

ANALISA SAHAM INDONESIA

JULY 28, 2020

- * THE JCI TRADING RANGE: 5,075PT-5,200PT (YESTERDAY CLOSE: 5,117PT)
- * WALL STREET ENDED HIGHER BY SOME 1% ON A SECOND STAGE CORONAVIRUS STIMULUS PLAN
- * THE JCI IS EXPECTED TO FLUCTUATE BUT SUPPORTED BY STABLE USDIDR AND OIL-CLOSE

Morning,

The Jakarta Composite Index (JCI) today (28/7) is expected to be in the range of 5,075pt – 5,200pt in a consolidation phase but stable USDIDR and liquidity support. Meanwhile, yesterday (27/7) in Wall Street the DJIA ended higher by 115 points or 0.4% at 26,585pt, while the S&P500 and the Nasdaq both closed with a hike by 0.7% and 1.7%, respectively.

Indonesia Consumer Sector

Not a rocket science: Indonesia to have higher portion of higher value-added export goods and services to enhance consumers' purchasing power

During 2015-2019, Indonesia economy have gained traction in-term of growth at the range of 4.9% YoY – 5.0% YoY as compared to the world's rate of 3.5% YoY – 2.9% YoY. In-terms of consumer purchasing power, growth of the domestic economy currently put the country's consumer annual purchasing power at USD4,163, or lower in compared to the world's average at USD11,355 per person.

Apart from Private Consumption and Investments and Government Expenditures that made up the bulk of the economy, Export activities enhancement, in terms of volume and value, is expected to leverage national GDP per capita in our note.

In the last years, Indonesia export profile has improved to include, for example, Motorcycles that was valued at USD216mn in 2015 and increased to USD585mn last year, representing an CAGR of 26%. Also, export value of Biodiesel and Mixtures Thereof increased by an CAGR of 45% to USD668.2mn last year. Another item is the Tissue, Napkin and Towel goods that increased by an CAGR 15% to record the value of USD786mn. These three categories, however, contributed by a smaller portion of 2% at the most to total export value of the country last year. The top ten products in 2019 have been dominated by commodity Coal of USD6bn and Vegetable Oil, Palm Oil

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and its Fractions of USD4.4bn, both representing some 22% and 18% to Indonesia export values, respectively, in 2019.

Aware of the importance of developing higher value added goods, the government has set up several institutions including in the Ministry level, Small and Medium Enterprise Ministry to catch up value for the country's items.

Indeed, the higher the sale value the GDP value will increase accordingly and eventually lead to higher GDP per capita, at a given normal population growth rate.

A brief browse to trade statistics of countries with the highest GDP per capita, Switzerland for example, at USD83,8716 (ranked number 2 in 2019 after Luxemburg by IMF data), export items are dominated by Precious Stone & Metal (USD81bn), Pharmaceuticals (USD71bn), and Clock and Watches (USD24bn).

At the other end, yesterday the WTI price closed higher to USD41.6/barrel or by 0.8% by support of weaker USD index for political risk among the United States and China. Meanwhile the USDIDR closed at IDR14.605 vs. IDR14.614 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 Automative, 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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