

ANALISA SAHAM INDONESIA

JULY 17, 2020

- * THE JCI TRADING RANGE: 5,040PT -5,150PT (YESTERDAY CLOSE: 5,098PT)
- * WALL STREET DIPPED BY CLOSE TO 1% ON MIXED MESSAGES
- * THE JCI IS EXPECTED TO FLUCTUATE BUT 25BPS LOWER BI7DRRR SUPPORTS

Morning,

The Jakarta Composite Index (JCI) today (17/7) is expected to be in the range of 5,040pt – 5,150pt to fluctuate but supported by lower BI7DRRR and stable USDIDR. Meanwhile, yesterday (16/7) in Wall Street the DJIA ended lower by 136 points or 0.5% at 26,735pt, while the S&P500 and the Nasdaq both dipped by 0.3% and 0.7%, respectively. Wall Street received mixed messages with weekly initial jobless claims data came in at 1.30mn units vs. 1.25mn expected, while the United States (US) retail sales data for June increased by 7.5%, against consensus estimate of 5.2%.

In line with consensus estimates, the central bank Bank Indonesia (BI) decided to cut reference rate BI7DRRR by another 25bp to 4% during its monthly meeting yesterday. The cut was the fourth this year (the eighth since July 2019), mostly to spur growth, especially during the spark of Covid-19 pandemic. The cut was consistent with the country's monetary stability, with inflation rate and exchange rates in checked. BI estimated that domestic economy to contract by 4% YoY in the 2Q20.

Indonesia Consumer Sector

Stable consumers' purchasing power by support of tamed inflation rates

Consumers' purchasing power, rely very much of stability or change of general prices in the consumption basket. Inflation rates would determine the consumers' welfare (1), and willingness to spend (2). With private consumption made more than half of the country's economy, central bank Bank Indonesia (BI) has put considerable effort to control the trend.

The year 2005 a team of Tim Pemantauan dan Pengendalian Inflasi (TPI or Team of Monitoring and Controlling Inflation) was set up both by BI and the government in the central government level, and later on in 2008 in the regional levels. The main task of the team is to coordinate and synchronize effort within the government working institutions, to achieve stable inflation rates. In

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addition, BI and the government through the financial ministry teamed up to set up national target inflation rates, to ensure the prices level to move within the predictable line.

The TPI has been in urgent need for several prices of goods and services in the Indonesia consumption basket (generally divided into seven groups) are subject to government regulation, to global demand and supply, and unpredictable weather condition that affect harvest results. With regular monitor and control, inflation expectation and actual movement can be optimally controlled and predictable.

Since 2010 (exception in 2013 and 2014 on significant gasoline price hike), actual national inflation rates are within the target rates pegged by BI. Last year domestic inflation rates was 2.72% vs. targeted of $3.5\% \pm 1\%$, while in 2018 was 3/13% vs. $3.5\% \pm 1\%$, and in 2017 was 3.61% vs. $4.0\% \pm 1\%$, also in 2016 was 3.02% vs. $4.0\% \pm 1\%$.

Is inflation rates real

Indonesia consumptions basket is categorized into 11 (eleven) groups by purpose of spendings, to include 1) Food, Drink, and Tobacco, 2) Clothes and footwares, 3) Housing, water, electricity, and domestic cooking fuels, 4) household equipment, apparatus, and maintenance, 5) Health, 6) Transportation, 7) Information, communications, and financial services, 8) Recreations, sports, and culture, 9) Educations, 10) Outside foods and drinks / restaurants, and 11) personal grooming and other services

The above classifications was set up by the country's central Statistics office (BPS or Badan Pusat Statistik) and be updated by regular national census. The latest Indonesia consumers spending pattern census was conducted September last year with the result generally in-line with the latest inflation rates indicators. Also, by means of personal observation for some times, the country inflation rates figures gauge close to real of the dynamic of Indonesia consumers, in our note.

At the other end, yesterday the WTI price closed at USD40.8/barrel, or a decline of 1.1% against the previous one as OPEC + members agreed to ease production curb. Meanwhile the USDIDR closed at IDR14.632 vs. IDR14.616 the previous one.

We advise the following recommendation as for now, for both trading and longer-time investment purpose. **AALI, LSIP (sector of Agri, allocation suggestion Underweight), UNTR, ITMG, ADRO, PTBA (sector of Coal Mining, allocation suggestion Market-weight), GGRM, UNVR, ICBP (sector of Consumer, allocation suggestion Overweight), ASII (sector of Automotive, allocation suggestion Market-weight), and ACES, SCMA, MAPI (sector of Trade, allocation suggestion Overweight), and TKIM (sector of Basic Industry, allocation suggestion Market-weight).**

Cheers,

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