

## ANALISA SAHAM INDONESIA

AUGUST 6, 2020

- \* THE JCI TRADING RANGE: 5,085PT - 5,200PT (YESTERDAY CLOSE: 5,127PT)
- \* WALL STREET ENDED HIGHER MAINLY ON DISNEY'S HIGHER-THAN-EXPECTED EARNINGS
- \* THE JCI IS EXPECTED TO EXTEND GAIN BUT RESTRAINED BY PROFIT-TAKINGS

Morning,

The Jakarta Composite Index (JCI) today (6/8) is expected to be in the range of 5,085pt – 5,200pt to extend gain but restrained by profit - takings. Meanwhile, yesterday (5/8) in Wall Street the DJIA ended higher by 373 points or 1.4% at 27,202pt, while the S&P500 and the Nasdaq gained by 0.6% and 0.5%, respectively. Wall Street's higher close mainly on Disney's earnings release that showed for 8 cents per share, while analysts expected a loss of 64 cents per share. Disney said it now has 100 million paid subscribers across its streaming services, which include Disney+, Hulu and ESPN+. Disney's direct-to-consumer and international segment was the main contributor. Disney+ reached 60.5 million paid subscribers, hitting its goal of 60 million to 90 million subscriptions by 2024, four years early.

### Indonesia Consumer Sector

#### Benefits from resilience sectors during the 2Q20

- \* **Indonesia 2Q20 economy contractions was at 5.32% YoY, and at 4.19% QoQ, within the range of consensus estimates**
- \* **Positive pillars existed amid challenging time of the year**
- \* **Well-guarded COVID-19 spread is the all-and-necessary condition for recovery of domestic economy to achieve for normal growth rates and higher**

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Indonesia central statistics office (BPS or “Badan Pusat Statistik”) release the reading of the country’s 2Q20 GDP growth, at a contraction of 5.32% YoY (1Q20: +2.97% YoY) and at minus 4.19% QoQ (1Q20:-2.41% QoQ). The figures are within the median figure of the consensus estimates’ range of 2% YoY to 8% YoY. Indonesia 2Q20 growth figures should be an initial spirit-uplift for stakeholders and equity investors in particular given many other countries posted high double digits 2Q20 GDP contractions such as Singapore at 12.6% YoY, and the United States at 32.9% YoY.

Period of 2Q20 covered about 3-month full of limited lock-down in major cities in Indonesia with a gradual release that started in June 15. As expected, limited people’s activities led to lower spending during the 2Q20 as compared to the preceding 1Q20 QoQ. Private consumption in 2Q20 contracted by 6.51% QoQ (1Q20: -1.99% QoQ ) driven mainly by lowered Restaurant spending growth of -3.94% QoQ (1Q20: + 0.84% QoQ) and lowered Transportation and Communication item of -12.1% QoQ in 2Q20 (1Q20:-6.7% QoQ). These two items made up majority of Private Consumptions spending during the 2Q20 of 57.9% of total GDP by spending in 2Q20 (1Q20:58.1%, 2019: 56.6%). Meanwhile, on an annual basis Private Consumption contracted by 5.5% in 2Q20 (1Q20: +2.83% YoY, 2Q19: 5.18% YoY). Deeper drags on Private Consumptions spending during 2Q20 were made possible also due to the fact the Eid celebrations took place during the periode along with government stimulus. Also, the government initiated to delay secondary projects and shift budget for Coronavirus-related handling and welfare supports.

At the other end, Investments spending during the 2Q20 contracted by 8.6% YoY (1Q20: +1.7% YoY), mainly driven by contraction of Machineries & equipment spending by 12.9% YoY in 2Q20 (1Q20: -3.9% YoY). The growth figures are within the estimates of the Investment Coordinating Board (BKPM) body.

The 3 (three) biggest contributing sectors to the economy namely (1)Agriculture, Forestry, and Fishery supplied 15.5% value during the 2Q20 (1Q20: 12.8%, 2019: 12.7%). (2) Processing Industry of 19.9% in 2Q20 (1Q20: 19.9%, 2019:17.6%). Food and Beverages, and pharmaceutical made up most of the Processing industry. (3) Wholesales and Retails majority of Cars, Motorcycles and Services gave 12.8% value contribution in 2Q20 (1Q20: 13.2%, 2019: 13.1%). These 3 highest sectors by value , in 2Q20, grew by +2.1% YoY, -6.2% YoY, and -7.6% YoY, respectively. We consider the contractions for Processing and Wholesales industries as moderate given the higher contraction of Transportation and Warehouse sector in 2Q20 at 30.8% YoY, for example.

At the other end, obvious growth sector during the 2Q20 to include that of Information and Communicaton at 10.8% YoY (1Q20: 4.25% YoY), and Water Procurement, Waste Management, and Recycling grew by 4.6% YoY in 2Q20 (1Q20:-0.9% YoY).

Shift of resources including that of capital, labor, and technology is estimated to have taken place according the latest dynamic of the economy, we view, for optimal output.

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Since the relax of the limited lock-down that started on June 15, COVID-19 cases have been on the rise, with Positivity rates of 12.7% for Indonesia (Jakarta: 5.5%), and Mortality Rates of 4.7% (Jakarta: 3.8%). In response to the matter, particular in capital city Jakarta has been gearing up compliance vigilances and sanctions. According to the media, several corporations have been temporarily suspended in operation for being fail to adhere on Covid-19 protocol procedures. It is for other cities interest to apply the same approach, in our view.

At the other end, yesterday the WTI price closed lower by 0.4% to USD41.5/barrel on raising cases of Coronavirus in the United States/ Meanwhile the USDIDR closed at IDR14.623 vs. IDR14.697 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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