21,6%	29,7%	14,5	11,2	N/A	N/A	3,4	2,8	29,4	27,3	
BPD Jatim	BJTM	BUY	675	830	10.110	1.259	1.350	84	90	84	90	8,6%	6,7%	8,0	7,5	N/A	N/A	1,2	1,1	15,5	15,5	
Cigarettes					567,722	21,749	24,066	184	204	184	204	6,5%	10,7%	26,1	23,6	17,9	16,3	6,8	6,2	27,2	27,5	
Gudang Garam	GGRM	BUY	80.450	80.800	154.793	8.282	9.133	4.304	4.747	4.304	4.747	6,8%	10,3%	18,7	16,9	12,0	11,0	3,2	2,8	18,3	17,7	
HM Sampoerna	HMSP	BUY	3.550	4.200	412.929	13.468	14.933	116	128	116	128	6,3%	10,9%	30,7	27,7	22,5	20,2	11,7	11,2	38,9	41,5	
Construction					92,137	11,919	14,048	160	188	177	235	12,5%	17,9%	7,7	6,6	6,9	6,30	1,2	1,0	16,1	16,5	
Wijaya Karya	WKA	BUY	1.475	2.200	13.231	1.588	2.108	177	235	177	235	32,0%	32,7%	8,3	6,3	3,5	2,8	0,9	0,8	11,9	14,2	
Pembangunan Perumahan	PTPP	BUY	1.745	2.800	10.819	1.741	2.140	281	345	281	345	19,8%	22,9%	6,2	5,1	3,5	2,9	0,8	0,7	14,2	15,2	
Adhi Karya	ADHI	BUY	1.475	2.150	5.252	753	920	212	258	212	258	46,1%	22,2%	7,0	5,7	5,6	5,0	0,7	0,6	11,6	11,6	
Waskita Karya	WSKT	BUY	1.595	2.300	21.650	4.369	5.038	322	371	322	371	13,3%	15,3%	5,0	4,3	7,2	6,4	1,2	1,0	27,6	25,5	
Waskita Beton	WSBP	BUY	342	500	9.016	1.302	1.624	53	62	53	62	37,5%	17,0%	6,4	5,5	5,6	5,0	1,1	1,0	17,2	18,4	
Wika Beton	WTON	BUY	360	600	3.138	423	493	51	59	51	59	25,5%	16,6%	7,1	6,1	4,6	4,1	1,0	0,9	14,5	15,2	
Jasa Marga	JSMR	BUY	4.000	5.300	29.031	1.742	1.825	240	251	240	251	-20,8%	4,8%	16,7	15,9	12,3	12,7	1,8	1,7	11,1	10,8	
Consumer					610,092	18,181	19,952	272	298	358	383	9,0%	9,7%	33,6	30,6	18,9	17,4	8,5	7,8	26,6	26,6	
Indofood CBP	ICBP	BUY	8.950	10.100	104.374	4.175	4.466	358	383	358	383	10,0%	7,0%	25,0	23,4	14,7	13,9	4,8	4,3	20,2	19,4	
Indofood	INDF	BUY	6.225	8.000	54.658	4.493	4.968	512	548	510	548	7,8%	10,6%	12,2	11,0	5,7	5,3	1,6	1,5	13,9	14,2	
Unilever	UNVR	HOLD	42.250	48.000	322.368	7.673	8.484	1.006	1.112	1.006	1.112	9,5%	10,8%	42,0	38,0	29,4	26,6	58,0	53,7	143,0	146,8	
Kino Indonesia	KINO	BUY	2.370	2.100	3.386	93	142	65	99	65	99	-16,1%	53,3%	36,5	23,8	15,3	11,5	1,6	1,5	4,5	6,6	
Mayora Indah	MYOR	HOLD	2.360	2.790	52.767	1.747	1.892	78	85	76	85	9,5%	8,3%	30,2	27,9	16,5	15,1	6,3	5,5	22,4	21,0	
Sido Muncul	SIDO	BUY	800	1.000	12.000	680	805	46	54	46	54	27,5%	18,3%	17,5	14,8	15,0	12,6	4,0	3,7	23,0	25,8	
Healthcare					87,812	2,806	3,083	102	121	54	58	-7,0%	18,5%	31,3	28,5	19,9	17,8	5,0	4,4	16,8	16,6	
Kalbe Farma	KLBF	BUY	1.570	1.500	73.594	2.538	2.733	54	58	54	58	5,6%	7,7%	29,0	26,9	18,4	17,1	5,0	4,4	18,0	17,4	
Kimia Farma	KAEF	HOLD	2.560	2.170	14.218	268	350	48	63	48	63	-18,0%	30,8%	53,1	40,6	30,9	22,0	5,2	4,7	10,2	12,2	
Heavy Equipment					111,718	8,783	9,714	2,355	2,604	2,355	2,604	18,6%	10,6%	12,7	11,5	5,4	4,7	2,3	2,0	18,9	18,6	
United Tractors	UNTR	BUY	29.950	39.000	111.718	8.783	9.714	2.355	2.604	2.355	2.604	18,6%	10,6%	12,7	11,5	5,4	4,7	2,3	2,0	18,9	18,6	
Industrial Estate					10,940	1,052	1,237	17	20	17	20	-54,6%	17,6%	10,4	8,8	6,9	6,2	0,7	0,7	7,0	7,9	
Puradelta Lestari	DMAS	BUY	151	240	7.278	645	594	13	12	13	12	-1,8%	-7,9%	11,3	12,2	9,3	9,8	1,0	1,0	9,1	8,1	
Bekasi Fajar	BEST	BUY	163	300	1.573	498	581	52	60	52	60	3,0%	16,6%	3,2	2,7	4,0	3,6	0,4	0,3	12,2	12,7	
Surya Semesta	SSIA	HOLD	444	540	2.089	(91)	62	(19)	13	(19)	13	-107,7%	168,5%	(23,0)	33,5	7,6	5,4	0,6	0,6	(2,4)	1,7	
Media					38,544	3,551	3,919	123	136	137	151	27,5%	10,4%	10,9	9,8	7,1	6,4	2,6	2,3	25,5	24,5	
Media Nusantara Citra	MNCN	BUY	800	1.450	11.421	1.960	2.158	137	151	137	151	34,9%	10,1%	5,8	5,3	4,1	3,7	1,1	1,0	20,3	19,7	
Surya Citra Media	SCMA	BUY	1.855	2.700	27.123	1.591	1.761	107	119	107	119	19,5%	10,7%	17,3	15,6	11,5	10,2	5,9	5,0	37,4	35,0	
Mining					155,973	18,825	19,114	212	215	231	213	24,1%	1,5%	8,3	8,2	3,6	3,5	1,2	1,1	14,7	14,1	
Adaro Energy	ADRO	BUY	1.220	2.800	39.022	7.376	6.806	231	213	231	213	17,4%	-7,7%	5,3	5,7	2,1	1,9	0,8	0,8	10,0	14,2	
Timah	TINS	BUY	625	1.400	4.655	603	689	81	93	81	93	19,9%	14,4%	7,7	6,8	4,3	3,8	0,7	0,7	9,6	10,2	
Vale Indonesia	INCO	BUY	2.750	5.900	27.325	1.117	1.708	112	172	112	172	-662,5%	53,0%	24,5	16,0	7,6	5,9	1,1	1,1	4,7	7,1	
Aneka Tambang	ANTM	HOLD	595	1.000	14.298	428	501	18	21	18	21	213,7%	17,0%	33,4	28,5	9,4	9,3	0,8	0,7	2,3	2,6	
Bukit Asam	PTBA	BUY	3.870	5.000	44.585	4.735	5.028	436	463	436	463	5,8%	6,2%	8,9	8,4	5,8	5,6	2,7	2,2	31,2	27,2	
Indo Tambangraya Megah	ITMG	BUY	19.750	33.200	22.316	3.903	3.669	3.455	3.247	3.455	3.247	15,3%	-6,0%	5,7	6,1	2,5	2,8	1,6	1,5	28,9	24,9	
Harum Energy	HRUM	HOLD	1.395	3.100	3.772	663	709	245	262	245	262	12,7%	6,9%	5,7	5,3	0,3	0,7	0,9	0,8	15,8	16,1	
Plantation					32,803	2,811	3,094	264	291	264	291	-8,2%	10,1%	11,7	10,6	6,2	4,8	1,0	1,0	9,1	9,4	
Astra Agro Lestari	AALI	BUY	10.775	16.500	20.739	1.639	1.874	851	973	851	973	-18,5%	14,3%	12,7	11,1	6,4	5,5	1,1	1,0	8,8	9,5	
Sampoerna Agro	SGRO	BUY	2.340																			

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		27-Nov-18	26-Nov-18					
Japfa Comfeed	JPFA	1.980	1.910	3,7	(3,9)	(3,4)	52,3	BUY
Bank Negara Indonesia	BBNI	8.650	8.425	2,7	3,0	21,8	(12,6)	BUY
Malindo Feedmill	MAIN	1.205	1.175	2,6	(7,3)	(2,4)	62,8	HOLD
Ace Hardware	ACES	1.485	1.455	2,1	0,3	8,0	28,6	BUY
Bank Tabungan Negara	BBTN	2.640	2.590	1,9	10,9	23,4	(26,1)	BUY
Bank Rakyat Indonesia	BBRI	3.600	3.540	1,7	2,3	20,4	(1,1)	BUY
Adhi Karya	ADHI	1.475	1.455	1,4	5,0	24,5	(21,8)	BUY
Mayora Indah	MYOR	2.360	2.330	1,3	(1,3)	(9,2)	16,8	HOLD
Gudang Garam	GGRM	80.450	79.525	1,2	2,9	8,7	(4,0)	BUY
Bank Central Asia	BBCA	25.500	25.225	1,1	1,6	8,1	16,4	HOLD

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		27-Nov-18	26-Nov-18					
Harum Energy	HRUM	1.395	1.465	(4,8)	(23,1)	(31,3)	(32,0)	HOLD
Adaro Energy	ADRO	1.220	1.275	(4,3)	(17,8)	(29,3)	(34,4)	BUY
Kino Indonesia	KINO	2.370	2.460	(3,7)	(1,3)	21,2	11,8	BUY
Bekasi Fajar	BEST	163	169	(3,6)	13,2	4,5	(34,8)	BUY
Semen Indonesia	SMGR	11.250	11.650	(3,4)	1,4	26,1	13,6	SELL
Wika Beton	WTON	360	370	(2,7)	2,3	17,6	(28,0)	BUY
Kalbe Farma	KLBF	1.570	1.610	(2,5)	1,9	17,6	(7,1)	BUY
Alam Sutera	ASRI	314	322	(2,5)	-	13,8	(11,8)	HOLD
Vale Indonesia	INCO	2.750	2.820	(2,5)	(12,4)	(8,0)	(4,8)	BUY
United Tractors	UNTR	29.950	30.675	(2,4)	(12,9)	(10,3)	(15,4)	BUY

Sources: Bloomberg

PREVIOUS REPORTS

- Indofood Sukses Makmur: Positive catalysts, Plantation: Indonesia CPO Export Levy Waiver: A Double-Edged Sword?, Danareksa Research Institute – Inflation Outlook [SnapShot20181127](#)
- Indosat Ooredoo: Some positives in a challenging outlook, United Tractors: Impressive Komatsu sales in Oct 2018 [SnapShot20181123](#)
- Cement: The price war looks to be over – for now [SnapShot20181123](#)
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- Telco price trends: Quick fix in data prices accomplished, Danareksa Research Institute - Monetary Watch: Widening CAD in the spotlight [SnapShot20181121](#)

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