

GLOBAL

Index	Last	Change	% chg
Dow	25,963	216.84	0.84
S&P 500	2,855	30.65	1.09
Eido US	26.5	0.13	0.49
H.S.I	29,072	-249.41	-0.85
Nikkei	21,641	31.62	0.15
STI	3,214	5.99	0.19
KLCI	1,664	-20.55	-1.22
Kospi	2,193	8.09	0.37
SET Thai	1,634	6.38	0.39

COMMODITIES

Index	Last	Change	% chg
Brent Crude Oil (\$/bbl)	67.9	-0.64	-0.93
WTI Crude Oil (\$/bbl)	60.0	0.15	0.25
CPO (MYR/ton)	2,090	-5.00	-0.24
Gold (US\$/tr ounce)	1,307	-2.07	-0.16
Nickel (US\$/ton)	12,911	-210.00	-1.60
Tin (US\$/ton)	21,432	12.00	0.06
Pulp (US\$/ton) weekly	1,205.0	0.00	0.00
Coal (US\$/ton)	93.5	-0.05	-0.05

BEI STATISTICS

JCI	6,502
Change (1 day)	0.29%
Change YTD	4.96%
P/E Market (X)	15.7
Volume (mn shr)	12,095.6
Value (Rp bn)	7,240.5
↑ 193 ↓ 195 ↔ 241	
LQ45	1,025
% Change (1 day)	0.41%

INTEREST RATE

	Current	Previous
BI 7D Reverse Repo (%)	6.00	6.00
Fed fund rate (%)	2.50	2.50
inflation mom (%)	-0.08	0.32
Inflation yoy (%)	2.57	2.82

EXCHANGE RATE

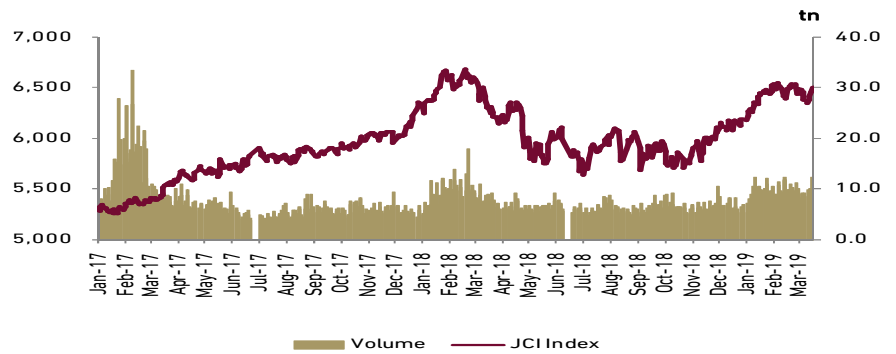
	Last	Change	% chg
1 USD = IDR	14,140	-48.00	-0.34
1 USD = SGD	1.35	0.00	-0.01
1 USD = JPY	110.86	0.04	0.04
1 USD = AUD	1.41	0.00	0.04
1 USD = EUR	0.88	0.00	0.06

DUAL LISTING

Stocks	Close	Chg.	% chg	In Rp.	Vol. (ADR)
TLKM	26.9	0.23	0.86	3,797	222,752
ISAT	0.1	0.00	0.00	1,909	2,150
BUMI Plc	36.8	0.00	0.00	7,522	-

- Bank Indonesia maintains policy rate at 6.00%
- BI increases the Macroprudential Intermediacy Ratio limit to 84-94%
- HMSP FY18 earnings in-line with our expectation
- ICBP FY18: 4Q18 growth slows down but FY results in line
- Moody's lowered ISAT's credit ratings outlook to negative (from stable)

JCI STATISTIC



DAILY TECHNICAL VIEW

We expect JCI to trade between 6,460 (support) – 6550 (resistance) level today

**JPFA: Speculative buy at Rp 2,210-Rp 2,150**

Comment : Testing support level

**EXCL : Speculative buy at Rp 2,700-Rp 2,670**

Comment: Closed above resistance level

**SMGR : Speculative buy at Rp 13,600-Rp 13,500**

Comment: Closed above resistance level

**LSIP : Buy on weakness at Rp 1,115-Rp 1,050**

Comment: Testing support level of the down trend line

MARKET REVIEW & MARKET OUTLOOK

Regional

US stocks gained on Thursday trade as Apple and Micron escalated to lead the tech sector higher. Positive sentiment also came from the Fed outlook on no rate hikes in 2019. Dow Jones Industrial Average gained by 216.84 pts (+0.84%) to close at 25,963 buoyed by gain in Apple (+3.7%) which offset a decline of 1.6% in JP Morgan. S&P also rose by 30.65 pts (+1.1%) to end at 2,855. On commodity: Brent Crude Oil was down by 0.93% to USD 67.9/bbl. WTI Crude oil went up by 0.25% to USD 60/bbl. Coal declined by 0.05% to USD 93.5/ton. CPO also fell by 0.24% to MYR 2,090/ton. Nickel decreased by 1.6% to USD 12,911/ton.

Domestic

JCI closed higher at 6,502 or increased by 19.07 points (+0.29%). Net foreign sell was recorded at 90 bn. The sector leader were, Basic Industry (+2.45%), Property (+1.31%), and Finance (+0.23%). While the Index mover were, INTG (+6.79% to 20,850), CPIN (+3.63% to 7,850), and SMGR (+5.18% to 13,700). Rupiah strengthened by 48 points to 14,140/USD. Our technical desk suggest for trading within the band of 6460 – 6540 with possibility to end at mix level.

### BANK INDONESIA MAINTAINS POLICY RATE AT 6.00%

Bank Indonesia (BI) decided to maintain policy rate at 6.00%, together with deposit facility rate at 5.25% and lending facility at 6.75%. The decision is in line with its commitment to maintain external stability of macroeconomic through reducing current account deficit and maintaining attractiveness of domestic financial assets. BI sees BoP to improved in 1Q19 and maintain its surplus due to better capital inflow and declining current account deficit. Measures to stimulate exports and tourism as well as control imports will be maintained in 2019, thus maintaining the current account deficit within a manageable range of 2.5% of GDP. Besides, central bank also gave some accommodative policies to stimulate domestic demand like: 1) Maintaining a monetary operations strategy oriented towards increasing available liquidity by regular and scheduled term-repo transactions in addition to FX Swaps; 2) raising the Macroprudential Intermediation Ratio (MIR) from 82-92% to 84-94% in order to boost bank financing extended to the corporate sector; 3) Accelerating financial market deepening policy and 4) Strengthening payment system policy to support economic activities and financial inclusion.

**Comments:** We continue to call 50 bps BI 7DRRR cut in 2H19, followed by 50-100bps cut in 2020 if Indonesia's current account deficit decline to 2.5% and below. The BI 7DRRR cut can be even more aggressive in 2019 if US data worsen due to trade war and Fed start to signaling FFR cut later this year. However, we see the chance of FFR cut in 2019-2020 remain low.

### BI INCREASES THE MACROPRUDENTIAL INTERMEDIACY RATIO LIMIT TO 84-94%

Bank Indonesia increased the Macroprudential Intermediacy Ratio (RIM) limit to 84-94%, from previously 80-92%. BI sees that the intermediary function of banking system is still low, hence increase the RIM range. BI recorded that there are 21 banks record <80% RIM ratio and 37 banks records 80-92% RIM ratio. The consequence if RIM fell outside BI's limitation would be to put more minimum reserve requirement in BI.

**Comment:** Higher Macroprudential Intermediacy Ratio (RIM) at 84-94% would give better room for banks to grow their loan; which would be helpful given the recent tightening liquidity condition where banking system LDR has touch 94.8% as of Dec-18. We see this would benefit Bank Mandiri (BMRI) as they had 95.5% LFR (97.1% LDR) as of Dec-18, the highest among big four banks.

### HMSP FY18 EARNINGS IN-LINE WITH OUR EXPECTATION

(In Rp Bn)	2018	2017	YoY	4Q18	3Q18	QoQ	2018F	2018F
<b>Revenue</b>	<b>106,742</b>	<b>99,091</b>	<b>7.7%</b>	<b>29,207</b>	<b>28,377</b>	<b>2.9%</b>	<b>105,613</b>	<b>101.1%</b>
<b>Gross Profit</b>	<b>25,491</b>	<b>24,216</b>	<b>5.3%</b>	<b>7,183</b>	<b>6,879</b>	<b>4.4%</b>	<b>27,540</b>	<b>92.6%</b>
Gross Profit Margin	23.9%	24.4%	-0.6%	24.6%	24.2%	0.4%		
Opex	-8,609	-8,104	-5.9%	-2,412	-2,308	-4.3%		
<b>Operating Profit</b>	<b>16,882</b>	<b>16,111</b>	<b>4.8%</b>	<b>4,770</b>	<b>4,571</b>	<b>4.4%</b>	<b>17,449</b>	<b>96.7%</b>
Operating margin	15.8%	16.3%	-0.4%	16.3%	16.1%	0.2%		
Finance Cost	-30	-26	19.4%	-9	-9	0.0%		
Others-net	1,110	809	37.2%	367.8	178.9	105.6%		
Pre-tax profit	17,961	16,895	6.3%	5,129	4,771	7.5%		
Pre-tax margin	16.8%	17.0%	-0.2%	17.6%	16.8%	0.7%		
<b>Net Profit</b>	<b>13,538</b>	<b>12,671</b>	<b>6.8%</b>	<b>3,848</b>	<b>3,577</b>	<b>7.6%</b>	<b>13,226</b>	<b>102.4%</b>
Net Margin	12.7%	12.8%	-0.1%	13.2%	12.6%	0.6%		
<b>Revenue breakdown:</b>	<b>2018</b>	<b>2017</b>	<b>YoY</b>	<b>4Q18</b>	<b>3Q18</b>	<b>QoQ</b>		
Machine made clove cigarettes	74,291	66,324	12.0%	20,303	19,750	2.8%		
Hand rolled clove cigarettes	20,609	19,592	5.2%	5,805	5,481	5.9%		
White cigarettes	10,904	12,101	-9.9%	2,900	2,838	2.2%		
Export	408	668	-38.9%	76	141	-46.1%		
Others	530	407	30.3%	124	168	-26.0%		

HM Sampoerna (HMSP) booked FY18 revenue growth of 7.7% YoY to Rp 106.74 tn at 101% of our FY18F and consensus. Net income upped by 6.8% higher than the same period last year, reached Rp 13.5 tn also in-line with our and consensus expectations (102% of our FY18F). As COGS increased at a faster rate of 8.5% YoY and opex also inched up by 6.2% YoY, this resulted gross profit and operating profit slightly increased by 5.3% and 4.8% YoY at Rp25.5tn and Rp16.8tn, respectively. Machine-made cigarettes experienced double digit sales growth of 12% YoY. While, hand rolled cigarettes booked 5.2%YoY sales growth. Meanwhile, white cigarettes sales suffer with -9.9% YoY. On quarterly basis, HMSP recorded positive revenue growth for its entire cigarette segment. 4Q18 net income was at Rp29.2tn, up 2.9% QoQ as stronger gross and operating profit (both +4.4% YoY and QoQ) was supported by lower COGS. Other income also rose significantly higher (+105.6% QoQ). These together brought 4Q18 net profit to Rp 3.8 tn (+7.6%QoQ).

While Indonesia total cigarette markets slightly decreased by 4 mn sticks (-0.1%) to 307 bn. HMSP achieved total 2018 sales volume of 101.4 bn sticks(+0.1%YoY). Even though, HMSP 4Q18 sales volume was flat at 26.9 bn sticks. Following in line result, we opt to maintain our TP of Rp 4,500/share. Our TP Rp 4,500 now offers 19% upside from the current price hence maintain BUY rating for HMSP.

#### ICBP FY18: 4Q18 GROWTH SLOWS DOWN BUT FY RESULTS IN LINE WITH OUR EXPECTATION

(in Rp Bn)	2018	2017	YoY	4Q18	3Q18	QoQ	2018F	% of 2018F
<b>Revenue</b>	<b>38,413</b>	<b>35,607</b>	<b>7.9%</b>	<b>8,935</b>	<b>10,019</b>	<b>-10.8%</b>	<b>38,744</b>	<b>99.1%</b>
<b>Gross Profit</b>	<b>12,266</b>	<b>11,059</b>	<b>10.9%</b>	<b>2,674</b>	<b>3,302</b>	<b>-19.0%</b>	<b>12,576</b>	<b>97.5%</b>
Gross Profit Margin	31.9%	31.1%	0.9%	29.9%	33.0%	-3.0%		
Opex	-6,494	-5,681	14.3%	-1,409	-2,066	46.6%		
<b>Operating Profit</b>	<b>5,772</b>	<b>5,378</b>	<b>7.3%</b>	<b>1,265</b>	<b>1,237</b>	<b>2.3%</b>	<b>6,124</b>	<b>94.3%</b>
Operating margin	15.0%	15.1%	-0.1%	14.2%	12.3%	1.8%		
Finance Cost	-226	-154	46.5%	-38	-43	-11.2%		
Others-net	224.4	138.8	61.8%	-559	687.33	n.a		
Pre-tax profit	6,447	5,207	23.8%	1,499	1,726	-13.1%		
Pre-tax margin	16.8%	14.6%	2.2%	16.8%	17.2%	-0.4%		
<b>Net Profit</b>	<b>4,576</b>	<b>3,797</b>	<b>20.5%</b>	<b>1,091</b>	<b>1,194</b>	<b>-8.6%</b>	<b>4,756</b>	<b>96.2%</b>
Net Margin	11.9%	10.7%	1.2%	12.2%	11.9%	0.3%		

Indofood Consumer Branded Products (ICBP) FY18 revenue rose by 7.9% to Rp38.4tn, forming 99% of our and consensus's estimates. As COGS grew only around 6.5%YoY, gross profit managed to grow by 10.9%YoY. Higher opex (14.3% YoY) lead operating profit booked 7.3% YoY to Rp5.7tn. Below operating line, ICBP book finance cost of Rp226 bn(+46.5%YoY) and high other income that soared by 61.8%YoY to Rp 224.4bn. These together led to net profit increasing up by 20.5%YoY to Rp4.5tn, accounting for 96% of our FY18. On margins, GPM and NPM expanded nicely by 90bps to 31.9% and 120bps to 20.5%, respectively. However, on quarterly basis 4Q18 performance experienced slower growth despite year-end holiday period. 4Q18 revenue was recorded at Rp 8.9 tn(-10.8%QoQ) and net profit booked at Rp 1.09 tn(-8.6%QoQ). Overall, we see FY18 coming in line with our expectations. Further detail to follow after analyst meeting this afternoon.

#### MOODY'S LOWERED ISAT'S CREDIT RATINGS OUTLOOK TO NEGATIVE (FROM STABLE)

Moody's has reaffirmed ISAT Baa3 credit rating but downgraded the outlook to negative from stable. According to the press release, the negative outlook reflects a weakening in ISAT's financial metrics driven by the Company's plans for accelerating 4G capex amid an intensely competitive operating environment for the Indonesian mobile sector. Moody's is cautious if the majority of the capex is funded by debts, ISAT's leverage and cash flow metrics will deteriorate. Although ISAT is exploring

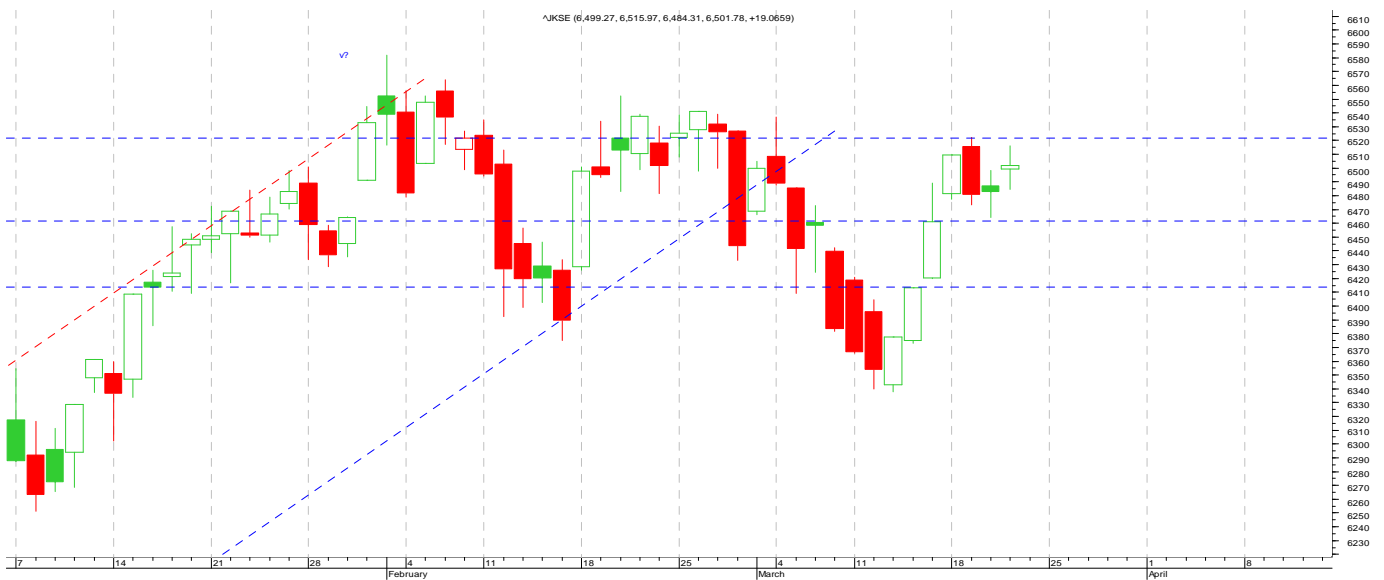
alternative funding options, including the sale of its towers and monetization of its stakes in some subsidiaries. However, the tower sales would only be beneficial to ISAT's liquidity position, towards leverage it will be neutral because after the tower sales, ISAT must undertake capital leases on the assets. Furthermore, these initiatives would be time consuming, driven by market dynamics, and subject to regulatory and shareholder approvals. Overall, Moody's thinks that the rating portrays ISAT's weak operating and financial metrics with limited potential for near-term improvement in the Company's underlying profitability. The negative outlook also reflects the uncertainties with regard to the timing and execution of its potential capital restructuring plan.

**Comment:** We largely agree with Moody's view on ISAT. We have a SELL rating on ISAT with TP of Rp1,900/share. Please refer to our latest report on ISAT for further details.

## TECHNICAL ANALYSIS

**JCI : ( 6,502 +0.3%)**

**Comment :** INTP, CPIN and SMGR consecutively became leading movers. Technically, JCI closed below minor resistance level of 6,552. Support level at 6,460. Next support and resistance level will be at 6,410-6,581. Candlestick chart likely formed a reversal pattern. Based on Elliot wave approach, as we discussed before, JCI is forming corrective wave ABC. We noted that the lowest level of 5,557 as the bottom of wave A. The rising movement that occurred in the last three 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. 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 B. If the peaks of wave B has reached, then the index will reversal to form wave down minor C. Wave C usually will form five waves. Sub wave 1 of wave (1) of wave C will test support level of 6,120 then JCI will bounce to form sub wave up 2 before go down to form sub wave 3 to test support level of 5,557.



**STOCK OF THE DAY**

**LSIP : Testing support level**

The price closed above minor support level of 1,115. Resistance level at 1,200 which is resistance level of the short-term downtrend line. Next support and resistance level at 1,050-1,300. Some of oscillator indicators indicates that the price start to enter oversold area. Buy on weakness



**JPFA : Testing support level**

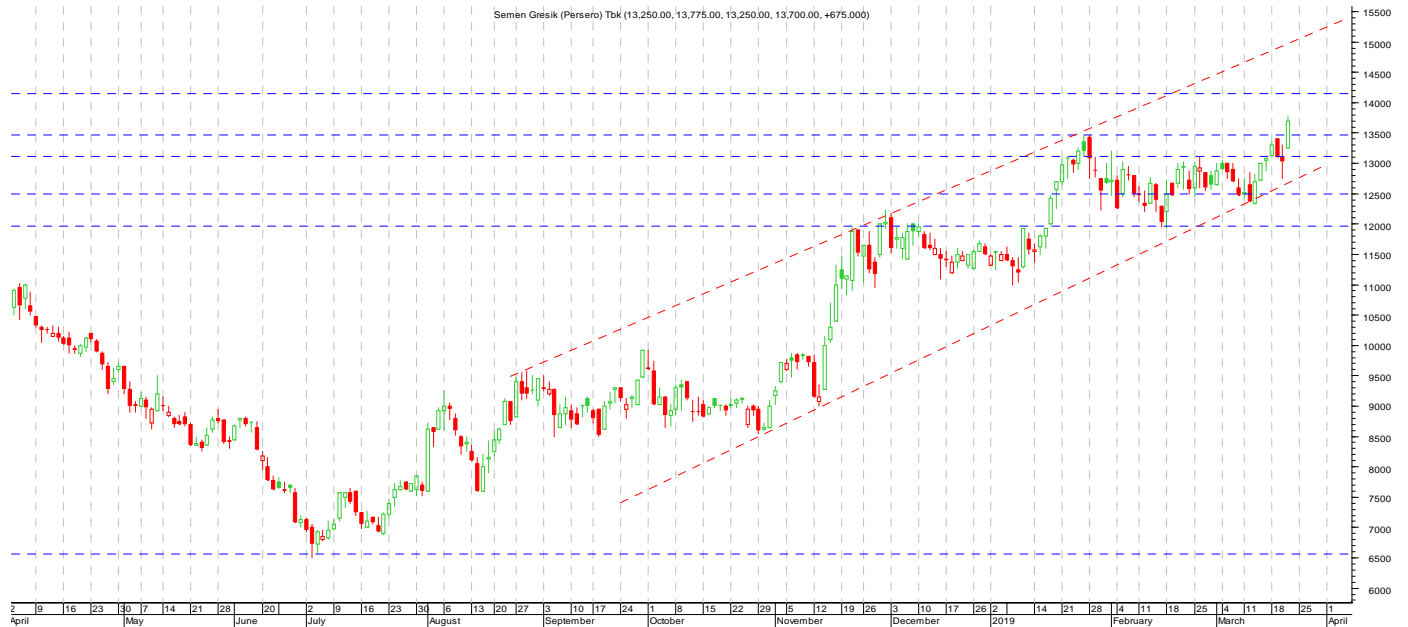
The price held above minor support level of 2,180. Resistance level at 2,260. Next support and resistance level at 2,120-2,400. Level of 2,120 is also support level of the mid-term uptrend line. Speculative buy, cut if the price moves below the level of 2,180.



**SMGR : Testing support level**

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The price closed above minor resistance level of 13,400. If the breakout confirm, level of 13,400 will turn into support level and the price will continue the positive trend. Resistance level at 14,700. Next support and resistance level at 12,700-15,000. Speculative buy, cut if the rice moves below the level of 13,000



**EXCL : Moved above resistance level**

The moved and closed above minor resistance level of 2,670. If the breakout confirm, level of 2,670 will continue the the short-term positive trend. Historically, resistance level at 3,050. Next support and resistance level at 2,500-3,370. Speculative buy, cut if the price moves below the level of 2,610.



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## CIPTADANA FIXED INCOME DAILY

### CURRENCY TRADING RANGE OF TODAY

USD/Rp: 14,090 -14,190

INDONESIA GOVERNMENT SECURITIES YIELD	
Maturity (yrs)	Yield (%)
1	6.28
3	6.98
5	7.12
10	7.59
15	7.91
30	8.48

AVERAGE DEPOSIT RATE					
	1M	3M	6M	1YR	2YRS
<b>IDR</b>	6.24	6.29	6.27	6.13	5.59
<b>US\$</b>	1.29	1.29	1.27	1.19	
<b>JIBOR (RP)</b>	6.99	7.21	7.48	7.67	

BASE LENDING RATE	
<b>BI RATE</b>	6.00
<b>FED FUND RATE</b>	2.50
<b>LPS INSURED RATE</b>	
IDR	5.50
US\$	1.00

EXCHANGE RATE		
EXCHANGE RATE		% chg.
1 US\$ = IDR	14,140	0.34
1 US\$ = SGD	1.35	0.01
1 US\$ = JPY	110.86	-0.04
1 US\$ = AUD	0.71	-0.04
1 US\$ = EUR	1.14	-0.06



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