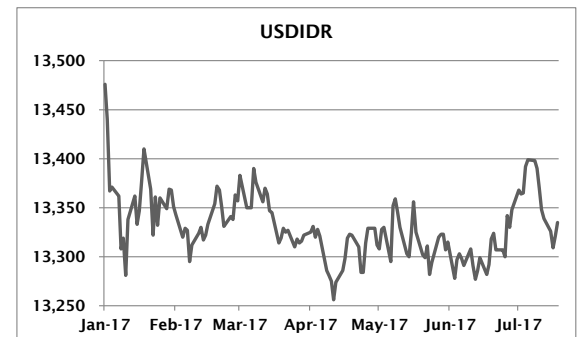
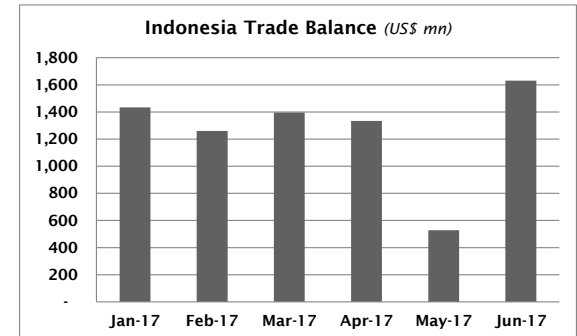


Economic & Fundamental Updates

August 2017

Updates: Indonesia Economy (1)

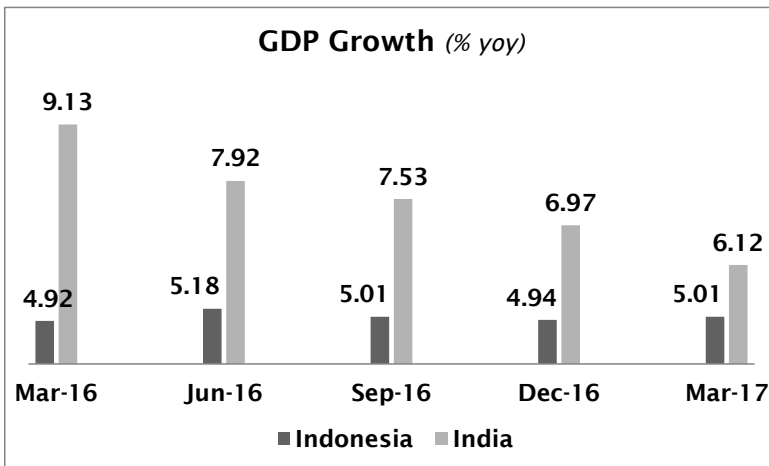
- BI keeps 7DRR Rate at 4.75% on Thursday 20-Jul
- 6M2017 Exports and Imports grew by 14.2% and 5.5% yoy respectively. Trade Balance Surplus increased more than 5x to US \$ 7.58 bn from US \$ 1.39 bn
- Rupiah is currently stable at around 13300 per US dollar, although it had weakened to near 13400 in the past month.
- Foreign investors still recorded a net buy position on domestic equities and bonds of more than Rp6.4 trillion and Rp110 trillion ytd respectively.
- Government debt as of Jun-2017 rose 5.4% to Rp3706 T from Rp3515 T in Dec-2016, 80% of which consists of bonds (SBN). It is still under 30% of GDP, the lowest among other countries with investment grade, that are above 40% on average.



Updates: Indonesia Economy (2)



- 10yr Government Bond Yield currently at around 6.9%, which we believe will still continue to decline until 6.5% - 6%. An additional positive sentiment from Fitch is expected to support this projection.
- Although this year's budget deficit is predicted to rise more than 2.5% of GDP, however we see some budget cut measurements for Ministries / Agencies that are being diverted for infrastructure development could help to boost economic growth by more than 5%. We see this widening deficit as an expensive price that has to be paid to raise economic growth that in 1Q2017 was only 5.01% yoy. In the same period, India managed to grow 6.12%, paid with 3.52% of budget deficit to GDP.



Fitch Ratings



- Has affirmed Indonesia's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BBB-' with a Positive Outlook.
- Foreign-exchange buffers, reached a historic high of USD125 bn in May 2017, 35% above summer of 2013.
- Current-account deficit is expected to remain roughly stable at close to 2.0% of GDP through 2019, financed by commodities (BBB median at 2.8% in 2017).
- Government debt 28.2% of GDP in 2017 (BBB median at 41.2%), will help anchor Indonesia's investment grade rating.
- Approved budget revision by the parliament.
- Real GDP growth to rise to 5.2% in 2017 and 5.6% in 2018, from 5.0% in 2016.
- **Challenges:** difficult business environment, especially in reducing the number and duration of bureaucratic procedures and a more standardized approach to minimum wage setting.

Updates: Global Economy

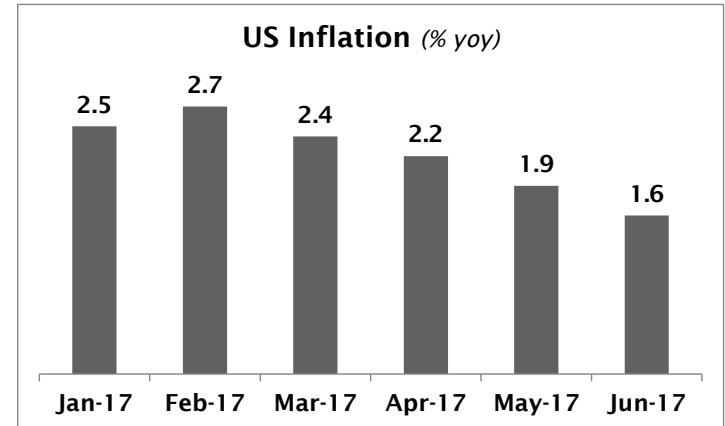
- The Fed is turning cautious for a further rate hike after June inflation fell to 1.6% yoy from 2.5% - 2.7% earlier this year. Balance sheet reduction plan is expected to be announced in September.
- Brexit Talks continue.
- Chinese Government is feared to further increase its grip on financial markets after President Xi Jinping replaced PM Li Keqiang at a meeting of the country's economic policy makers, called for increased oversight.

China bank watchdog to tighten risk control amid regulatory shake-up

Monday, 17 Jul 2017 | 9:02 PM ET



China's banking regulator will tighten control over risks in the financial markets, work more closely with the central bank and other regulators, and "resolutely follow" the leadership of a newly-formed financial stability committee, it said late on Monday.



[EU and Britain fail to reach agreement on half of issues in Brexit talks](#)

The Guardian · 10 hours ago



[Brexit: UK and EU at odds over 'exit bill'](#)

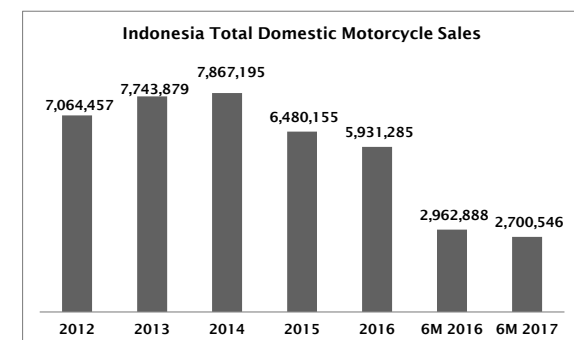
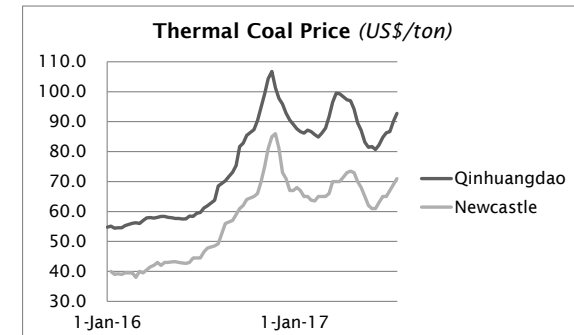
BBC News · 1 day ago

Upcoming Agenda

- 16-Aug: FOMC Meeting Minutes
- 20-Sept: Fed Fund Rate

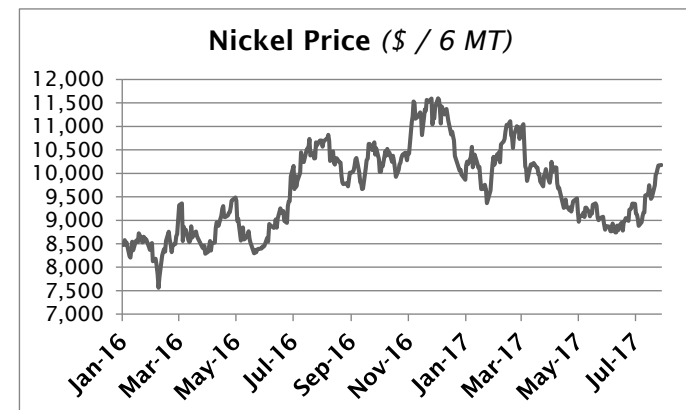
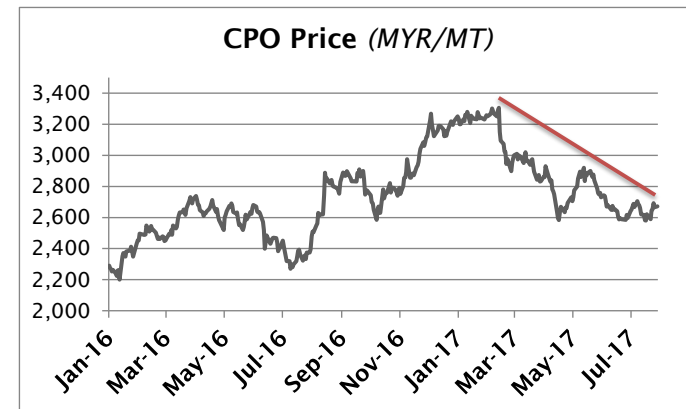
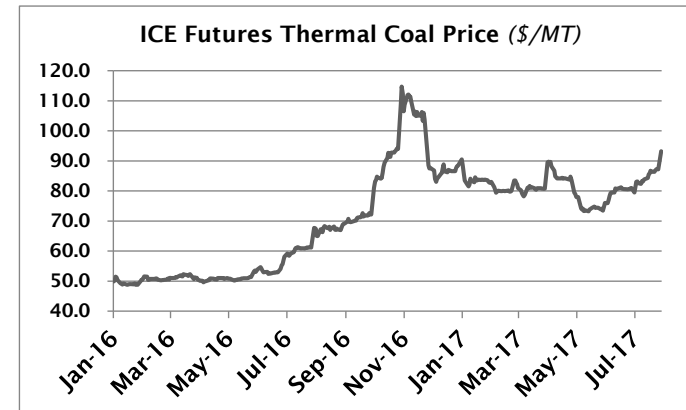
Updates: Industry Sector

- After being rejected before, the submission of state investment (PMN) to PT KAI and Djakarta Llyoid was finally approved. The fund will, among others, be used to complete the LRT project. Share prices of listed companies in the Construction Property sector rose significantly after the good news.
- 6M2017 Domestic Cement Sales slightly declined 0.01% yoy to 28.99 mn tons from 29.37 mn tons.
- Coal prices are still up more than 5% ytd, while CPO fell by more than 15%.
- 6M2017 Domestic Motorcycle Sales fell 9% yoy to 2.7 mn units from 2.9 mn units. Meanwhile, Car Sales slightly edged up 0.4% to 533,437 units from 531,156 units.
- Fitch sees limited risks to banking sector, although Gross NPL rise to 3.1% as per Apr-2017 from 1.8% in 2013, However CAR is considered quite strong at 22.6% as per Apr-2017 (22.7% in May). Liquidity Ratio (AL/DPK) 22.3% as per May-2017.



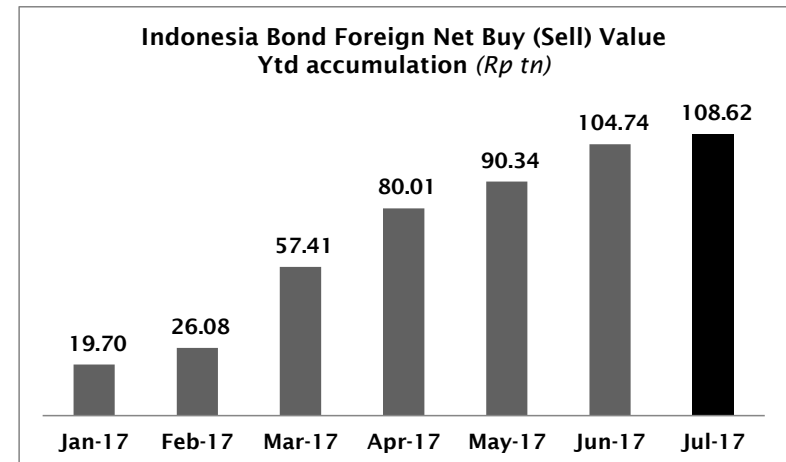
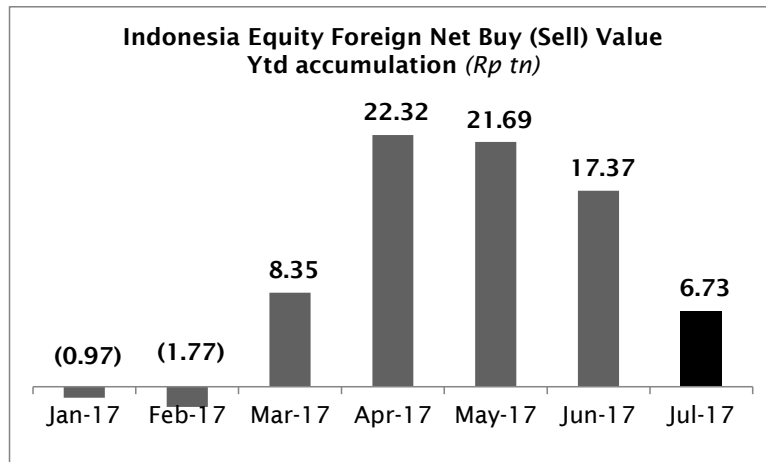
Updates: Commodities

- Some of Indonesia's main commodities showed mix movements, where coal prices are still in the strong upward trend, meanwhile nickel and CPO are still trying to rise from their recent bottoms.
- We expect coal companies to continue their positive performance until next year, while the palm plantation and mineral mining companies still have to wait for a more positive movements of each commodities.



Updates: Domestic Equity & Bond Market

- Foreign investor's net buy value of domestic equities is seen to have declined significantly, however there is still an increasing foreign investment in the bond market.



Outlook: Equity Market

Trading Selection

- Mining: UNTR PTBA ITMG ADRO
- Infra: TLKM ISAT EXCL INDY
- Finance: BBNI BBTN BDMN BNGA

Investing Selection

- Misc Ind: ASII
- Consumer: MYOR HOKI GGRM HMSP
- Agri: LSIP TBLA AALI

IHSG sectoral return in the last 1-month:

JAKARTA MINING INDEX	5.86%
JAKARTA INFRA UTIL TRANS	1.72%
JAKARTA FINANCE INDEX	0.54%
JAKARTA TRD, SVC & INVMT	0.17%
JAKARTA CNSTR PRP RL EST	-0.81%
JAKARTA BASIC IND & CHEM	-2.91%
JAKARTA AGRICULTURAL IDX	-4.03%
JAKARTA CONSUMER GOODS	-5.47%
JAKARTA MISC INDUSTRIES	-9.25%

Statistically, IHSG tend to decline in August:

	2017	2016	2015	2014	2013	2012	2011
Dec		2.9%	3.3%	1.5%	0.4%	0.9%	2.9%
Nov		-5.0%	-0.2%	1.2%	-5.6%	-1.7%	-2.0%
Oct		1.1%	5.5%	-0.9%	4.5%	2.1%	6.8%
Sept		-0.4%	-6.3%	0.0%	2.9%	5.0%	-7.6%
Aug		3.3%	-6.1%	0.9%	-9.0%	-2.0%	-7.0%
Jul	0.2%	4.0%	-2.2%	4.3%	-4.3%	4.7%	6.2%
Jun	1.6%	4.6%	-5.9%	-0.3%	-4.9%	3.2%	1.3%
May	0.9%	-0.9%	2.6%	1.1%	0.7%	-8.3%	0.5%
Apr	2.1%	-0.1%	-7.8%	1.5%	1.9%	1.4%	3.8%
Mar	3.4%	1.6%	1.3%	3.2%	3.0%	3.4%	6.0%
Feb	1.7%	3.4%	3.0%	4.6%	7.7%	1.1%	1.8%
Jan	0.0%	0.5%	1.2%	3.4%	3.2%	3.1%	-7.9%

Thank You