

MORNING HIGHLIGHT

FROM DANAREKSA RESEARCH INSTITUTE

November 2016 Inflation Outlook: To Remain Soft

Consumer prices were stable in October 2016. Headline inflation reached 0.14 percent mom, or 3.31 percent yoy. Year-to-date, prices are up 2.11 percent, slightly less than in the same period last year when prices climbed 2.16 percent. Core inflation was steady (+0.10% mom) and administered prices edged up by 0.57 percent. The monthly change in volatile components fell by 0.26 percent, its third straight monthly decline.

MARKET NEWS

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- **ITMG 3Q16 earnings: Better ASP to boost quarterly profit- [Snapshot20161111](#)**

IDX ANNOUNCEMENT

AGM EGM Announcement

Code	Action	Date	Time (WIB)
SKBM	EGM	30-Nov-16	10.00
PWON	EGM	1-Dec-16	14.00
INTP	EGM	2-Dec-16	14.00
BEST	EGM	2-Dec-16	--
CTRP	EGM	2-Dec-16	9.30
CTRS	EGM	2-Dec-16	10.00
CTRA	EGM	2-Dec-16	10.30
PLIN	EGM	2-Dec-16	14.00

Key Index

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,137	0.4	11.8	423
Thailand	1,497	(0.2)	16.2	1,375
Philippines	6,781	(0.6)	(2.5)	240
Malaysia	1,627	(0.1)	(3.9)	322
Singapore	2,879	0.2	(0.1)	703
Regional				
China	3,283	0.2	(7.2)	50,041
Hong Kong	22,737	(0.4)	3.8	8,897
Japan	18,313	0.0	(3.8)	1,568
Korea	1,979	0.0	0.9	3,782
Taiwan	9,192	(0.3)	10.2	2,356
India	26,394	0.2	1.1	419
NASDAQ	5,380	0.2	7.4	67,303
Dow Jones	19,122	0.1	9.7	7,630

Currency and Interest Rate

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,560	(0.9)	(3.9)	1.7
SBI rate %	5.90	-	(0.3)	(1.3)
10y Gov Indo bond	8.20	0.2	0.9	(0.5)

Hard Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	89	(4.1)	(5.8)	74.9
Gold	US\$/toz	1,191	0.2	(6.8)	12.2
Nickel	US\$/mt.ton	11,028	(4.8)	6.1	25.6
Tin	US\$/mt.ton	20,780	(2.2)	(0.3)	42.4

Soft Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,430	(0.7)	(9.8)	(25.7)
Corn	US\$/mt.ton	125	(3.5)	(2.8)	(6.9)
Oil (WTI)	US\$/barrel	45	0.3	(3.2)	22.5
Oil (Brent)	US\$/barrel	46	(3.9)	(6.7)	24.4
Palm oil	MYR/mt.ton	3,092	1.1	10.3	40.5
Rubber	US\$/kg	173	(1.1)	16.0	46.8
Pulp	US\$/tonne	809	N/A	(0.1)	0.6
Coffee	US\$/60kgbag	138	0.6	(11.3)	26.7
Sugar	US\$/MT	525	(0.8)	(10.9)	24.4
Wheat	US\$/ton	111	(1.9)	(4.6)	(21.3)

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November 2016**C P I O U T L O O K****November 2016 Inflation Outlook: To Remain Soft**

- Consumer prices were stable in October 2016. Headline inflation reached 0.14 percent mom, or 3.31 percent yoy. Year-to-date, prices are up 2.11 percent, slightly less than in the same period last year when prices climbed 2.16 percent. Core inflation was steady (+0.10% mom) and administered prices edged up by 0.57 percent. The monthly change in volatile components fell by 0.26 percent, its third straight monthly decline.
- Month-on-month, prices rose in four components. Prices in the housing component increased the most (+0.56% mom), followed by the medical care component (+0.29% mom), the prepared foods component (+0.24% mom), and the education component (+0.10% mom). By contrast, prices declined in three components: they dropped the most in the clothing component (-0.31 percent mom), followed by the foodstuffs component (-0.21% mom), and the transportation component (-0.03% mom).
- In November, we expect pressure on prices to remain steady. In particular, given the absence of seasonal factors in November, we believe that pricing pressure in the food components will ease. For November, we forecast inflation of 0.19 percent MoM, translating into YoY inflation of 3.29 percent.
- At the November BI meeting, the 7-Day Reverse Repo Rate (BI 7-Day RR Rate) was maintained at 4.75 percent, while the Deposit Facility rate and Lending Facility rate were also kept unchanged at 4.00 percent and 5.50 percent, respectively. Several underlying factors can explain the central bank's policy stance, especially the heightened uncertainty in the global markets following the surprise victory of Trump in the U.S. general election. President-elect Trump plans to undertake expansionary fiscal policy, including cutting personal and business tax rates, and increasing defense and infrastructure spending. These policies are intended to stimulate U.S. economic growth and are likely to drive up the inflation rate. Given this prospect, the Fed is likely to raise the FFR at a faster pace than before. As such, with a strong likelihood of a Fed Funds Rate hike in the near term, we believe that Indonesia's benchmark rate will be kept unchanged for the foreseeable future.

DRI Forecast for Nov 2016**Inflation**

MoM (%)	0.19
YoY (%)	3.29

7D Reverse R.

End of period (%)	4.75
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Forecast for 2016

Inflation (%)	3.12
7D Reverse R. (%)	4.75

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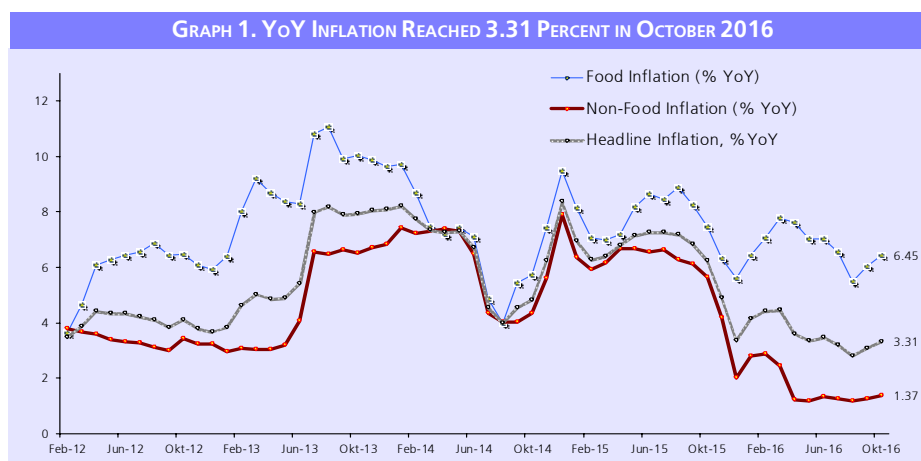
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**TABLE 1. MoM FOODSTUFFS INFLATION**

	M-on-M changes			Y-on-Y changes			Jan-Oct		
	Agu-16	Sep-16	Okt-16	Agu-16	Sep-16	Okt-16	2014	2015	2016
FOODSTUFF	(0.68)	(0.07)	(0.21)	5.14	6.20	7.11	4.87	1.34	3.44
PREPARED FOOD	0.41	0.34	0.24	5.88	5.83	5.66	5.29	5.39	4.64
HOUSING	0.41	0.29	0.56	1.55	1.64	2.11	5.31	2.78	1.55
CLOTHING	0.40	0.13	(0.31)	4.71	3.98	3.40	2.51	3.57	3.54
MEDICAL CARE	0.39	0.33	0.29	4.09	3.97	3.98	4.50	4.60	3.28
EDUCATION	1.18	0.52	0.10	3.21	2.83	2.77	3.97	3.85	2.66
TRANSPORTATION	(1.02)	0.19	(0.03)	(1.93)	(1.35)	(1.40)	1.88	(2.03)	(1.89)
GENERAL	(0.02)	0.22	0.14	2.79	3.07	3.31	4.19	2.16	2.11
Food and Non-Food									
FOOD	(0.19)	0.11	(0.01)	5.47	6.03	6.45	5.06	3.15	3.98
NON-FOOD	0.07	0.28	0.21	1.18	1.27	1.37	3.72	1.58	0.95

Source : BPS

TABLE 2. DRIVERS OF PRICE CHANGES IN OCTOBER 2016

Component	Change (%)	Drivers	Contribute (%)
Foodstuffs	(0.21)	Onion, chicken meat, egg, fish	(0.03)
Prepared foods, beverages and cigarettes	0.24	Cigarettes, filtered-flavored cigarettes	0.04
Housing	0.56	Electricity tariff, house rental	0.14
Clothing	(0.31)	Gold and jewelry	(0.02)
Medical care	0.29	Health care, medicine	0.01
Education, recreation and sports	0.10	Communication and shipping cost	0.01
Transportation and communications	(0.03)	Train fare	(0.01)
General			0.14

Source : BPS

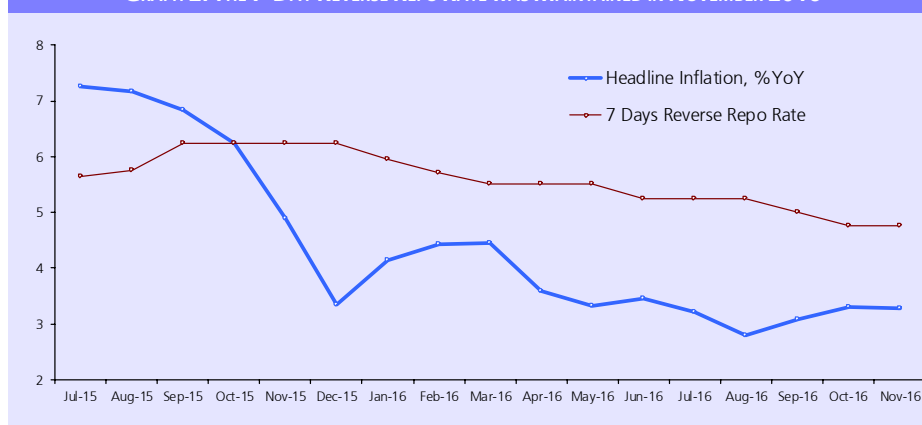
TABLE 3. NOVEMBER 2016 INFLATION FORECAST

	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	Mei-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16
MOM changes	0.21	0.96	0.51	(0.09)	0.19	(0.45)	0.24	0.66	0.69	(0.02)	0.22	0.14	0.19
YoY changes	4.89	3.35	4.14	4.42	4.45	3.60	3.33	3.45	3.21	2.79	3.07	3.31	3.29
Yearly*	4.81	3.31	4.07	4.34	4.37	3.55	3.29	3.41	3.17	2.77	3.04	3.27	3.25

* 12-month cumulative

Source : BPS, Danareksa Research Institute

GRAPH 2. THE 7-DAY REVERSE REPO RATE WAS MAINTAINED IN NOVEMBER 2016



Source : BPS, Bank Indonesia

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MARKET NEWS

CTRA eyes Rp1tn from REIT

Ciputra Development (CTRA) expects to sell assets in 4Q17. The company is still waiting for the lower BPHTB tax. Initially, the company had expected to record marketing sales of Rp9.3tn this year. Nevertheless, the management stated that the company would most likely fall short of its marketing sales target by 8-10% (translating into marketing sales of Rp8.5tn). (Bisnis Indonesia)

Comment: we assume a lower marketing sales target this year of Rp7.8tn (16.5% lower than the marketing sales target of the company (Antonia))

Adaro Energy: Consortium obtains US\$409mn loan for Tabalong power plant

The consortium of Adaro Power, the subsidiary of Adaro Energy (ADRO), Tanjung Power Indonesia (TPI), has signed a financing agreement for a coal-based power plant with capacity of 2x100MW in Tabalong, South Kalimantan. Following this, TPI will obtain a US\$409mn loan from a syndication of six commercial banks. In a total investment of US\$545mn for this project, Adaro Energy has a 65% stake in TPI, while the remaining 35% is held by EWP Indonesia. However, certain conditions still need to be met in order to achieve financial closure. (Investor Daily)

Bukit Asam: PTBA plans to acquire more coal mining areas

Bukit Asam (PTBA) plans to acquire more coal mining areas in order to increase its reserves. PTBA currently has reserves of around 3.33bn tons. For the acquisition of coal mining companies, the company has prepared funds of US\$100mn. PTBA prefers coal mining that has been operated with reserves of more than 100mn tons. (Kontan)

Slower growth in the pharmaceutical industry

Indonesia's pharmaceutical industry is estimated to book slower growth next year, as consumers trade down to generic products and because of the budget deficit in the national health program (BPJS Kesehatan). A director of the International Pharmaceutical Group (IPMG) estimates that the 2016 turnover in the pharmaceutical industry will reach approximately Rp65tn, recording slower growth of 6% yoy (versus 2015's 13% yoy). However, in USD terms, relatively flat growth in the industry is expected. Dorodjatun Sanusi, the executive director of the association of pharmaceutical companies (GP Farmasi) stated that the pharmaceutical industry booked slower growth this year. However, the local pharmaceutical companies are still optimistic that they can achieve 9-11% yoy growth this year, while providing no guidance for next year as the industry will be highly impacted by government regulation. (Bisnis Indonesia)

Jokowi tells developers to build more cheap housing for low income people

Speaking at the Indonesian Real Estate Association (REI) annual meeting, the president expressed his determination to reduce the backlog that currently stands at 11.8mn houses to 6.8mn houses by 2019. (The Jakarta Post)

DMAS eyes Rp150bn of recurring income

Puradelta Lestari (DMAS) hopes to record Rp150bn of recurring income from its leased apartments, leased warehouses, and shop house. DMAS' management stated that the company will commence the operation of Le Premier apartment in November 2016. This is expected to contribute recurring income of Rp30bn. The company expects the occupancy rate of this leased apartment to reach 100% following the company's agreement with a Japanese company to lease the apartment for the next 18 months. Moreover, DMAS will operate two leased warehouses with total area of 1,068sqm. Investors have agreed to lease the area for three years. Revenues are expected to reach Rp961.2mn/pa (Rp75,000/sqm/month). (Bisnis Indonesia)

Banks' target for 2017 is similar to this year's target

BMRI targets 12% loans growth, identical to the current year's target. Third party funds are targeted to grow 8-10%. For the corporate and consumer segments, BMRI targets growth of more than 12% and 20%, respectively. Meanwhile, BBKP has not made any changes to the loans growth target of 10%. For third party funds, BBKP expects them to grow by 14%. BBKA targets 10-11% loans growth and 5-8% growth in third party funds. By comparison, BBTN is more optimistic. It targets 18-20% loans growth since the budget for the Sejuta Rumah Program will increase from Rp9 to 15 tn. (Kontan)

Salim and Agung Sedayu enter the toll road business

Two conglomerate groups, Salim Group and Agung Sedayu Group, are proposing new toll road routes to the Indonesian Toll Road Authority (BPJT). Salim Group hopes to start a new toll road from Kamal – Teluknaga – Balajar (48.3km) with an investment of approximately Rp18.0tr. Meanwhile, the Agung Sedayu Group is proposing the route of Semanan – Balaraja (31.7km) with investment needed of Rp11.3tr. Both proposals are being reviewed by BPJT and the results are expected by December 2016. (Kontan)



Equity Valuation

Danareksa Universe	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)		Net Gearing		
					2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Danareksa Universe				2,972,458	150,622	176,744	244.3	286.3													
Auto				311,723	15,508	16,375	311.9	369.5													
Astra International	HOLD	7,700	8,400	311,723	15,508	16,375	383	454													
Banks				967,240	74,614	91,514	732.3	898.1	360	435											
BCA	HOLD	14,350	16,300	353,799	18,931	20,806	768	844	768	844	5%	10%	18.7	17.0	N/A	N/A	N/A	3.4	3.0	N/A	19.6
BNI	HOLD	5,100	6,100	95,108	10,494	13,698	563	735	563	735	16%	31%	9.1	6.9	N/A	N/A	N/A	1.1	0.9	N/A	12.7
BRI	BUY	10,550	14,500	260,260	26,092	31,100	1,058	1,261	1,058	1,261	3%	19%	10.0	8.4	N/A	N/A	N/A	1.8	1.6	N/A	20.1
Bank Tabungan Negara	BUY	1,620	2,300	17,156	2,200	2,572	208	243	208	243	19%	17%	7.8	6.7	N/A	N/A	N/A	0.9	0.7	N/A	13.6
Bank Mandiri	HOLD	10,325	11,250	240,917	16,898	23,339	724	1,000	724	1,000	-17%	38%	14.3	10.3	N/A	N/A	N/A	1.5	1.4	N/A	12.4
Cement				134,533	8,046	6,008	414	309													
Indocement	SELL	15,900	15,900	58,532	3,960	2,873	1,076	780	1,069	774	-9%	-27%	14.8	20.4	10.2	10.8	2.3	2.2	net cash	16.1	
Semen Indonesia	SELL	8,700	8,900	51,604	3,850	3,031	649	511	643	504	-15%	-21%	13.4	17.0	7.8	8.6	1.8	1.7		3.4	14.0
Semen Baturaja	SELL	2,480	400	24,397	236	103	24	11	24	11	-33%	-56%	103.2	235.8	59.7	46.8	7.8	7.6	net cash	7.8	
Cigarettes				566,812	18,145	19,608	153	166													
Gudang Garam	HOLD	63,050	70,400	121,314	6,342	6,960	3,296	3,565	3,296	3,565	-1%	8%	31.2	28.9	21.1	19.5	7.8	7.2		25.4	
HM Sampoerna	HOLD	3,830	3,850	445,498	11,803	12,749	101	110	101	109	14%	8%	37.7	34.9	28.0	25.6	13.3	13.0	net cash	36.1	
Construction				129,704	6,602	8,166	91	112													
Wijaya Karya	BUY	2,360	4,300	21,169	758	900	123	146	123	146	21%	19%	19.1	16.1	10.5	8.6	4.2	3.7		24.6	16.2
Pembangunan Perumahan	BUY	4,000	5,700	19,370	967	1,295	200	267	211	298	31%	34%	20.0	15.0	9.5	7.3	3.7	3.1	net cash	20.2	
Adhi Karya	BUY	1,845	3,500	6,570	703	986	208	292	216	303	52%	40%	8.9	6.3	4.8	3.8	1.0	0.8	net cash	12.2	
Waskita Karya	BUY	2,380	3,700	32,305	1,688	2,344	124	173	124	173	61%	39%	19.1	13.8	13.8	9.9	2.9	2.5		20.2	16.4
Waskita Beton	BUY	565	770	14,894	547	788	21	30	21	30	64%	44%	27.2	18.9	16.1	12.3	2.1	1.9	net cash	13.1	
Wika Beton	BUY	800	1,300	6,972	268	362	31	42	31	42	54%	35%	26.0	19.3	14.0	10.1	2.8	2.5	net cash	11.5	
Jasa Marga	BUY	4,180	5,700	28,424	1,671	1,492	246	219	249	223	14%	-11%	17.0	19.1	10.4	11.5	2.4	2.2		143.1	15.0
Consumer				412,192	10,506	12,110	507	584													
Indofood CBP	BUY	8,425	10,850	98,252	3,714	4,293	319	368	319	368	24%	16%	26.5	22.9	18.6	16.1	5.9	5.8	net cash	22.5	
Unilever	HOLD	40,625	46,650	309,969	6,563	7,555	860	990	860	990	12%	15%	47.2	41.0	33.5	29.1	59.4	53.7		28.9	130.6
Kino Indonesia	BUY	2,780	4,500	3,971	229	262	160	183	160	183	-32%	14%	17.4	15.2	10.0	9.2	2.0	1.8		3.9	12.3
Healthcare				82,878	2,490	2,743	97	106													
Kalbe Farma	SELL	1,460	1,400	68,438	2,210	2,441	47	52	47	52	10%	10%	31.0	28.0	19.7	17.7	5.8	5.1	net cash	19.9	
Kimia Farma	SELL	2,600	1,510	14,440	279	302	50	54	48	52	12%	8%	51.7	47.8	35.0	29.1	7.0	6.2		33.7	14.3
Heavy Equipment				81,224	4,481	5,676	1,201	1,522													
Hexindo Adiperkasa																					
United Tractors	HOLD	21,775	23,500	81,224	4,481	5,676	1,201	1,522	1,231	1,556	16%	27%	18.1	14.3	6.5	5.1	2.1	1.9	net cash	12.0	
Mining				170,311	4,311	5,355	54	67													
Adaro Energy	HOLD	1,630	800	52,137	1,781	1,980	56	62	56	62	-13%	1%	24%	39.5	31.8	10.3	9.4	1.5	1.5		3.9
Timah	HOLD	1,250	590	9,310	180	196	24	26	24	26	78%	9%	51.7	47.4	12.4	11.4	1.7	1.7		26.0	3.3
Vale Indonesia	HOLD	3,500	2,800	34,777	622	480	22	48	22	48	-67%	116%	156.5	72.4	14.7	12.6	1.4	1.4	net cash	0.9	
Aneka Tambang	HOLD	975	650	23,430	(307)	(147)	(13)	(6)	(13)	(6)	-79%	-52%	(76.4)	(159.1)	30.2	26.4	1.3	1.3		18.0	(1.7)
Bukit Asam	BUY	11,550	8,800	26,613	1,610	1,834	741	844	741	844	-21%	14%	15.6	13.7	11.2	9.5	2.6	2.3	net cash	16.7	
Indo Tambangraya Megah	HOLD	15,800	8,400	17,853	947	1,106	838	979	838	979	14%	17%	18.9	16.1	5.9	5.2	1.6	1.6	net cash	8.4	
Harum Energy	HOLD	2,290	790	6,191	(123)	(95)	(45)	(35)	(45)	(35)	-540%	-22%	(50.5)	(65.0)	52.1	64.0	1.7	1.8	net cash	(3.2)	
Property				115,183	5,172	6,045	44	52													
Alam Sutera	HOLD	362	380	7,113	820	924	42	47	53	52	38%	13%	8.7	7.7	9.6	9.9	0.4	0.3		33.2	4.2
Bumi Serpong Damai	BUY	1,725	2,500	33,201	1,859	2,009	97	104	139	146	-13%	8%	17.9	16.5	11.7	11.5	1.6	1.5		11.5	9.5
Ciputra Development	BUY	1,415	1,850	21,827	661	998	43	54	38	45	-38%	26%	33.0	26.3	13.4	13.0	2.5	1.7		42.2	7.7
Pakuwon Jati	HOLD	685	700	32,989	1,757	2,019	36	42	34	39	39%	15%	18.8	16.3	13.7	12.5	3.7	3.1		29.6	21.8
Summarecon	BUY	1,390	1,600	20,053	75	95	5	7	14	19	-91%	27%	266.5	210.7	19.1	18.2	3.4	3.3		92.8	11.3
Retail				83,536	3,435	3,888	100	114													
Mitra Adi Perkasa	HOLD	4,980	5,000	8,267	174	267	108	166	107	165	370%	54%	46.1	30.0	9.7	8.8	2.7	2.6		99.8	5.8
Ramayana	BUY	1,180	1,350	8,373	396	468	56	66	54	64	18%	18%	21.0	17.8	15.5	13.7	2.4	2.3	net cash	11.6	
Matahari Department Store	SELL	14,650	12,000	42,747	2,080	2,370	707	805	704	803	16%	14%	20.7	18.2	14.4	12.5	20.8	17.5	net cash	131.7	
Matahari Putra Prima	HOLD	1,700	1,700	9,143	129	185	24	34	29	40	-30%	44%	71.2	49.4	16.2	13.9	3.1	3.0	net cash	4.5	
Ace Hardware	SELL	875	750	15,006	656	598	37	35	38	34	7%	-5%	23.6	24.9	17.5	17.7	5.1	4.7	net cash	23.7	

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		29-Nov-2016	28-Nov-2016					
Jasa Marga	JSMR	4,180	3,910	6.9	(1.4)	(7.5)	(19.8)	BUY
Waskita Karya	WSKT	2,380	2,270	4.8	0.4	(9.2)	42.5	BUY
Kalbe Farma	KLBF	1,460	1,400	4.3	-	(16.1)	10.6	SELL
Indocement	INTP	15,900	15,350	3.6	9.5	(3.3)	(28.8)	SELL
Ace Hardware	ACES	875	845	3.6	0.6	2.3	6.1	SELL
Ramayana	RALS	1,180	1,145	3.1	(5.6)	(13.9)	82.9	BUY
Matahari Department Store	LPPF	14,650	14,250	2.8	9.9	(18.7)	(16.8)	BUY
Pembangunan Perumahan	PTPP	4,000	3,900	2.6	0.5	(2.9)	3.2	BUY
Mitra Adi Perkasa	MAPI	4,980	4,870	2.3	2.0	(9.5)	31.2	HOLD
Bank Mandiri	BMRI	10,325	10,150	1.7	(5.5)	(10.0)	11.6	HOLD

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		29-Nov-2016	28-Nov-2016					
Kino Indonesia	KINO	2,780	2,910	(4.5)	(7.3)	(17.8)	(27.6)	BUY
Adaro Energy	ADRO	1,630	1,680	(3.0)	0.6	2.8	216.5	HOLD
Astra International	ASII	7,700	7,825	(1.6)	(0.6)	(6.4)	28.3	HOLD
Semen Baturaja	SMBR	2,480	2,510	(1.2)	0.8	25.6	752.2	SELL
HM Sampoerna	HMSP	3,830	3,870	(1.0)	(4.0)	(3.0)	1.9	HOLD
Aneka Tambang	ANTM	975	985	(1.0)	7.1	8.9	210.5	HOLD
Wika Beton	WTON	800	805	(0.6)	(5.3)	(10.1)	(3.0)	BUY
Bank Central Asia	BBCA	14,350	14,375	(0.2)	(2.0)	(7.6)	7.9	HOLD
Selamat Sempurna	SMSM	1,010	1,010	-	(1.0)	(11.2)	(15.1)	BUY
Kimia Farma	KAEF	2,600	2,600	-	(10.0)	19.8	198.9	SELL

Sources: Bloomberg

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