

GLOBAL			
Index	Last	Change	% chg
Dow	24,423	34.31	0.14
S&P 500	2,638	4.64	0.18
Eido US	24.4	-0.05	-0.20
H.S.I	25,752	-311.38	-1.19
Nikkei	21,164	-55.25	-0.26
STI	3,072	-38.68	-1.24
KLCI	1,663	-17.23	-1.03
Kospi	2,048	-5.35	-0.26
SET Thai	1,650	-3.74	-0.23

COMMODITIES			
Index	Last	Change	% chg
Brent Crude Oil (\$/bbl)	60.0	-1.70	-2.76
WTI Crude Oil (\$/bbl)	51.0	-1.61	-3.06
CPO (MYR/ton)	1,835	42.00	2.34
Gold (US\$/tr ounce)	1,244	-0.06	-0.01
Nickel (US\$/ton)	10,730	-116.00	-1.07
Tin (US\$/ton)	18,973	-43.00	-0.23
Pulp (US\$/ton) weekly	1,205.0	0.00	0.00
Coal (US\$/ton)	102.7	0.10	0.10

BEI STATISTICS	
JCI	6,111
Change (1 day)	-0.24%
Change YTD	-3.84%
P/E Market (X)	16.3
Volume (mn shr)	5,688.6
Value (Rp bn)	4,611.1
↑ 136 ↓ 255 ↔ 227	
LQ45	975
% Change (1 day)	2.18%

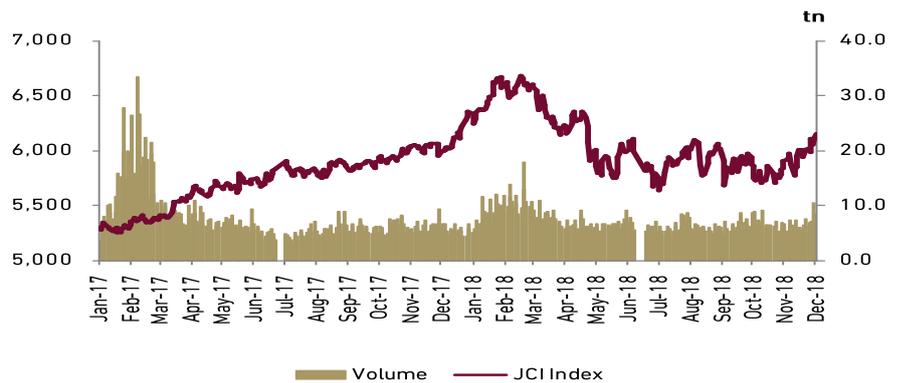
INTEREST RATE		
	Current	Previous
BI 7D Reverse Repo (%)	5.75	5.50
Fed fund rate (%)	2.25	2.00
inflation mom (%)	0.27	0.28
Inflation yoy (%)	3.23	3.16

EXCHANGE RATE			
	Last	Change	% chg
1 USD = IDR	14,555	75.00	0.52
1 USD = SGD	1.37	0.00	0.02
1 USD = JPY	113.11	-0.22	-0.19
1 USD = AUD	1.39	0.00	0.06
1 USD = EUR	0.88	0.00	-0.02

DUAL LISTING					
Stocks	Close	Chg.	% chg	In Rp.	Vol. (ADR)
TLKM	25.0	-0.14	-0.56	3,643	251,718
ISAT	0.2	0.00	0.00	2,402	2,150
BUMI Plc	36.8	0.00	0.00	7,522	-

- BI retail sales index growth slows down in October 2018
- Government prepares new mortgage subsidy scheme for millennial debtors
- Medco 9M18 operating profit above expectation but earnings miss
- DSNG targets 14% increase in CPO production
- Cosmetics demand expected to increase by 9% next year
- EXCL plans to refinance its USD debt
- TOWR allocates Rp2.3 tn capex in 2019F

### JCI STATISTIC



### DAILY TECHNICAL VIEW

We expect JCI to trade between 6,100 (support) – 6,190 (resistance) level today

**TLKM: Speculative buy at Rp 3,670-Rp 3,650**

Comment: Hold above support level

**DMAS : Speculative buy at Rp 149-Rp 145**

Comment: Retest the breakout of the previous resistance level

**ASII : Sell on strength at Rp 8,275-Rp 8,350**

Comment: Moved below strong support level

**PTPP : Sell on strength at Rp 2,050-Rp 2,150**

Comment: Testing resistance level

### MARKET REVIEW & MARKET OUTLOOK

#### Regional

DJIA closed marginally higher by 34 points to 24,423 (+0.1%), recovering from a 500 points slide during intraday that briefly knocked the index below 24,000 for the first time since late June, after investors being concerned by a flattening yield curve and a delayed Brexit vote. The S&P 500 gained 0.2%, while the Nasdaq jumped 0.7%. The rebound was led by technologies stock which posted strong rebounds across the board. Investors are eyeing two key measures of inflation – the producer price index on Tuesday and the consumer price index on Wednesday – that could indicate future interest rate moves by the Fed. On commodity markets, WTI crude oil dropped by -3.06% to USD51.0/bbl while Brent oil was down by -2.76% to USD60.0/bbl. Nickel price declined by -1.07% to USD10,729/ton. CPO price was up by +2.34% to MYR1,835/ton.

#### Domestic

JCI inched lower by -0.24% to 6,111 or 15 points on Monday trading and recorded Rp1.1 tn of net foreign sell. The laggard sectors were Misc. Industry (-0.87%), Finance (-0.43%), and Consumer (-0.23%) which were mainly driven by BMRI (-1.00% to 7,425), ASII (-0.91% to 8,150), and KLBF (-3.36% to 1,580) as the key movers. Rupiah weakened by 75 points to 14,555/USD. Our technical desk suggests for trading within the band of 6,100 – 6,180 with possibility end at higher level.

**BI RETAIL SALES INDEX GROWTH SLOWS DOWN IN OCTOBER 2018**

The BI retail sales index in October 2018 grew by 2.9%, lower than the growth in September 2018 of 4.8% YoY. As the group of Information and telecommunication declined by 15.7% YoY, compared to September of only 13.7% YoY. The group of food, beverages and tobacco also experienced lower growth of 3.3% YoY, compared with 6.1% YoY in September 2018. On the other hand, the sales index was also supported by the group of fashion and motor vehicle's fuel.

**Comment:** Lower growth in October was dented by rupiah depreciation. However, we still maintain our Overweight view on Retail sector as we expect the retail sales index will improve on November and December, due to the momentum of Christmas and New Year.

**GOVERNMENT PREPARES NEW MORTGAGE SUBSIDY SCHEME FOR MILLENNIAL DEBTORS**

Government through Ministry of Public Works and Housing is preparing new mortgage subsidy scheme for millennial debtors. The scheme will be included in the discussion agenda of mortgage for civil servants, national army, and police officer. Government plans to make different scheme with existing subsidy, which is limited by salary ceiling (Rp4 mn or Rp7 mn monthly salary). Meanwhile for the new scheme, millennial debtors are mostly have >Rp7 mn salary. The subsidy is planned to be given outside the existing liquidity facility program (FLPP).

**MEDCO 9M18 OPERATING PROFIT ABOVE EXPECTATION BUT EARNINGS MISS**

Medco Energi (MEDC) reported 89.4% YoY increase in operating profit to USD373.4 mn in 9M18 on the back of higher revenue and solid margin expansions. 9M18 revenue rose by 55.2% YoY due to 27% YoY increase in oil & gas sales to USD757.3 mn coupled with the consolidation of electric power sales (Medco Power). Oil and gas prices increased 39% and 11% to USD68.8/bbl and USD6.1/mmbtu respectively and average power price year rose by 36% YoY. Both revenue and operating came higher than our expectation as they accounted for 78.5% and 83.2% of our full-year forecast respectively. However, net profit (from continuing operations) dropped by 95.8% YoY to USD6.9 mn due to 1) non-cash losses from mining affiliate PT Amman Mineral Nusa Tenggara (AMNT), 2) other expenses and 3) higher income tax expenses. This formed only 6.4% of our FY18F of USD109 mn.

**Comment:** We believe we need to fine tune our below operating items forecasts to incorporate 9M18 results. We may also review our earnings forecast to adjust for declining oil price.

**Medco 9M18 results**

USD mn	9M18	9M17	YoY Chg	3Q18	2Q18	QoQ Chg	2018F	9M/18F
Revenue	927.5	597.5	55.2%	348.9	289.7	20.4%	1,181	78.5%
Cost of sales	(429.1)	(297.4)	44.3%	(170.3)	(121.4)	40.3%	(572)	75.0%
Gross profit	498.4	300.4	65.9%	178.6	168.2	6.1%	609	81.8%
SGA expenses	(125.0)	(103.3)	21.0%	(47.0)	(38.3)	22.6%	(160)	78.1%
Operating profit	373.4	197.1	89.4%	131.6	129.9	1.3%	449	83.2%
EBITDA	450.2	309.5	45.5%	148.9	153.8	-3.2%	663	67.9%
Other income/exp	(196.2)	72.5	n/a	(101.6)	(129.9)	-21.8%	(399)	49.2%
Profit before tax	177.2	269.7	-34.3%	29.9	79.8	-62.5%	264	67.1%
Income tax expenses	(170.3)	(102.5)	66.1%	(74.1)	(55.3)	33.9%	(155)	109.8%
Net profit	6.9	167.2	-95.8%	(44.1)	19.8	N/A	109	6.4%
Gross margin	53.7%	50.2%	3.5%	51.2%	58.1%	-6.9%	51.6%	
EBIT margin	40.3%	33.2%	7.1%	37.7%	44.8%	-7.1%	38.0%	
EBITDA margin	48.5%	51.8%	-3.3%	42.7%	53.1%	-10.4%	56.1%	
Net margin	0.7%	27.5%	-26.8%	-12.6%	6.8%	-19.5%	9.2%	

#### DSNG TARGETS 14% INCREASE IN CPO PRODUCTION

Dharma Satya Nusantara (DSNG) will complete the acquisition of Bima Palma Nugraha (BPN) and Bima Agri Sawit (BAS) at end of this year. The company spent Rp1.35 tn to acquire both companies. The fund was sourced from internal cash and bank loan. According to financial statement as of Sep 18, the total cash and cash equivalent of DSNG amounted to Rp243.5 bn. After the acquisition, the CPO production is expected to increase by 14% in 2019.

**Comment:** As of 9M18, DSNG's debt to equity ratio reached 1.2x, higher than peers average of 0.8x. Liquidity risk aside, the company's palm oil estate produced the highest yield (22.0 ton FFB/ton) amongst peers. We have BUY rating with TP Rp470, implying 2019F PE 10.7x.

#### COSMETICS DEMAND EXPECTED TO INCREASE BY 9% NEXT YEAR

PT Martina Berto (MBTO) predict cosmetics industry have the potential to grow by 7-9% next year, presidential election and popularity of beauty vlog in social media will become supporting catalysts for this industry. PT Mandom Indonesia(TCID) also agree that social media plays a vital part to support the cosmetics growth. Both MBTO and TCID hope that election sentiment next year will lift up consumer purchasing power and thereby Companies will record higher sales growth. As for this year, Ministry of Industry predicts cosmetics sales will be booked 7.33% growth for 2018.

**Comment:** We are also positive that 32% higher social assistance, 5% salary increase for civil servants, and election sentiment will contributes to the growth of consumer purchasing power in 2019. Hence, we expect sales of skin and personal care will have a better growth next year.

#### EXCL PLANS TO REFINANCE ITS USD DEBT

In order to reduce its forex losses, EXCL plans to refinance its USD debt by issuing new Rp denominated debt. The Company aims the refinancing to conclude by 1Q19. EXCL also pointed out that the refinancing will not increase Company's DER level, meaning that the Company seeks an equivalent amount of Rp debt to refinance its USD outstanding.

**Comment:** Based on 9M18 financial statements, EXCL's USD debt stands at USD300mn or equals to Rp4.4 tn. The debt is in the form of bank loan from DBS, matured in March 2019. We think the refinancing effort should diminish EXCL's forex losses (9M18: Rp445.2 bn), however, worth to note that the cost of debt in Rp will be higher than the cost of debt in USD. EXCL's average Rp cost of debt is JIBOR+1.5%, while its cost of USD loan is LIBOR +2.0%. Assuming the same amount of debt, our back-of-the-envelope calculation shows that EXCL should pay c.Rp200 bn additional interest expense due to the refinancing. We think this effort is positive and could reduce uncertainty from forex movement albeit the net impact might be marginal.

#### TOWR ALLOCATES RP2.3 TN CAPEX IN 2019F

TOWR allocates Rp2.3 tn capex in 2019, up by +15% YoY compared to 2018. The Company stated that the capex will be utilized for expansion and fiber optic development. To finance the capex, the Company will prioritize internal cash and operating cash flow before accessing debt financing, if needed.

## TECHNICAL ANALYSIS

JCI : ( 6,111 -0.2%)

**Comment :** BMRI, ASII and KLBF consecutively became lagging movers. Technically, JCI closed below minor resistance level of 6,157. Support level at 6,064. Next support and resistance level will be at 5,900-6,200. 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 revised 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 peaks of wave X likely at the level of 6,117 which occurred on August 8, 2018. The lowest level of 5,623 which occurred on October 25, 2018 noted as the bottom of sub wave Y. According to this wave counting, now JCI is in the process to find the peaks of sub wave Z of wave up B which is the last wave of the cycle of wave up B. We predict the peaks of wave B around the level of 6,250-6,300 (see chart below). This wave counting will be automatically false if the index moves below the level of 5,557.



**STOCK OF THE DAY**

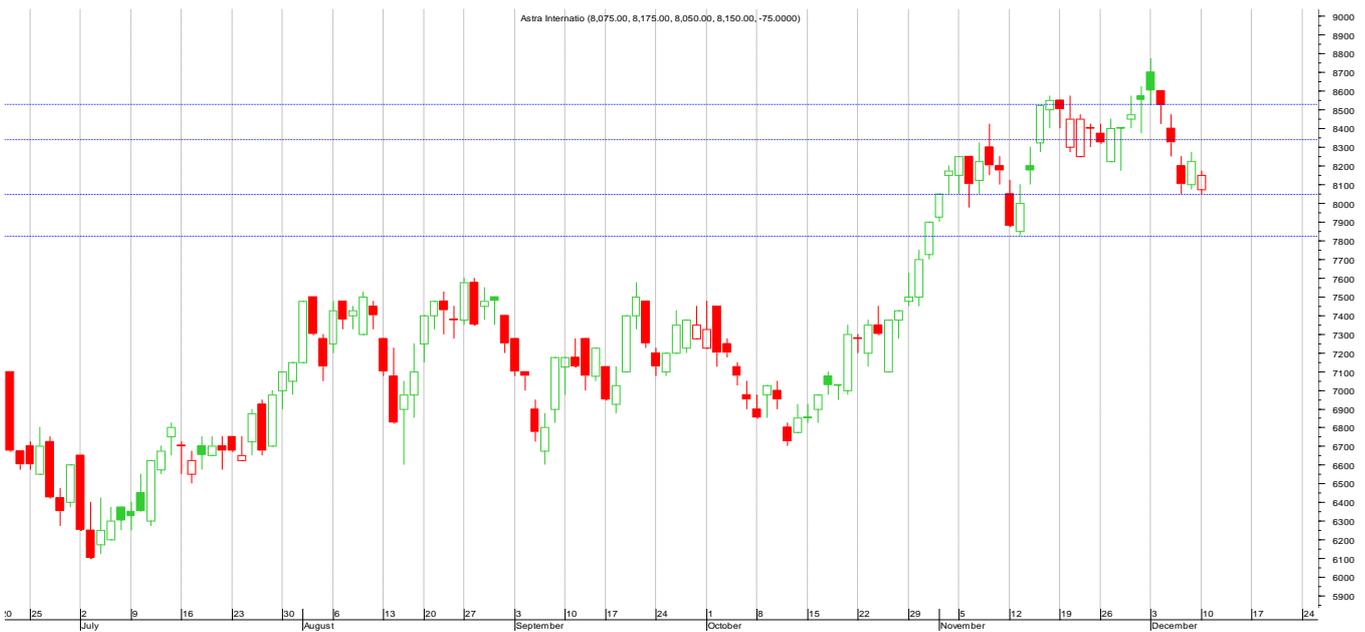
**TLKM : Testing support level**

After opening gap down and reached the lowest level of 3,610, the price closed slightly above the previous closing level. Candlestick chart likely formed a reversal pattern. Resistance level at 3,710. Next support and resistance level at 3,550-3,800. Speculative buy



**ASII : Testing support level**

The price held above minor support level of 8,050. Resistance level at 8,325. Next support and resistance level at 7,825-8,525. The mid-term trend is still sideways. Sell on strength



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**PTPP : Testing support level**

The price closed above support level of the short-term uptrend line. Resistance level at 1,985. Next support and resistance level at 1,650-2,150. The mid-term trend turn into sideways. Sell on strength



**DMAS : Retest the breakout**

The price held and closed minor support level of 145. The price likely retesting the breakout of the previous resistance level of 141. The breakout likely confirm when the penetration followed by the increased of the volume. Resistance level at 158. Next support and resistance level at 135-171. Speculative buy



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## CIPTADANA FIXED INCOME DAILY

### CURRENCY TRADING RANGE OF TODAY

USD/Rp: 14,500-14,595

INDONESIA GOVERNMENT SECURITIES YIELD	
Maturity (yrs)	Yield (%)
1	6.33
3	7.83
5	8.07
10	8.11
15	8.23
30	9.13

AVERAGE DEPOSIT RATE					
	1M	3M	6M	1YR	2YRS
IDR	6.63	6.37	6.20	6.11	5.51
US\$	1.25	1.18	1.16	1.14	
JIBOR (RP)	7.32	7.67	7.82	7.92	

BASE LENDING RATE	
BI RATE	6.00
FED FUND RATE	2.25
LPS INSURED RATE	
IDR	5.50
US\$	1.00

EXCHANGE RATE		
EXCHANGE RATE		% chg.
1 US\$ = IDR	14,555	-0.52
1 US\$ = SGD	1.37	-0.02
1 US\$ = JPY	113.11	0.19
1 US\$ = AUD	0.72	-0.06
1 US\$ = EUR	1.14	0.02

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