

GLOBAL

Index	Last	Change	% chg
Dow	25,965	-22.10	-0.09
S&P 500	2,902	0.39	0.01
Eido US	23.4	0.03	0.13
H.S.I	27,713	-176.01	-0.63
Nikkei	22,707	-157.77	-0.69
STI	3,207	-6.28	-0.20
KLCI	1,814	-6.08	-0.33
Kospi	2,307	-15.85	-0.68
SET Thai	1,721	-0.37	-0.02

COMMODITIES

Index	Last	Change	% chg
Brent Crude Oil (\$/bbl)	78.2	0.51	0.66
WTI Crude Oil (\$/bbl)	69.8	-0.45	-0.64
CPO (MYR/ton)	2,209	9.00	0.41
Gold (US\$/tr ounce)	1,201	-0.41	-0.03
Nickel (US\$/ton)	12,698	-10.50	-0.08
Tin (US\$/ton)	18,895	-157.50	-0.83
Pulp (US\$/ton) weekly	1,205.0	0.00	0.00
Coal (US\$/ton)	116.3	1.05	0.91

BEI STATISTICS

JCI	5,968
Change (1 day)	-0.85%
Change YTD	-6.11%
P/E Market (X)	15.4
Volume (mn shr)	4,439.2
Value (Rp bn)	4,059.0
↑ 133 ↓ 261 ↔ 207	
LQ45	854
% Change (1 day)	0.28%

INTEREST RATE

	Current	Previous
BI 7D Reverse Repo (%)	5.50	5.25
Fed fund rate (%)	2.00	1.75
inflation mom (%)	-0.05	0.21
Inflation yoy (%)	3.20	3.23

EXCHANGE RATE

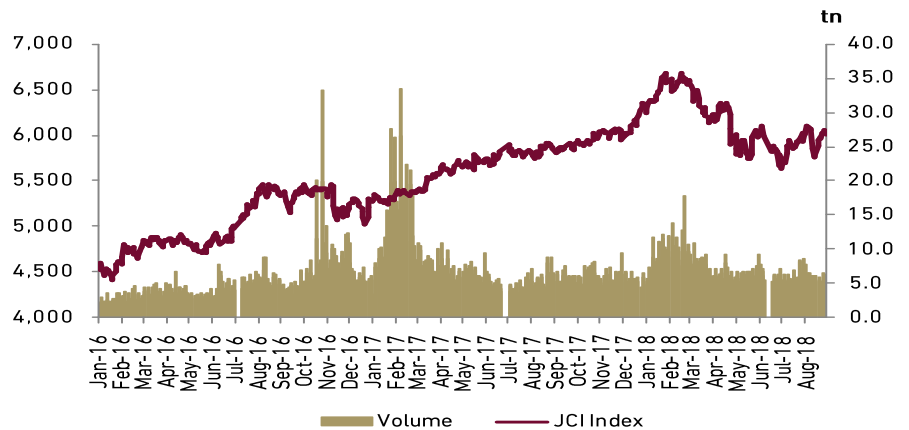
	Last	Change	% chg
1 USD = IDR	14,815	105.00	0.71
1 USD = SGD	1.37	0.00	0.15
1 USD = JPY	111.06	-0.01	-0.01
1 USD = AUD	1.39	0.00	0.25
1 USD = EUR	0.86	0.00	0.16

DUAL LISTING

Stocks	Close	Chg.	% chg	In Rp.	Vol. (ADR)
TLKM	23.7	0.25	1.07	3,507	366,530
ISAT	0.2	0.00	0.00	2,963	2,150
BUMI Plc	36.8	0.00	0.00	7,522	-

- August CPI experience deflation of -0.05% MoM
- Non-tax income to exceed target
- High speed railway construction accelerated as CDB disburses loan
- ANTM is looking for partner in Sorong Smelter development
- SMCB records Rp539 bn net loss in 1H18

JCI STATISTIC



DAILY TECHNICAL VIEW

We expect JCI to trade between 5,860 (support) – 6,000 (resistance) level today

GGRM: Buy on weakness at Rp 70,600-Rp 69,000

Comment: Testing support level

ASII: Buy on weakness at Rp 6,850-Rp 6,600

Comment: Testing support level

BWPT: Buy on weakness at Rp 205-Rp 192

Comment: Testing support level

BMRI: Buy on weakness at Rp 6,550-Rp 6,350

Comment: Testing support level

MARKET REVIEW & MARKET OUTLOOK

Regional

US financial market closed on Monday, September 3 due to the Labor Day. Markets will reopen and resume regular trading hours on Tuesday, September 4. On commodity markets, oils prices rose after Iran exports fell to their lowest level in more than two years. Brent Crude Oil rose by 0.94% to USD 78.2/bbl , CPO price was up by 0.41% to MYR2,209/ton, while coal rose by 0.91% to closed at USD 116.25/ton.

Domestic

JCI index declined to 5,968 on Monday or 51 points lower (-0.84%) with foreign investors posted Rp306 bn net sell transaction. The laggard sectors were Basic Industry (-1.91%) mainly driven by INKP (-3.01%), followed by Misc. Industry (-1.79%) led by ASII (-2.07%), and Mining (-1.70%) led by decline in INCO (-6.32%). The laggard stocks in the big caps were BMRI (-2.90% to 6,700), ASII (-2.07% to 7,100), and HMSP (-1.04% to 3,790). Rupiah weakened by 105 points to 14,815/USD. Our technical desk suggests for trading within the band of 5,860 – 6,000 with possibility to end at lower level.

AUGUST CPI EXPERIENCE DEFLATION OF -0.05% MOM

Statistics office (BPS) reported August consumer price index saw a deflation of -0.05% MoM and inflation of 3.20% YoY, below both Bloomberg and our estimates. Food, clothing and transportation & communication price experienced deflation due to price normalization after the Lebaran season. August's Food price experienced deflation of -1.10% MoM (4.90% YoY) after significant high inflation in past 2 months (June: 0.88% MoM; July: 0.86% MoM). According to central bank food price monitor system (hargapangan.id), most of food products had declining price on August led by cayenne (-14.6% MoM), onion (-11.3% MoM), garlic (-5.3% MoM) and Egg (-5.2% MoM). However, the annual food inflation remained high at 4.9% YoY, far above YE 2017 food inflation position at 1.26% YoY and August 2017 at 1.50% YoY. Core inflation picked up to 2.90% YoY due to seasonal factor of higher education fee on occasion of new academic year. August deflation brought YTD figure to 2.12%.

Comments: 1) the effect of Rupiah depreciation to overall inflation is still less significant. Nevertheless, we need to stay cautious in upcoming months as firms may start to raise their output prices. IHS Markit on its Indonesia's August manufacturing PMI release stated that firms are more confident to raise output price charge to alleviate margin pressure. 2) We remain optimistic that 2018 inflation will be manageable at around 3.5%. Annual inflation will pick up from current position of 3.2% YoY to 3.5% in YE due to better domestic demand. 3) From inflation point of view, there is no necessity for central bank to raise the policy rate. However, significant depreciation Rupiah due to global sentiment required central bank attention to make Indonesia financial market more attractive and competitive. We see there is a possibility of rate hike of 25 bps in August and another 25 bps rate hike in 4Q18, totaling 50 bps (to 6.00%) in remaining of 2018.

NON TAX INCOME TO EXCEED TARGET

Finance ministry reported non tax income had reached Rp 239.6 tn or 87.1% of target. This figure was better than August 2017 when the non tax income realization reached only 74% of revised state budget target. The most dominant composition still came from oil and gas income of Rp 83.8 tn (104.3% of target), non oil and gas income of Rp 23.6 tn (101.24% of target). Higher non tax income is much driven by significant higher than estimate oil price.

Comments: We believe non tax income may reach around 130% of target which will make overall government revenue meet 100% target.

HIGH SPEED RAILWAY CONSTRUCTION ACCELERATED AS CDB DISBURSES LOAN

State-owned construction company PT Wijaya Karya (WIKA) will accelerate the construction of the Jakarta-Bandung high speed railway (HSR) project after the China Development Bank (CDB) disbursed USD284.8 mn on 30 August, the second phase of the loan for the project. Around 60% of loan will be used to pay down payment for EPC contractor of HSR project namely High Speed Railway Contractor Consortium (HSRCC). Wika is a member of the High Speed Railway Contractor Consortium (HSRCC) assigned to construct the USD5.9 bn HSR project. As a member of the consortium, Wika will be responsible for the structural, architectural, landscape, mechanical and electrical works of the 142.5 km railway project that will include four stations – one in Jakarta (Halim) and three in West Java – Karawang, Walini and Tegalluar.

Comment: We see the acceleration of HSR construction as positive for WIKA and its precast unit WTON as around 30% construction material will use precast. We have both Buy rating on WIKA and WTON with target price of Rp2,100 and Rp570, respectively.

ANTM IS LOOKING FOR PARTNER IN SORONG SMELTER DEVELOPMENT

Aneka Tambang (ANTM) is preparing to develop Sorong Smelter next year with total investment up to USD 1 bn. The company is looking for a strategic partner not only with fund availability but also knowledge to do how. The initial plan is to create two separate entity, the first one will become the holding which is owning the nickel mine (upstream) while the other one act as the smelter operator (downstream). Currently ANTM is in talk with three potential partners. One is from Philippine while the other two is from China. The smelter is projected to produce 40,000 ton of nickel and 500,000 of stainless steel.

SMCB RECORDS RP539 BN NET LOSS IN 1H18

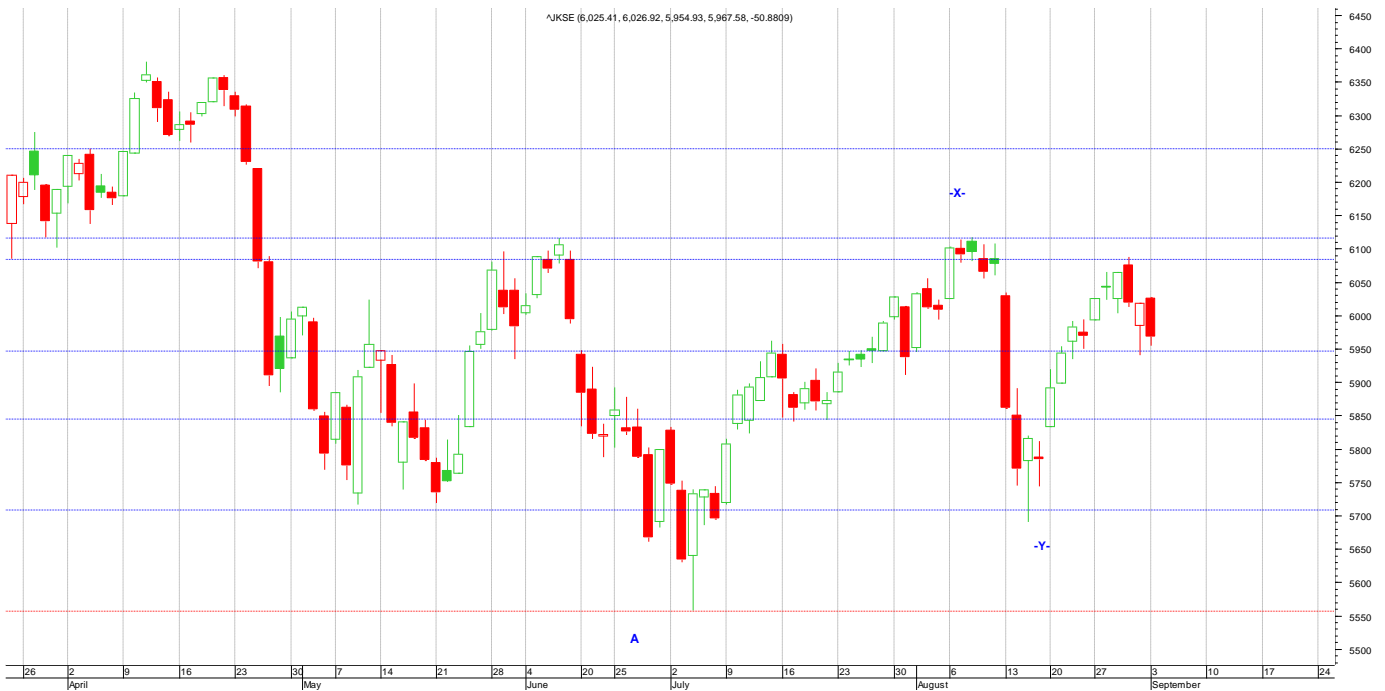
During 1H18, SMCB displayed a weak performance, as its bottom line was in negative of Rp539.3 bn, even worse compare to -Rp435.9 bn last year. This is mainly attributable to rising material cost which cannot be offset by the revenue growth. 1H18 revenue increased modestly by 3.8% YoY to Rp4.45 tn, or fulfilling 46.9% of consensus estimate. Gross profit dropped 13.6% YoY to Rp537.4 bn, leading to a lower gross margin from 14.5% in 1H17 to 12.1%. We see as the third biggest player in Indonesian market, the company has been witnessing some issues and quite difficult to cope with the situation. In addition to that, we are reviewing our recommendation on the stock. SMCB currently trades at around 10x forward EV/EBITDA 2019.

Rp bn	1H18	1H17	YoY	2Q18	1Q18	QoQ	FY18 Cons.
Revenue	4451.9	4288.0	3.8%	2,250.4	2,201.6	2%	46.9%
COGS	-3914.55	-3666.13	6.8%	-2,004.2	-1,910.3	5%	
Gross Profit	537.4	621.9	-13.6%	246.1	291.3	-16%	29.5%
<i>Gross Margin (%)</i>	<i>12.1</i>	<i>14.5</i>	<i>-2.43</i>	<i>10.9</i>	<i>13.2</i>	<i>-2.29</i>	
Total Operating Expense	-778.7	-783.7	N/A	-398.6	-380.0	5%	
Operating Profit	-241.3	-161.8	N/A	-152.5	-88.8	N/A	N/A
<i>Operating margin (%)</i>	<i>-5.4</i>	<i>-3.8</i>	<i>-1.65</i>	<i>-6.8</i>	<i>-4.0</i>	<i>-2.75</i>	
EBITDA	232.0	353.1	-34.3%	77.3	154.7	-50%	N/A
<i>EBITDA margin (%)</i>	<i>5.2</i>	<i>8.2</i>	<i>-3.02</i>	<i>3.4</i>	<i>7.0</i>	<i>-3.59</i>	
Net profit	-539.3	-435.9	N/A	-206.9	-332.4	N/A	N/A
<i>Net profit margin (%)</i>	<i>-12.1</i>	<i>-10.2</i>	<i>-1.95</i>	<i>-9.2</i>	<i>-15.1</i>	<i>5.90</i>	

TECHNICAL ANALYSIS

JCI : (5,967.58 -0.84%)

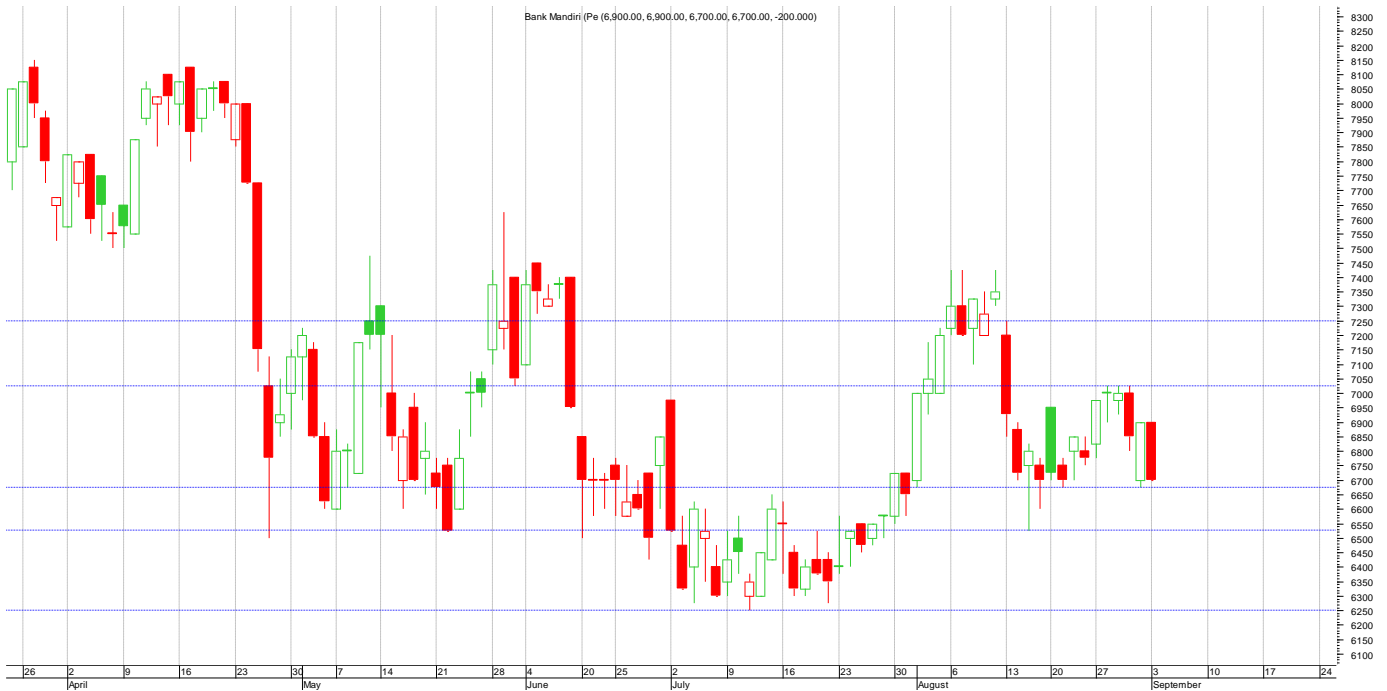
Comment : BMRI, ASII and HMSP consecutively became lagging movers. Technically, JCI closed above minor support level of 5,940. Resistance level at 6,086. Next support and resistance level at 5,840-6,250. Based on Elliot wave approach, as we discussed before, JCI is forming corrective wave ABC. Because 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. The peaks of wave X likely at the level of 6,117 which occurred on August 8, 2018. According to this wave counting, now JCI is in the process to find the bottom of sub wave Y of wave up B. The bottom of wave Y should be above the bottom of wave A (above 5,557). The lowest level of 5,689 which occurred on August 15 could be the bottom of wave Y. If the level of 5,689 is the bottom of wave Y then JCI begins to form sub wave up Z of B which is the last wave of wave B. We predict the peaks of wave Z around the level of 6,120-6,250. This wave counting is automatically false if the index moves below the level of 5,557.



STOCK OF THE DAY

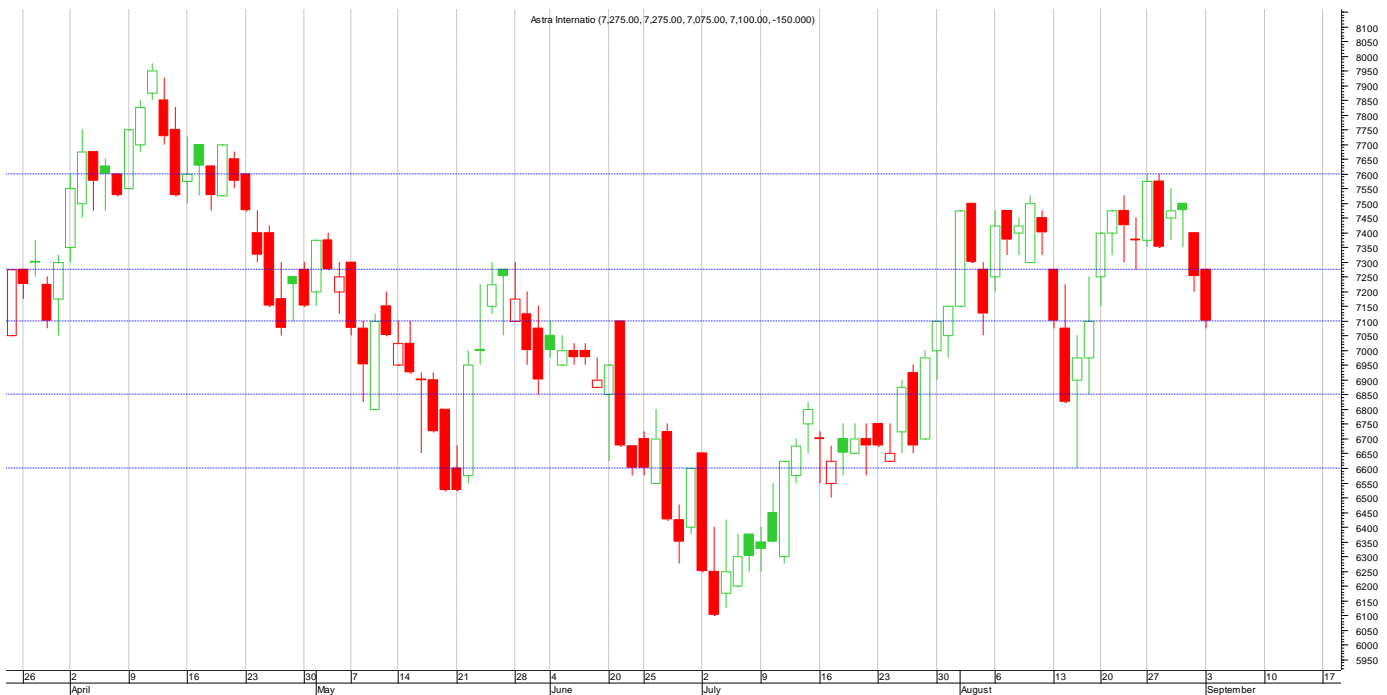
BMRI : Testing support level

The price closed above minor support level of 6,675. Resistance level at 7,025. Next support and resistance level at 6,525-7,425. The mid-term trend is still sideways. Buy on weakness. MT : Sell on strength



ASII : Testing support level

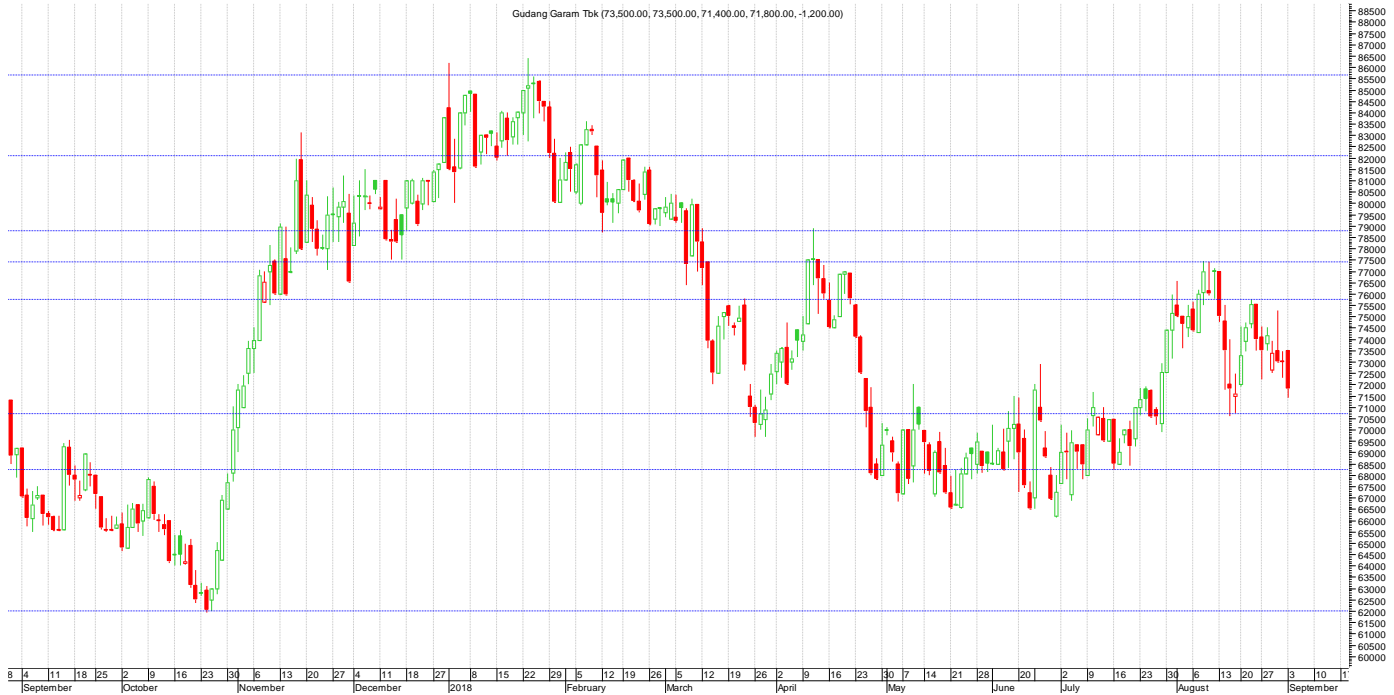
The price closed at support level of the gap. Resistance level at 7,500. Next support and resistance level at 6,850-7,600. The mid-term trend is still sideways. ST : Buy on weakness. MT : Sell on strength.



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GGRM : Testing support level

The price closed above minor support level of 70,750. Resistance level at 75,750. Next support and resistance level at 68,225-77,400. The mid-term trend is still sideways. ST : Buy on weakness, MT : Sell on strength



BWPT : Testing support level

The price closed above minor support level of 216. Resistance level at 234. Next support and resistance level at 192-244. The short-term trend is still positive. Buy on weakness.



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CIPTADANA FIXED INCOME DAILY

CURRENCY TRADING RANGE OF TODAY

USD/Rp: 14,760 – 14,860

INDONESIA GOVERNMENT SECURITIES YIELD	
Maturity (yrs)	Yield (%)
1	7.37
3	7.90
5	8.14
10	8.32
15	8.49
30	8.58

AVERAGE DEPOSIT RATE					
	1M	3M	6M	1YR	2YRS
IDR	5.87	5.93	5.95	5.88	5.51
US\$	0.99	1.04	1.00	1.05	
JIBOR (RP)	6.70	7.13	7.34	7.48	

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

EXCHANGE RATE		
EXCHANGE RATE		% chg.
1 US\$ = IDR	14,815	-0.71
1 US\$ = SGD	1.37	-0.15
1 US\$ = JPY	111.06	0.01
1 US\$ = AUD	0.72	-0.25
1 US\$ = EUR	1.16	-0.15

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