

## ANALISA SAHAM INDONESIA

JULY 24, 2020

\* THE JCI TRADING RANGE: 5,085PT - 5,175PY (YESTERDAY CLOSE: 5,145PT)

\* WALL STREET CLOSED LOWER BY SOME 2% MOSTLY BY PROFIT-TAKINGS ON TECHNOLOGICAL SHARES

\* THE JCI IS EXPECTED TO FLUCTUATE AND CONSOLIDATE BUT SUPPORTED BY STABLE USDIDR AND LIQUIDITY

Morning,

The Jakarta Composite Index (JCI) today (24/7) is expected to be in the range of 5,085pt – 5,175pt in a consolidation phase but stable USDIDR and liquidity support. Meanwhile, yesterday (23/7) in Wall Street the DJIA ended lower by 353 points or 0.6% at 26,652pt, while the S&P500 and the Nasdaq both closed lower by 1.2% and 2.3%, respectively, mainly due to the United States (US) weekly initial jobless claims data that showed total of 1.4mn cases vs. 1.3mn widely-expected, and that marked the 18<sup>th</sup> straight weeks of above- 1mn jobless claims.

### Indonesia Consumer Sector

#### Higher world thermal coal price finds its way to elevate domestic purchasing power

Indonesia coal – mining counters is a must have in the list of investors' selection with portion being adjusted to suit each's risk-preference, in our view, despite its relatively higher volatility as compared to the other more resilient ones for the following reasons.

1) Coal use as the major fuels for electricity is expected to continue, and especially so during the current pandemic climate, despite the environmentalists' dislike. To replace the low-cost energy based on coal seems unviable at present for to find better alternative fuels, huge funds is necessary to finance further researches, not to mention tax revenues and employment that are forgone. Indeed, during the climate talk in 2019 that took place in Germany, 20 (twenty) countries agreed to phase-out coal by 2030, BUT this group did not include any of the world's biggest coal producers: China, India, the United States, Australia, Indonesia, Russia, South Africa and Germany.

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2) Indonesia listed coal mining producers are global players in terms of production rates that produce mostly thermal coal of calorific value in the range of 5,100kkal – 6,100kkal or ones that is most suitable to produce electricity.

3) Indonesia exported 375mn tonne of coal last year (2018: 343mn) worth of USD20bn (2018:20.6bn), made-up of 13% of total non-oil and gas export values, and made-up 80% of foreign exchange from mining exports. Inherent with this contribution, the country earns duties, income tax, value added-tax, on top of direct financial benefit to coal - explorers and their labors. Therefore, positive trend of coal price create multiplier effects in domestic economy, through private consumptions.

### **Latest thermal-coal price trend**

Last close was at USD55.4/tonne yesterday which was off its year-low of USD52/tonne in late April, the price started reversing since early May. Current price is at 30% lower as compared to the same spot last year. Analysts cited that coal price is set to recover given the tightening of oversupply as well as demand recovery which we somehow agree. New investments on coal exploration and productions, as in any other commodities, face challenging current situation, in our view.

At the other end, yesterday the WTI price closed lower by 2 % to USD41.1/barrel for fear on heightened Coronavirus cases. Meanwhile the USDIDR closed at IDR14.669 vs. IDR14.655 the previous one.

We advise the following recommendation, 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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