

GLOBAL			
Index	Last	Change	% chg
Dow	25,379	-327.23	-1.27
S&P 500	2,769	-40.43	-1.44
Eido US	21.5	-0.48	-2.19
H.S.I	25,455	-7.71	-0.03
Nikkei	22,658	-182.96	-0.80
STI	3,070	-1.43	-0.05
KLCI	1,738	-2.58	-0.15
Kospi	2,130	-18.45	-0.86
SET Thai	1,683	-12.13	-0.72

COMMODITIES			
Index	Last	Change	% chg
Brent Crude Oil (\$/bbl)	80.1	-1.36	-1.67
WTI Crude Oil (\$/bbl)	68.7	-1.10	-1.58
CPO (MYR/ton)	2,135	-21.00	-0.97
Gold (US\$/tr ounce)	1,226	0.33	0.03
Nickel (US\$/ton)	12,276	-22.50	-0.18
Tin (US\$/ton)	19,036	-52.00	-0.27
Pulp (US\$/ton) weekly	1,205.0	0.00	0.00
Coal (US\$/ton)	109.8	0.60	0.55

BEI STATISTICS	
JCI	5,845
Change (1 day)	-0.40%
Change YTD	-8.03%
P/E Market (X)	15.3
Volume (mn shr)	6,280.4
Value (Rp bn)	4,528.1
↑ 187 ↓ 195 ↔ 228	
LQ45	854
% Change (1 day)	0.28%

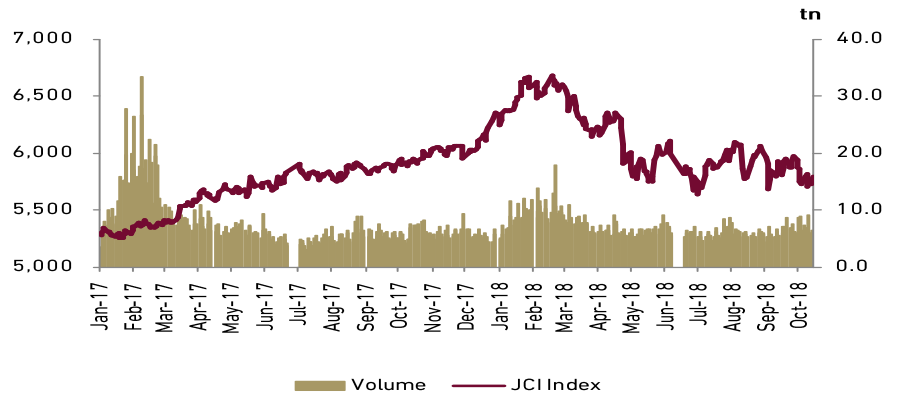
INTEREST RATE		
	Current	Previous
BI 7D Reverse Repo (%)	5.75	5.50
Fed fund rate (%)	2.25	2.00
inflation mom (%)	-0.18	-0.05
Inflation yoy (%)	2.88	3.20

EXCHANGE RATE			
	Last	Change	% chg
1 USD = IDR	15,194	44.00	0.29
1 USD = SGD	1.38	0.00	0.00
1 USD = JPY	112.23	0.02	0.02
1 USD = AUD	1.41	0.00	0.11
1 USD = EUR	0.87	0.00	-0.01

DUAL LISTING					
Stocks	Close	Chg.	% chg	In Rp.	Vol. (ADR)
TLKM	24.3	-1.20	-4.70	3,694	244,559
ISAT	0.2	0.00	0.00	3,039	2,150
BUMI Plc	36.8	0.00	0.00	7,522	-

- Government and House agree on Rp 1,634.3 tn central govt expenditure in 2019
- Tax relaxation could boost property market
- Medco, Salim consortium to pump SGD530 mn into Hyflux
- Chris Kanter spills out hints regarding to ISAT new strategies
- BBNI recorded Rp11.4 tn (13% YoY) net income in 9M18; in-line

JCI STATISTIC



DAILY TECHNICAL VIEW

We expect JCI to trade between 5,750 (support) – 5,860 (resistance) level today

BBCA: Take profit at Rp 23,700-Rp 24,000

Comment: Failed to break resistance level

BBRI: Take profit at Rp 3,100-Rp 3,150

Comment: Testing resistance level

GGRM : Take profit at Rp 80,000-Rp 81,300

Comment: Testing resistance level

PTBA : Take profit at Rp 4,500-Rp 4,600

Comment: Failed to break resistance level

MARKET REVIEW & MARKET OUTLOOK

Regional

US stocks continued to slump on Thursday, as investors were still foreshadowed by the US and China trade war uncertainty, hiking interest rates, and lingering worries about possible overvalued U.S. tech stocks. Dow Jones declined by 327.23 points lower (-1.27%) at 25,379. The S&P 500 dropped 1.44% to 2,769 as the consumer discretionary and tech sectors lagged. Bond yields also hiked recently, post the Federal Reserve released its September's minutes of meetings, which indicating tighter monetary policy to be the solution for economic stability. Commodity: Brent Crude Oil slid by 1.67% to USD 80.1/bbl and WTI Crude oil also fell by 1.58% to USD68.7 /bbl. CPO inched down by 0.97% to MYR 2,135/ton. Nickel dropped by 0.18% to USD 12,276/ ton. On the other hand, coal rose by 0.55% at USD 109.8/ton.

Domestic

JCI closed at 5,845 lower 23.4 points (-0.4%) on Thursday trading and posting Net foreign sell of 7.8 bn. The laggard sectors were Infrastructure (-2.52%), Mining (-0.90%), Finance (-0.49%), led by Agriculture (+3.58%), Basic Industry (+0.84%), and Consumer (+0.01%). Index mover were; TLKM (-3.59% to 3,760), PGAS (-3.46% to 2,230), BBRI (+0.65% to 3,090). Our technical desk suggests for trading within the band of 5,750-5,860 with possibility to end at lower level.

GOVERNMENT AND HOUSE AGREE ON RP 1,634.3 TN CENTRAL GOVT EXPENDITURE IN 2019

Government and house agreed on central govt expenditure posture in state budget 2019 at Rp1634.3 tn or slightly lower than government proposal Rp1,635.3 tn. Central government expenditure had some changes due to revision on Rupiah target in 2019 from Rp14,400 to Rp15,000. Furthermore, there is change of allocation from endowment fund for education that previously is included in govt expenditure but is moved to financing, implicating to lower govt expenditure and deficit. Besides, government also increase reserve expenditure from Rp14.4 tn to Rp18.5 tn. Rehabilitation in Palu and Lombok will get allocation of Rp5 tn from the reserve expenditure. Besides central government expenditure, government and house also agreed on regional transfer of Rp756.77 tn and village fund of Rp70 tn for 2019 state budget.

TAX RELAXATION COULD BOOST PROPERTY MARKET

In the middle of sluggish property market, the government plans to loosen tax regulation regarding sales tax on luxury goods (PPnBM) and income tax (PPH) Article 22 on property items. For the developer, the relaxation of PPnBM and PPH Article 22 will stimulate the reviving of middle up to high end projects. As for the consumer, the adjustment of PPnBM and PPH will make property price more affordable since it will cut transaction fee and at the end speed up the take up rate on high segment apartment units which tends to slow down recently.

Comment: The PPnBM rules 20% tax applied for non strata title house and town house with price equal or more than Rp20 bn and for apartment, condominium, strata title town house with price equal or more than Rp10 bn. Meanwhile, the 5% PPH applied for landed house with price equal or more than Rp5 bn or building area more than 400m² and apartment, condominium with price equal or more than Rp5 bn or building area more than 150m². We believe the tax relaxation could boost marketing sales for players in the middle up segment such as BSDE, PWON, SMRA, and DILD. We have BUY rating for the companies with TP Rp1,800, Rp700, Rp1,000, and Rp390, consecutively.

MEDCO, SALIM CONSORTIUM TO PUMP SGD530 MN INTO HYFLUX

A consortium comprising two Indonesian firms - Medco Group and Salim Group - has entered a binding agreement to invest SGD530 mn in troubled water treatment firm Hyflux. SM Investments will subscribe for ordinary shares representing 60% of the enlarged issued share capital in Hyflux for SGD400 mn, and grant Hyflux a shareholder's loan of a principal amount of SGD130 mn. It will also grant Hyflux a loan of SGD30 mn for its interim working capital requirement, for the period prior to the completion of the proposed investment.

Comment: The deal will not have impact to Medco Energi Internasional (MEDC) as it is done at owner level (Medco Group).

CHRIS KANTER SPILLS OUT HINTS REGARDING TO ISAT NEW STRATEGIES

Following Mr. Chris Kanter's appointment as the new CEO of ISAT yesterday, he dropped some hints regarding the new business direction. Above and beyond, he said that a complete overhaul is on the card with people, process, and business as the new focal points. A new management team has been set-up and they have identified 19 transformation points that the Company needs to address. ISAT aims to win competition by providing superior service quality which he hopes to generate better return to shareholders. He also pointed out that ISAT will need USD2 bn capex next year to expand its network and improve its 4G overlay. He also mentioned that the funds are ready for capex and the major shareholder, Ooredoo, is committed to support ISAT in term of Company's capex. However, further details are still not available

Comments: We are still waiting on the details on the new business strategies. Nonetheless, we are constructive on the planned capex of USD2 bn to improve network quality as it has been the pressure point for ISAT to compete with peers. We only project Rp8 tn (c.USD 530mn) of capex in 2019F. The number is also higher than historical of Rp6-7tn in 2016-2017. Further, the commitment from Ooredoo is also encouraging, if materialized. We currently have a HOLD rating on ISAT with TP of 2,940. ISAT currently trades at 2.2x 2019F EV/EBITDA.

BBNI RECORDED RP11.4 TN (13% YOY) NET INCOME IN 9M18; IN-LINE

Bank Negara Indonesia (BBNI) recorded Rp11.4 tn net income in 9M18, up 13% YoY, and formed 74% of both ours and consensus 2018F estimates. Topline remains strong with net interest income grew by 11% YoY to Rp26.0 tn in 9M18, while NIM decline by 30 bps YoY to 5.5% in 9M18. Meanwhile non-interest income is helped by stellar growth in recoveries income (31% YoY to Rp1.5 tn). Included in the recoveries was one sizeable corporate customer of Rp0.4 tn. Excluding this, 9M18 earnings would have grown by 9% YoY and met 72% of 2018F estimates or still on track to achieve full year estimates. However PPoP growth moderated to 8% in 9M18 and -3% QoQ in 3Q18 on higher operational expense (12% YoY to Rp16.5 tn). Below the PPoP line, provision expense slightly decline by 2.7% YoY to Rp5.3 tn in 9M18. Loan and customer deposit growth surged to 15.6% and 14.2% respectively as of 3Q18. The major contributor of loan growth is corporate SOE (25% YoY) and small (17% YoY) segments. NPL decreased both in the nominal and ratio terms to Rp9.7 tn or 2.0% of total loan in 3Q18 from Rp9.9tn or 2.2% of total loan in 2Q18. Cost of credit reduced to 1.1% of earnings asset in 9M18 (0.9% in 3Q18).

Comments: We maintain our Buy recommendation with target price of Rp9,750/share as. BBNI stay as our top picks among SOE peers given its compelling valuation and solid fundamental. The share currently trades at 1.1x 2019F PBV, lower than its historical trading range of 1.4x. Our target price implies 1.5x of 2019F PBV.

(in Rp bn)	9M18	9M17	YoY	3Q18	2Q18	QoQ	2018F	9M18/18F
Interest income	39,426	35,399	11.4%	13,275	13,479	-1.5%		
Interest expense	(13,421)	(11,888)	12.9%	(4,715)	(4,529)	4.1%		
Net interest income	26,005	23,511	10.6%	8,560	8,950	-4.4%	34,816	74.7%
Non-interest operating income	10,251	9,547	7.4%	3,674	3,178	15.6%	14,570	70.4%
Non-interest operating expense	(16,515)	(14,751)	12.0%	(5,722)	(5,407)	5.8%	(22,857)	72.3%
PPoP	19,741	18,307	7.8%	6,512	6,721	-3.1%	26,529	74.4%
Provision expense	(5,340)	(5,489)	-2.7%	(1,471)	(1,959)	-24.9%	(6,979)	76.5%
Operating profit	14,401	12,819	12.3%	5,041	4,762	5.9%	19,550	73.7%
Net income	11,437	10,157	12.6%	4,000	3,791	5.5%	15,424	74.1%
Ratios (%)								
Asset yield	8.3	8.7	-0.4	8.3	8.8	-0.5		
Cost of fund	3.0	3.1	-0.1	3.1	3.1	0.0		
NIM	5.5	5.8	-0.3	5.3	5.8	-0.5		
CASA	61.9	60.4	1.5	61.9	63.8	-2.0		
LDR	88.8	87.7	1.1	88.8	87.0	1.8		
Cost to income	45.6	44.6	0.9	46.8	44.6	2.2		
Tax rate	20.1	19.7	0.4	20.3	19.9	0.3		
NPL gross	2.0	2.8	-0.8	2.0	2.2	-0.2		
Credit cost	1.1	1.3	-0.2	0.9	1.3	-0.4		
Loan loss coverage	152.0	143.4	8.6	152.0	145.6	6.4		
CAR	17.8	19.0	-1.2	17.8	17.5	0.3		
ROA	2.1	2.1	-0.1	2.1	2.1	0.0		
ROE	15.2	14.9	0.4	16.0	15.6	0.5		
Deposit	548,593	480,531	14.2%	548,593	526,482	4.2%		
Demand	157,620	128,748	22.4%	157,620	154,231	2.2%		
Savings	181,816	161,266	12.7%	181,816	181,793	0.0%		
Time	209,157	190,517	9.8%	209,157	190,458	9.8%		
Loan	487,042	421,405	15.6%	487,042	457,807	6.4%		
NPL	9,741	11,701	-16.7%	9,741	9,868	-1.3%		
Loan loss reserves	-14,806	-16,777	-11.7%	-14,806	-14,369	3.0%		
Shareholders equity	101,731	95,085	7.0%	101,731	98,066	3.7%		

TECHNICAL ANALYSIS

JCI : (5,845 -0.47%)

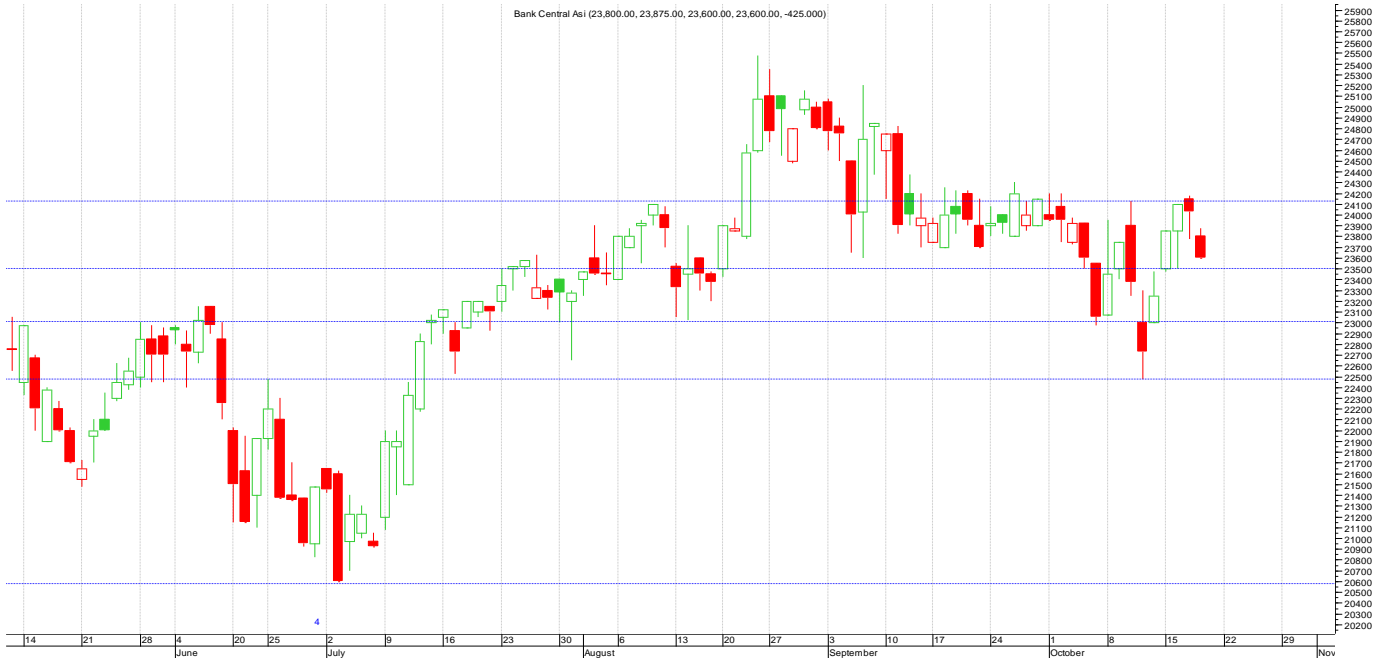
Comment : TLKM, BBCA and HMSP consecutively became lagging movers. Technically, JCI failed to fill minor resistance level of the gap 5,874. Support level at 5,800. Next support and resistance level at 5,719-5,982. Candlestick chart likely formed a reversal harami pattern. This pattern still need further confirmation. 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 above the bottom of wave A (above 5,557). Because the index moved below the lowest level of 5,689 which is occurred on August 15 then level of 5,621 likely the bottom of wave Y. If the level of 5,621 is the bottom of wave Y then JCI begin 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

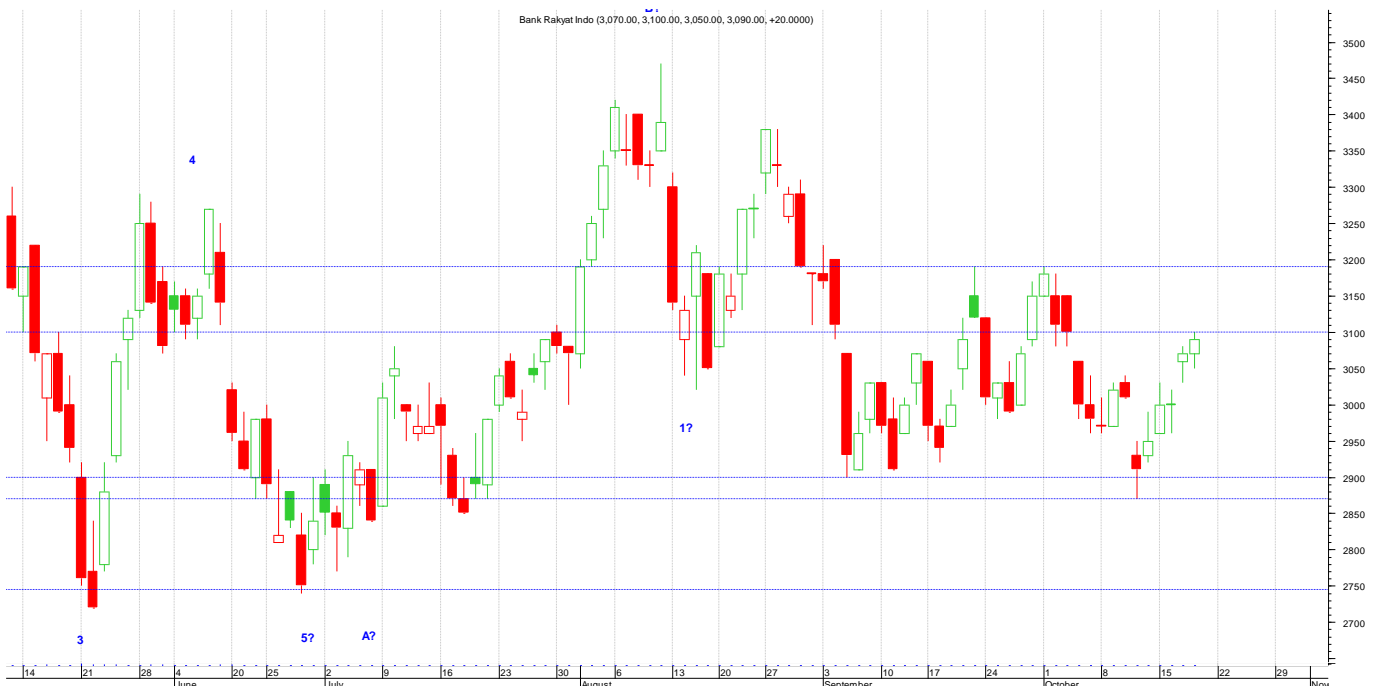
BBCA : Testing support level

The price closed above minor support level of the gap 23,250. Resistance level at 24,200. Next support and resistance level at 22,475-25,500. The penetration of support level 22,475 will cause the trend turn into negative. The price likely will form a reversal Head and shoulder pattern if moves below the level of 22,475. Take profit/Sell on strength



BBRI : Testing resistance level

The price closed below minor resistance level of the gap 3,100. Support level at 3,000. Next support and resistance level at 2,870-3,190. The trend is still sideways. Sell on strength, sell if the price moves and stable below the level of 2,870.



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GGRM : Testing resistance level

The price closed below minor resistance level of 81,300. Support level at 77,400. Next support and resistance level at 75,700-84,000. The trend is still positive. Sell on strength



PTBA : Testing resistance level

The price failed to break minor resistance level of 4,600. Support level at 4,310. Next support and resistance level at 4,000-4,800. The mid-term trend turn into sideways. Take profit/Sell on strength, cut if the price moves below the level of 4,300.



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CIPTADANA FIXED INCOME DAILY

CURRENCY TRADING RANGE OF TODAY

USD/Rp: 15,140 – 15,235

INDONESIA GOVERNMENT SECURITIES YIELD	
Maturity (yrs)	Yield (%)
1	7.20
3	8.17
5	8.44
10	8.58
15	8.82
30	9.31

AVERAGE DEPOSIT RATE					
	1M	3M	6M	1YR	2YRS
IDR	6.02	6.18	6.09	5.98	5.52
US\$	1.07	1.12	1.09	1.06	
JIBOR (RP)	7.14	7.54	7.62	7.71	

BASE LENDING RATE	
BI RATE	5.75
FED FUND RATE	2.25
LPS INSURED RATE	
IDR	5.50
US\$	1.00

EXCHANGE RATE		
EXCHANGE RATE		% chg.
1 US\$ = IDR	15,194	-0.29
1 US\$ = SGD	1,38	0.00
1 US\$ = JPY	112.23	-0.02
1 US\$ = AUD	0.71	-0.11
1 US\$ = EUR	1.15	0.01

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Analyst Certification

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