

GLOBAL			
Index	Last	Change	% chg
Dow	24,985	401.13	1.63
S&P 500	2,706	49.47	1.86
Eido US	21.6	0.71	3.40
H.S.I	24,994	-255.32	-1.01
Nikkei	21,269	-822.45	-3.72
STI	3,013	-19.24	-0.63
KLCI	1,687	-3.45	-0.20
Kospi	2,061	-2.12	-0.10
SET Thai	1,644	20.96	1.29

COMMODITIES			
Index	Last	Change	% chg
Brent Crude Oil (\$/bbl)	76.2	-0.27	-0.35
WTI Crude Oil (\$/bbl)	67.3	0.51	0.76
CPO (MYR/ton)	2,071	-32.00	-1.52
Gold (US\$/tr ounce)	1,232	-0.58	-0.05
Nickel (US\$/ton)	12,072	-69.50	-0.57
Tin (US\$/ton)	19,370	43.00	0.22
Pulp (US\$/ton) weekly	1,205.0	0.00	0.00
Coal (US\$/ton)	109.8	0.00	0.00

BEI STATISTICS	
JCI	5,755
Change (1 day)	0.80%
Change YTD	-9.45%
P/E Market (X)	15.0
Volume (mn shr)	5,159.0
Value (Rp bn)	5,338.8
↑ 167 ↓ 211 ↔ 232	
LQ45	854
% Change (1 day)	0.28%

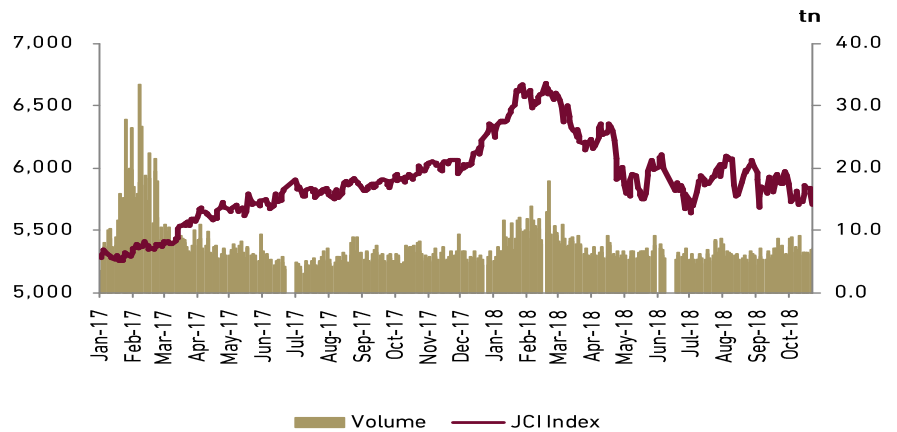
INTEREST RATE		
	Current	Previous
BI 7D Reverse Repo (%)	5.75	5.50
Fed fund rate (%)	2.25	2.00
inflation mom (%)	-0.18	-0.05
Inflation yoy (%)	2.88	3.20

EXCHANGE RATE			
	Last	Change	% chg
1 USD = IDR	15,188	-9.00	-0.06
1 USD = SGD	1.38	0.00	0.01
1 USD = JPY	112.37	-0.05	-0.04
1 USD = AUD	1.41	0.00	0.04
1 USD = EUR	0.88	0.00	0.03

DUAL LISTING					
Stocks	Close	Chg.	% chg	In Rp.	Vol. (ADR)
TLKM	23.9	0.50	2.14	3,627	278,831
ISAT	0.2	0.00	0.00	3,038	2,150
BUMI Plc	36.8	0.00	0.00	7,522	-

- Government and House agree on *Kelurahan* funds
- Oversupply of CPO, slow absorption of B20
- BBCA scored 9.9% YoY earnings growth to Rp18.5 tn in 9M18; in-line
- BBTN scored 11.5% YoY earnings growth to Rp2.2 tn in 9M18; in-line
- Adaro 3Q reported improved production volume due to ideal weather condition

#### JCI STATISTIC



#### DAILY TECHNICAL VIEW

**We expect JCI to trade between 5,700 (support) – 5,800 (resistance) level today**

**BBRI: Sell on strength at Rp 3,040-Rp 3,100**

Comment: Testing resistance level

**UNTR: Speculative buy at Rp 32,000-Rp 31,400**

Comment: Hold above strong support level

**BBNI : Sell on strength at Rp 7,200-Rp 7,400**

Comment: Testing resistance level

**HMSP : Speculative buy at Rp 3,800-Rp 3,750**

Comment: The short-term trend is still positive

#### MARKET REVIEW & MARKET OUTLOOK

##### Regional

US equities start to recover on Thursday, The Dow Jones Industrial Average rose 401.13 points (+1.63%) to 24,984. The S&P 500 gained by 49.47 points (1.86%) to close at 2,706, as consumer discretionary and tech sector climb to more than 3%. Some companies also posted higher than estimated earnings such as, Microsoft and Tesla. On the other hand, Nasdaq Composite increased by 2.95% to 7,318, backed by Amazon which sharply rose by 7.1% before its earnings publication. Facebook and Netflix also gained by 3.4% and 3.7% respectively. Commodity: Brent Crude Oil was down by 0.35% to USD 76.2/bbl and WTI Crude gained by 0.76% to USD 67.3/bbl. CPO dropped by 1.52% to MYR 2,071/ton. Nickel declined by 0.57% to USD 12,072/ ton. While coal remained unchanged at USD 109.8/ton.

##### Domestic

JCI closed at 5,755 higher 45.55 points (+0.8%). The Net foreign buy was recorded at 114 bn. The Sector Leader were; Basic Industry (+1.60%), Consumer (+1.21%), Finance (+0.96%), Misc. Industry (+0.80%), Agriculture (+0.52%), Infrastructure (+0.45%), Mining (+0.16%) The Index mover were; UNVR (+3.02% to 44,300), BMRI (+2.37% to 6,475), BBRI (+1.69% to 3,000). Rupiah strengthened by 9 points to 15,188/USD. Our technical desk suggests for trading within the band of 5,700 – 5,800, with the possibility to close at higher level.

#### GOVERNMENT AND HOUSE AGREE ON KELURAHAN FUNDS

After several meetings, both government and house agree on Kelurahan funds. Previously, only villages that have fund allocation from state budget. The fund is budgeted at Rp 3 tn and the source of its funds will be from village funds allocation of Rp73 tn. Further rules about Kelurahan funds will be regulated by finance ministry. Furthermore, government and house also agree on transfer to region and village funds allocation totaling Rp 826.77 tn, growing 9.22% from outlook 2018 realization.

#### OVERSUPPLY OF CPO, SLOW ABSORPTION OF B20

The domestic inventory of crude palm oil (CPO) is currently abundant, meanwhile the absorption of 20% palm oil blending program to diesel fuel (B20) has not yet meet expectation. The situation triggered the drop in CPO price. To stop the price from sliding further down, the palm oil industry circle is suggesting the government to reduce the levy especially for CPO product to push the plantation commodity exports.

**Comment:** Oversupply is one of the key reasons why CPO price currently persistently low. The industry suggested levy for CPO export at USD30/ton or 40% lower than currently USD50/ton. We see that with reduced levy, exporters could see potential revenue increase up to 3%, relatively small compared to the drop in CPO price this year. We maintain NEUTRAL on plantation sector.

#### ADARO 3Q REPORTED IMPROVED PRODUCTION VOLUME DUE TO IDEAL WEATHER CONDITION

Adaro Energy Tbk (ADRO) reported a growth in its production volume by 13.7% QoQ to 14.9 mn tons in 3Q18 due to improving weather conditions. However, 9M18 reported a slight decline in overall production by 1.0% YoY to 38.9 mn tons. This is partly due to their long term strategy to maintain long-term life of mining strip ratio and coal reserves. All in all, the 9M18 sales volume data of 39.3 mn tons is still in line with our 18F of 50.2 mn tons. We reiterate our buy rating with a TP of Rp2,400. Improving production volume in 3Q18 may should server as positive catalyst for the share price.

	3Q18	2Q18	QoQ	3Q17	YoY	9M18	9M17	YoY
Coal Production	14.9	13.1	13.7%	14.2	4.7%	38.9	39.3	-1.0%
Sales Volume	15.5	12.9	20.2%	14.2	9.2%	39.3	39.4	-0.4%

#### BBCA SCORED 9.9% YOY EARNINGS GROWTH TO RP18.5 TN IN 9M18; IN-LINE

Bank Central Asia (BBCA) scored 9.9% YoY earnings growth to Rp18.5 tn in 9M18, on-track to achieve full year estimates as it met 71/72% of both ours and consensus 2018 estimates, respectively. PPOP was solid with 9.3% YoY growth supported by better NIM in 3Q18 and strong non-interest income growth at +17.0% YoY to Rp12.6 tn in 9M18 (contributes to 27% of total revenue). To be more detailed, non-interest income was helped by gain on mark to market of financial assets (Rp1.1 tn in 9M18, up from Rp0.1 tn in 9M17). On quarterly basis, 3Q18 net income was Rp7.1 tn or up by 19.9% QoQ supported by strong PPOP growth of 22.7% QoQ, also on better NIM and higher gain on mark to market. BBCA's loan growth accelerated to 17.3% YoY, mainly driven by corporate (+23% YoY and 4% QoQ) and commercial & SME (18% YoY and 5% QoQ) segments. BBCA's NIM was stable at 6.7% in 9M18 and improved in quarterly basis by 20 bps to 6.8% in 3Q18. This is thanks to its stellar loan growth which outpaced deposit growth (6.9% YoY) and resulted in higher loan-to-deposit (LDR) at 84.0% (+750 bps YoY). The rise from LDR contributes to better interest income and offset the slight uptrend in cost of funding (BBCA already adjusted up time deposit rate by totaled 150 bps through Sep-18).

**Comments:** We continue to like BBKA as they could benefit from rising interest rate environment given its solid CASA and very ample liquidity. Transactional activities, which was the backbone of their CASA strength, is still arguably solid with 12% YoY transaction value growth and nominally far above its big four peers. We maintain our Buy call on the stock with target price of Rp26,100, implying 3.7x 2019F PBV. BBKA currently trades at 3.5x 2019F PBV, slightly above its trading range.

(in Rp bn)	9M18	9M17	YoY	3Q18	2Q18	QoQ	2018F	9M18/18F
Interest income	41,679	40,058	4.0%	14,591	13,659	6.8%		
Interest expense	(8,319)	(9,110)	-8.7%	(2,985)	(2,678)	11.4%		
<b>Net interest income</b>	<b>33,360</b>	<b>30,948</b>	<b>7.8%</b>	<b>11,607</b>	<b>10,981</b>	<b>5.7%</b>	<b>45,432</b>	<b>73.4%</b>
Non-interest operating income	12,576	10,773	16.7%	4,827	3,844	25.6%	17,151	73.3%
Non-interest operating expense	(20,877)	(18,785)	11.1%	(6,529)	(6,751)	-3.3%	(27,965)	74.7%
<b>PPOP</b>	<b>25,059</b>	<b>22,936</b>	<b>9.3%</b>	<b>9,905</b>	<b>8,075</b>	<b>22.7%</b>	<b>34,618</b>	<b>72.4%</b>
Provision expense	(1,747)	(1,829)	-4.5%	(921)	(638)	44.5%	(2,025)	86.3%
<b>Operating profit</b>	<b>23,312</b>	<b>21,107</b>	<b>10.4%</b>	<b>8,984</b>	<b>7,437</b>	<b>20.8%</b>	<b>32,593</b>	<b>71.5%</b>
<b>Net income</b>	<b>18,508</b>	<b>16,842</b>	<b>9.9%</b>	<b>7,087</b>	<b>5,913</b>	<b>19.9%</b>	<b>26,062</b>	<b>71.0%</b>
<b>Ratios (%)</b>								
Asset yield	8.3	8.8	-0.5	8.5	8.2	0.3		
Cost of fund	1.8	2.1	-0.3	1.9	1.7	0.2		
NIM	6.7	6.8	-0.1	6.8	6.6	0.2		
CASA	77.7	74.5	3.2	77.7	78.2	-0.5		
LDR	84.0	76.5	7.5	84.0	80.4	3.7		
Cost to income	47.4	45.8	1.6	42.4	46.5	-4.0		
Tax rate	20.6	20.2	0.4	21.1	20.5	0.6		
NPL gross	1.4	1.5	-0.1	1.4	1.4	0.0		
Credit cost	0.5	0.6	-0.1	0.7	0.5	0.2		
Loan loss coverage	187.0	190.8	-3.9	187.0	187.7	-0.8		
CAR	23.2	23.6	-0.4	23.2	22.8	0.4		
ROA	3.2	3.2	0.0	3.6	3.0	0.5		
ROE	18.0	18.7	-0.8	20.2	17.3	2.9		
Deposit	613,893	574,387	6.9%	613,893	615,551	-0.3%		
Demand	163,074	144,716	12.7%	163,074	166,142	-1.8%		
Savings	313,741	283,281	10.8%	313,741	315,098	-0.4%		
Time	137,078	146,389	-6.4%	137,078	134,311	2.1%		
Loan	515,817	439,657	17.3%	515,817	494,603	4.3%		
NPL	7,410	6,729	10.1%	7,410	7,075	4.7%		
Loan loss reserves	-13,856	-12,842	7.9%	-13,856	-13,283	4.3%		
Shareholders equity	143,606	127,317	12.8%	143,606	136,748	5.0%		

#### BBTN SCORED 11.5% YOY EARNINGS GROWTH TO RP2.2 TN IN 9M18; IN-LINE

Bank Tabungan Negara (BBTN) earnings grew by 11.5% YoY to Rp2.2 tn in 9M18, forming 67% and 66% of ours and consensus 2018F estimates, respectively, and in-line with historical achievement. Top-line was solid where net interest income grew by 15.3% YoY to Rp7.5 tn, better than previous quarter and the strongest among banking industry. However below the revenue line, operating expense (18.4% YoY to Rp5.3 tn in 9M18) remains to be inflated mainly on soaring personnel expenses. In addition, provision expense shot up by 45.2% YoY to Rp0.9 tn in 9M18. This is solely due to preparation of IFRS 9 while asset quality continues to improve with NPL ratio down to 2.6% of total loan (vs. 3.1% last year). Provision expense was worse than our expectation as it already achieved 87% of 2018F estimates. On quarterly basis, net income grew by 9.9% QoQ to Rp0.8 tn in 3Q18 underpinned by stronger NIM which offset weaknesses in provision expense.

**Comments:** We maintain our Buy recommendation on BBTN with target price of Rp3,450/share, implying a 2019F PBV of 1.25x. However we open the possibility to further revised down our estimates following the headwinds from provision expenses from IFRS 9. Such additional provision expenses are expected to take place in 4Q18 and 2019F. BBTN share price is now trading at only 0.80x 2019F PBV, hence we think majority of the bad news has been priced in.

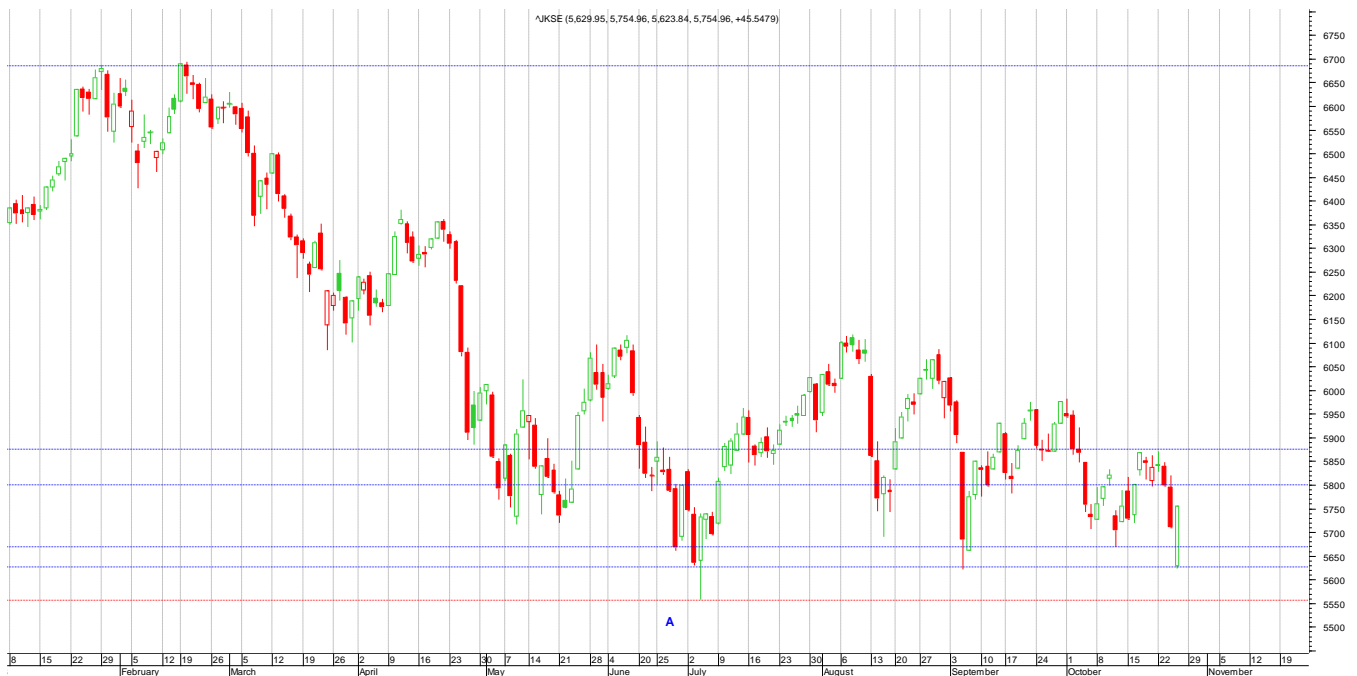
**BBTN 3Q18 results**

(in Rp bn)	9M18	9M17	YoY	3Q18	2Q18	QoQ	2018F	9M18/18F
<b>Net interest income</b>	<b>7,548</b>	<b>6,469</b>	16.7%	<b>2,863</b>	<b>2,354</b>	21.6%	<b>10,522</b>	<b>72%</b>
Non-interest operating income	1,436	1,201	19.6%	463	578	-19.9%	1,910	75%
Non-interest operating expense	(5,312)	(4,485)	18.4%	(1,876)	(1,772)	5.9%	(7,153)	74%
<b>PPOP</b>	<b>3,672</b>	<b>3,184</b>	15.3%	<b>1,450</b>	<b>1,159</b>	25.1%	<b>5,279</b>	<b>70%</b>
Provision expense	(867)	(597)	45.2%	(449)	(223)	101.6%	(998)	87%
<b>Operating profit</b>	<b>2,805</b>	<b>2,587</b>	8.4%	<b>1,001</b>	<b>937</b>	6.9%	<b>4,281</b>	<b>66%</b>
<b>Net income</b>	<b>2,236</b>	<b>2,005</b>	11.5%	<b>812</b>	<b>739</b>	9.9%	<b>3,356</b>	<b>67%</b>
<b>Ratios (%)</b>								
Asset yield	9.1	9.2	-0.1	10.4	8.7	1.7		
Cost of fund	5.1	5.0	0.1	5.9	4.9	1.0		
NIM	4.1	4.3	-0.1	4.7	4.0	0.7		
CASA	46.2	48.7	-2.4	46.2	47.2	-1.0		
LDR	112.8	109.9	2.9	112.8	113.2	-0.4		
Cost to income	59.1	58.5	0.6	56.4	60.5	-4.0		
Tax rate	21.5	22.2	-0.8	21.4	21.3	0.1		
NPL gross	2.6	3.1	-0.4	2.6	2.8	-0.1		
Credit cost	0.6	0.5	0.1	0.8	0.4	0.4		
Loan loss coverage	46.5	40.0	6.5	46.5	41.7	4.8		
CAR	18.0	17.0	1.0	18.0	17.4	0.5		
ROA	1.1	1.2	-0.1	1.2	1.1	0.1		
ROE	13.3	13.5	-0.2	14.2	13.4	0.8		
Deposit	195,040	167,870	16.2%	195,040	186,640	4.5%		
Demand	48,180	44,509	8.2%	48,180	48,630	-0.9%		
Savings	41,980	37,168	12.9%	41,980	39,462	6.4%		
Time	104,880	86,193	21.7%	104,880	98,548	6.4%		
Loan	220,077	184,502	19.3%	220,077	211,353	4.1%		
NPL	5,824	5,672	2.7%	5,824	5,876	-0.9%		
Loan loss reserves	-2,710	-2,270	19.4%	-2,710	-2,452	10.5%		
Shareholders equity	23,250	20,590	12.9%	23,250	22,379	3.9%		

## TECHNICAL ANALYSIS

JCI : ( 5,755 +0.8%)

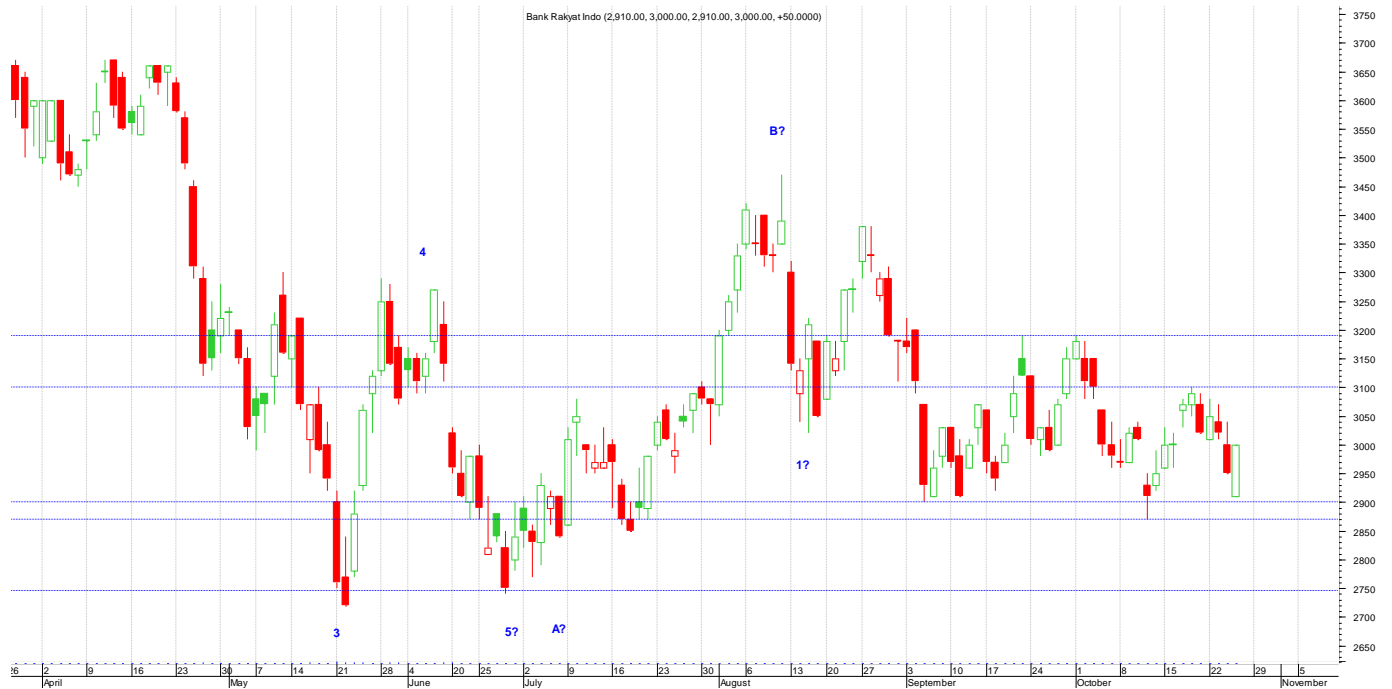
**Comment :** UNVR, BMRI and BBRI consecutively became leading movers. Technically, JCI held and closed above minor support level of 5,620. Resistance level at 5,800. Next support and resistance level at 5,620-5,874. Based on Elliot wave approach, as we discussed before, JCI is forming corrective wave 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**

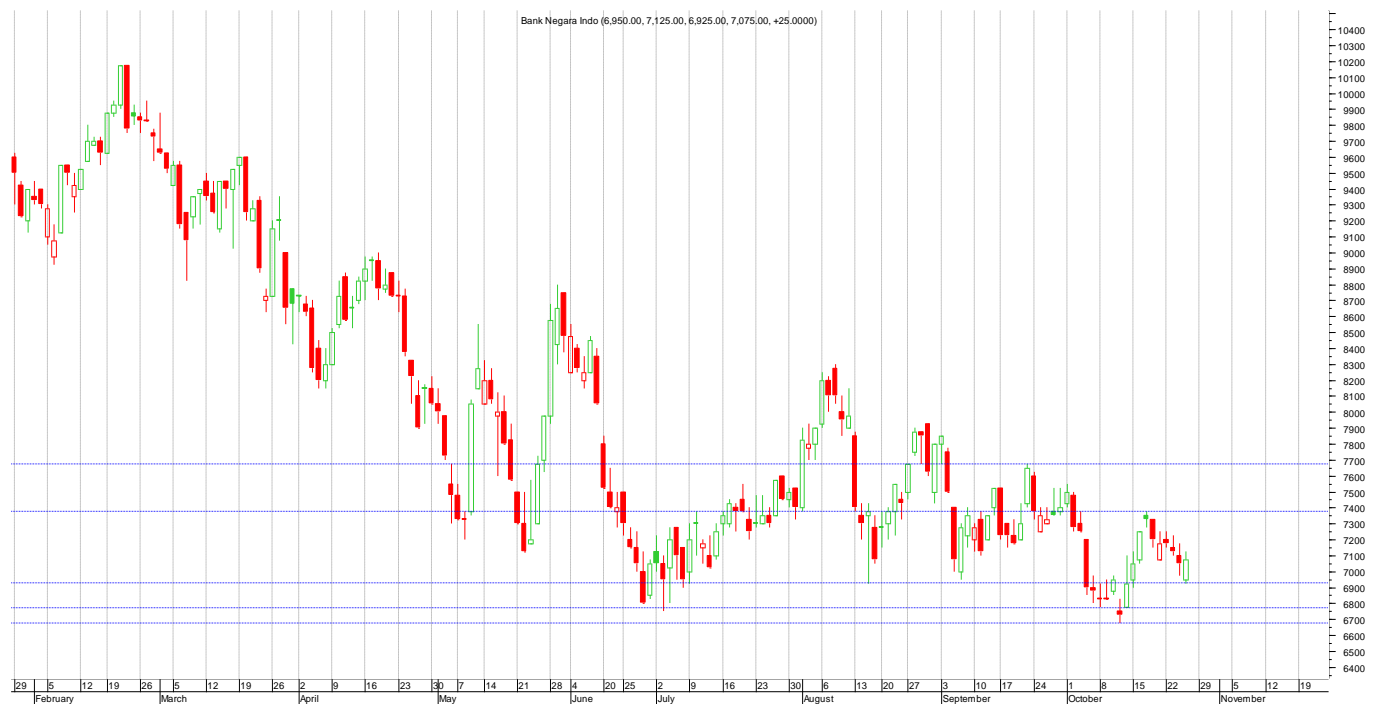
**BBRI : Testing resistance level**

The held above minor support level of 2,870. Resistance level at 3,100. Next support and resistance level at 2,750-3,200. The trend is still negative. Sell on strength, sell if the price moves and stable below the level of 2,870.



**BBNI : Testing resistance level**

The price held above minor support level of 6,975. Resistance level at 7,350. Next support and resistance level at 6,675-7,650. The trend is still negative. Sell on strength, sell if the price moves and stable below the level of 6,675.



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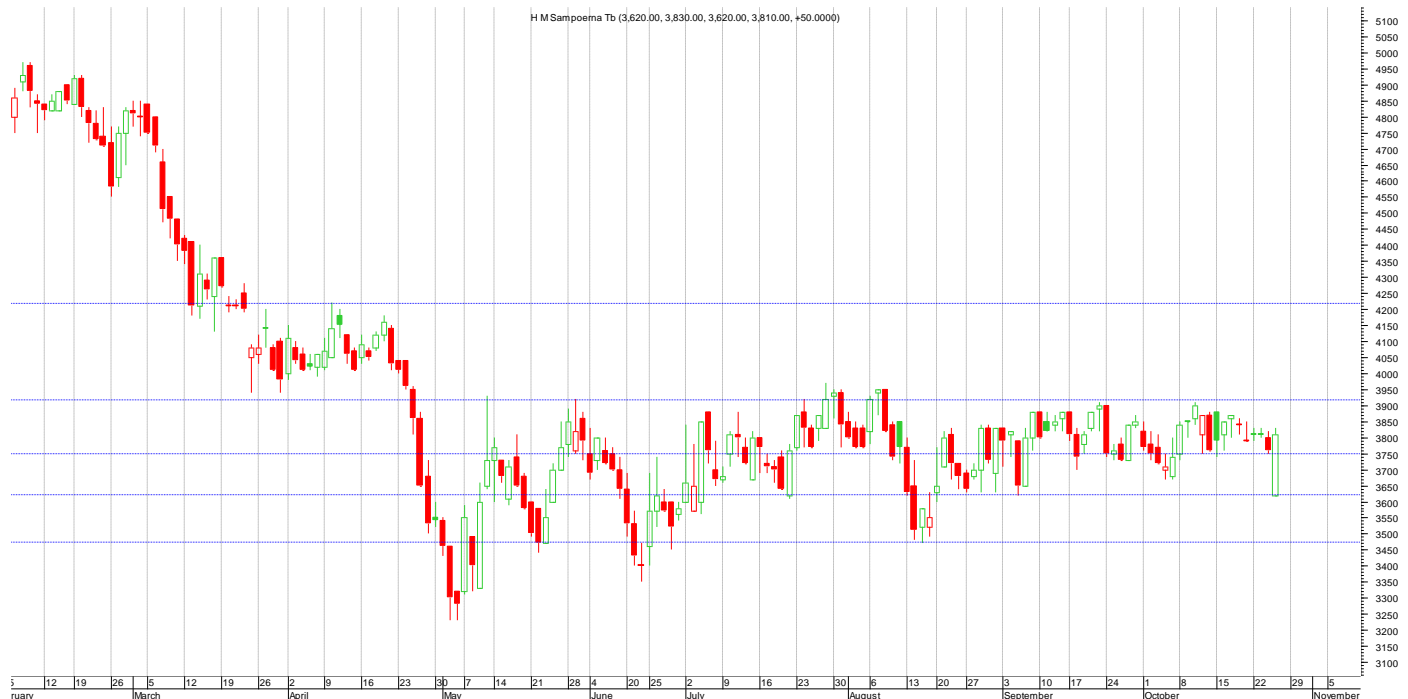
**UNTR : Testing Resistance level**

The price held above strong support level of 31,000. Resistance level at 32,750. Next support and resistance level at 25,000-35,000. The trend is still sideways. Sell on strength, sell if the price moves and stable below the level of 31,000.



**HMSP : Testing resistance level**

The price closed below minor resistance level of 3,910. Support level at 3,620. Next support and resistance level at 3,470-4,200. The trend is still positive. Speculative buy, cut if the price moves below the level of 3,620.



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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	7.00
3	8.17
5	8.46
10	8.62
15	8.84
30	9.32

AVERAGE DEPOSIT RATE					
	1M	3M	6M	1YR	2YRS
IDR	6.02	6.21	6.12	5.97	5.48
US\$	1.19	1.13	1.07	1.08	
JIBOR (RP)	7.09	7.51	7.62	7.72	

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	15,188	0.06
1 US\$ = SGD	1.38	-0.01
1 US\$ = JPY	112.37	0.04
1 US\$ = AUD	0.71	-0.04
1 US\$ = EUR	1.14	-0.03



Plaza ASIA Office Park Unit 2  
Jl. Jend. Sudirman Kav. 59  
Jakarta 12190, Indonesia

T +62 21 2557 4800  
F +62 21 2557 4900  
E [research@ciptadana.com](mailto:research@ciptadana.com)  
[www.ciptadana.com](http://www.ciptadana.com)

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