

GLOBAL			
Index	Last	Change	% chg
Dow	25,629	126.73	0.50
S&P 500	2,858	8.05	0.28
Eido US	24.6	0.07	0.29
H.S.I	28,249	429.32	1.54
Nikkei	22,663	155.42	0.69
STI	3,340	54.66	1.66
KLCI	1,791	11.34	0.64
Kospi	2,300	13.66	0.60
SET Thai	1,707	11.02	0.65

COMMODITIES			
Index	Last	Change	% chg
Brent Crude Oil (\$/bbl)	74.7	0.90	1.22
WTI Crude Oil (\$/bbl)	69.2	0.16	0.23
CPO (MYR/ton)	2,195	15.00	0.69
Gold (US\$/tr ounce)	1,211	3.45	0.29
Nickel (US\$/ton)	13,763	169.00	1.24
Tin (US\$/ton)	19,636	41.00	0.21
Pulp (US\$/ton) weekly	1,205.0	0.00	0.00
Coal (US\$/ton)	116.0	-0.80	-0.68

BEI STATISTICS	
JCI	6,091
Change (1 day)	-0.16%
Change YTD	-4.16%
P/E Market (X)	15.8
Volume (mn shr)	6,085.4
Value (Rp bn)	6,593.1
↑ 167 ↓ 215 ↔ 215	
LQ45	854
% Change (1 day)	0.28%

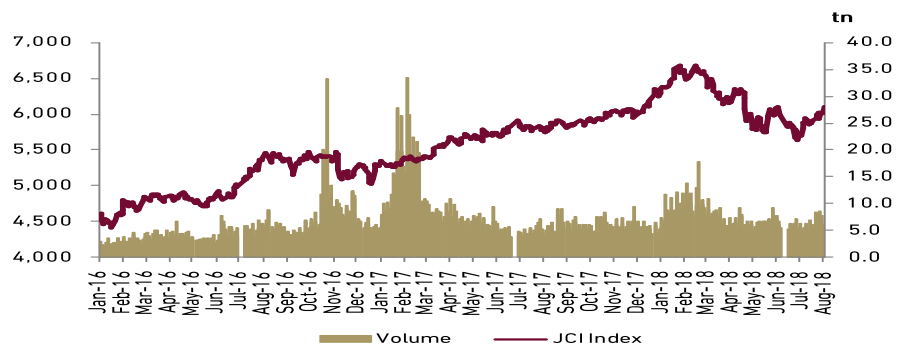
INTEREST RATE		
	Current	Previous
BI 7D Reverse Repo (%)	5.25	5.25
Fed fund rate (%)	2.00	1.75
inflation mom (%)	0.28	0.21
Inflation yoy (%)	3.18	3.23

EXCHANGE RATE			
	Last	Change	% chg
1 USD = IDR	14,442	-36.00	-0.25
1 USD = SGD	1.36	0.00	-0.03
1 USD = JPY	111.41	0.03	0.03
1 USD = AUD	1.35	0.00	-0.07
1 USD = EUR	0.86	0.00	-0.03

DUAL LISTING					
Stocks	Close	Chg.	% chg	In Rp.	Vol. (ADR)
TLKM	24.7	-0.20	-0.80	3,560	468,138
ISAT	0.2	0.00	0.00	3,177	2,150
BUMI Plc	36.8	0.00	0.00	7,522	-

- Forex reserves fall to USD 118.3bn
- Consumer Confidence Index declines in July 2018
- Biodiesel mandatory expansion, foreign exchange reserve savings up to Rp8 tn
- 1H18 corn production soars 25% YoY
- WTON obtains Rp400 bn ready mix contract
- BBTN to increase mortgage interest rate in Aug-18
- New Telkom "Merah Putih" satellite blasts into orbit
- Lombok earthquake may affect OPEX for telcos
- XL Axiata partners with Microsoft to enhance business segment

JCI STATISTIC



DAILY TECHNICAL VIEW

We expect JCI to trade between 6,030 (support) – 6,120 (resistance) level today

GGRM: Sell on strength at Rp 76,500-Rp 78,000

Comment: Testing resistance level

UNVR: Buy on weakness at Rp 43,000-Rp 42,500

Comment: Testing support level

EXCL: Speculative buy at Rp 3,040-Rp 3,000

Comment: The trend is still positive

PTBA: Take profit at Rp 4,840-Rp 4,950

Comment: Forming wave 5

MARKET REVIEW & MARKET OUTLOOK

Regional

U.S. stock markets were closed northwards on solid gains in technology, industrial and banking sector. S&P advanced 0.28% (8.05 points) and approaching a record high, lifted by Amazon, Alphabet and Microsoft. DJIA rose 0.5% (126.73 points), after as many as 11 blue chips gained 1 point or more. Nasdaq composite also gained 0.3% (23 points). Actually, strong 2Q18 earnings season also stand as the booster of optimism about the U.S. economy's strength. On commodity market, Brent and WTI increased by 1.22% and 0.23% to USD74.7/bbl and USD69.2/bbl; as market weighed the ripple effect of the return of US sanction on Iran.

Domestic

JCI dipped by 9.9 points or 0.16% to close at Rp6,091 on Tuesday in spite of recorded Rp106 bn net foreign buy. Agriculture (-0.86%), Finance (-0.75%), Infrastructure (-0.74%), Mis. Industry (-0.54%), Trade (-0.38%) and Consumer (-0.11%) were the sector laggards, with UNVR (-2.63% to 43,550), BBRI (-1.76% to 3,350) and TLKM (-1.92% to 3,580) become the lagging movers. Rupiah currency strengthened by 36 point to Rp14,442/USD. Our technical desk suggests for trading within the band of 6,030–6,120, with possibility to end at mix level.

FOREX RESERVES FALL TO USD 118.3BN

Bank Indonesia reported Indonesia forex reserve position as of July 2018 at USD 118.3bn, USD1.5 bn lower than June's position of USD 119.8 bn. Forex reserve was used for government foreign debt repayment and stabilization of Rupiah amidst volatile global financial market. In July 2018, Rupiah hit its highest position since 2015 at Rp 14,564. Current forex reserve position is equal to 6.9 months of import or 6.7 months import added with government foreign debt repayment.

CONSUMER CONFIDENCE INDEX DECLINED IN JULY 2018

Bank Indonesia (BI) showed consumer confidence fell in July 2018 compared to June 2018, this is reflected in the Consumer Confidence Index (CCI) in July 2018 standing at 124.8 points or inched down by 3.3 points compared to the previous month. This is driven by declining in the current economic conditions at 115 from 120.8 in June and current income index that fell to 127.3(-8.8pts). There is also recorded lower purchasing power of durable goods, standing at 120.7 from 128.9 in previous month. In addition, inflationary pressures are expected to intensify over the next 3 months (172.7 from 171) as the effects of the oil prices and inflation. While job availability for the next 6 months also expected to decrease (121.6 from 122.4).

Comment: We look to move to a neutral position for consumer sector in 2H18. Despite Ramadhan, holiday bonus and higher household consumption spending recorded in 2Q18. Overall FMCG value grew slightly by 1.4%, while volume still declined by 1.3%YoY. Sales growth was mainly due to the increasing export activity and ASP increase. Domestic sales remain flat, even though better than last year. However, we notice declining consumer expectation for economic conditions may lead to slower purchasing power. Hence, we forecast low single digit top line growth for consumer sector in 2H18.

BIODIESEL MANDATORY EXPANSION, FOREIGN EXCHANGE RESERVE SAVINGS UP TO RP8 TN

Saving of Indonesia foreign exchange reserves from the expansion of mandatory regulation of 20% biodiesel is projected to reach around Rp8 tn. The expansion of the regulation will cut diesel import of around 1.2 mn KL. With the expansion starting on 1Sep 18, the fatty acid methyl ether (FAME) blending is also obligated for non subsidized diesel vehicles (non Public Service Obligation/PSO).

Comment: The regulation expansion of 20% biodiesel will boost FAME consumption up to 1.2 mn KL within Sep – Dec 18 for non PSO. Meanwhile for PSO diesel the consumption is projected to reach 2.8 mn KL in 2018. We believe the impact of the regulation to CPO producers will be limited as demand from biodiesel representing less than 5% of national palm oil consumption. However we believe TBLA will be benefited as the company is one of the 26 suppliers for biodiesel. We have BUY rating for TBLA with TP Rp1,510 implying 2018F PE 8.6x.

1H18 CORN PRODUCTION SOARS 25% YOY

National corn production in 1H18 increased 25% YoY to 15 mn tons. This is mainly driven by improving productivity from 2.5 tons/Ha to 5 tons/Ha as well as larger plant area (+3 mn Ha). Moreover, the total production until the end of the year is expected at 30 mn tons, while last year stood at 27-28 mn tons.

Comment: comparing to last year when corn was undersupplied, we see production this year have been better. Indonesia is striving to be able to export their corn production, in case that the domestic demand is fulfilled. Hence, we believe more balance supply and demand of corn in Indonesia will bring a catalyst for poultry players.

WTON OBTAINS RP400 BN READY MIX CONTRACT

Wijaya Karya Beton (WTON) bagged new contract of Rp400 bn to supply ready mix for Jakarta – Bandung High Speed Train (HST). The contract will potentially increase as ready mix will be used for tier work which will be followed by precast work in 4Q18. Cumulatively, the company obtained a total of Rp3.66 tn in new contract or achieved around 48% of full-year target of Rp7.56 tn. New contract split are 70% government project and 30% private project.

Comment: Our new contract target for this year of Rp7.5 tn is in-line with company's target. WTON is currently trading at 2018-19F PER of 8.6-6.9x. We have Buy rating on WTON with TP of Rp570.

BBTN TO INCREASE MORTGAGE INTEREST RATE IN AUG-18

Bank Tabungan Negara (BBTN) plans to increase its mortgage interest rate as the impact of rate hikes. Mortgage rates below 10.5% rose to 11%, mortgage rates above 10.5% to 12% rose to 12.5%. While for 12% to 13% will be pulled up to 13% and mortgage interest rate above 13% decided to remain unchanged. The adjustment of interest rate does not apply to fixed rate mortgage (first couple of years since the credit agreement) and mortgage under the period of restructuring.

Comments: We see the hike in mortgage interest rate still moderate (avg. 50 bps) and should not significantly affect the affordability of mortgage installments. We expect for every 50 bps increase in mortgage interest rate would increase the installments by ~2% (assuming 10 years mortgage installments).

NEW TELKOM "MERAH PUTIH" SATELLITE BLASTS INTO ORBIT

After being deployed, Telkom's telecommunication satellite, named Merah Putih (red and white), will then fly to reach its geostationary orbit with enough fuel to operate for 21 years. Once operational is expected to replace the aging Telkom 1 satellite in operation since 1999. Equipped Merah Putih has 60 transponders, previously named Telkom 4, will support the existing Telkom 2 and 3S satellites to provide services for customers, especially in parts of Indonesia and South Asia, amid rising demand. Of Merah Putih's 60 transponders, 24 will be dedicated to customers in Southeast and South Asian countries, while the remaining 36 transponders will serve domestic customers. Telkom's network and IT solutions director, Zuhelfi Abidin, said the national demand for satellites now topped 188 and were mostly served by foreign firms. According to KOMINFO, domestic satellite operators including Telkom, Pacific Satellite Nusantara, Media Citra Indostar, Bank Rakyat Indonesia and Indosat Ooredoo only serve half of the national demand. With the launch of Merah Putih, Telkom is now operating 133 transponders, 49 on Telkom 3S and 24 on Telkom 2. The transponders are mostly of the C-Band and Extended C-Band types, which are reportedly able to better handle severe weather conditions.

Comment: New satellite deployment if successfully installed into its geostationary orbit, will be able to serve more areas and thus record more data traffic via satellite for underserved areas and improve its network overall. Maintain Buy call with TP: Rp4600 suggesting EV/EBITDA 2018-19 6.5-7.1x currently trading at 5.9-6.4x.

LOMBOK EARTHQUAKE MAY AFFECT OPEX FOR TELCOS

There are still 616 base transceiver stations (BTS) that have not operated because of the impact of the earthquake in Lombok. KOMINFO spokesperson said that from 945 BTS reported non-operational until yesterday 17:00 local time, BTS that had not yet operated had reduced to 616 BTS mainly due to electricity power cuts. As a result of these conditions, it added 4 VSAT "satellite signal receiving terminal" are being used to accommodate telecommunication services for time being while five more VSATs will be added.

Comment: Lombok earthquake may affect OPEX for telcos. We will get more updates on the story.

XL AXIATA PARTNERS WITH MICROSOFT TO ENHANCE BUSINESS SEGMENT

XL Axiata strengthens Business Solution Segment the BIZ package in cooperation with Microsoft. XL Axiata has currently 3,000 customers from the corporate segment and more than 3,000 for the MSME segment. Also 891,000 from its 1 million postpaid customers are corporate customers. Working with Microsoft, customers can enjoy voice phone packages, SMS and data and access to Office 365 without additional fees. The package is available starting from Rp149,000/month for 5 GB data quota up to price Rp.499,000 per month for access unlimited data. XL. In addition, network coverage and XL's corporate partners make work using access use 365-based computing office facility cloud with capacity One Drive starting from 2 TB with access to Outlook account.

Comment: The corporate segment and business clients can sufficiently add to the revenue growth significantly, and will enhance XL Axiata's service portfolio. Maintain Buy call with TP of Rp3800/sh

TECHNICAL ANALYSIS

JCI : (6,087 -0.22%)

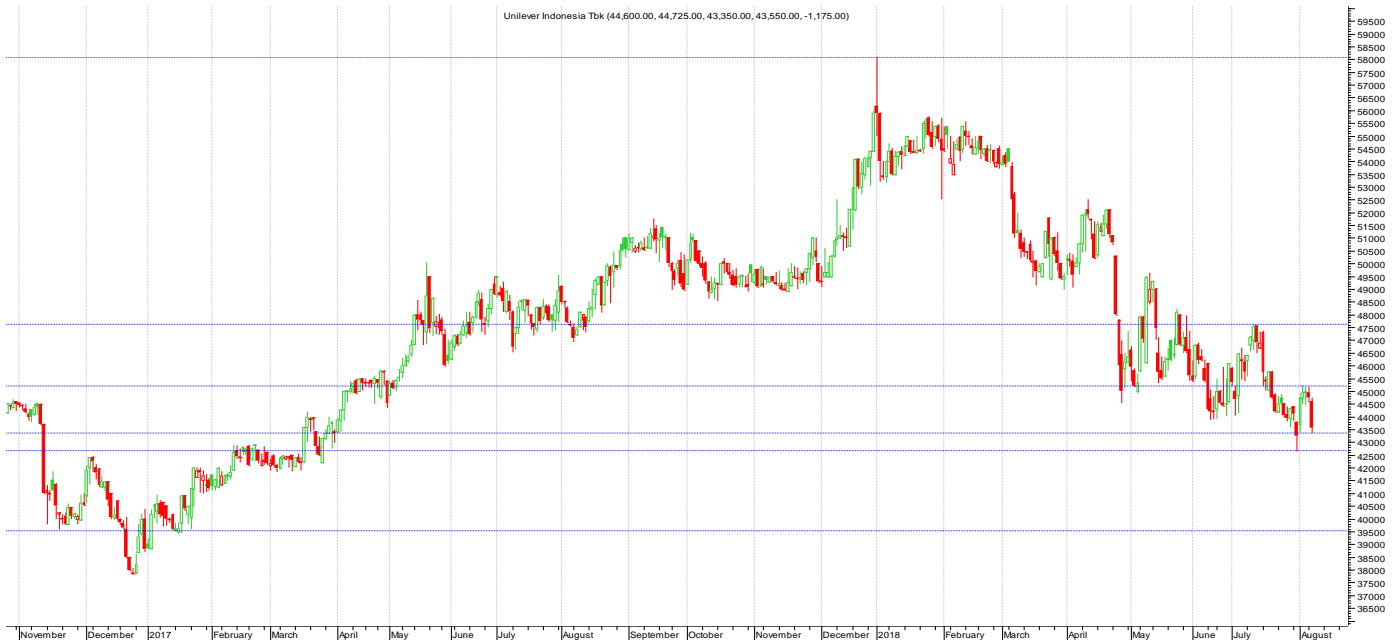
Comment : UNVR, BBRI and TLKM consecutively became lagging movers. Technically, JCI closed below minor resistance level of 6,116. Support level at 5,994. Next support and resistance level at 5,840-6,230. Based on Elliot wave approach, as we discussed before, JCI is forming corrective wave ABC. Because the index moved below the mid-term uptrend line, we consider that the index is forming a mid-term corrective wave. Meanwhile, we revise our short-term wave counting because the index moved above resistance level of the short-term downtrend line 5,850. We noted that the lowest level of 5,557 as the bottom of wave A. The rising movement that occurred in the last months noted as sub wave X of wave up B. Because the index moved above the level of 6,027, JCI likely still look for the peaks of wave X. we predict that the index will find the peaks of wave X soon and begin to form sub wave down Y to retest again the breakout of resistance level of the short-term downtrend line (retest the level of 5,800-5,850) before forming sub wave up Z which is the last wave of the wave up B. This wave counting is automatically false if the index moves below the level of 5,557.



STOCK OF THE DAY

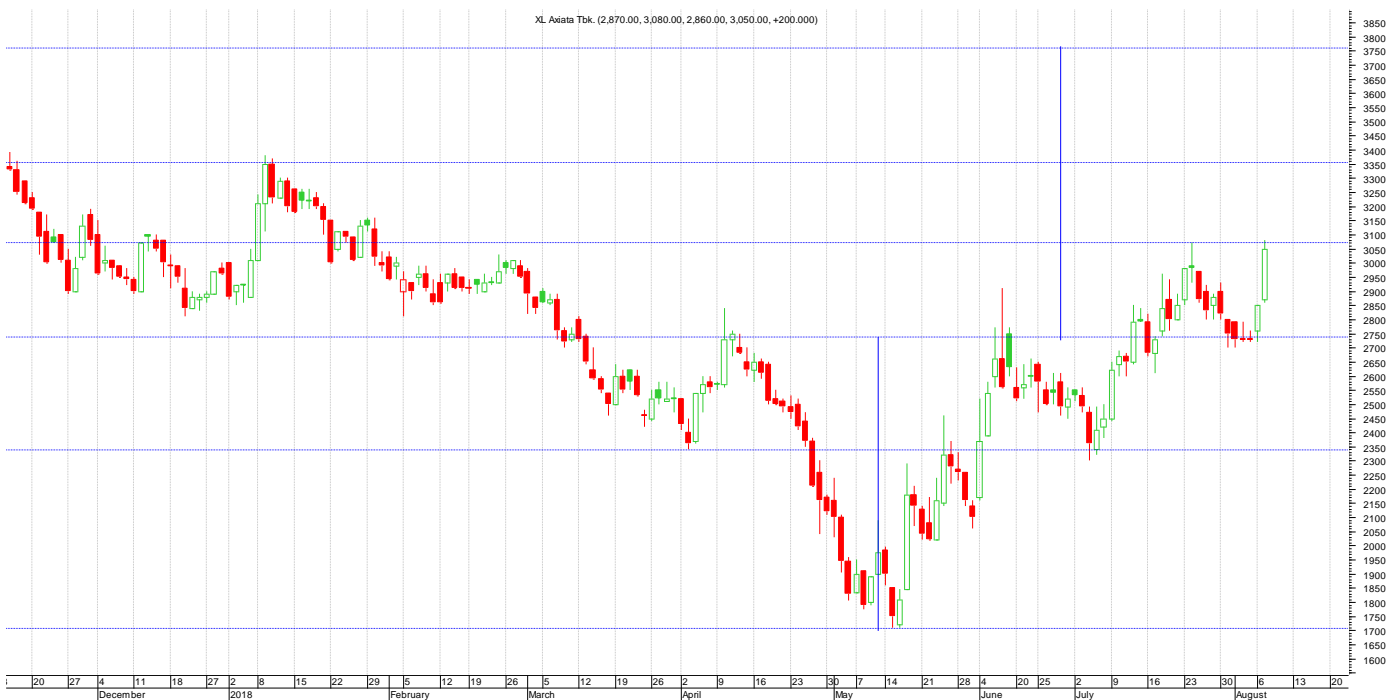
UNVR : Testing support level

The price closed above minor support level of 42,650. Resistance level at 45,225. Next support and resistance level at 40,000-48,000. The trend is still negative. Buy on weakness



EXCL : Testing resistance level

The price closed below minor resistance level of 3,070. Support level at 2,700. Next support and resistance level at 2,300-3,380. The price likely formed a reversal inverted Head and Shoulder. Theoretical target of this pattern around the level of 3,750. Speculative buy



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GGRM : Testing resistance level

The price closed below minor resistance level of 76,550. Support level at 73,600. Next support and resistance level at 72,000-79,000. The mid-term trend is still sideways. Sell on strength



PTBA : Testing resistance level

The price closed below resistance level of the short-term uptrend channel. Support level of the channel around the level of 4,450 According to our counting, the price is doing wave minute 5 which is the last wave of the cycle. Take profit/Sell on strength



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CIPTADANA FIXED INCOME DAILY

CURRENCY TRADING RANGE OF TODAY

USD/Rp: 14,390 – 14,490

INDONESIA GOVERNMENT SECURITIES YIELD	
Maturity (yrs)	Yield (%)
1	6.62
3	7.39
5	7.67
10	7.77
15	8.12
30	8.49

AVERAGE DEPOSIT RATE					
	1M	3M	6M	1YR	2YRS
IDR	5.75	5.94	5.83	5.76	5.42
US\$	0.97	1.06	1.01	1.04	
JIBOR (RP)	6.40	7.01	7.25	7.36	

BASE LENDING RATE	
BI RATE	5.25
FED FUND RATE	2.00
LPS INSURED RATE	
IDR	5.50
US\$	1.00

EXCHANGE RATE		
EXCHANGE RATE		% chg.
1 US\$ = IDR	14,442	0.25
1 US\$ = SGD	1.36	0.03
1 US\$ = JPY	111.41	-0.03
1 US\$ = AUD	0.74	0.07
1 US\$ = EUR	1.16	0.03

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