

Outlook for Post-US Election

11 November 2020

Key Takeaways

- ◆ Indonesian Economy contracted by 3.49% yoy in 3Q20, which officially put the country on its first recession since 1998. However, GDP managed to grow by 5.05% on a quarterly basis.
- ◆ In the midst of economy contraction, several sectors still able to outperform. These include: Healthcare (+15.33% yoy); Information & Telecommunication (+10.6% yoy); and Agriculture (+2.15% yoy)
- ◆ The Consumer Price Index (CPI) returned to a monthly inflation of 0.07% in October 2020, after experiencing deflation in the previous 3 months.
- ◆ JCI rebounded by 5.3% to 5,128 last month, after a sharp decline in September. These was marked advancements from 7 out of 9 sectors.
- ◆ Miscellaneous Industry was the best performing sector with an 16.79% increase, followed by Finance (+9.61% MoM) and Basic Industry (+7.44% MoM). On the other hand, Construction & Property sector was down by 2.83%.
- ◆ Foreign investors recorded significantly lower net sell of IDR 3,817 Bn (compared to IDR 15,591 Bn in Sep 2020). ASII had the biggest net buy from foreign investors with IDR 662,034 Mn. While TLKM once again topped the net sell list with IDR 1,291 Bn.

Looking Ahead

- ◆ The 2020 United States Election was so tightly contested that it took days before a clear winner can be projected. Investors are also keen to anticipate which party will hold the majority in senate, as it will have many implications for future policies. While initial responses from global stock market were positive, we will attempt to identify on which sectors might benefit as Joe Biden became president-elect.
- ◆ With the 3Q20 earnings season well underway, we try to identify which companies are still able to book strong financial performances in the middle of an economy slowdown. These would give us some ideas on which stocks are worth looking for long-term investment view.

On our Watchlist

- ◆ **Post US-Election picks**
PTBA, AALI, BMRI, BJTM
- ◆ **Outperforming Sectors in 3Q20**
TLKM, EXCL, SILO, SMGR
- ◆ **Maintain Accumulation in Consumer Goods**
ICBP, KLBF, MYOR
- ◆ **End of-year momentum pick**
JSMR

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JCI as of 31 October 2020

Close	5,128
Monthly Change (%)	5.3
PER (x)	12.5
Market Cap (Tn)	5,958
Monthly Foreign Trx (Bn)	(3,817)

JCI Movement (YTD)



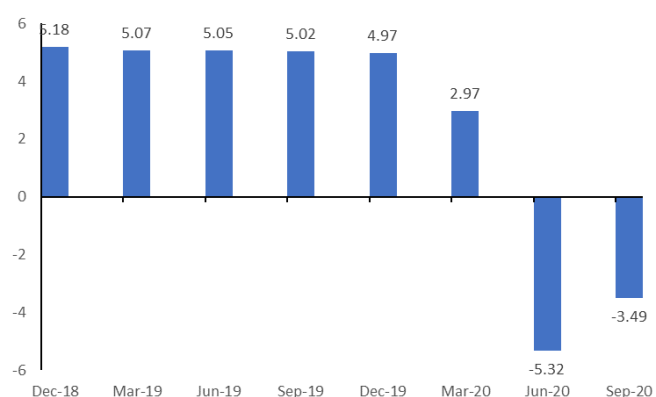
Indonesia Macroeconomic Data

Indicators	Last	Prev.
Real GDP YoY	-3.49%	-5.32%
Current Acc (USD bn)	(2.90)	(3.75)
FDI (USD bn)	4.07	5.00
Cons. Confidence	79.00	83.40
BI-7 Day Rev Repo Rate	4.00%	4.00%
FX Reserve (USD bn)	133.66	135.15
Trade Balance (USD bn)	2.44	2.33
Inflation YoY	1.44%	1.42%

Negative 3Q20 GDP Growth, Indonesia Officially in a Recession

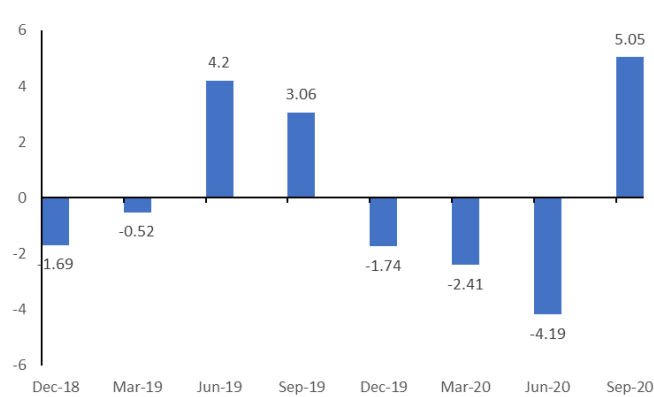
Indonesia Statistics has released the Indonesia economic growth data for 3Q20 where the number is still contracted by 3.49% yoy. However, GDP showed an improvement on a quarterly basis with growth of 5.05%. This improvement can be attributed to government spending, whereas household consumption and investments were still on a decline. While this caused Indonesia to be officially in a recession, this year's condition is deemed to be better than the last recession in 1998, with a far stronger financial system. With many other countries are also entering recession zones, the IMF projects 2020 global economy growth to be contracted by 4.4%.

Figure 1: Indonesia GDP Growth (% yoy)



Sources: Bloomberg, Indonesian Statistics

Figure 2: Indonesia GDP Growth (% QoQ)



Sources: Bloomberg, Indonesian Statistics

Figure 3: GDP Growth by Sector (%)

Sector	Q3-2019	Q2-2020	Q3-2020
Industry	4.1	-6.2	-4.3
Agriculture	3.1	2.2	2.2
Trade	4.4	-7.6	-5.0
Construction	5.7	-5.4	-4.5
Mining	2.3	-2.7	-4.3
IT	9.2	10.8	10.6
Transportation & Logistics	6.7	-30.8	-16.7
Financial Services	6.2	1.1	-1.0
Government Admin	1.9	-3.2	1.9
Education	7.8	1.2	2.4
Real Estate	6.0	2.3	2.0
Accommodation & Food Beverages	5.4	-22.0	-11.9
Other Services	10.7	-12.6	-5.6
Company Services	10.2	-12.1	-7.6
Healthcare	9.2	3.7	15.3
Electricity & Gas	3.8	-5.5	-2.4
Water	4.9	4.6	6.0

Sources: Bloomberg, Indonesian Statistics

Return to inflationary state, after 3 months of deflation

Indonesia booked a monthly inflation of 0.07% in October, which sums up to an annual inflation rate of 1.44%. This was achieved with 66 out of 90 cities on an inflationary state. The biggest contributing groups for last month's inflation were: Food, Beverages, & Tobacco (0.29%); Restaurants (0.19%); and Healthcare (0.15%)

Figure 4: Indonesia CPI (MoM)

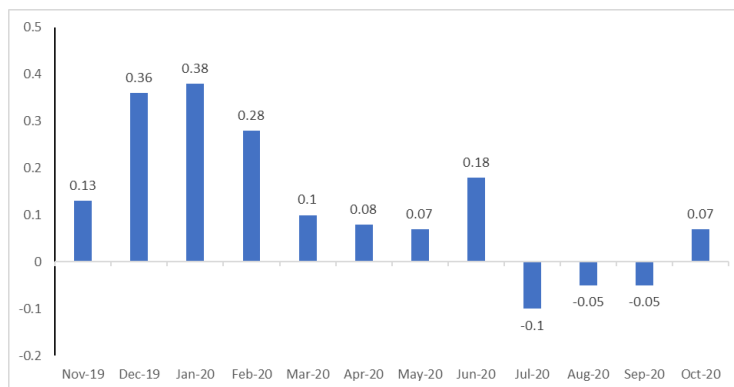
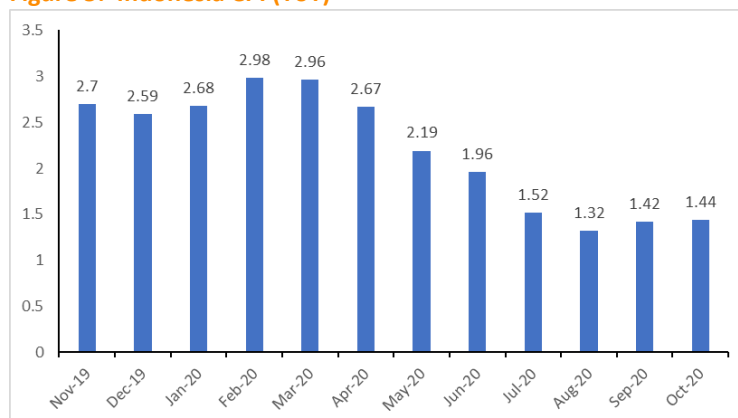


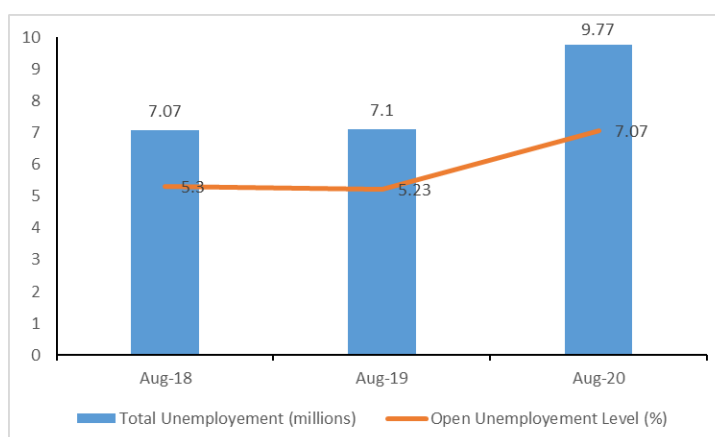
Figure 5: Indonesia CPI (YoY)



Sources: Bloomberg, Indonesia Statistics

The persistent low inflation level was partly caused by weak consumer demand. The Covid-19 pandemic has caused 2.56 million workers to lose their jobs. This added up to a total unemployment number of 9.77 millions, with an open unemployment rate of 7.07%.

Figure 6: Unemployment Level



Sources: Bloomberg, Indonesia Statistics

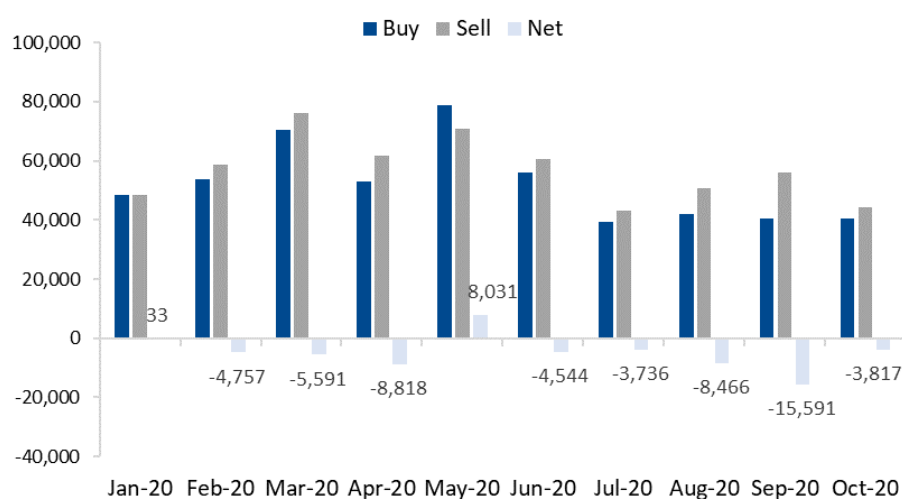
Stock Market Performance - October 2020

Figure 7: JCI Sectoral Performance

Sector	30 September 2020	27 Oktober 2020	Change
Consumer Goods	1828.95	1805.20	-1.30%
Mining	1332.02	1418.02	6.46%
Agriculture	1137.47	1199.64	5.47%
Finance	1039.76	1139.65	9.61%
Miscellaneous Industry	820.30	958.06	16.79%
Infrastrure, Utilities, & Transportation	785.95	808.58	2.88%
Basic Industry	709.51	762.32	7.44%
Trade, Services, & Investment	631.21	642.88	1.85%
Construction, Property, & Real Estate	340.62	330.97	-2.83%
JCI	4870.04	5128.23	5.30%

Sources: Bloomberg, NHKSI Research

Figure 8: Monthly Foreign Transactions in JCI



Sources: IDX, NHKSI Research

Figure 9: Top Net Foreign Buy/Sell

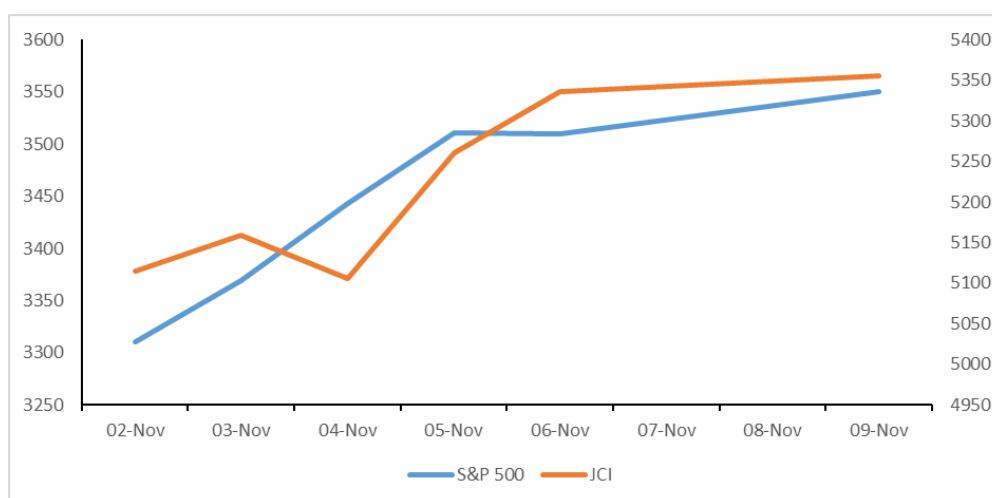
Net Foreign Buy		Net Foreign Sell	
Stock	Value (IDR Mn)	Stock	Value (IDR Mn)
ASII	662,034	TLKM	-1,291,077
BMRI	433,405	BBNI	-298,154
MDKA	303,732	UNTR	-289,921
BBCA	179,729	ICBP	-275,700
BULL	172,075	ADRO	-205,550
INTP	162,339	PGAS	-202,959
BTPS	124,900	TOWR	-152,280
UNVR	96,451	BSDE	-141,640
CTRA	59,578	TBIG	-122,381
PWON	57,680	SMGR	-109,517

Sources: NHKSI Research

Positive Initial Reactions after US Election

The global stock market has been trending up since the US election. While the vote counting process took longer than usual, investors have been more bullish as it became apparent that Joe Biden would become the president-elect. The prospect of a more stable view on relationships between the US and other economies have created optimism world-wide.

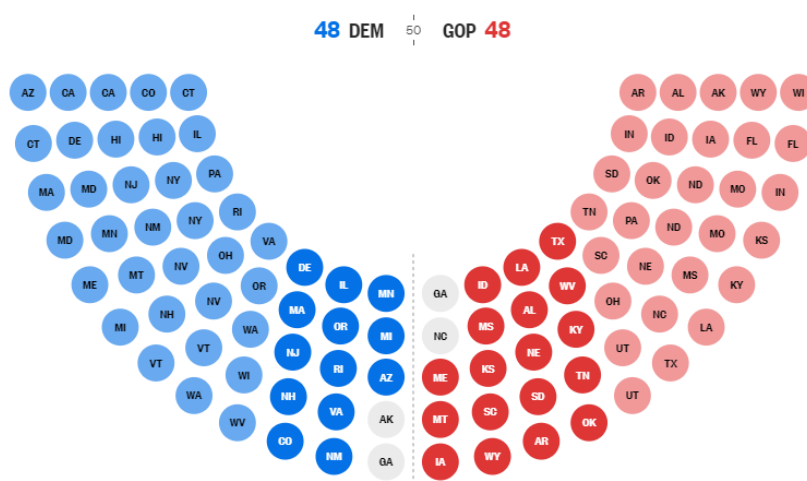
Figure 10: S&P 500 vs JCI



Sources: Bloomberg, NHKSI Research

Investors were also optimistic regarding the prospect of GOP to remain in control of the US Senate. This would mean that any plans that which are not favorable to business climate, such as corporate tax increase, will face tougher challenges to be passed.

Figure 11: US Senate Results (as of 10 /11/2020)



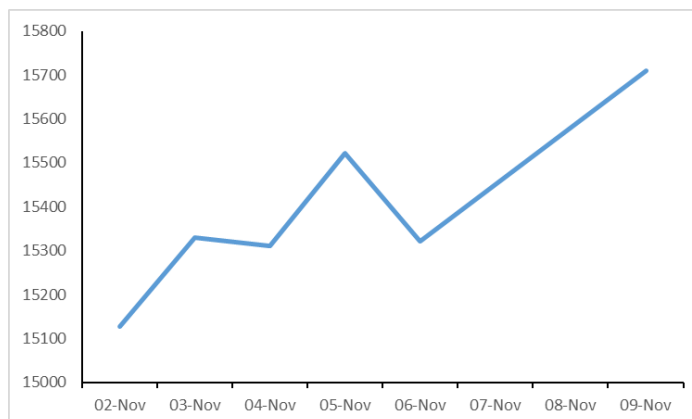
Sources: NBC

Potential JCI Sectors post US Election

1. Metal Mining

Under a Democrat government, many expect it will accelerate the adoption of cleaner energy. This will give additional boosts to technologies involving alternative energies such as: solar panel and electric vehicles. As a result, demand for commodities such as nickel and copper are expected to rise.

Figure 12: LME Nickel Price (USD/ton)

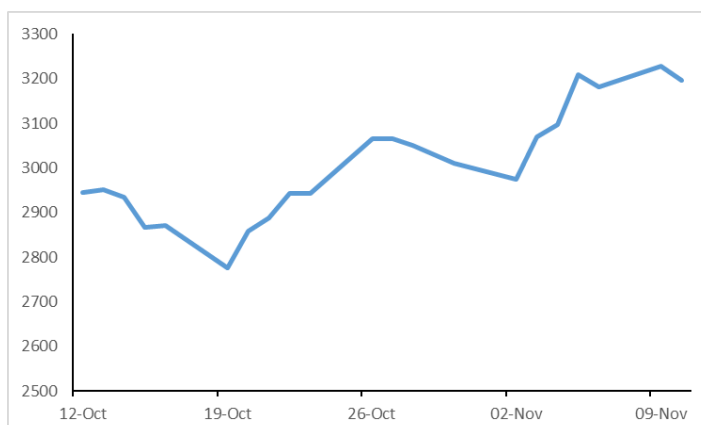


Sources: Bloomberg, NHKSI Research

2. Crude Palm Oil (CPO)

The relationship between United States and other countries are expected to improve under a new regime. With a better international trade climate, this will impact the price of commodities, such as CPO.

Figure 13: CPO Price (RM)

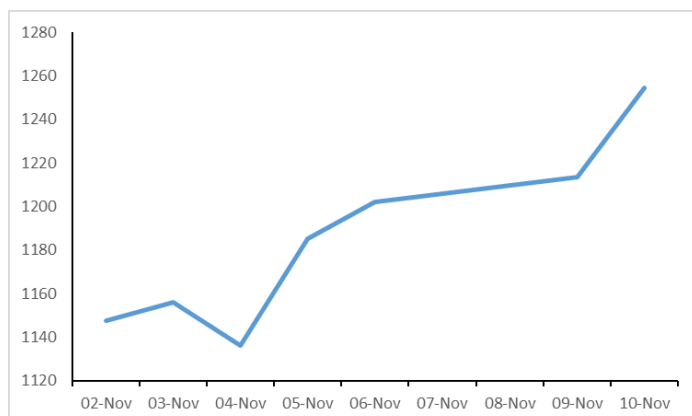


Sources: Bloomberg, NHKSI Research

3. Banking

As the biggest contributors to JCI market capitalization, banking industry is set to lead the market recovery. With US election now over, another uncertainty factor is eliminated.

Figure 14: JCI Finance Index



Sources: Bloomberg, NHKSI Research

Strong 3Q20 Performances

With the 3Q20 earnings season underway, some sectors were able to book solid performances. These include: Agribusiness (AALI, SSMS); Cement (SMGR, INTP); Healthcare (MIKA, SILO); and Telecommunication (TLKM, TOWR, TBIG, EXCL)

Figure 15: Earnings Recap 3Q20 (IDR mn)

Ticker	Name	3Q20	3Q19	Change
BBCA IJ Equity	Bank Central Asia Tbk PT	7,795,175	8,058,885	-3.27%
BMRI IJ Equity	Bank Mandiri Persero Tbk PT	3,735,174	6,719,391	-44.41%
ASII IJ Equity	Astra International Tbk PT	2,661,000	6,065,000	-56.13%
TLKM IJ Equity	Telekomunikasi Indonesia Persero Tbk PT	5,690,000	5,381,000	5.74%
BBNI IJ Equity	Bank Negara Indonesia Persero Tbk PT	-136,762	4,338,776	-103.15%
UNTR IJ Equity	United Tractors Tbk PT	1,277,322	2,978,209	-57.11%
GGRM IJ Equity	Gudang Garam Tbk PT	1,826,424	2,962,268	-38.34%
UNVR IJ Equity	Unilever Indonesia Tbk PT	1,818,704	1,812,371	0.35%
PTBA IJ Equity	Bukit Asam Tbk PT	439,370	1,092,936	-59.80%
CPIN IJ Equity	Charoen Pokphand Indonesia Tbk PT	628,101	832,818	-24.58%
SMGR IJ Equity	Semen Indonesia Persero Tbk PT	929,328	810,176	14.71%
PWON IJ Equity	Pakuwon Jati Tbk PT	118,143	785,024	-84.95%
BDMN IJ Equity	Bank Danamon Indonesia Tbk PT	631,566	783,682	-19.41%
KLBF IJ Equity	Kalbe Farma Tbk PT	639,877	657,301	-2.65%
TOWR IJ Equity	Sarana Menara Nusantara Tbk PT	607,046	603,500	0.59%
INTP IJ Equity	Indocement Tunggal Prakarsa Tbk PT	646,718	535,760	20.71%
WIKA IJ Equity	Wijaya Karya Persero Tbk PT	-200,223	461,581	-143.38%
BJBR IJ Equity	Bank Jabar Banten	392,765	330,891	18.70%
BJTM IJ Equity	Bank Pembangunan Daerah Jawa Timur Tbk P	329,356	324,272	1.57%
MYOR IJ Equity	Mayora Indah Tbk PT	618,100	288,515	114.23%
LINK IJ Equity	Link Net Tbk PT	242,567	245,539	-1.21%
TBIG IJ Equity	Tower Bersama Infrastructure Tbk PT	236,982	229,822	3.12%
SCMA IJ Equity	Surya Citra Media Tbk PT	312,695	224,940	39.01%
BSDE IJ Equity	Bumi Serpong Damai Tbk PT	558,859	217,649	156.77%
EXCL IJ Equity	XL Axiata Tbk PT	331,487	216,014	53.46%
JPFA IJ Equity	Japfa Comfeed Indonesia Tbk PT	102,075	213,780	-52.25%
ANTM IJ Equity	Aneka Tambang Tbk	750,963	213,506	251.73%
SIDO IJ Equity	Industri Jamu Dan Farmasi Sido Muncul Tb	227,014	204,329	11.10%
PTPP IJ Equity	PP Persero Tbk PT	10,423	175,519	-94.06%
AKRA IJ Equity	AKR Corporindo Tbk PT	233,838	174,482	34.02%
MIKA IJ Equity	Mitra Keluarga Karyasehat Tbk PT	236,702	172,606	37.13%
WTON IJ Equity	Wijaya Karya Beton Tbk PT	18,273	136,597	-86.62%
ADHI IJ Equity	Adhi Karya Persero Tbk PT	4,113	136,220	-96.98%
DMAS IJ Equity	Puradelta Lestari Tbk PT	223,507	133,347	67.61%
MTDL IJ Equity	Metrodata Electronics Tbk PT	111,630	106,263	5.05%
BEST IJ Equity	Bekasi Fajar Industrial Estate Tbk PT	-70,220	96,365	-172.87%
AALI IJ Equity	Astra Agro Lestari Tbk PT	190,648	67,467	182.58%
ERAA IJ Equity	Erajaya Swasembada Tbk PT	181,691	56,414	222.07%
ISAT IJ Equity	Indosat Tbk PT	-116,402	47,302	-346.08%
SILO IJ Equity	Siloam International Hospitals Tbk PT	81,247	37,986	113.89%
LPPF IJ Equity	Matahari Department Store Tbk PT	-258,739	24,554	-1153.75%
RALS IJ Equity	Ramayana Lestari Sentosa Tbk PT	-100,578	22,591	-545.21%
BRIS IJ Equity	Bank Brisyariah Tbk PT	73,383	20,906	251.01%
SSMS IJ Equity	Sawit Sumbermas Sarana Tbk PT	164,365	13,646	1104.46%
ADRO IJ Equity	Adaro Energy Tbk PT	-46	109	-141.89%
INCO IJ Equity	Vale Indonesia Tbk PT	24	26	-10.68%
SRIL IJ Equity	Sri Rejeki Isman Tbk PT	24	18	32.65%

Sources: Bloomberg, NHKSI Research

On our Watchlist

Our monthly watchlist starts with sectors which continue to thrive in the midst of the pandemic, which are: Telecommunication (**EXCL, TLKM**) and Healthcare (**SILO**). Meanwhile, slight corrections in the consumer goods sector have provided us with more opportunities for accumulation in top FMCG brands such as **ICBP, MYOR, and KLBF**.

Moreover, we also look at sectors which have great potentials post-US election, such as: Commodities related stocks (**PTBA, AALI**) and Banking (**BMRI, BJTM**).

In addition, cement industry also outperformed in 3Q20, and our top pick for this sector is **SMGR**. Lastly, the relaxation of PSBB which coincides with several long holidays in 4Q20 have prompted us to include **JSMR** for our November watchlist.

Figure 16: Stock Watchlist November 2020

Key Fundamental Statistics (as of 10 November 2020)

Stock	Market Cap (IDR Mn)	P/E (x)	P/B (x)	GPM (%)	OPM (%)	NPM (%)	ROE (%)	DER (%)	Net Gearing (%)
ICBP	112,828,960	19.31	3.93	37.57	19.53	12.64	22.68	9.38	Net Cash
KLBF	70,078,308	26.76	4.11	45.87	15.39	11.65	16.18	8.10	Net Cash
EXCL	23,446,167	10.23	1.12	21.80	17.46	5.04	11.51	152.38	137.76
BMRI	297,500,000	13.99	1.61	57.40	26.46	20.04	11.14	62.87	N/A
JSMR	30,337,902	24.21	1.61	26.57	11.94	-18.57	6.87	236.44	218.07
TLKM	283,317,939	15.00	2.79	33.00	32.27	17.2	18.76	52.40	37.41
MYOR	53,660,879	21.85	5.08	29.41	10.76	9.51	25.31	42.65	12.01
BJTM	9,084,376	6.80	0.94	67.60	40.10	29.56	14.37	15.03	N/A
PTBA	23,271,732	8.49	1.38	25.31	11.54	11.45	16.00	5.46	Net Cash
AALI	20,738,517	30.39	1.10	14.46	8.05	4.49	3.64	30.66	21.67
SILO	8,128,828	-18.88	1.39	33.98	9.17	4.45	-7.07	23.30	11.40
SMGR	62,874,112	23.84	1.87	35.61	19.26	9.68	8.14	74.23	61.38

Sources: Bloomberg, NHKSI Research

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