

Expecting Positive Improvement

Market Outlook 2020F

Jakarta, December 2019

Preferred Investment Partner





Section Macro Update

01

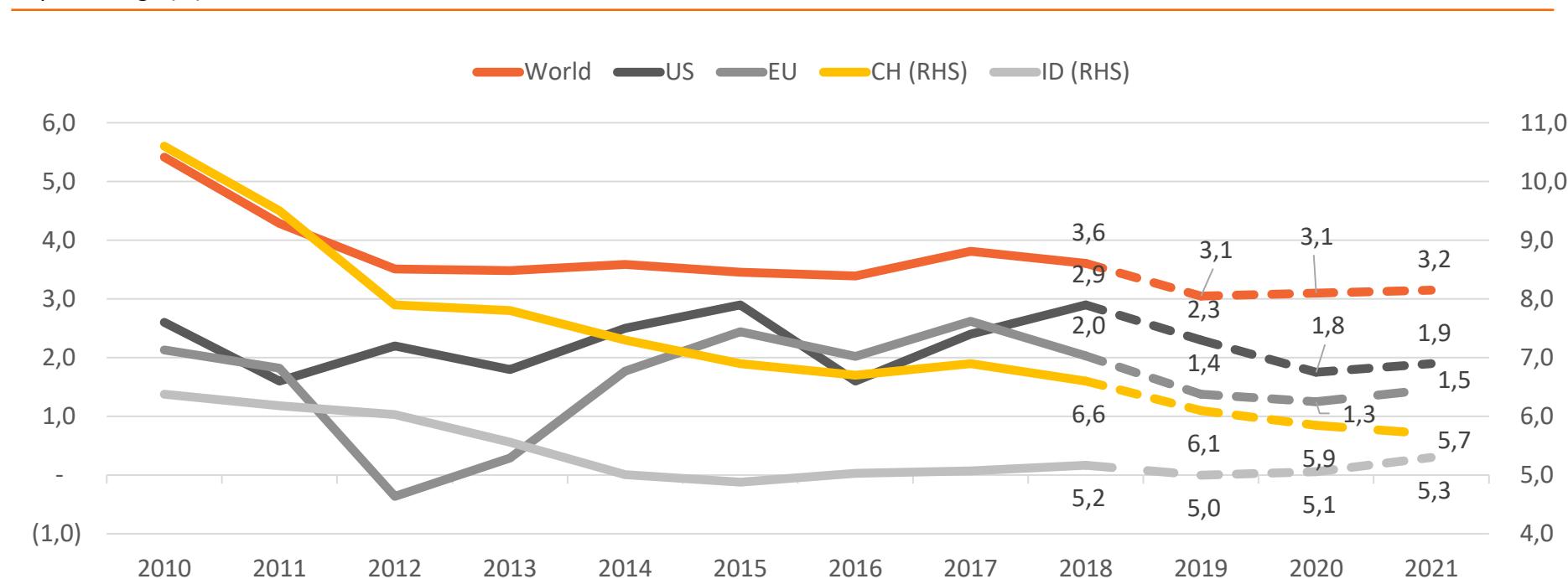


Global Economic Growth is Expected to Slow

Advanced economies continue to slow towards their lower long-term potential

Annual Real GDP Growth

In percentage (%)



Sumber: Bloomberg

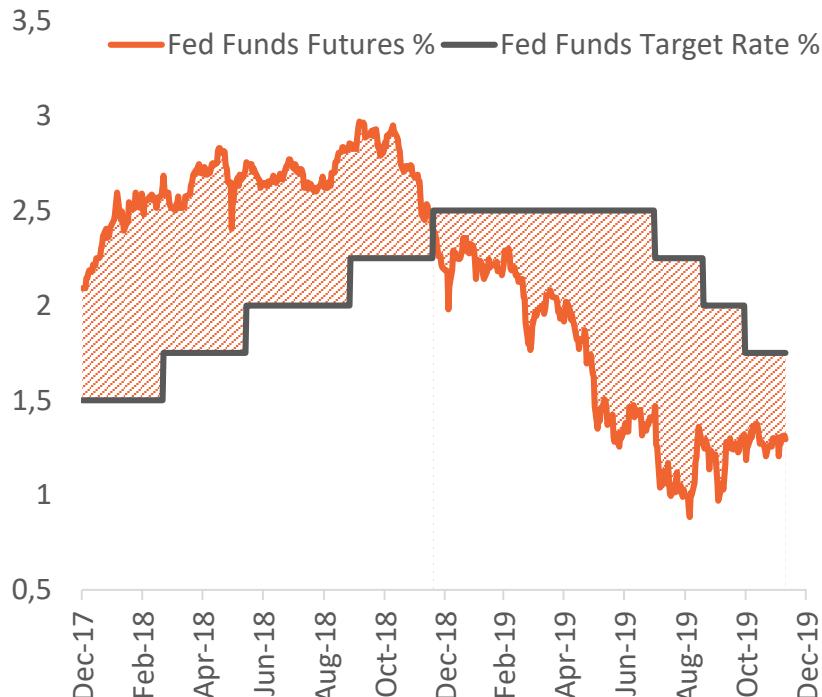
- ▲ Konsensus memprediksi pertumbuhan ekonomi global sebesar 3,0-3,1% di tahun 2020.
- ▲ Perekonomian negara-negara maju seperti AS dan Uni Eropa diprediksi untuk tumbuh melambat.
- ▲ Dengan integrasi *global supply chain* yang lebih rendah dibandingkan negara lain, pertumbuhan ekonomi Indonesia diprediksi meningkat selama dua tahun ke depan sebesar 5,1-5,3%.

Ease of Monetary Policy Shall Support Recovery

A low interest rate environment & asset buying initiatives could trigger economic activities

Fed Fund Rates & Futures December 2020

Numbers in %, data as of Dec 10, 2019



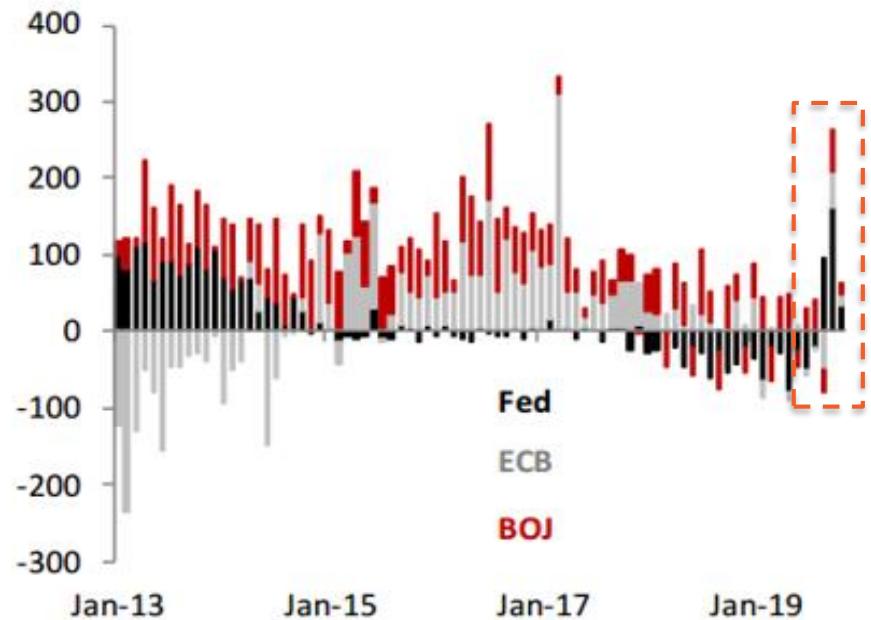
Sumber: Bloomberg

- ⚠ Bank Sentral AS telah memangkas suku bunga sebanyak tiga kali sebesar 75 bps sepanjang tahun 2019.

The Fed, ECB & BOJ Balance Sheet Historical Trends

Numbers in USD bn

USD bn, chg per mth



Sumber: DBS, Bloomberg

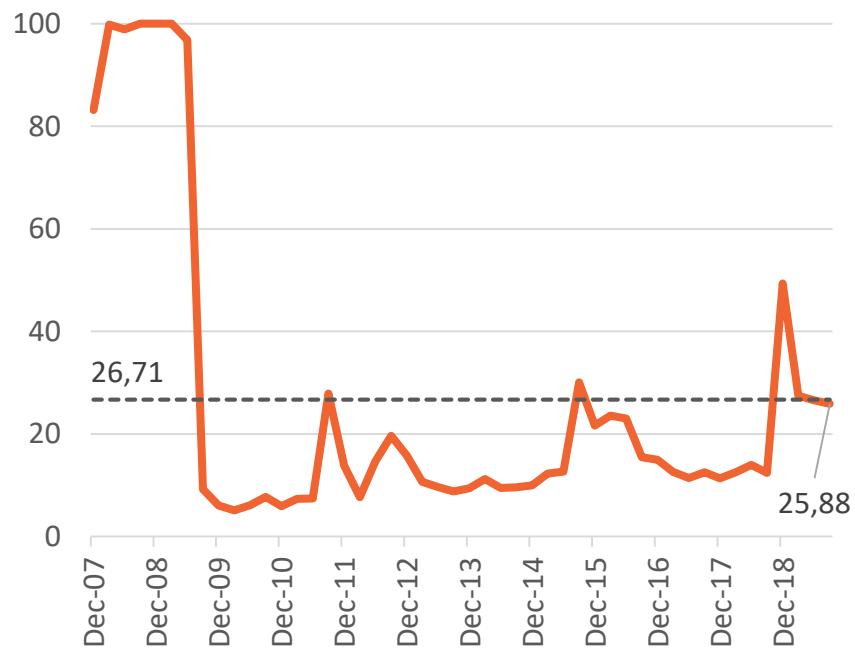
- ⚠ Bank Sentral kembali melakukan pembelian aset di pasar pada periode 2H19. Metode *Permanent Open Market Operations (POMO)* digunakan oleh the Fed guna meningkatkan likuiditas.

Investors Are Less Worried of Recession in 2020

Fear of recession is ruled out, emerging markets are ready to benefit

Bloomberg Economics Probability of US Recession 12M

In %

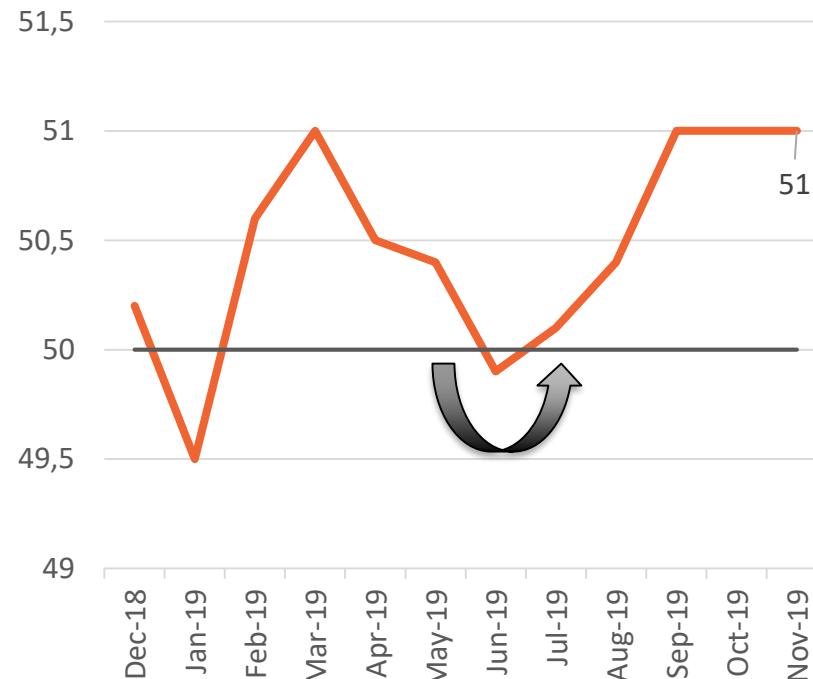


Source: Bloomberg

⚠ Sejak awal tahun 2019, kekhawatiran investor terhadap resesi kian menurun. Peluang resesi dalam 12 bulan ke depan berada di level 25.88%, jauh dibawah GFC dan tepat dibawah rata-rata 11 tahun.

Emerging Market Markit PMI Manufacturing

In unit of index



Source: Bloomberg

⚠ PMI manufaktur negara berkembang yang sebelumnya terkontraksi di awal tahun, telah kembali terekspansi. Tren ini dapat terus berlangsung seiring perbaikan ekonomi global.

Ease on Trade War Should Improve Confidence

CNY is bound to strengthen, if positive development on trade war happens

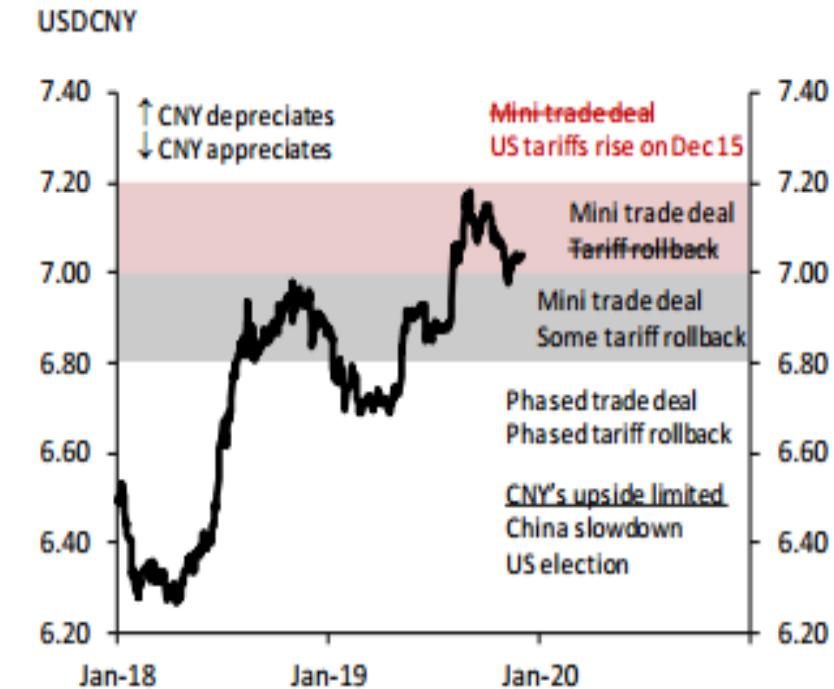
Indonesia Yearly GDP

In YoY%

Date	Event Description
1-Dec-18	US-China agreed on a 90-day halt to new tariffs. Trump agreed to delay tariff increase on \$200bn Chinese imports.
10-May-19	US raised tariffs on \$200bn Chinese imports to 25% from 10%.
29-Jun-19	At the G20 meeting in Osaka, Trump agreed to no new tariffs and an easing of restrictions on Chinese telecom powerhouse Huawei Technologies Co Ltd. China agreed to unspecified new purchases of U.S. farm products.
1-Aug-19	After two days of trade talks with little progress and complaints by Trump that China had not followed through on a promise to buy more U.S. farm products, he announced 10% tariffs on \$300 billion worth of Chinese imports, in addition to the 25% already levied on \$250 billion worth of Chinese goods.
13-Aug-19	The Trump administration delayed tariffs on roughly half of Chinese products on the \$300 billion list announced on Aug. 1, including laptops and cell phones, scheduled to start in September. These tariffs will instead be introduced on Dec. 15 in the hopes of blunting their impact on U.S. holiday sales.
23-Aug-19	China announced it will impose additional retaliatory tariffs against about \$75 billion worth of U.S. goods, putting as much as an extra 10% on top of existing rates in response to the U.S. tariffs announced earlier in August. In response, Trump announced Washington would raise all current tariffs from 25% to 30%, and the tariffs scheduled for September and December to 15% instead of 10%.
1-Sep-19	China imposed 5% on US Crude Oil while U.S. beef and pork get an extra 10% tariff.
15-Dec-19	Potential tariff rollback & mini trade deal.

Terms of Trade (Export and Import Deflator)

In unit of index



Source: Bloomberg

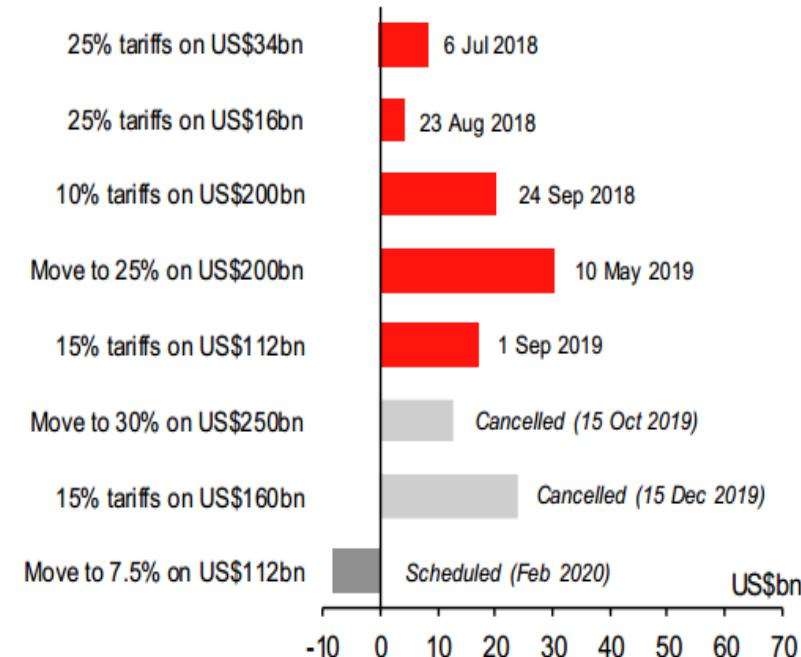
⚠ CNY diprediksi menguat seiring dengan perkembangan positif terkait isu perang dagang. Ketika mata uang China menguat, maka IDR juga diprediksi untuk menguat.

Some Data Has Shown Trade Deal Scenario

Lowered and canceled higher tariff also slightly improvement on US agriculture export

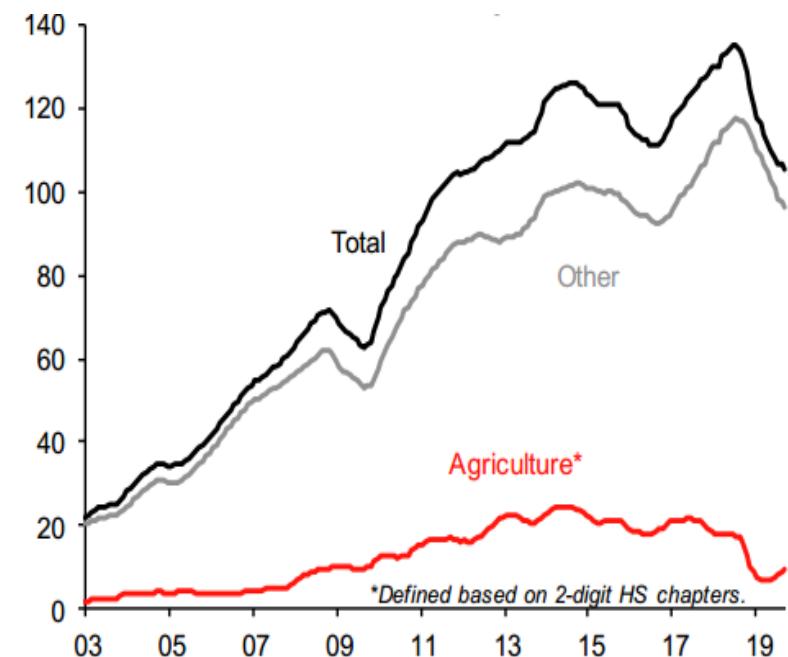
US Maximum Tariff Revenue

Tariff per events



US Exports to China

In bio USD



Source: Macquarie Macro Strategy, USTR

Source: Macquarie Macro Strategy, US Census Bureau

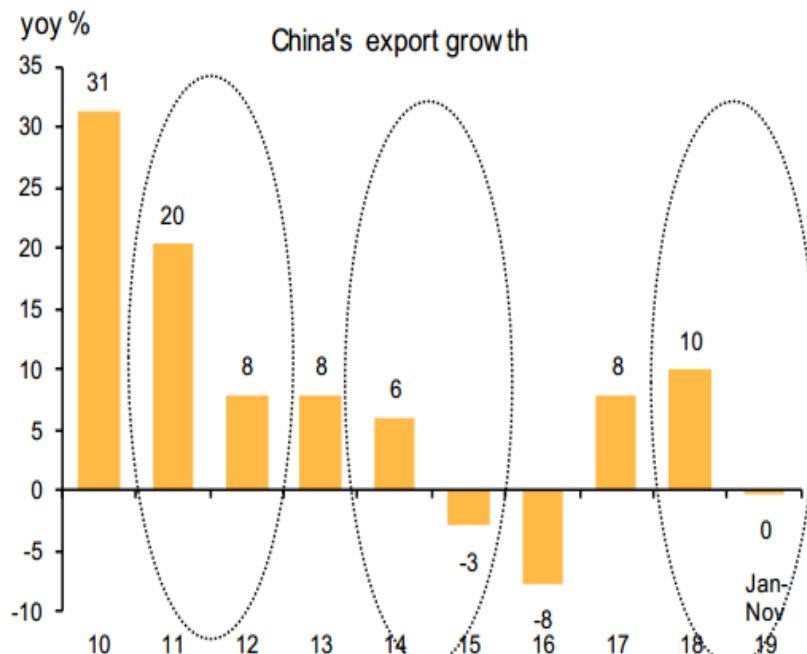
- ⚠ Perbaikan sentimen investasi di global di dorong oleh adanya *improvement* atas perjanjian perdagangan antara US dan China. Hal ini terlihat atas *uptick* dalam ekspor US ke China dan penurunan tariff atas 112bio yang direncanakan akan efektif di februari 2020.

We've Seen the Current Economic Situation Before

Post zero export growth, GDP is still gradually slowing down rather than steep correction

China Export Growth

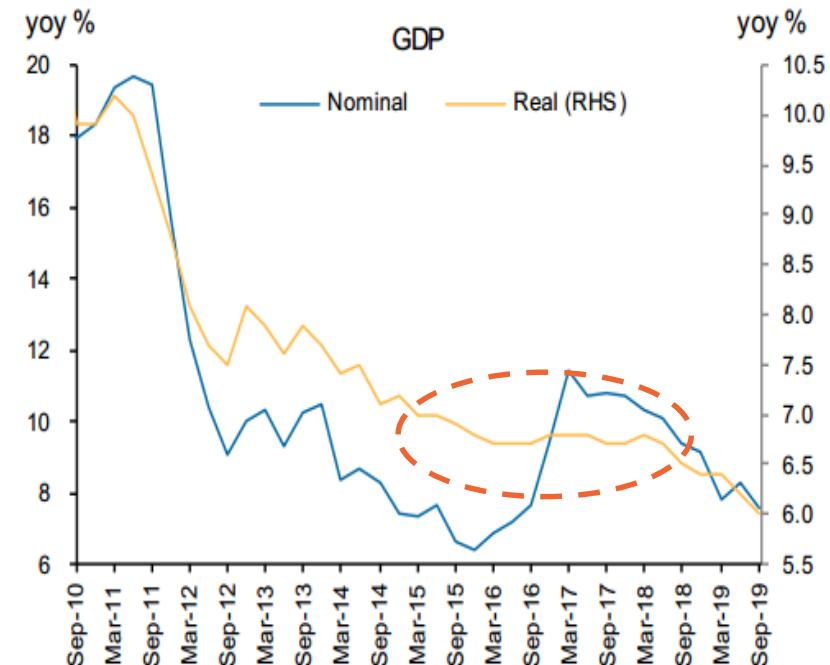
In YoY



Source: CEIC, Macquarie Macro Strategy

China Nominal and Real GDP

In % YoY



Source: Bloomberg, Syailendra Research

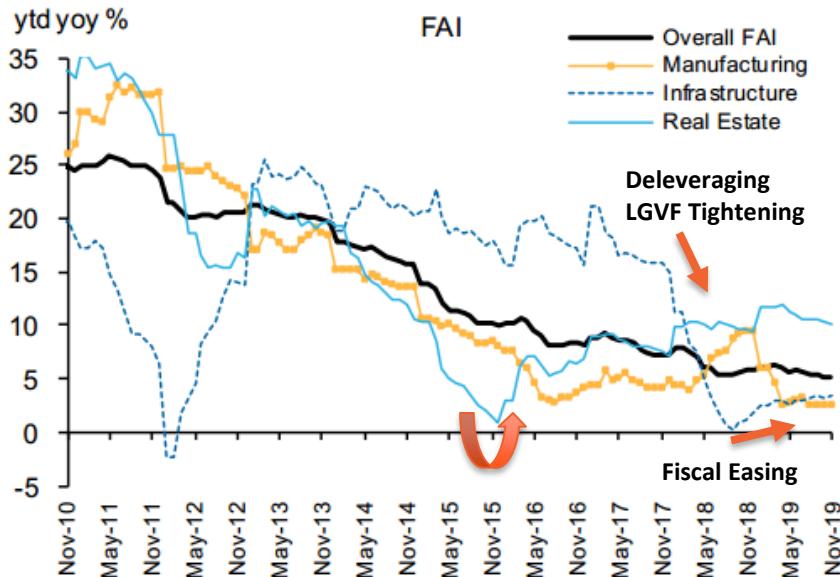
- ⚠ Pertumbuhan ekonomi Cina merupakan di level terendah sejak 2010. Namun, Cina telah mengalami hal yang serupa di tahun 2015-2016 terkait perlambatan dari sisi ekspor. Dapat terlihat Pertumbuhan PDB Cina relative stagnan ataupun melambat. Pemerintah sangat mungkin melakukan hal yang untuk 2020 melihat terdapatnya kejadian di 2015-2016.

Property is the Next Data Point for Growth Justification

Economic growth should be safe if property sales didn't slump in 2020

China Fixed Asset Investment (FAI)

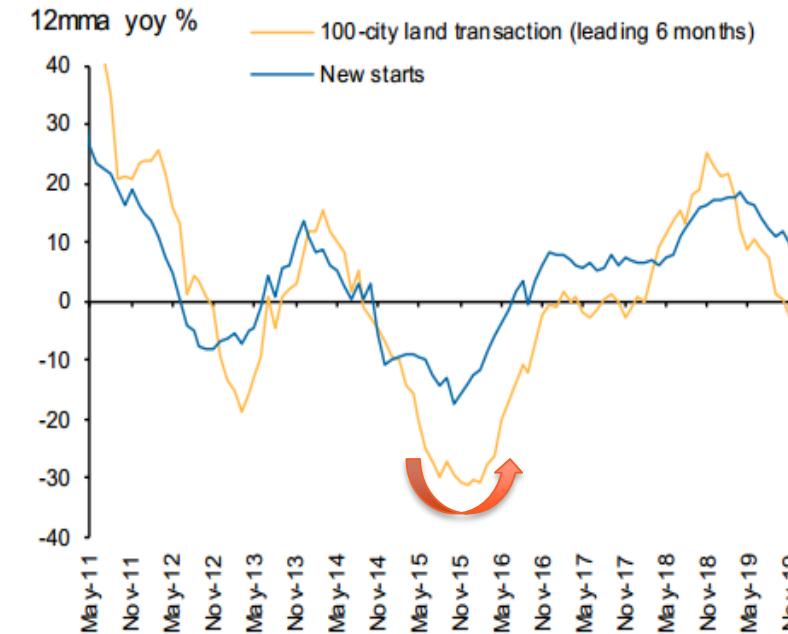
YTD YoY%



Source: Wind, Macquarie Macro Strategy

New Construction Starts vs 100-City Land Transaction

In 12mma yoy%



- Disaat yang bersamaan di tahun 2015, pemerintah memberikan support pada sektor property terlihat dari *fixed asset investment* di *real estate*.
- Di tahun 2019, pemerintah terlihat melonggarkan untuk sektor infrastruktur. Di saat yang bersamaan sektor property melambat namun tidak separah di tahun 2015-2016.

Indonesia Government is Eyeing for Investment

Tip the favor into Indonesia through tax initiatives

Detailed of Tax Cut So Far

In list of item

Type	Highlights
Corporate Tax	To be implemented in stages, starting on 2021, a reduction from 25% to 20%. For listed companies there'll be a 3% cut from normal.
Dividend Tax	All Dividend Tax received from domestic or overseas investment will be exempted from tax, as long as the money stayed in Indonesia
Personal Tax	Adoption of "Territorial" rule from previously "World-wide" rule. For any individuals that stayed >38 days will need to follow the "Territorial" rule
Adjustment in Fines	A fine of 1% per month of the amount of taxes due for late payment, from previously 2%
Tax facilities/benefits	Plan to introduce Tax Holiday, Super Deduction, Income Tax Facility for special economic zone and Income Tax Facility for Govt bonds.
Digital Companies	Enforcing taxation towards multinational digital companies to avoid any tax evasion – through enforcing a 10% VAT flat for their transaction
Permanent Business Body	The "digital economy" companies will have the responsibility to pay domestic Income Tax, despite its physical presence in the country.

Source : Credit Suisse, Syailendra Research

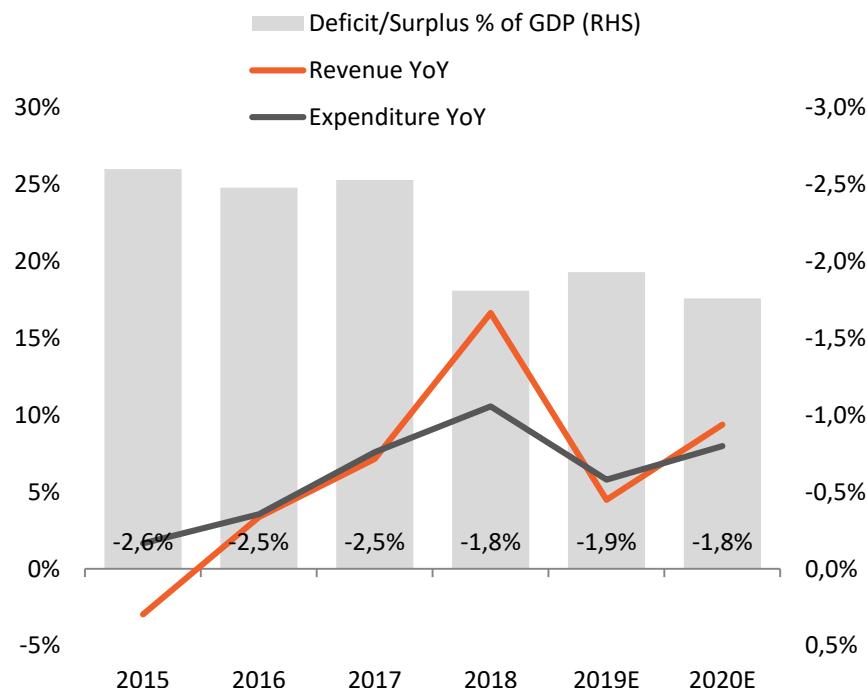
- ⚠ Beberapa rencana perubahan peraturan pajak mengindikasikan keseriusan pemerintah untuk meningkatkan investasi baik dari investor domestik maupun asing. Adapun rumor di pasar dimana *omnibus law* akan mengakomodir 25 sector yang dibuka untuk investor asing.

Meanwhile, Government Maintain Fiscal Deficit for 2020

Despite of pushing for tax reform that could impact lower tax revenue

Lower Fiscal Deficit 2020

In % of GDP

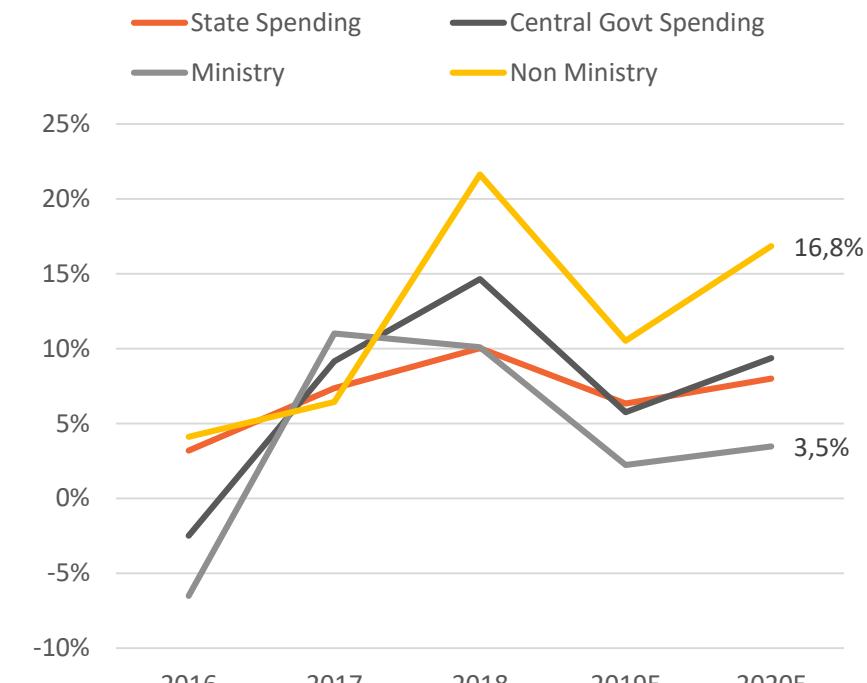


Source: Bloomberg, Syailendra Research.

2019E refers to 2019 outlook and 2020E refers to RAPBN

More Targeted Program rather than Ministry Spending

In expenditure growth YoY%



Source: Bloomberg, Syailendra Research

- ⚠ Pemerintah mulai fokus pada stabilisasi dimana defisit fiskal mulai mengalami penurunan sejak tahun 2018. Pada RAPBN 2020 pun pemerintah kembali menargetkan defisit 1.76% terhadap GDP. Kami juga melihat bahwa pada RAPBN 2020, pemerintah juga menargetkan belanja non-kementerian sebesar 16.8% lebih tinggi dari *outlook* 2019 (vs. belanja kementerian di 3.5%).



Section 02

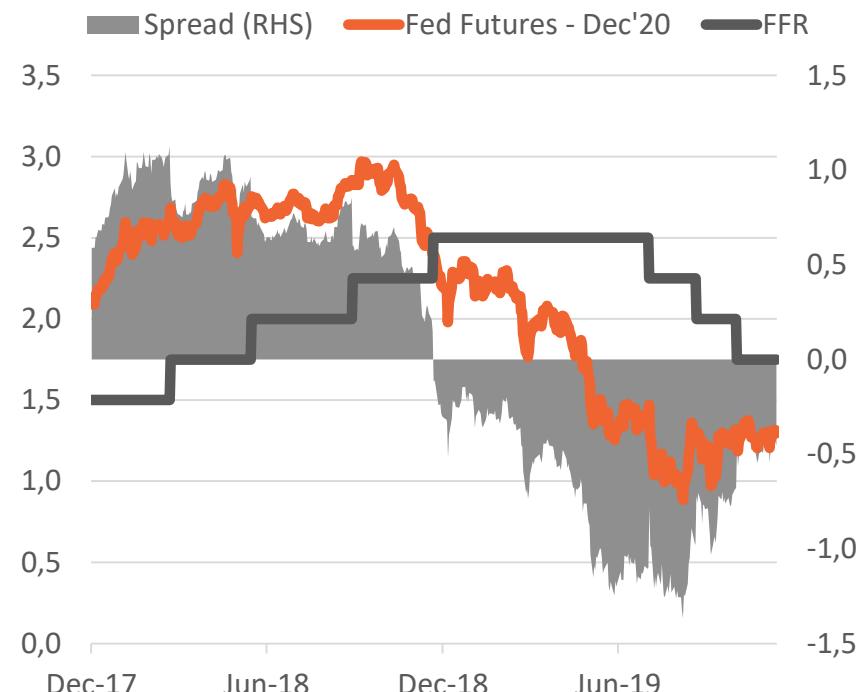
Fixed Income Update

Interest Rate Environment

Still expecting low rates globally

Fed Futures (%) vs Federal Funds Target Rate (%)

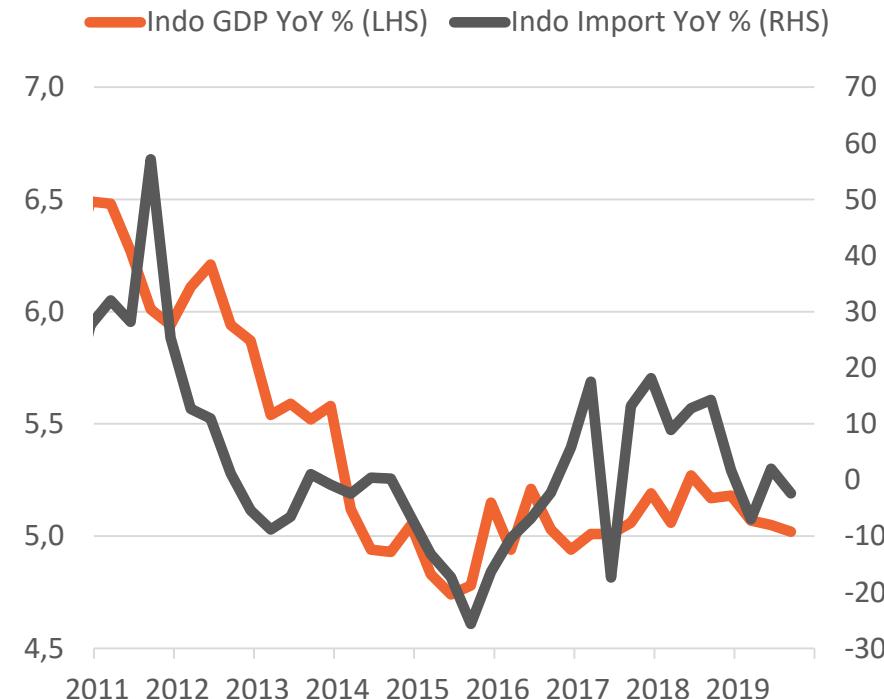
Futures market indicates one or two more cuts



Source: Syailendra research, Bloomberg

Indonesia GDP YoY (%) vs Import YoY (%)

Drop in import may indicate flattish GFP growth



Source: Syailendra research, Bloomberg

- ⚠️ Estimasi pasar menunjukkan suku bunga the Fed tetap akan turun antara satu sampai dua kali lagi tahun depan.
- ⚠️ Kami memperkirakan Bank Indonesia juga tetap akan menjaga suku bunga rendah mengingat rendahnya angka impor berpotensi menyebabkan pertumbuhan ekonomi yang cenderung datar.

Budget Deficit Outlook

Government bond net issuances might decrease next year

APBN 2019 Outlook

Numbers in IDR tr (otherwise stated)

	APBN 2019	Forecast A	Forecast B
Budget deficit (% of GDP)	1.84	1.93	2.20
Budget deficit	296	311	354
Redemption	-437	-437	-437
Net issuances	389	404	447
Gross issuances	826	841	884
Issuance (Nov-19)	894	894	894
Domestic	745	745	745
Global	149	149	149

Source: Mandiri Sekuritas

- ⚠ Melihat angka *gross issuance* SUN tahun ini, defisit APBN 2019 berpotensi melebar lebih tinggi dari perkiraan awal, yaitu di atas 2%.
- ⚠ Kami melihat ada potensi kenaikan defisit hingga 2% tahun depan, lebih tinggi dari angka RAPBN 2020 di 1.78%.
- ⚠ Namun, nominal *gross issuance* 2020 bisa lebih baik (i.e. lebih rendah) dari tahun sebelumnya.

2020 Issuance Outlook

Assuming APBN 2020 deficit of 2%.

(in IDR tr)	2017	2018	2019F	2020F
Bonds matured	-258	-416	-437	-417
<i>IDR bonds</i>	577	635	745	717
<i>Global bonds</i>	142	139	149	135
Budget deficit	341	260	354	350
Net issuances	461	359	457	435
Gross issuances	719	775	894	852

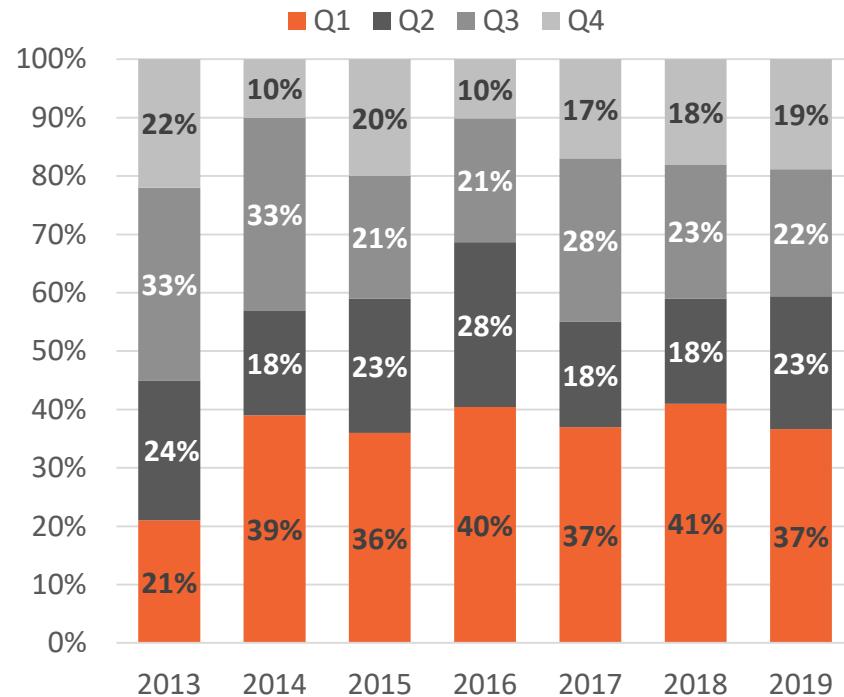
Source: Syailendra research, Mandiri Sekuritas

Supply Issuance

Front loading strategy shall continue

Government Bond Gross Issuance by Quarters

Front loading policy still holds

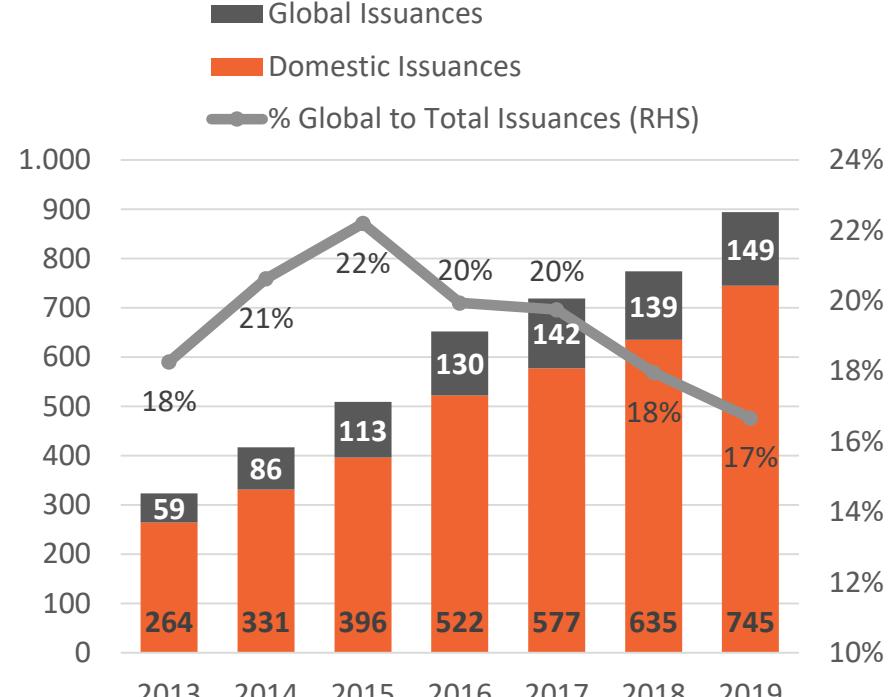


Source: Mandiri Sekuritas

- ⚠ Sesuai strategi pada tahun-tahun sebelumnya, porsi penerbitan SBN pada 1H20 akan lebih tinggi dan mengindikasikan periode yang lebih baik untuk melakukan pembelian SBN pada umumnya.
- ⚠ Porsi *global bonds* yang semakin mengecil juga akan membuat portofolio obligasi negara semakin tidak rentan terhadap volatilitas Rupiah.

Government Bond Issuance - Global and Domestic (IDR tr)

Global bond issuances portion to be maintained at 15-18%



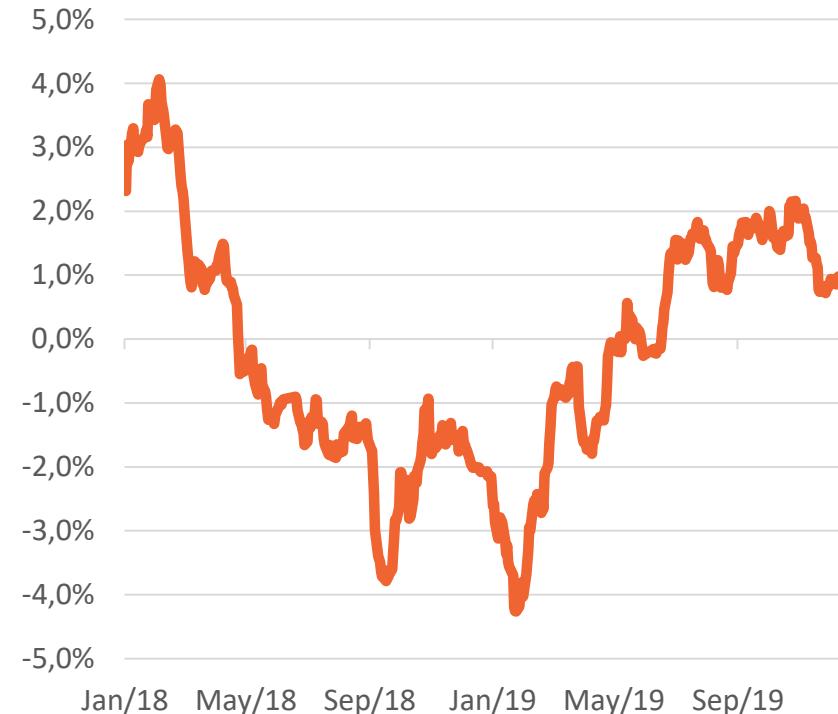
Source: Mandiri Sekuritas

Foreign Positioning

Significant foreign ownership but yield competitiveness remains

Foreign Flow to INDOGB (%)

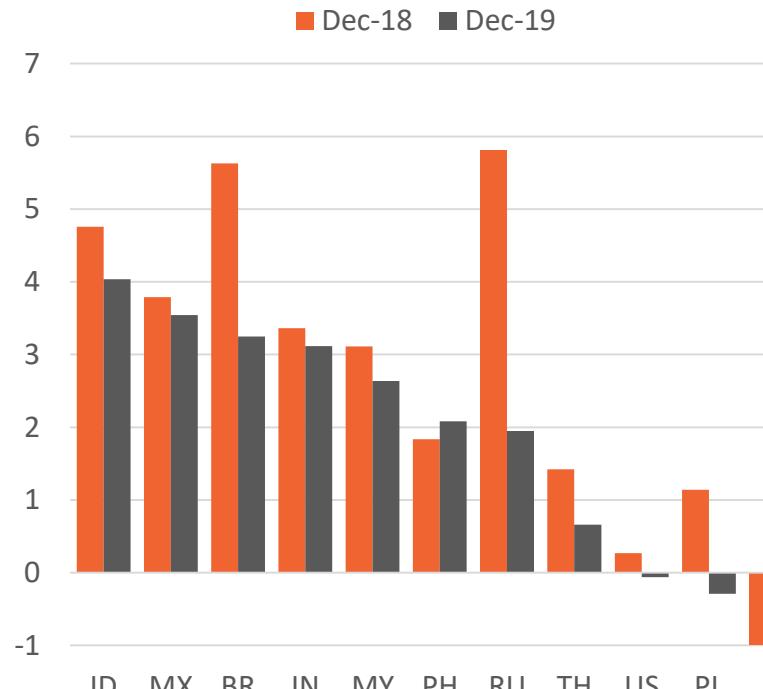
12-mth rolling of foreign ownership portion in government bonds



Source: Syailendra research, Bloomberg

10Y Gov't Bonds Real Yield (%)

Indonesia still offers the highest real yield



Source: Syailendra research, Bloomberg

- Melihat secara historikal sejak awal 2018, kepemilikan asing di obligasi pemerintah Indonesia cenderung masih tinggi (ca. 39%) dibandingkan negara tetangga seperti Malaysia (ca. 20%) maupun Thailand (ca. 15%).
- Namun, dari segi imbal hasil riil (i.e. setelah inflasi), Indonesia masih menjadi salah satu negara dengan tingkat imbal hasil yang kompetitif daripada negara-negara berkembang lainnya.

Government Bond Outlook

Price upside risk remains

Expectation Related to Indonesia Bonds

In points of argument

Arguments for (or against) Fixed Income Markets

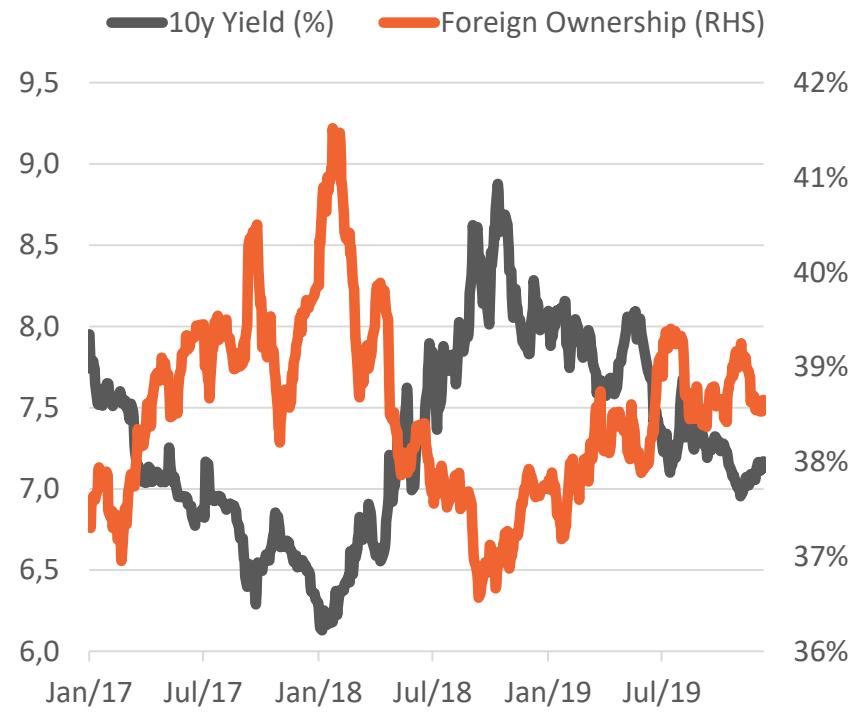
Ekspektasi pasar terhadap tren suku bunga global akan tetap rendah dan tidak jauh berbeda dari level sekarang.

Volatilitas Rupiah akan tetap datang dari tarik ulur antara AS – Cina dalam hal perang dagang; pasar berekspektasi hal ini akan terselesaikan mengingat adanya Pemilu di AS tahun 2020.

Posisi investor asing pada SBN sudah meningkat cukup signifikan dalam 12 bulan terakhir.

10y Gov't Yield (%) and Ownership of Foreign Investors (%)

Yield level still has room for downside



Source: Syailendra research, Bloomberg

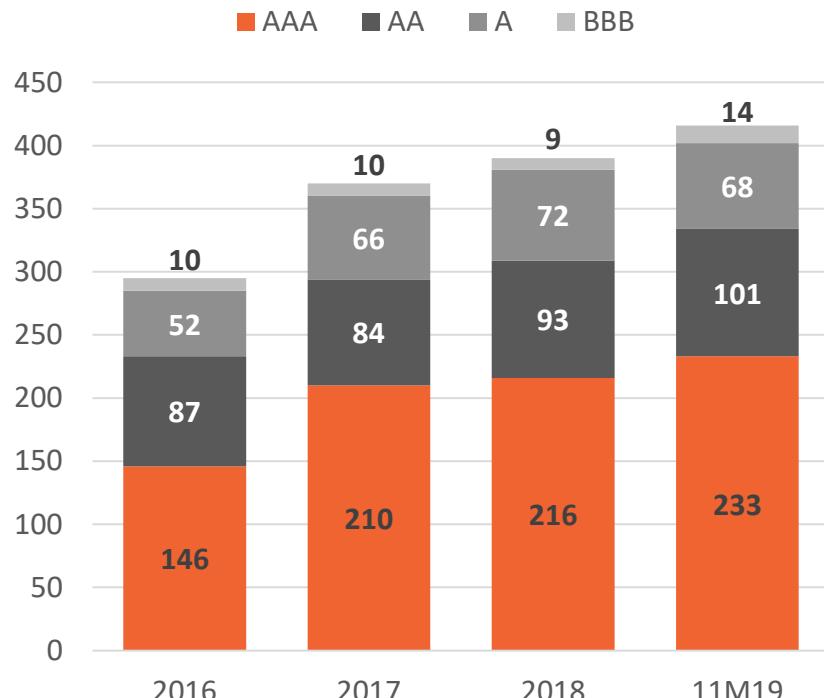
- ⚠ Dengan menggunakan asumsi *fair level* Rupiah tahun depan di IDR14,200 – 14,500 dan imbal hasil UST 10y di 2.00%, kami memperkirakan level imbal hasil obligasi pemerintah 10y di 6.60-6.80%
- ⚠ Estimasi kami terhadap volatilitas pasar akan cenderung lebih tinggi pada 1H20 dan berpotensi datang dari pasar global (e.g. Brexit & perang dagang).

Corporate Bonds Outstanding

Increasing importance of prudent analysis

Corporate Bond Outstanding by Rating

AAA rating still dominated corporate bonds outstanding

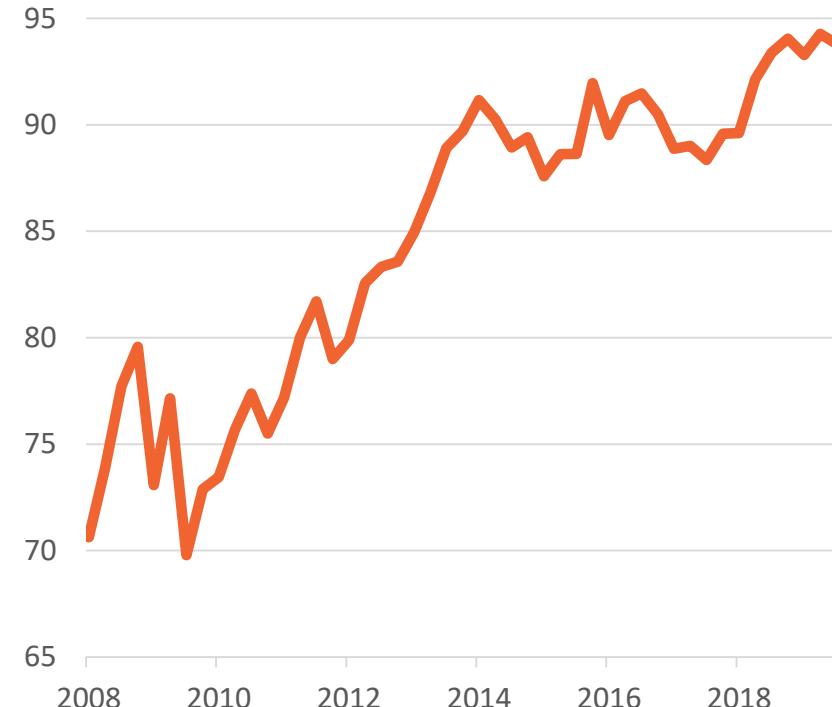


Source: Syailendra research, KSEI

- ⚠ Obligasi korporasi peringkat AAA & AA akan tetap mendominasi pasar sehingga likuiditas pasar sekunder untuk rating tinggi tetap akan lebih baik pada umumnya.
- ⚠ Di lain pihak, LDR yang meninggi akan meningkatkan *refinancing risk* ke depannya terlebih lagi untuk korporasi dengan peringkat obligasi rendah.

Banking Industry Loan-to-Deposit Ratio (LDR, in %)

LDR level is at its historical highest



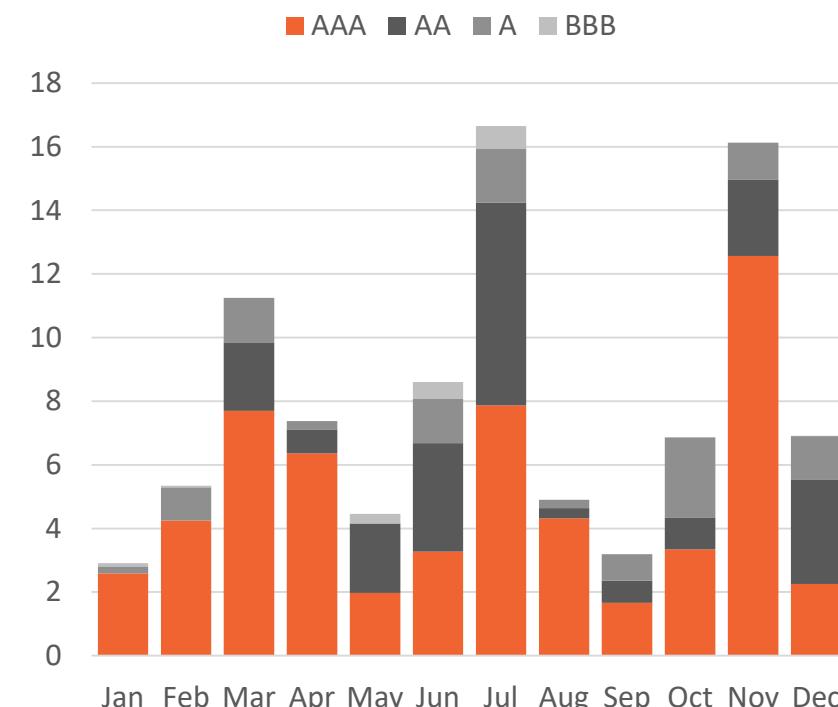
Source: Syailendra research

Corporate Bonds Maturity Profile

Maturing bonds mostly in 2H20

Corporate Bonds Maturity in 2020 – All Bonds

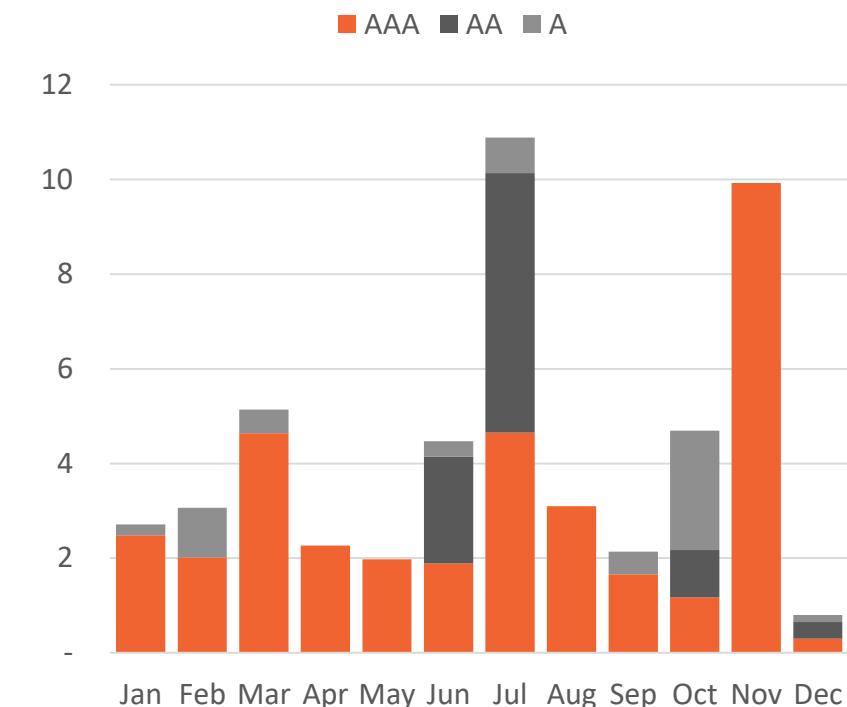
Numbers in IDR tr



Source: Syailendra research, KSEI

Corporate Bonds Maturity in 2020 – SOE Only

Numbers in IDR tr



Source: Syailendra research, KSEI

- ⚠ Kami memperkirakan *supply* pasar primer pada 1H20 tidak akan terlalu tinggi melihat obligasi berjatuh tempo tahun depan akan lebih banyak pada 2H20.
- ⚠ Tingkat imbal hasil obligasi korporasi akan cenderung lebih kompetitif pada 2H20.



Section 03

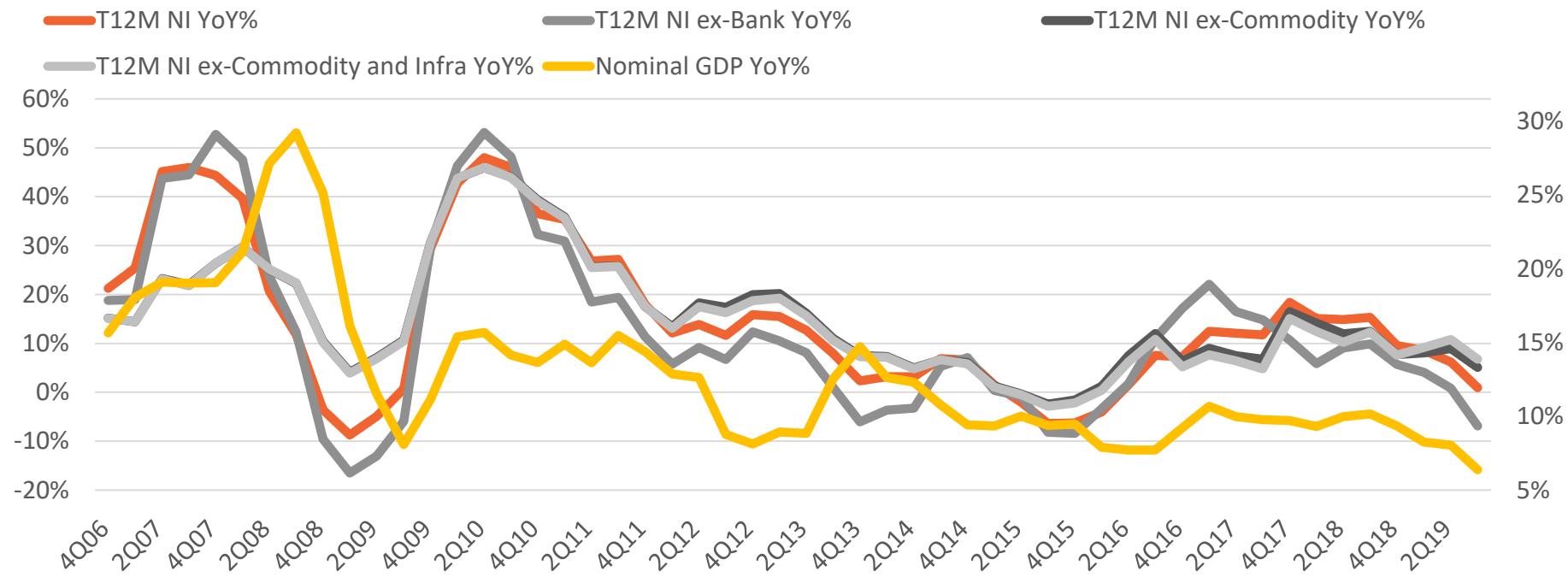
Equity Update

Earnings was Inline with Slower Economy

Yet ex-commodities and infrastructure still deliver 6.7% YoY

3Q19 Sectoral Earnings Result

In YoY%



Source: Syailendra research, Mansek Research

- ⚠ Pertumbuhan laba memuncak pada FY2017 dengan tingkat pertumbuhan sebesar 18.4%. Hal ini sesuai dengan pergerakan nominal GDP Indonesia. Baiknya, *T12M Net income ex-bank and infra* masih mencatatkan level yang sehat yaitu 6.7% dibandingkan dengan *aggregate* keseluruhan sebesar 0.9%

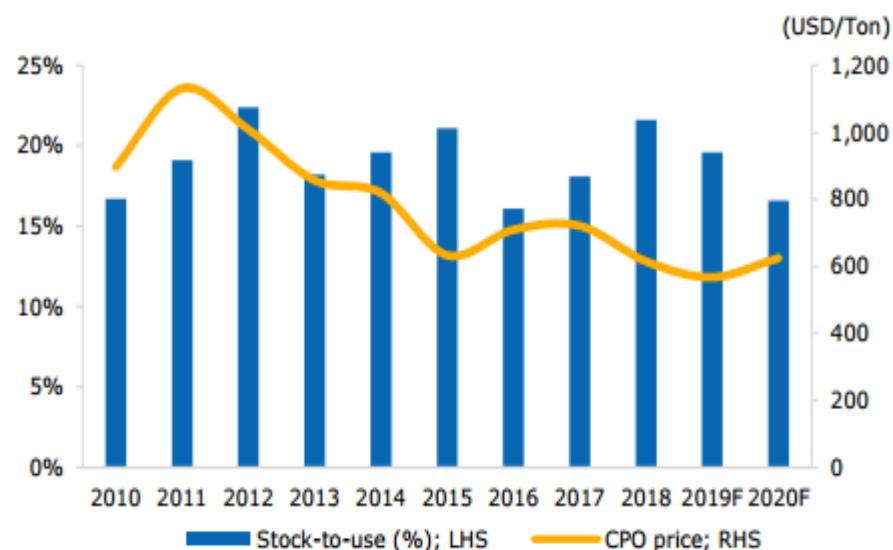
Commodity Comes to the Rescue? (1)

Palm oil industry should recover due to limited supply and future biofuel mandate

Palm Oil World Supply and Demand

In mn tonnes

Exhibit 2. Stock-to-use ratio vs. CPO price

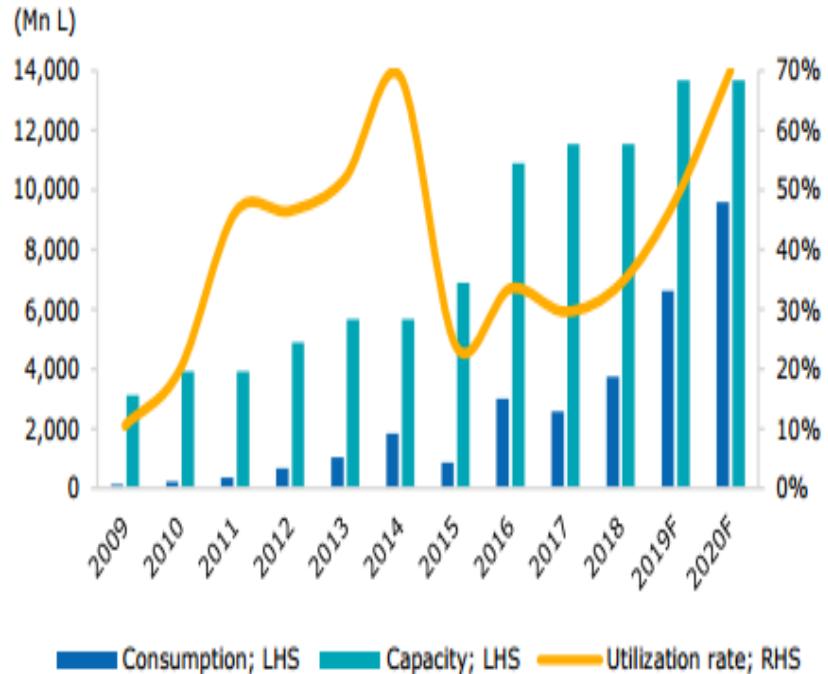


Sources: USDA, Oil World, BCA Sekuritas

Source: World Oil, RHB

Indonesia Biodiesel Production

In 000 KL, % of utilization



Source: APROBI, USDA, BCA

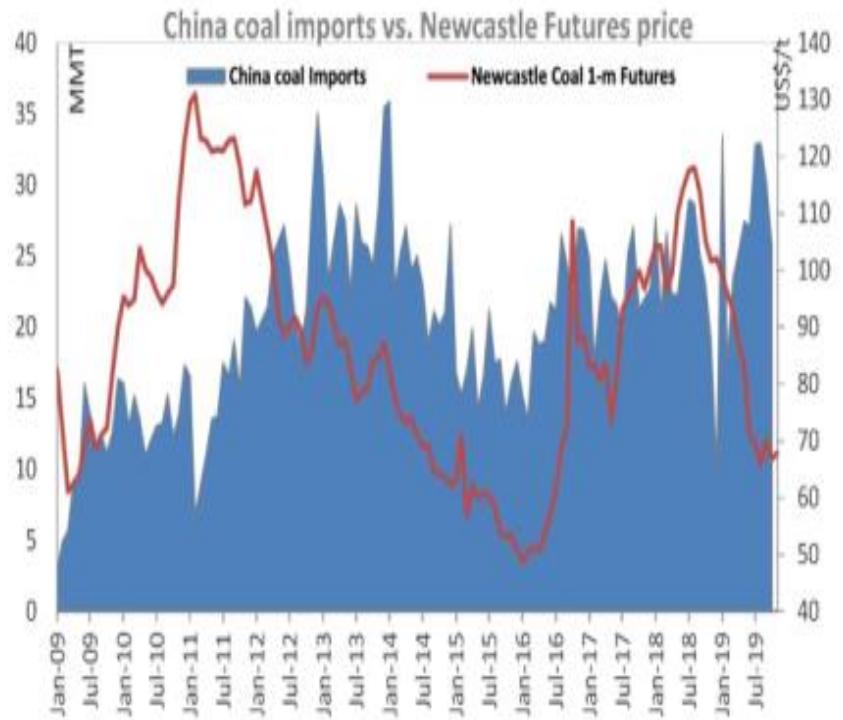
- ⚠ Di awal tahun 2020, Indonesia akan memproduksi *blended biodiesel* sebesar 9.6 mio pertahun (+55% YoY). Oleh karena itu permintaan terhadap produk CPO Indonesia akan meningkat sekaligus menstabilkan harga CPO.
- ⚠ Dari segi supply, kemungkinan pasokan CPO tidak bertambah signifikan atau malah turun akibat panjangnya musim kemarau.

Commodity Comes to the Rescue ? (2)

Less negative: bottoming coal price and potential short-term pressure on nickel price

China Coal Import vs Newcastle future price

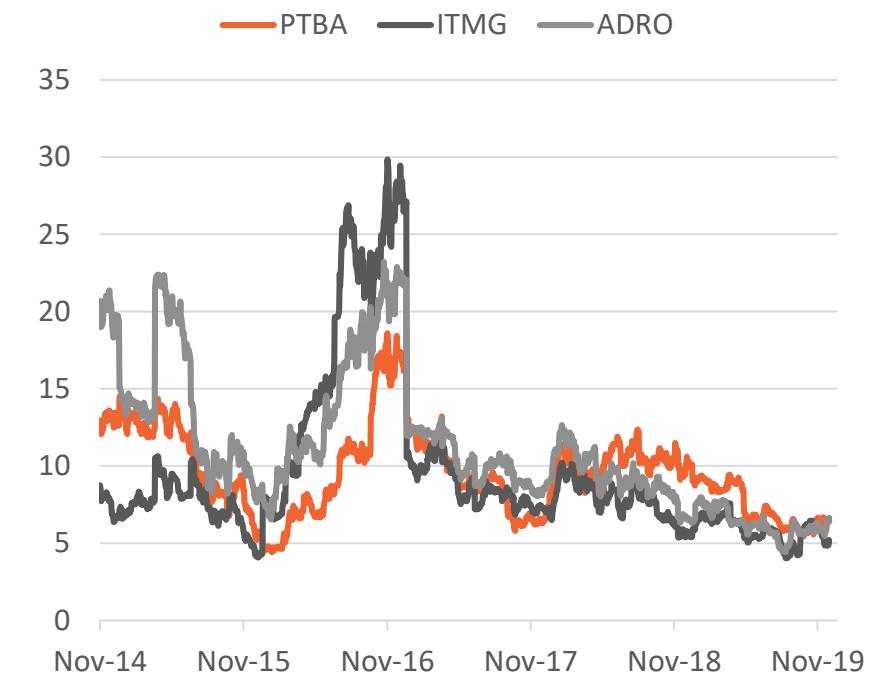
In MMT, USD/t



Source : Bloomberg and Morgan Stanley

Indonesia Thermal Coal Companies Valuation

Price to Earnings Ratio Comparison



Source : Bloomberg

- ⚠ Sejak Sep-2019, Coal price bergerak relatif flat dikisaran 60-67 USD setelah mengalami trend penurunan sejak awal tahun akibat *oversupply*. Demand atas *coal* masih terlihat *mixed*, Hal ini terlihat seperti *bottom* dari *coal price*. Namun, Valuasi saham *coal* sudah mencerminkan harga di level saat ini.

2020 Sector View

Positive improvement on horizon

No	Sector	2020	Reason to Invest	
			Pro	Contra
1.	Agriculture	Overweight	<ul style="list-style-type: none"> CPO supply shortage & demand increase from biodiesel 	<ul style="list-style-type: none"> Higher than expected production in 1H20 could pressure market price
2.	Basic Industry	Marketweight	<ul style="list-style-type: none"> Cement: Sales volume is showing sign of improvement 	<ul style="list-style-type: none"> Cement: Utilization rate still quite low. Consolidation might be delayed
3.	Consumer staples & Discretionary	Marketweight	<ul style="list-style-type: none"> CPO rally might offset effect of administration prices Some companies show progress on cost cutting and efficiency. 	<ul style="list-style-type: none"> Concern about future purchasing power due to adjustment on administration prices Soft commodity has been rising which might translate to lower margin
4.	Banks	Marketweight	<ul style="list-style-type: none"> Lower interest might expand NIM at the same time CoC decreasing due IFRS requiring higher coverage 	<ul style="list-style-type: none"> Loan growth might be softer than expected
5.	Infra, Utility & Transport	Overweight	<ul style="list-style-type: none"> Toll Road : More interconnected network and integration tariff Telco : Bottoming data yield and expectation of stronger BS. 	<ul style="list-style-type: none"> Toll Road : Toll Road : New projects IRR might be lower than expected Telco : ARPU growth might be lower than expected
6.	Mining	Marketweight	<ul style="list-style-type: none"> Coal : Coal price has been bottoming for a while and cheap valuation 	<ul style="list-style-type: none"> Coal : Coking and thermal coal demand might lower than current consensus
7.	Miscellaneous	Marketweight	<ul style="list-style-type: none"> Auto : valuation is already at lower range for few years 	<ul style="list-style-type: none"> Auto : 4W and 2W sales hasn't improved
8.	Property & Real Estate	Marketweight	<ul style="list-style-type: none"> Property : Presales is improving after election years 	<ul style="list-style-type: none"> Property : Concern about sustainability of presales growth due smaller size house
9.	Building Construction	Marketweight	<ul style="list-style-type: none"> Construction : Normalize order book and improved cash flow 	<ul style="list-style-type: none"> Construction : divestment might be slower than expected
10.	Trade, Services & Inv	Marketweight	<ul style="list-style-type: none"> Media : Consolidation play Hospital : Improving volume and INA-CBG Tariff Hike 	<ul style="list-style-type: none"> Hospital : Rich valuation Retail : SSSG might be lower than expected

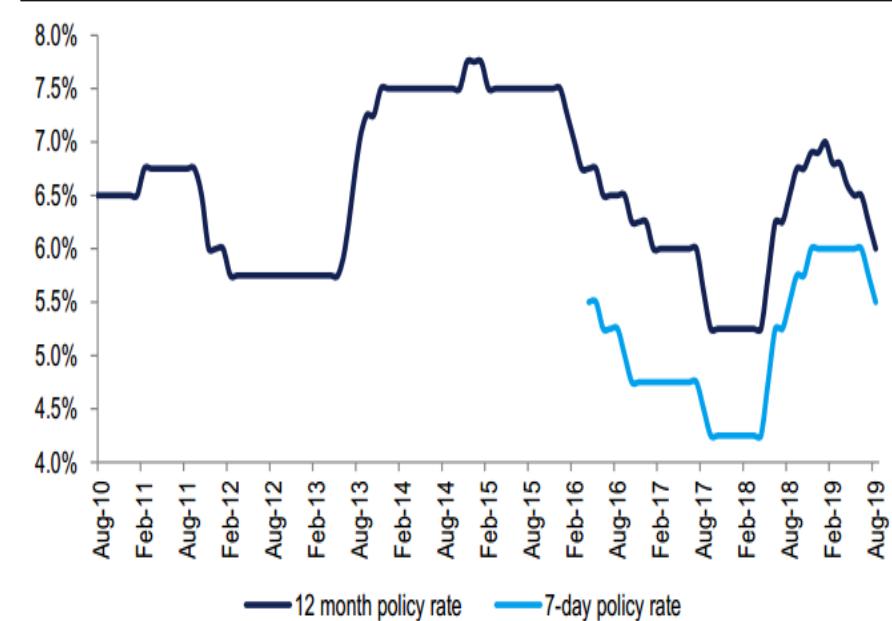
Sector Update – Banks

BI had cut 100bps YTD, expecting NIM improvement and credit cost improvement after IFRS 9

Indonesia Benchmark Rate

In %

Fig. 2: BI has reduced policy rates by 100bp YTD

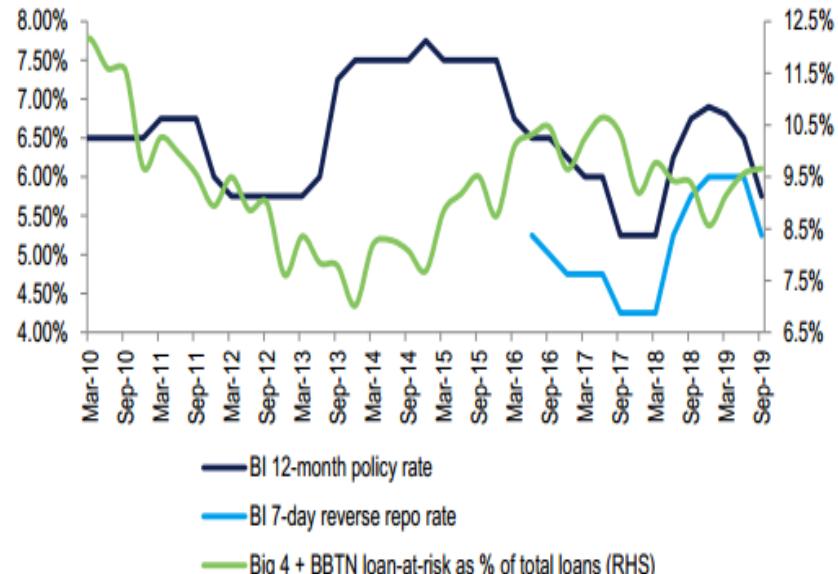


Source: IPOT

Loan at risk vs 7D BI Repo Rate

In % of total loans

Fig. 10: Aggregate big 4 + BBTN loan-at-risk as % of total loans vs. BI's policy rates

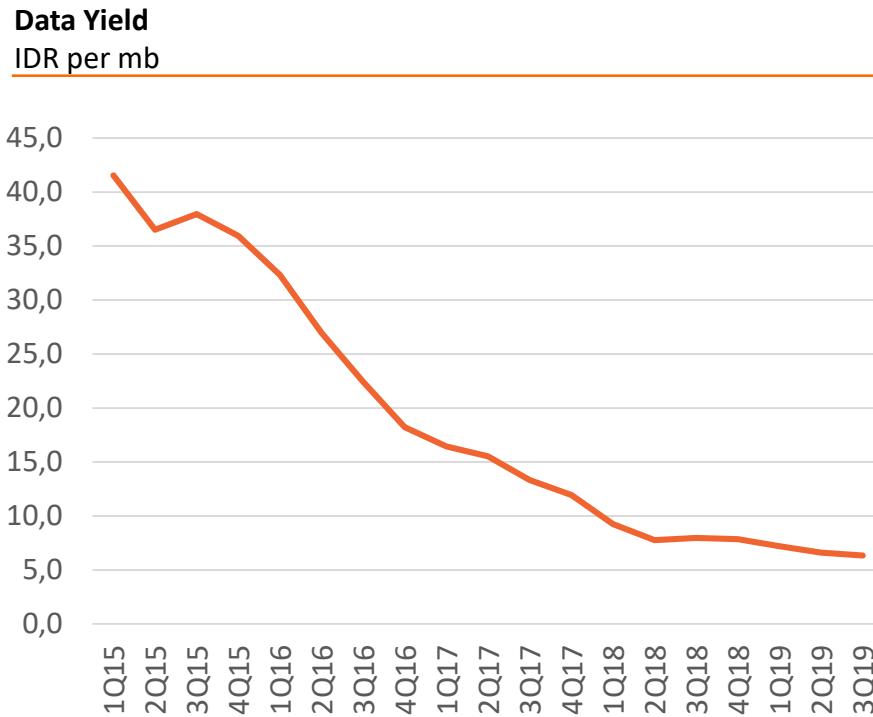


Source: IPOT

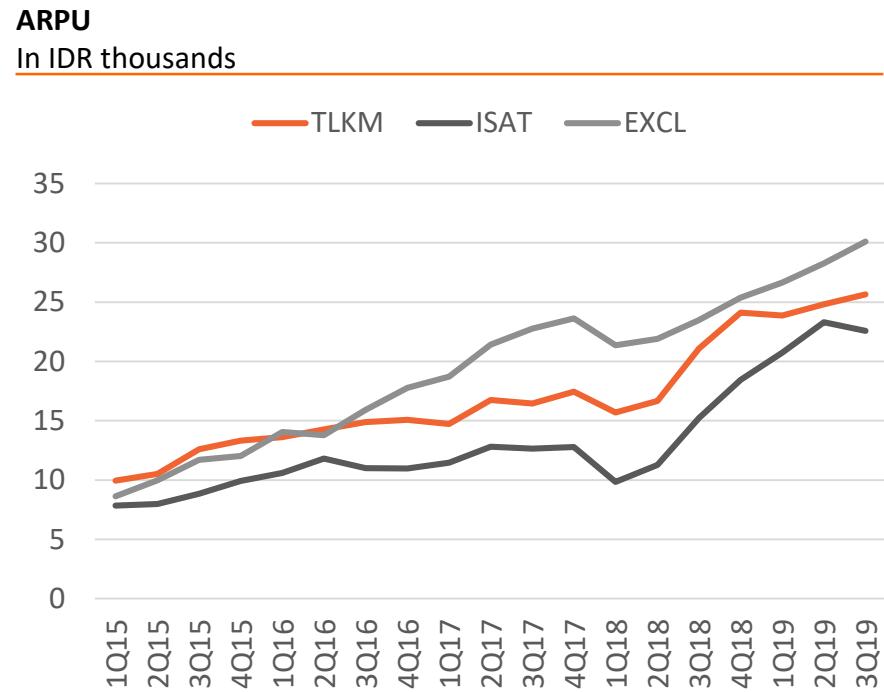
- ▲ Rendahnya suku bunga (-100bp YTD) dan *reserve requirement* (-100bp YTD) dapat menyebabkan turunnya *cost of funds (COF)*, meningkatkan likuiditas (tambahan likuiditas sebesar Rp50tr / 0,9% dari deposit).
- ▲ Trend credit cost akan cenderung menurun menuju level yang lebih normal setelah implementasi IFRS9.

Sector Update – Telco

Improvement on data yield and ARPU for the past quarters



Source: RHB



Source: RHB

- ⚠ Data yield industry has been flat since early this year. However, EXCL has been improving data yield by a lot compare to ISAT and TLKM. Looking what happened in past few months with ISAT cancelling their unlimited data and increase in packaged. Data yield might be better than market expect. Also, ARPU still growth quite healthy

Sector Update – Palm Oil

CPO price has come back to life and is predicted to increase further

Palm Oil World Supply and Demand

In mn tonnes

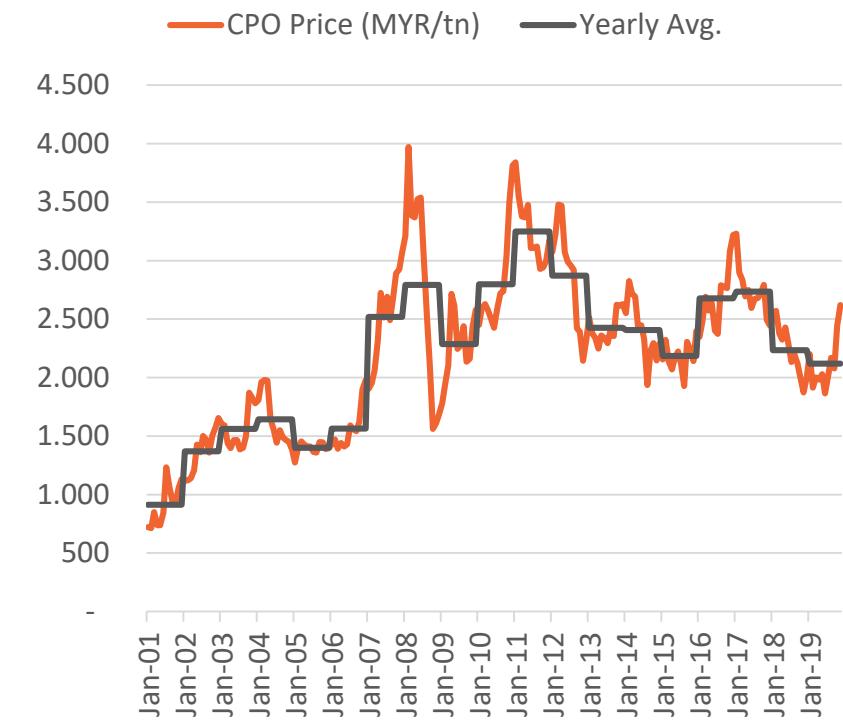
	October / September					
	19/20F	19/20F	18/19	17/18	16/17	15/16
Opening stocks	14.69	14.4	11.52	10.08	13.45	
Production	78.62	76.89	72.05	66.74	58.79	
Change	2.2%	6.7%	8.0%	13.5%	-5.9%	
Imports	54.22	53.43	49.07	48.25	45.29	
Exports	54.1	53.27	49.38	48.91	44.89	
Consumption	80.08	76.77	68.86	64.64	62.56	
Change	4.3%	11.5%	6.5%	3.3%	3.6%	
Ending stocks	13.35	14.68	14.4	11.52	10.08	
Stocks/use ratio	16.7%	19.1%	20.9%	17.8%	16.1%	

Source: World Oil. RHB

- ⚠ Di awal tahun 2020, Indonesia akan memproduksi *blended biodiesel* sebesar 9.6 mio pertahun (+55% YoY). Oleh karena itu permintaan terhadap produk CPO Indonesia akan meningkat sekaligus menstabilkan harga CPO.
- ⚠ Dari segi supply, kemungkinan pasokan CPO tidak bertambah signifikan atau malah turun akibat panjangnya musim kemarau.

CPO Price

In thousand of IDR/unit



Source: Bloomberg

Equity Update – Net Inflow/Outflow

YTD foreign inflow

Total Foreigners' Net Purchase

In mio USD

Month	India	Indonesia	Korea	Philippines	Taiwan	Thailand	Malaysia	EM Asia ex. China
Nov-18	868	609	335	706	678	-424	-171	2,602
Dec-18	332	-355	136	-14	-2,322	-9	-245	-2,475
Jan-19	-75	878	3,658	356	1,818	214	249	7,098
Feb-19	2,153	-237	615	178	2,471	-106	-200	4,875
Mar-19	6,149	-183	262	88	24	-516	-381	5,443
Apr-19	1,541	32	2,252	194	1,668	107	-342	5,451
May-19	1,423	-514	-2,548	-270	-3,726	114	-489	-6,011
Jun-19	149	99	287	-139	1,091	1,505	33	3,025
Jul-19	-1,934	-20	1,620	81	-616	653	-20	-237
Aug-19	-2,199	-651	-2,142	-226	-2,785	-1,762	-620	-10,386
Sep-19	955	-519	-872	-143	2,532	-381	-133	1,437
Oct-19	2,062	-269	-208	73	4,094	-258	-116	5,379
Nov-19	3,150	-493	-3,025	-259	1,961	-254	-370	710

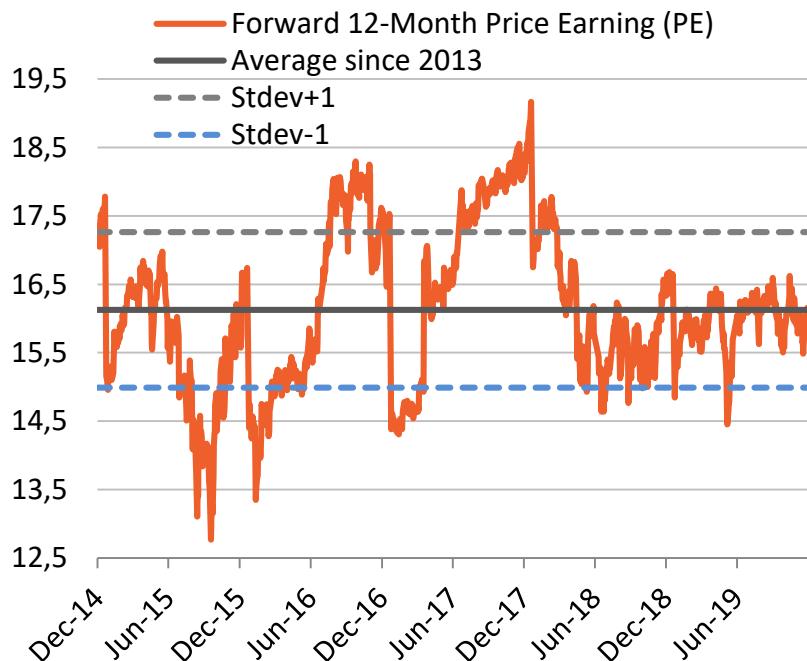
Yearly								
YTD	13,372	-1,877	-100	-67	8,532	-685	-2,390	16,785
2018	-4,557	-3,656	-5,676	-1,080	-12,231	-8,913	-2,885	-38,999
2017	8,014	-2,960	8,267	1,095	6,481	-796	2,456	22,558
2016	2,903	1,259	10,480	83	10,956	2,240	-628	27,294
2015	3,274	-1,580	-3,580	-1,194	3,384	-4,372	-5,062	-9,130

Equity Valuation

Historically speaking, valuation is still attractive

JCI 5 Years PE Band

Still a good entry point; SD refers to Std. Deviation of PE

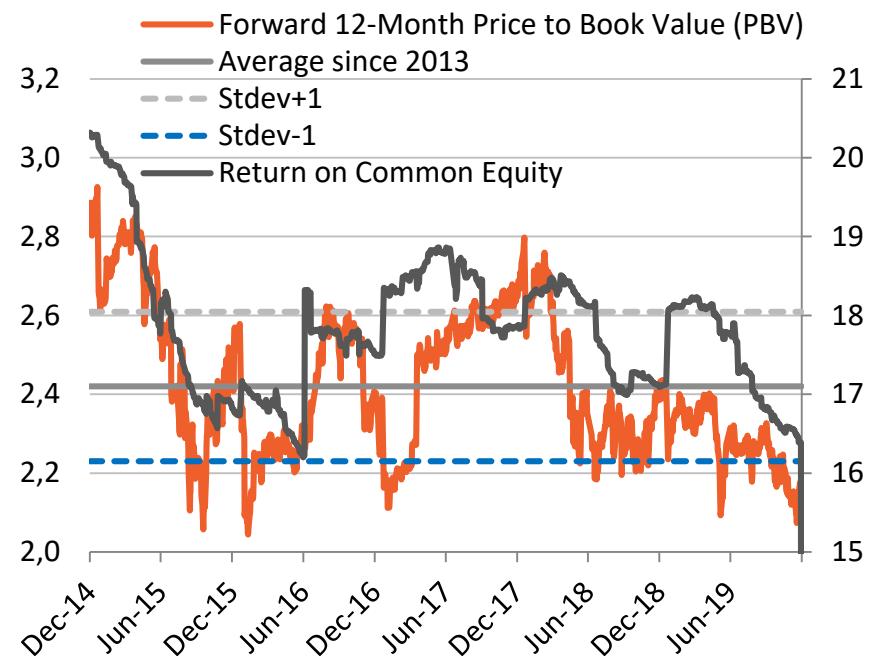


Source: Syailendra research, Bloomberg

- ⚠️ Valuasi JCI dari segi P/E telah berada pada posisi rata-rata lima tahunnya. Hal ini menggunakan asumsi EPS YoY 2020: 8-10%. Dari sisi PBV, JCI berada di bawah rata-rata lima tahun dan di bawah -1 SD.
- ⚠️ Penurunan sejak tahun 2017 ini bersamaan dengan penurunan ROE di 2017-2019. Penurunan ROE masih terlihat pada periode yang sama.

JCI 5y PBV Band, ROCE in %

Cheap valuation from PB; SD refers to Std. Deviation of PBV



Source: Syailendra research, Bloomberg
ROCE: Return of Common Equity

Equity Strategy

Expecting positive improvement

Arguments for Equity Market

Persepsi investor atas perlambatan sudah terlihat menurun khususnya terkait kekhawatiran resesi. Disaat bersamaan, PMI Emergin Market mulai memperlihatkan pemulihan.

Dalam 4 tahun ke depan, Pemerintahan "Jokowi" berencana untuk memunculkan reformasi perihal menarik minat investor i.e : *omnibus tax lax, labor reform*.

Posisi investor asing yang relative minim dalam 3 tahun kebelakang, recovery *earnings* emiten dan valuasi yang atraktif dapat mengundang portfolio investor ke IHSG.

Arguments Against Equity Market – and Why We Think It Is In the Price

Perang dagang US-Cina dapat mengakibatkan volatilitas selama beberapa periode ke depan. Negoisasi US-Cina yang berkepanjangan dapat mengakibatkan investor kembali ke *flight-to safe* dibandingkan investasi ke negara-negara *emerging market* seperti Indonesia.

Beberapa kebijakan pemerintah di 2020 dapat memicu kecenderungan konsumen Indonesia untuk menahan laju konsumsinya. Hal ini ditakutkan mempunyai multiplier efek lebih besar melebihi sektor terkait.

- ⚠ Kami melihat baik di level global ataupun domestic terdapat perbaikan dari sisi sentimen investor atas ketidakpastian dan *recovery* laba atas beberapa sektor. Hal ini selaykanya dapat memberikan *support* bagi IHSG.
- ⚠ Kami mengasumsikan pertumbuhan laba 2020F dikisaran : 8-10% dengan P/E dikisaran 15-16x. Target JCI 2020F berkisar pada 6,600-7,000

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