

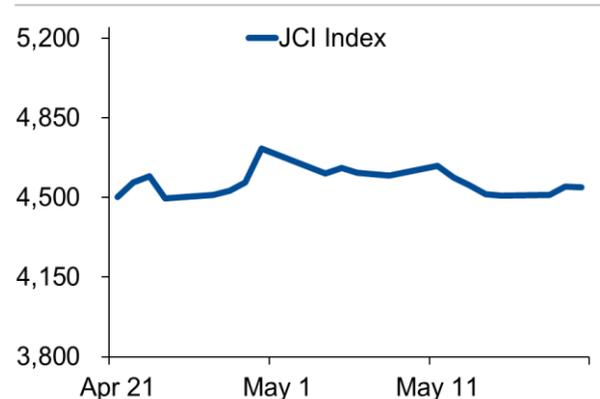
Weekly Brief (May 26th – 29th)

Summary:

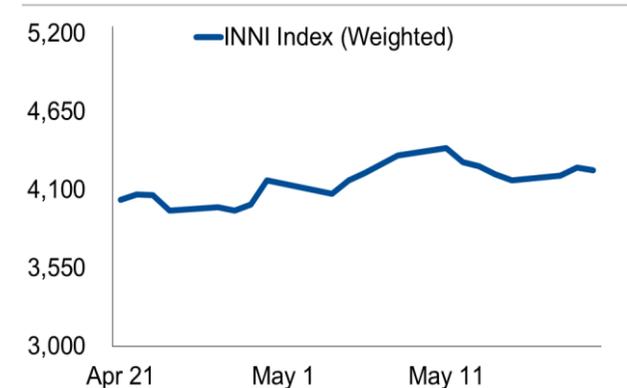
Last week review: JCI was in the red for a three-day in a row, backed by a positive result of the initial phase COVID-19 vaccine trial and BI's decision of holding BI-7DRRR unchanged. However, IDX recorded foreign outflows until last week.

This week's outlook: Markets differently responded to economic re-opening in a number of countries based on declining cases of COVID-19. Jakarta as the capital of Indonesia should end PSBB on May 22, 2020, but it is prolonged until June 4, 2020. The declining COVID-19 cases and looser PSBB will build investors' optimism as the economic reopening will stimulate credit growth in Indonesia. The declining trend in interest rates along with the lower trend of KPR and KPA's interest rates to boost consumers' consumption of property assets. The pandemic is one of the biggest challenges faced by the property sector to grow as the mandatory PSBB hampers companies' marketing. CTRA puts strategies of applying online launching to maintain sales performance. It is proven that such scheme is capable of boosting 1Q20's marketing sales by 2.7%. Thus, we recommend CTRA as this week's top stock pick with the price target of IDR830 at a 87% discount to RNAV.

JCI - one month



INNI Index – one month



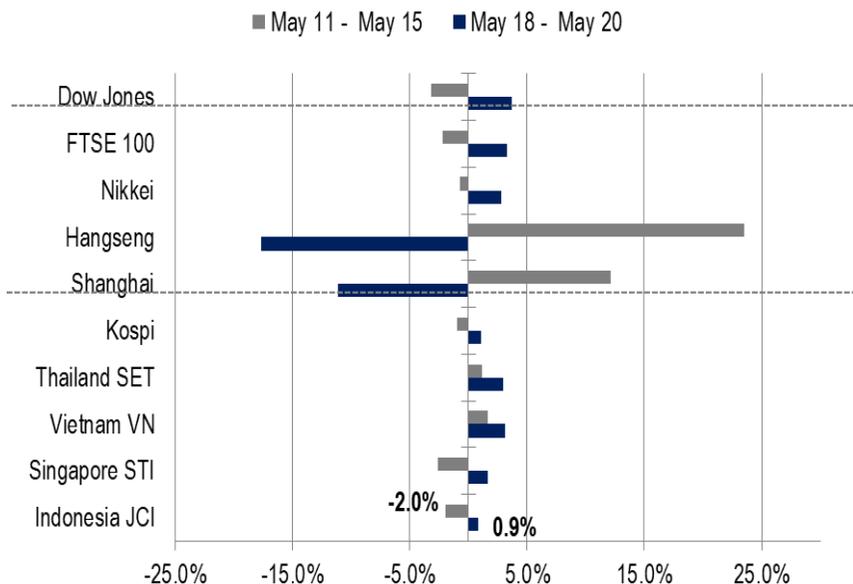
Last Week's JCI Movement

•JCI Index	: 4,545.95 (+0.9%)
Foreign Flow	: Net buy of IDR13.7 trillion (vs. last week's net sell of IDR3.1 trillion)
USD/IDR	: 14,710 (+1.01%)
Yields of sovereign bond with 10-years tenor	: 7.538% (-24.70 bps)

JCI Is in the Green Zone

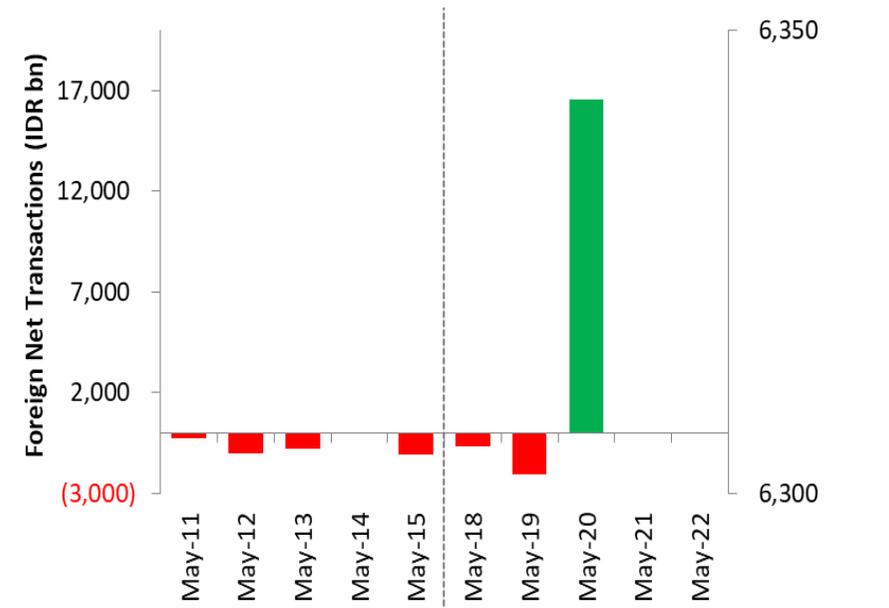
JCI last week only run a three-day trading session ahead of Idul Fitri holiday. The positive sentiment relating to a positive result of Moderna's initial phase COVID-19 vaccine trial was a positive catalyst for JCI to ended higher on Monday, May 18, 2020. JCI continued in the green on Tuesday of May 19, 2020 after Bank Indonesia (BI) held a two-day Board of Governor's Meeting from May 18-19, 2020. Bank Indonesia (BI) decided to hold BI-7DRRR at 4.50% and maintain interest rates of deposit facility and lending facility at 3.75% and 5.25%, respectively. BI's decision aims to maintain stable rupiah exchange rate amid the global uncertainty. On Wednesday of May 20, 2020, JCI closed a bit lower, but it recorded foreign net buy, backed by IDR33.3 trillion worth of BNL acquisition.

Global Market Movement



Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

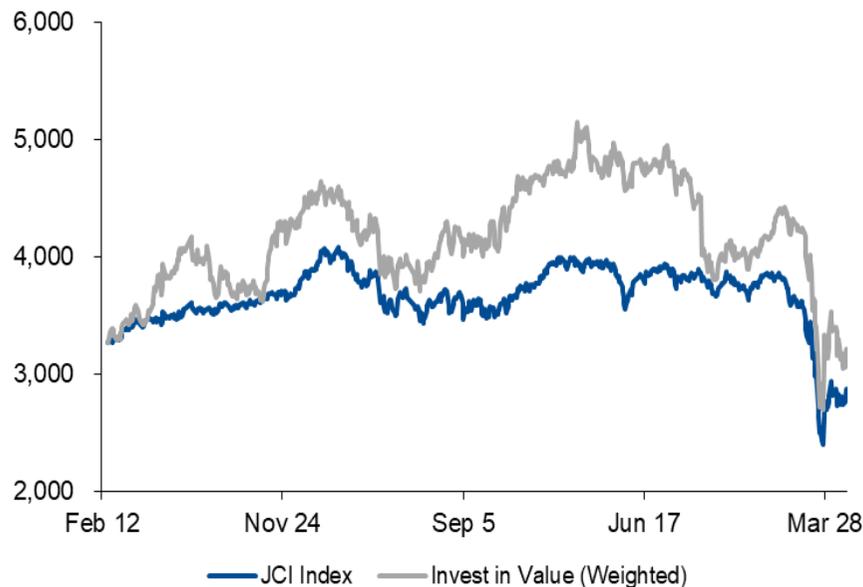
Last Week's INNI Movement

•INNI Index	: 4,238.36 (+1.7%)
INNI Theme 1 (Value)	: 3,143.18 (-0.3%)
INNI Theme 2 (Trend)	: 4,968.48 (+2.6%)

INNI Index Closed Higher

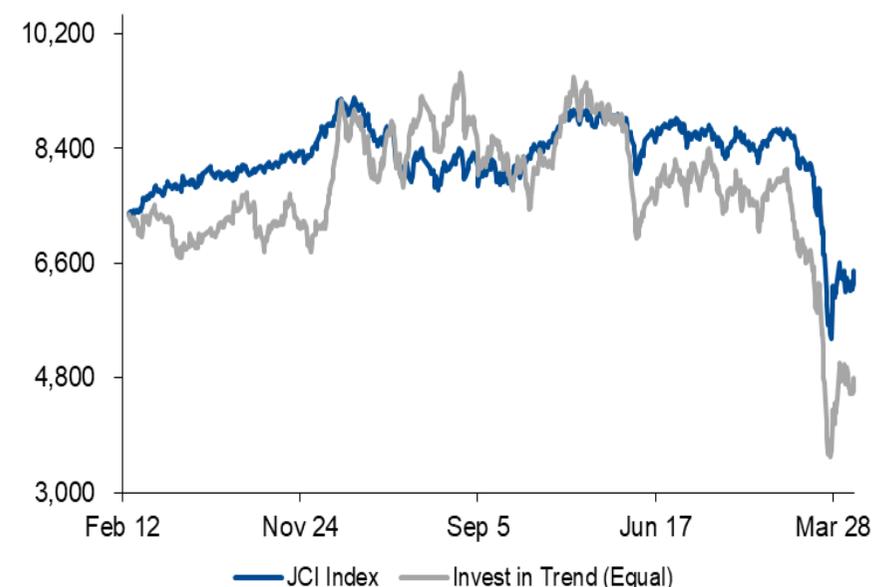
Alike JCI, INNI Index on Monday of May 18, 2020 closed higher, backed by a 5.4% increase in ASII. ASII as one of miscellaneous industry stocks succeeded to rally amid wholesale sales to post a 26.52% decline to 133,552 units in April 2020. ASII to date endeavors to manage costs, maintain cash flow, and reduce CapEx. The rally in INNI Index continued until Tuesday of May 19, 2020 backed by BBRI to post a 9.2% increase after posting top foreign net buy of IDR170 billion. On Wednesday of May 20, 2020, INNI Index was corrected, held back by stocks of consumer goods sector, GGRM (-3.6%), KLBF (-3.6%), and ICBP (-3.0%).

Theme 1. Invest in Value (10 Stocks) – Market-Cap. Base



Source: Bloomberg, NHKSI Research

Theme 2. Invest in Trend (10 Stocks) – Policy Base



Source: Bloomberg, NHKSI Research

Last Week Sectoral Review

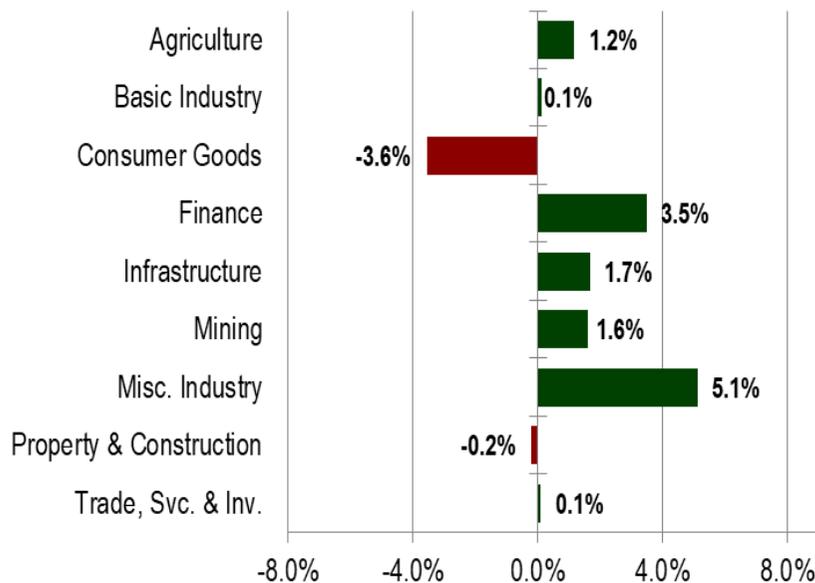
- **JCI Advances**

Most of stocks listed in JCI were in the green, with the miscellaneous industry stocks gave up the largest gains of 5.1%, backed by ASII (+7.0%). Of note, ASII announced the schedule of 2020's AGM in June 16. The AGM's agenda is the discussion of FY19's financial statements and 2019's net profits.

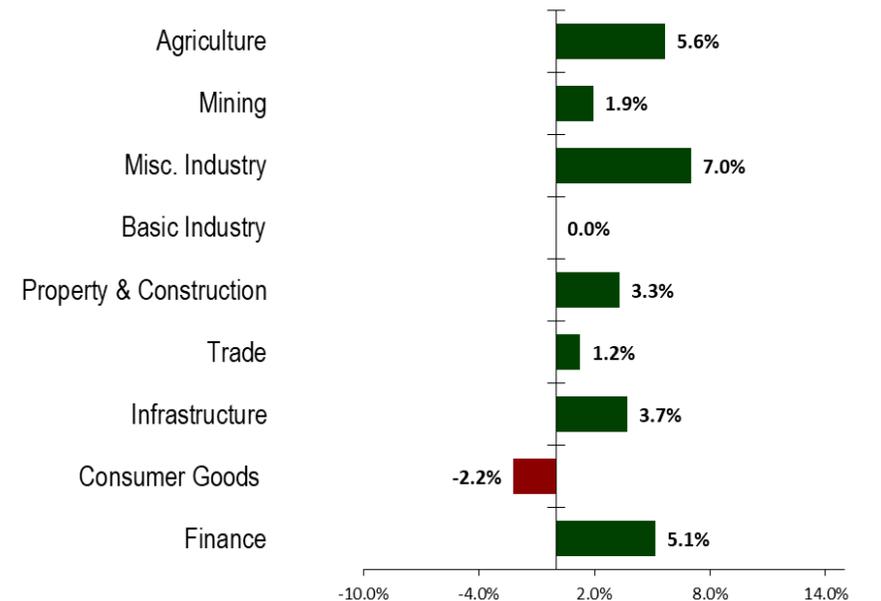
- **INNI Index Rallies**

Alike JCI, INNI Index rallied with the miscellaneous industry stocks secured the first-largest gains, and the agriculture stocks obtained the second largest gains. AALI-- the Agriculture stock--on a weekly basis advanced by 5.6% as prices of CPO for August 2020 contract in the Malaysia Derivative Exchange increased by 4.0% to RM2,164/ton.

Last Week's JCI Sectoral Movement



Last Week's INNI Sectoral Movement



Source: Bloomberg, NHKSI Research

Source: Bloomberg, NHKSI Research

This Week's Outlook: Property Sector

- Consider Effects of Easing Lockdowns and PSBB**

Based on the schedule set by Anies Baswedan as the Governor of Jakarta, the regulation of large-scale social restrictions (PSBB) taking into force since April 10, 2020 will be ended on May 22, 2020. The Government on Tuesday of May 19, 2020 decided to prolong PSBB to take into force until June 4, 2020 in order to end the vicious spread of COVID-19. The easing PSBB due to the decreasing number of COVID-19 can be a positive sentiment for investors having optimism on economic re-opening. A number of countries relaxing lockdowns gave a glimpse of investors' varied responses. For example, Malaysia Stock index (KLCI) negatively responded to easing lockdowns by posting a 2.2% decline. FTSE MIB Italia contracted by 3.70% after easing lockdowns of May 4th, 2020. In contrast, Spain IBEX Index made a 1.78% rebound on April 25th, 2020. Investors' positive responses hinge on least possibility of COVID-19 and the government unison strategies against the pandemic

- Credit Growth Impacted by COVID-19**

Indonesian credit growth until March 2020 hiked significantly to 7.95% yoy due to forex credits and third-party fund respectively growing by 16.84% yoy and 9.45% yoy. Bank Indonesia (BI) on May 22 will release data of credit growth in April 2020 estimated to lag due to the Mandatory PSBB in April triggering declines in goods and services trading sectors. Considering the issues, the Government responded them and unveiled relief measures, i.e., policies for restructuring micro small medium enterprises (UMKM) credits to stimulate domestic credits. COVID-19 severity and unprecedented duration to cause lockdowns have Bank Indonesia cut credit growth projection 2020 from 10%-12% to 9%-10%. On the other hand, Bank Indonesia is optimistic about 2021's better economy to boost credit growth at 10%-12%.

Responding-to-Relaxed-Lockdown Countries Indices

Countries - Indices	Date of Relaxed Lockdowns	Changes in Indices
Spain (IBEX 35 Index)	April 25, 2020	1.78%
India (NIFTY Index)	April 25, 2020	1.40%
Swiss (SMI Index)	April 27, 2020	1.38%

Countries - Indices	Date of Relaxed Lockdowns	Changes in Indices
Italy (FTSE MIB Index)	May 4, 2020	-3.70%
Malaysia (KLCI Index)	May 4, 2020	-2.22%
France (CAC 40 Index)	May 11, 2020	-1.31%

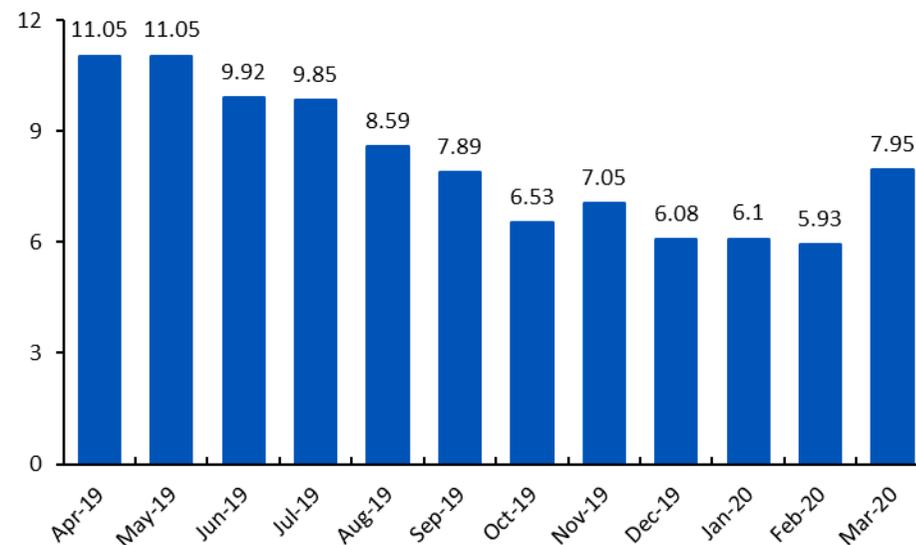
Positive Responses



Negative Responses



Indonesia Loan Growth (%)



This Week's Outlook: Property Sector

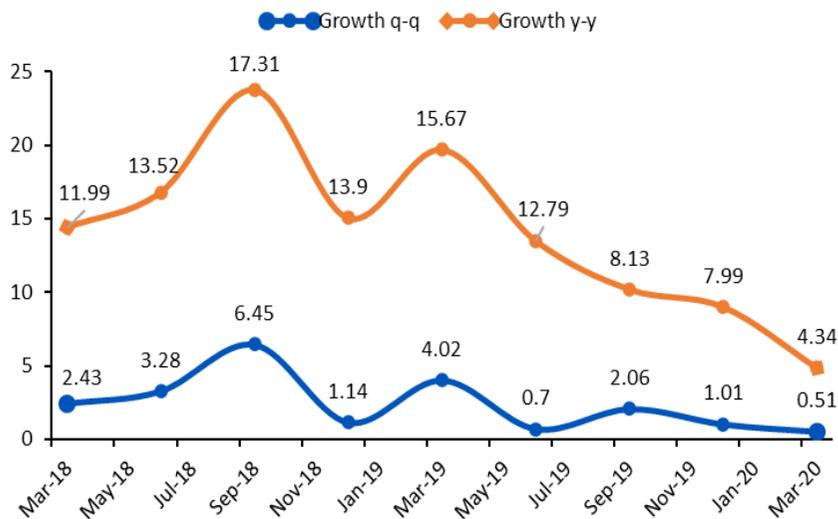
- BI-7DRRR Stands at 4.5%**

Bank Indonesia (BI) on Tuesday of May 19, 2020 held BI-7DRRR at 4.5% as a strategy to boost economic growth and hold liquidity looser during COVID-19 outbreak. However, the trend of lower BI-7DRRR hardly supports the growth of mortgage loan (KPR) and apartment ownership loans (KPA) lagging by 4.34% yoy in 1Q20 based on an annual basis or lower than 7.99% yoy in 4Q19. KPR and KPA growth in 1Q20 lagged from 1.01% qoq to 0.51% qoq. In fact, interest rates for 1Q20 KPR settled down at 8.92% or lower than 9.12% in 4Q19. The declining trend indicated that lower BI-7DRRR has not yet succeeded to spur consumers' optimism for buying housing or apartments with respect to the pandemic.

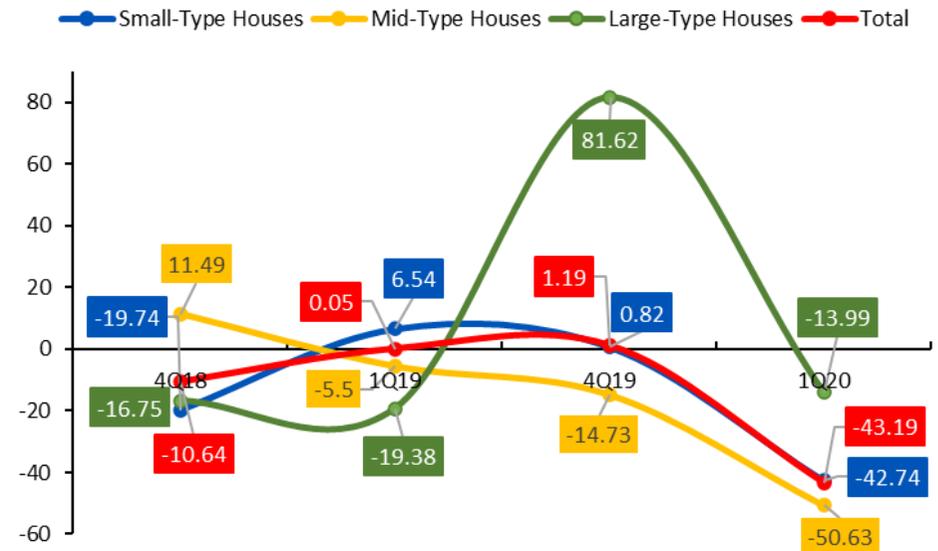
- Declining Sales of Residential Property**

COVID-19 outbreaks are a setback in property growth in the primary market. Based on BI reports, 1Q20 sales on an annual basis were contracted by -43.19% yoy, lower than 4Q19 sales of 1.19% yoy. Sales of big-type housing significantly contracted from 81.62% in 4Q19 to -13.99% in 1Q20, but sales of big-type housing grew better than a -19.38% decline in 1Q19. Sales of small-type housing also tumbled to -42.74% yoy from 0.82% in 4Q19. Besides, sales of mid-sized housing declined from -14.73% yoy to -50.63% yoy. The large-social restrictions (PSBB) across areas in Indonesia for containing COVID-19 is a setback in normally running property sales activities.

Growth of KPR and KPA (%)



Annual Sales Growth in Residential Property (% YoY)



Source: Bank Indonesia, NHKSI Research

Source: Bank Indonesia, NHKSI Research

Ciputra Developmet Tbk (CTRA IJ – Property Sector)

Dec. 2020's Price Target	830
Consensus Price	969
Last Price (IDR) as of May. 20, 2020	490
PT vs. Last Price	69.0%

Revenue Breakdown:

Real Estate	70.0%
Rental	22.8%
Others	7.2%

IDR bn	FY2018	FY2019	FY2020E	FY2021E
Revenue	7,670	7,608	6,711	7,389
y-y	19.1%	-0.8%	-11.8%	10.1%
Net Profit	1,185	1,158	0,895	1,025
y-y	32.6%	-2.3%	-22.6%	14.4%
EPS	64	62	49	58
P/E	16.8x	8.6x	10.4x	8.8x
P/BV	1.2x	0.6x	0.6x	0.6x

- **NHCSI** recommends CTRA as this week's top stock pick estimated to reach the price target of IDR830 with a 87% RNAV discount. CTRA with respect to the lagging property growth due to COVID-19 outbreak still hinges on middle-to-low class property sales by means of launching online innovation in order to boost sales.

Sales of Landed Housing Dominate

CTRA recorded 2019's marketing sales of IDR6.13 trillion or a 1.79% increase from the target of IDR6.02 trillion. The marketing sales are still supported by sales of units prices of which are lower than IDR2 billion by targeting low-to-middle class consumers. CTRA's 1Q20 revenues are still dominated by development income (70%), while the recurring income contributed 30% to the total revenues. The sales derived from office-space segment hiked by 95.3% yoy in 1Q20 to IDR220.12 billion. On the other hand, the landed housing segment contributed revenues of IDR779.76 billion or lower than 11.2% yoy. The decrease in revenues deriving from sales of landed housing to contribute 51.6% to the total revenues reduced total revenues of 8.3% from IDR1,646.73 in 1Q19 to IDR1,509.85 billion. Stagnant sales performance and hiking operational costs hampered profits.

Online Launching to Boost Sales

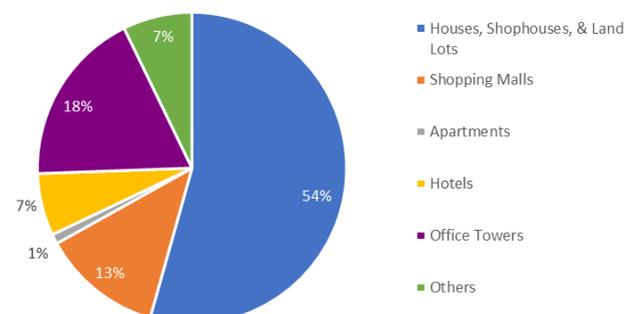
The virus shock is a challenge for the property company to innovate sales. In 1Q20, CTRA succeeded to post marketing sales of IDR1.14 trillion or a 2.7% higher than IDR1.11 trillion in the same quarter of 2019 by counting on sales of middle-to-low property sales as promoted products. The PSBB is a setback for property company to sell their products, but CTRA has specific strategies to apply online launching scheme. Online launching applied by Ciputra Residence helped CTRA to secure IDR185 billion from sales of new clusters in Citra Maja Raya projects and Citra Garden Puri Jakarta. Besides, during the pandemic, CTRA will focus on selling existing products by prioritizing Transit Oriented Development (TOD) and considering to release new products until easing COVID-19.

Last 3 Year Discount to RNAV



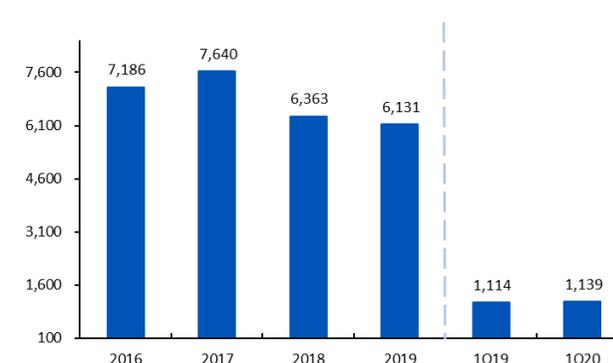
Source : Bloomberg, NHKS Research

Revenue Breakdown (%) | 1Q20



Source : Company Data, NHCSI Research

Marketing Sales (in Bn)



Source: Company Data, NHCSI Research

INNI Index's Stocks List

	Theme 1/2	Last Price	Last Week's Price	2020's Price Target	Rating	Upside Potential (%)	One-Week Change (%)	Market Cap. (IDR tn)	Price / EPS (TTM)	Price / BVPS	Return on Equity (%)	Dividend Yield TTM (%)	Sales Growth Yov (%)	EPS Growth Yov (%)
Finance														
BBCA	Theme 1	23,825	23,925	32,000	Buy	34.3	-0.4%	587.4	20.6x	3.4x	17.5	2.3	13.7	10.5
BBRI	Theme 1	2,480	2,240	4,950	Buy	99.6	10.7%	305.9	8.8x	1.7x	18.6	6.8	13.0	(0.3)
Consumer														
GGRM	Theme 1	47,525	49,275	61,800	Buy	30.0	-3.6%	91.4	8.4x	1.8x	22.7	5.5	15.5	39.6
KINO	Theme 1	2,630	2,630	4,680	Buy	77.9	0.0%	3.8	13.8x	1.4x	10.5	1.9	11.1	(81.3)
ICBP	Theme 1	9,600	9,700	12,875	Buy	34.1	-1.0%	112.0	22.2x	4.4x	21.5	1.4	10.1	10.2
KLBF	Theme 1	1,340	1,400	1,430	Hold	6.7	-4.3%	62.8	24.3x	3.8x	16.3	1.9	8.0	12.5
Infrastructure														
TLKM	Theme 1	3,180	3,100	4,330	Buy	36.2	2.6%	315.0	15.5x	3.2x	21.3	5.2	3.5	15.6
JSMR	Theme 1	3,700	3,530	4,450	Buy	20.3	4.8%	26.9	12.2x	1.4x	12.4	1.2	(28.7)	0.2
Trade														
UNTR	Theme 2	14,600	14,250	20,000	Buy	37.0	2.5%	54.5	5.4x	0.9x	16.9	8.5	(19.0)	(40.2)
MAPI	Theme 2	700	700	1,300	Buy	85.7	0.0%	11.6	12.5x	1.9x	16.1	1.4	14.0	27.3
Property														
CTRA	Theme 2	490	476	830	Buy	69.4	2.9%	9.1	8.6x	0.6x	7.2	2.0	(8.3)	(33.3)
WSKT	Theme 2	580	575	2,600	Buy	348.3	0.9%	7.9	8.4x	0.4x	5.2	12.6	(35.7)	(76.3)
WIKA	Theme 2	960	905	1,770	Buy	84.4	6.1%	8.6	3.8x	0.5x	14.6	4.0	(12.7)	32.0
Basic Ind.														
SMGR	Theme 1	8,525	8,525	14,300	Buy	67.7	0.0%	50.6	19.7x	1.5x	8.0	2.4	5.6	66.7
Misc Ind.														
ASII	Theme 1	3,970	3,710	8,600	Buy	116.6	7.0%	160.7	7.5x	1.0x	14.4	5.3	(9.4)	(7.8)
Mining														
TINS	Theme 2	460	462	800	Buy	73.9	-0.4%	3.4	N/A	0.7x	(10.7)	5.4	75.2	N/A
PTBA	Theme 2	1,920	1,815	2,300	Buy	19.8	5.8%	22.1	5.6x	1.1x	20.6	17.7	(4.0)	(25.0)
INCO	Theme 2	2,960	2,890	4,200	Buy	41.9	2.4%	29.4	18.8x	1.0x	5.6	N/A	38.1	N/A
ANTM	Theme 2	520	520	1,100	Buy	111.5	0.0%	12.5	64.5x	0.7x	1.1	2.4	29.4	(88.1)
Agriculture														
AALI	Theme 2	6,550	6,200	15,600	Buy	138.2	5.6%	12.6	23.1x	0.7x	2.9	3.4	13.3	891.7

Source : Bloomberg, NHKS Research

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