

Indonesia Outlook 2017 – 2018

What next after record high?

Prepared by: **Robertus Yanuar Hardy**
robertus@reliancesekuritas.com
021 5793 0008 ext 602

Siklus koreksi besar 10 tahunan:

1998 krismon

2008 sub-prime mortgage

2018 ???

- Peningkatan suhu politik menjelang Pemilu 2019
- Agresi militer AS-Korut
- Perkembangan ekonomi AS
 - Potensi penurunan credit rating: pelebaran defisit
 - Potensi beralihnya investor global kepada emiten AS

Tax rate
cut

Agenda penting 1-2 tahun mendatang

- **Asian Games:** 18-Aug-2018
- **Pertemuan IMF dan World Bank:** 8-Oct-2018
- **Pemilu Presiden dan Legislatif:** 17-Apr-2019

Berpotensi mendorong pertumbuhan ekonomi 2018-2019.

UU No. 7/2017 tentang Pemilu:

Presidential Threshold (kuota pencalonan) Presiden 2019 $\geq 20\%$ suara legislatif.

Karena Pileg 2019 dilakukan serentak dengan Pilpres, maka penghitungan yang dipakai untuk Pilpres 2019 adalah hasil Pileg 2014.

Jumlah kursi DPR hasil Pemilu 2014		
PDIP	109	19.5%
Golkar	91	16.3%
Gerindra	73	13.0%
Demokrat	61	10.9%
PAN	49	8.8%
PKB	47	8.4%
PKS	40	7.1%
PPP	39	7.0%
Nasdem	35	6.3%
Hanura	16	2.9%
JUMLAH	560	100.0%

Prediksi koalisi untuk memenuhi kuota pencalonan Pemilu Presiden 2019		
PDIP Golkar PPP Nasdem Hanura	Pertahana Jokowi	51.8%
Gerindra PKS	Oposisi Prabowo	20.2%
Demokrat PAN PKB	Poros Ketiga SBY	28.0%

Pembangunan infrastruktur: realisasi (1)

MRT Jakarta: “Desember 2018 uji coba trail run, Mar-2019 target operasi komersial,”

- *William P Sabandar, Dirut PT MRT Jakarta, 18-Sep-2017.*

LRT Jakarta: “Targetnya uji coba di bulan May-2018”

- *Allan Tandiono, Direktur Proyek LRT Jakarta, 18-Aug-2017.*

“Pada saat Asian Games, semua pekerjaan sipil itu sudah harus bersih”

- *Djarot Saiful Hidayat, 12-Jul-2017.*

LRT Palembang: "Februari, atau paling lama Mar-2018, kita sudah running track atau test run jalur,"

- *Bambang Rianto, Direktur Operasi WSKT, 23-Aug-2017.*



Uji Coba Kereta Bandara Soetta:
Manggarai-Batuceper 51 Menit.
Target beroperasi Dec-2017.

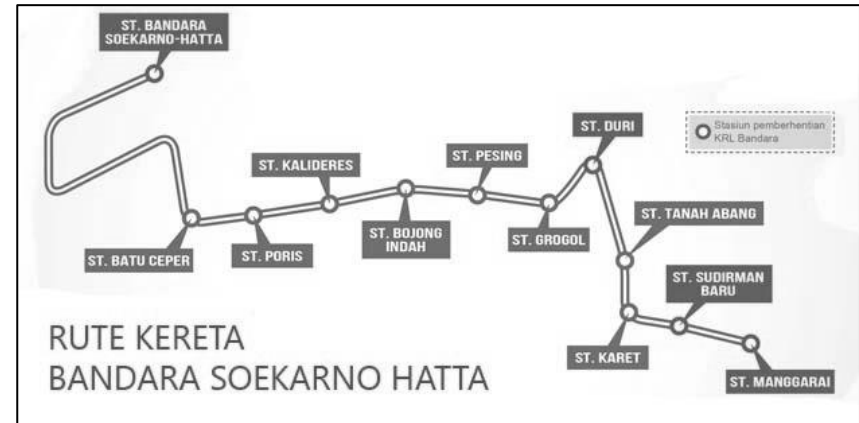
- *Detikfinance, 3-Oct-2017.*

Tol Medan-Kualanamu-Tebing Tinggi akan segera beroperasi dalam waktu dekat. "Semua sudah siap 100%, tinggal diresmikan. Kapan saja Presiden mau meresmikan sudah siap,"

- *Basoeki Hadimoeljono, Menteri PU-Pera, 27-Sep-2017.*

Pembebasan lahan Tol Lampung yang saat ini baru mencapai 92% ditargetkan selesai Nov-2017 sehingga keseluruhan proyek dapat selesai Jun-2018.

- *Tirto.id, Republika, Oct-2017.*



Siklus koreksi besar 10 tahunan:

1998 krismon

2008 sub-prime mortgage

2018 ???

- Peningkatan suhu politik menjelang Pemilu 2019
- Agresi militer AS-Korut
- Perkembangan ekonomi AS
 - Potensi penurunan credit rating: pelebaran defisit
 - Potensi beralihnya investor global kepada emiten AS

Tax rate
cut

CIA: Kim Jong Un isn't crazy

Ancaman Kim Jong Un terhadap negara tetangganya selama ini adalah cara untuk mencegah AS masuk ke negaranya seperti yang terjadi pada Irak dan Libya.

- *CNN, 5-Oct-2017.*



Siklus koreksi besar 10 tahunan:

1998 krismon

2008 sub-prime mortgage

2018 ???

- Peningkatan suhu politik menjelang Pemilu 2019
- Agresi militer AS-Korut
- **Perkembangan ekonomi AS**
 - Potensi penurunan credit rating: pelebaran defisit
 - Potensi beralihnya investor global kepada emiten AS

**Tax rate
cut**

Outlook: IHSG

- At this current level (5900), IHSG is trading at 23x of P/E Ratio.
- Downside risks (in the medium term) are stronger than the upside, after it managed to increase significantly since the beginning of the year.
- However, we are still optimistic that next year IHSG will still continue its strength, if there is no major correction which we have discussed.
- Our target for next year is between **6200 – 6500**, implying 22x – 23x of 2018E P/E Ratio, after expecting 10% of EPS growth.

T12M EPS	Current Price	P/E
257	5,900	23

2018E EPS	Target Price	P/E
283	6,226	22
283	6,509	23

Outlook: IHSG, Sectoral Selection

Trading Selection

- Trade: ACES UNTR AKRA
- Finance: BBNI BBTN BDMN BNGA
- Basic Indust: SMGR INTP BRPT

Investing Selection

- Property: ADHI PTPP
- Infra: TLKM INDY JSMR EXCL PGAS
- Misc Ind: ASII SRIL

IHSG Sectoral Return	1-month	3-month
Agriculture	4.2%	-0.8%
Basic Indust	3.2%	0.0%
Finance	2.5%	6.7%
Trading	1.4%	0.1%
Consumer	0.2%	-2.2%
Misc Indust	-0.4%	-11.2%
Infrastruktur	-1.6%	1.5%
Property	-2.2%	1.3%
Mining	-4.7%	2.1%

IHSG Monthly Return							
	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	0.6%	-0.4%	-6.3%	0.0%	2.9%	5.0%	-7.6%
Aug	0.6%	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%

Alternatif investasi: Obligasi dan KIK EBA

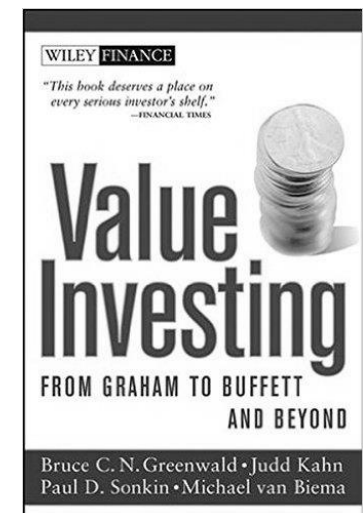
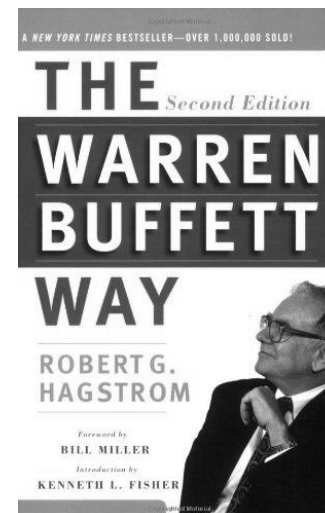
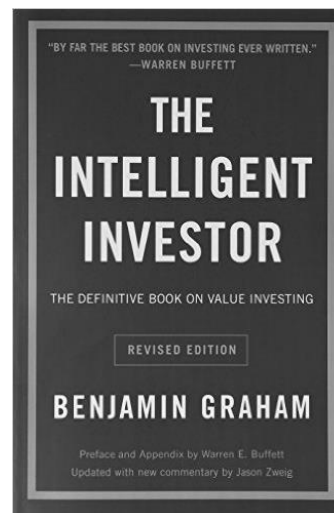
Obligasi Korporasi: Penerbit, Kupon, Tenor

- | | | |
|-------------|--------------|----------|
| • BTPN | 6,6% - 7,5% | 1 - 3 th |
| • WSKT | 8% - 8,5% | 3 - 5 th |
| • Pegadaian | 6,55% - 7,7% | 1 - 5 th |
| • TINS | 8,5% - 8,75% | 3 - 5 th |
| • PLN (EBA) | 8,25% | 5 th |

Benjamin Graham, Warren Buffet.

Kriteria pemilihan saham:

- P/E Ratio dibawah $10x - 9x$
- P/BV Ratio dibawah $1,2x - 1,0x$



LS27 Alternative Selection

	Last Price	P/E	P/BV	Target Price		Potential Upside		Daily Avg Vol
Jasa Keuangan								
PNLF	242	4.5	0.4	296	302	22%	25%	16,190,660
BBKP	570	5.1	0.5	681	677	19%	19%	2,224,294
BVIC	206	7.3	0.6	234	238	14%	16%	2,172,328
IMJS	272	8.4	0.6	304	316	12%	16%	3,141,864
WOMF	204	8.5	0.8	228	229	12%	12%	3,998,925
Perdagangan								
MPMX	930	8.6	0.8	1,038	1,046	12%	12%	1,713,583
ERAA	875	9.1	0.7	971	995	11%	14%	12,826,430
Industri Dasar								
INKP	4,300	5.4	0.6	5,095	5,027	18%	17%	7,024,013
EKAD	640	5.9	0.7	748	726	17%	13%	317,475
Properti								
MDLN	322	5.6	0.6	379	376	18%	17%	15,149,000
APLN	296	5.6	0.7	349	338	18%	14%	48,156,710
LPCK	4,100	6.4	0.6	4,742	4,741	16%	16%	784,430
SSIA	600	2.3	0.7	729	688	22%	15%	7,529,981
Aneka Industri								
SRIL	346	7.8	1.3	390	397.58	13%	15%	310,233,300
KBLI	418	4.0	1.1	521	493.05	25%	18%	17,904,590
Pertambangan								
MEDC	795	3.4	0.8	1,032	889	30%	12%	51,160,220
ADRO	1,830	10.1	1.3	2,010	2,106	10%	15%	35,123,040
PTBA	10,825	7.4	1.9	12,291	11,947	14%	10%	3,941,344
ITMG	20,075	8.4	1.8	22,473	22,303	12%	11%	1,417,356
Perkebunan								
SGRO	2,380	6.2	1.2	2,766	2,773	16%	17%	139,277
SIMP	540	11.4	0.6	634	635	17%	18%	6,228,316
AALI	15,050	12.8	1.7	17,397	16,865	16%	12%	941,006
Infrastruktur								
PGAS	1,470	12.8	0.9	1,699	1,640	16%	12%	44,075,180
SOCI	282	6.0	0.5	329	339	17%	20%	13,240,490
ASSA	216	8.5	0.8	241	243	12%	13%	569,073
Konsumer								
BUDI	96	12.1	0.4	111.87	120	17%	25%	2,763,842
AISA	915	5.1	0.7	1,093	1,041	19%	14%	15,723,810

- 27 saham dengan valuasi rendah.
- Potential Upside diatas 10%.
 - Berdasarkan perhitungan kami

Thank You

Disclaimer:

Information, opinions and recommendations contained in this document are presented by PT Reliance Sekuritas Indonesia Tbk. from sources that are considered reliable and dependable. This document is not an offer, invitation or any kind of representations to decide to buy or sell stock. Investment decisions taken based on this document is not the responsibility of PT Reliance Sekuritas Indonesia Tbk. PT Reliance Sekuritas Indonesia Tbk. reserves the right to change the contents of this document at any time without prior notice.

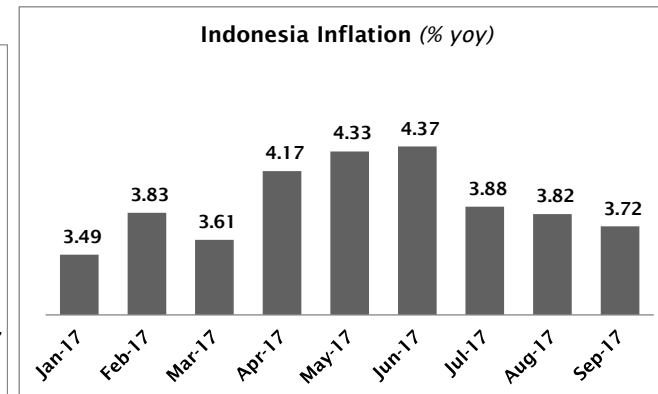
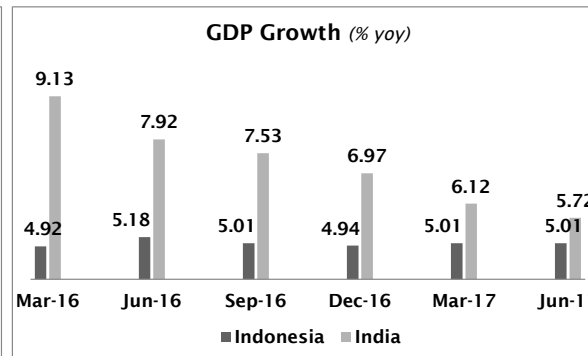
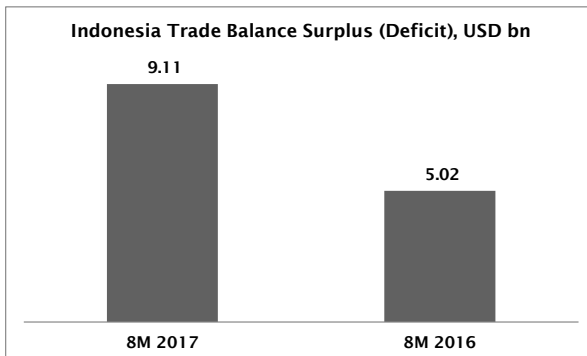
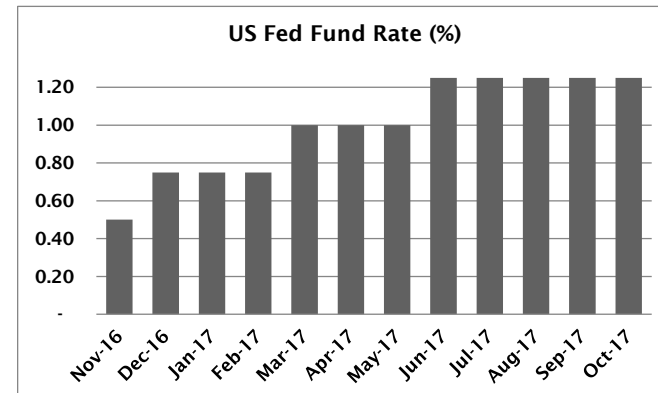
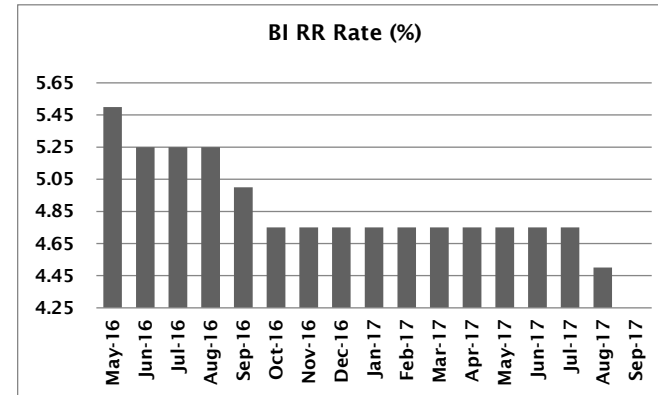
Current LS27
Selection

			Daily	Ytd
Misc Indust	ASII IJ Equity	7,950	-0.6%	-3.9%
	SMSM IJ Equity	1,115	-0.4%	13.8%
	SRIL IJ Equity	346	-0.6%	50.4%
Basic Indust	SMGR IJ Equity	10,375	0.7%	13.1%
	INTP IJ Equity	19,025	-1.4%	23.5%
	CPIN IJ Equity	2,820	-1.4%	-8.7%
	JPFA IJ Equity	1,255	-1.2%	-13.7%
Finance	BBTN IJ Equity	2,960	0.7%	70.1%
	BBNI IJ Equity	7,500	-1.6%	35.7%
	BBRI IJ Equity	15,325	0.3%	31.3%
	BBCA IJ Equity	20,275	-0.2%	30.8%
Consumer	UNVR IJ Equity	50,100	-1.6%	29.1%
	ICBP IJ Equity	8,675	-1.1%	1.2%
	INDF IJ Equity	8,425	-2.0%	6.3%
Property	PWON IJ Equity	620	0.0%	9.7%
	KIJA IJ Equity	310	0.0%	6.9%
Infrastructure	TLKM IJ Equity	4,660	-0.6%	17.1%
	JSMR IJ Equity	5,750	-1.3%	33.1%
Trading	UNTR IJ Equity	32,175	-4.1%	51.4%
	ACES IJ Equity	1,260	0.8%	50.9%
	MAPI IJ Equity	6,675	0.0%	23.6%
Mining	PTBA IJ Equity	10,825	1.6%	-13.4%
	ITMG IJ Equity	20,075	1.0%	19.0%
	HRUM IJ Equity	2,240	-0.4%	4.7%
	ADRO IJ Equity	1,830	0.3%	8.0%
Agriculture	AALI IJ Equity	15,050	-0.5%	-10.3%
	SIMP IJ Equity	540	0.9%	9.3%
LS 27 average return			-0.48%	18.1%
JCI Index		5,902	-0.83%	11.4%

Source: Bloomberg, Reliance Sekuritas Indonesia Research

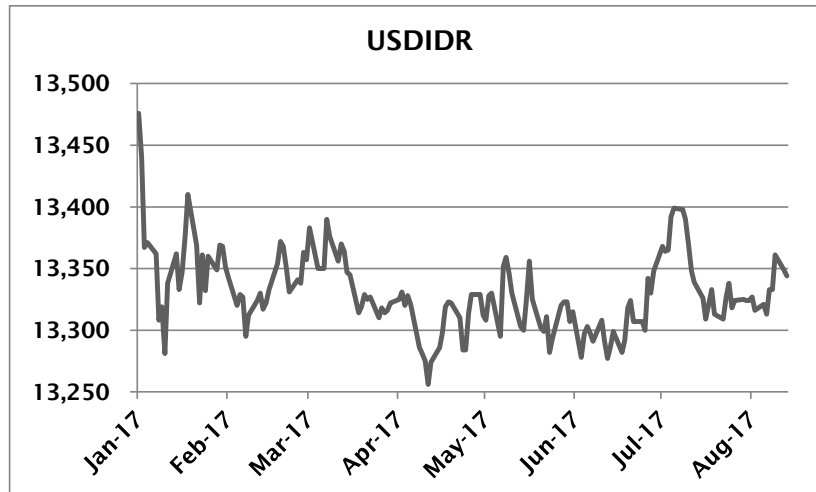
Updates: Indonesia Economy (1)

- BI lowered 7DRR Rate to 4.25% in September meeting, to support economic growth of above 5%, after a disappointing 2Q GDP growth.
- Low inflation rate is expected to encourage domestic consumption, rather than a signal of weakening purchasing power.
- 8M2017 Trade Balance Surplus increased more than 80% yoy.



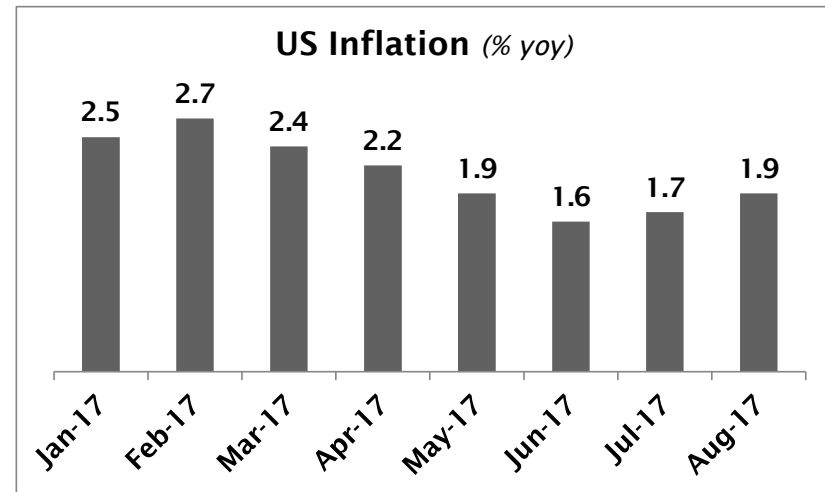
Updates: Indonesia Economy (2)

- BI is committed to maintain Rupiah exchange rate under 13500 per US dollar.
- Consumer Confidence is still at its highest level.



Updates: Global Economy (1)

- The Fed is turning cautious for a further rate hike after inflation fell to under 2% yoy from 2.5% - 2.7% earlier this year. Unemployment Rate fall to its lowest since before the financial crisis.
- Balance sheet reduction plan is expected to have the smallest impact possible to the market.



Updates: Global Economy (2)

- Brexit Talks continue, where European economy is currently growing positive, meanwhile UK still have some internal political issues to solve to support further economic policy.
- A more stable financial policy is expected from China, after the establishment of a new regulatory agency.



[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

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

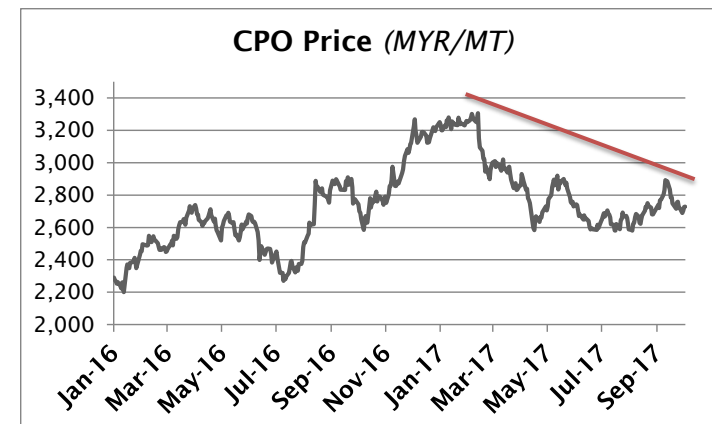
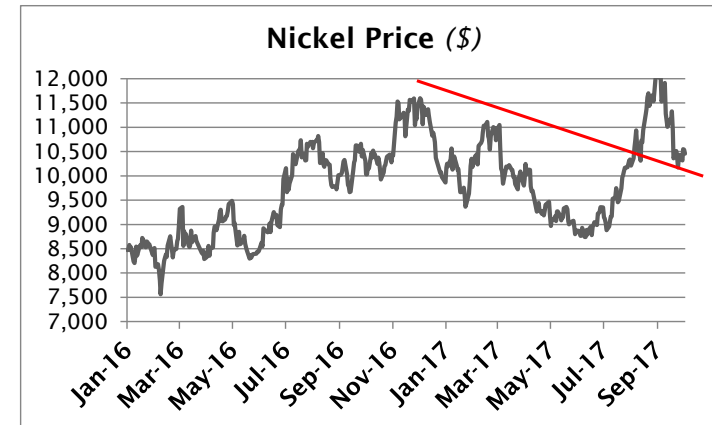
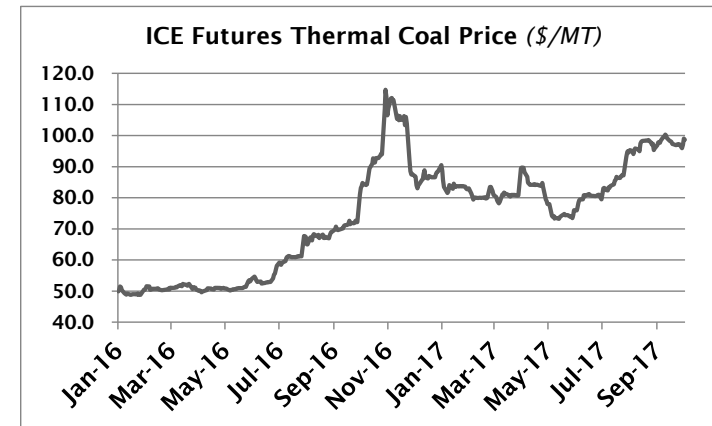
Monday, 17 Jul 2017 | 9:02 PM ET



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.

Updates: Commodities

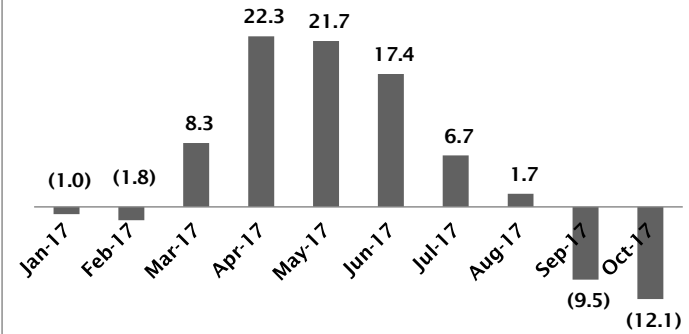
- Some of Indonesia's main commodities showed mix movements, where Coal is still at its highest level, meanwhile CPO is still bottoming. Nickel showed an attractive movement recently where it managed to break from its downtrend
- We expect coal companies to continue their positive performance until next year, our top picks are UNTR PTBA ADRO ITMG, secondary picks are INDY PTRO DOID.
- If Nickel could maintain its strength, INCO ANTM could possibly reverse their financial losses.



Updates: Domestic Equity & Bond Market

- Foreign investors are in the selling mode in the stock market since May, however domestic investors still can absorb the liquidity and managed to maintain IHSG at its highest level.
- In the other side, foreign investors are seen rising their ownership in fixed income instruments such as government bonds. 10Y Government Bond yield is currently at around 6,5% - 6,4% that we believe will still continue to decline until 6,3% - 6,2%.

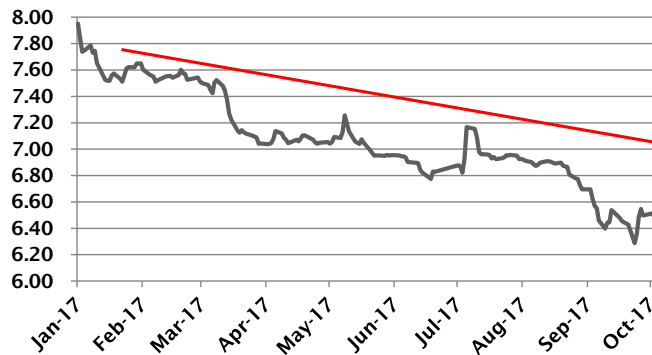
IHSG Foreign Net Buy (Sell), Ytd Accumulation (IDR tn)



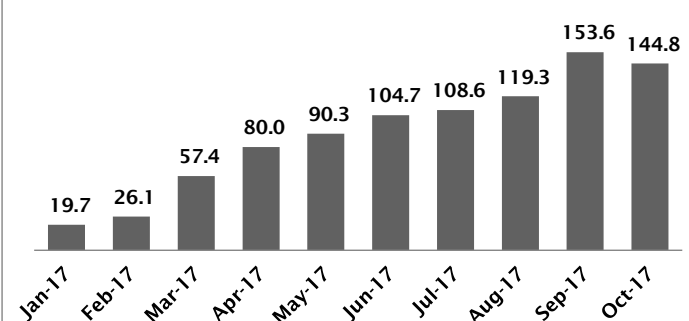
IHSG



Indonesia 10Y Government Bond Yield (%)



Indonesia Govt Bond Foreign Buy (Sell), Ytd Accumulation (IDR tn)



Outlook: IHSG

- At this current level (5900), IHSG is trading at 23x of P/E Ratio.
- Downside risks (in the medium term) are stronger than the upside, after it managed to increase significantly since the beginning of the year.
- However, we are still optimistic that next year IHSG will still continue its strength, if there is no major correction which we have discussed.
- Our target for next year is between **6200 – 6500**, implying 22x – 23x of 2018E P/E Ratio, after expecting 10% of EPS growth.

T12M EPS	Current Price	P/E
257	5,900	23

2018E EPS	Target Price	P/E
283	6,226	22
283	6,509	23

Outlook: IHSG, Sectoral Selection

Trading Selection

- Trade: ACES UNTR AKRA
- Finance: BBNI BBTN BDMN BNGA
- Basic Indust: SMGR INTP BRPT

Investing Selection

- Property: ADHI PTPP
- Infra: TLKM INDY JSMR EXCL PGAS
- Misc Ind: ASII SRIL

IHSG Sectoral Return	1-month	3-month
Agriculture	4.2%	-0.8%
Basic Indust	3.2%	0.0%
Finance	2.5%	6.7%
Trading	1.4%	0.1%
Consumer	0.2%	-2.2%
Misc Indust	-0.4%	-11.2%
Infrastruktur	-1.6%	1.5%
Property	-2.2%	1.3%
Mining	-4.7%	2.1%

IHSG Monthly Return							
	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	0.6%	-0.4%	-6.3%	0.0%	2.9%	5.0%	-7.6%
Aug	0.6%	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

Disclaimer:

Information, opinions and recommendations contained in this document are presented by PT Reliance Sekuritas Indonesia Tbk. from sources that are considered reliable and dependable. This document is not an offer, invitation or any kind of representations to decide to buy or sell stock. Investment decisions taken based on this document is not the responsibility of PT Reliance Sekuritas Indonesia Tbk. PT Reliance Sekuritas Indonesia Tbk. reserves the right to change the contents of this document at any time without prior notice.