

STRATEGY – INDONESIA

Rally In 2H24 Likely

From the 10-year monthly return data, JCI delivered a positive return in five out of six months in 2H. The US Fed could start reducing interest rates by 3Q24 with BI holding steady. This could lead to funds flow to Indonesian bonds and Rp appreciation. Bank valuations are starting to look reasonably priced and can lead the 2H24 rally. A sizable of large cap names are currently trading below -1SD PE. Our picks are BBKA, BBNI, BMRI, BBTN, BSDE, CTRA, BUKA, CMRY, ACES and JSMR. We have an end-24 target of 7,800 for the JCI.

WHAT'S NEW

- Rally in 2H24 likely.** We view that the JCI could reverse from the current slump in 2H24. From the 10-year monthly return data, JCI delivered a positive return in five out of six months in 2H. For half of the six months in 2H, the average monthly return surpassed 1%. The monthly returns in July and December are the highest at over 2%.
- US Fed could start reducing interest rates by 3Q24 with BI holding rates steady.** UOB Global Economic & Markets Research (UOB GEMR) expects the US Fed to reduce rates from 3Q24. The total reduction for 2H24 is expected to be 50bp, followed by another 50bp in 1H25. Bank Indonesia (BI) is set to maintain benchmark rate in 2024, followed by 50bp reduction in 1H25. UOB GEMR expects BI to cut its rate by 50bp from 1Q25.
- Funds flow back into Indonesia bonds could positively impact currency.** Currently, the interest rate gap between the US Fed's rate and BI's rate is a narrow 50bp. This has caused funds to exit Indonesian bonds. With the US Fed expected to reduce rates from 3Q24 onwards and BI to maintain its benchmark rate, the rate gap is likely to widen, and funds could return to Indonesian bonds. The return of foreign currencies to Indonesian bonds could benefit the Rp exchange rate.
- Banks are starting to look reasonably valued.** The recent correction in banking stocks has made their valuations more reasonable. Before the correction, the Big Four banks were trading at +2SD P/B. BBRI's valuation is currently at -1SD P/B while BBNI's valuation is at average P/B. BBKA's valuation is at +0.5SD P/B while BMRI's valuation is at +0.75SD P/B. Mid-cap banks are still undervalued with BBTN trading below -1SD P/B, BDMN at nearly -1SD P/B and BBKP at -0.75SD P/B.
- Our top picks.** Banking - BBKA, BBNI, BMRI, BBTN; property - BSDE, CTRA; technology - BUKA; consumer - CMRY; retail - ACES; infrastructure - JSMR.
- End-24 target of 7,800.** Our bottom-up earnings analysis indicates an NPAT growth of 8.4% in 2023 and 5.4% in 2024. We also forecast a 9% JCI NPAT growth for 2025. Our index target is derived using 14.4x PE, which is the JCI's historical 10-year average PE.

TOP PICKS

Ticker	Rec	Price 7-Jun-24 (Rp)	Target Price (Rp)	Potential Upside (%)
BBKA	BUY	9,275	11,000	18.6%
BMRI	BUY	6,100	7,300	19.7%
BBTN	BUY	1,265	1,700	34.4%
BBNI	BUY	4,620	6,300	36.4%
BSDE	BUY	945	1,200	27.0%
CTRA	BUY	1,115	1,370	22.9%
BUKA	BUY	134	270	101.5%
CMRY	BUY	4,950	5,500	11.1%
ACES	BUY	800	1,200	50.0%
JSMR	BUY	4,760	7,300	53.4%

Source: Bloomberg, UOB Kay Hian

SECTOR RATINGS

Sector	UOBKH Rating
Automobile	MARKET WEIGHT
Banking	OVERWEIGHT
Cement	OVERWEIGHT
Coal	UNDERWEIGHT
Consumer	OVERWEIGHT
Healthcare	OVERWEIGHT
Mining	MARKET WEIGHT
Plantation	OVERWEIGHT
Property	OVERWEIGHT
Retail	OVERWEIGHT
Technology	OVERWEIGHT
Telecommunications	OVERWEIGHT

Source: UOB Kay Hian

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TOP PICKS – VALUATION

Company	Ticker	Rec	Price 7-Jun-24 (Rp)	Target Price (Rp)	Potential Upside (%)	Market Cap (US\$m)	3M Avg Turnover (US\$m)	PE 2024F (x)	PE 2025F (x)	PBV 2024F (x)	PBV 2025F (x)	ROE 2025F (%)	Net Gearing (%)
Bank Central Asia	BBKA	BUY	9,275	11,000	18.6%	70,457	68.7	21.2	19.5	4.3	4.0	21.0	(84.4)
Bank Mandiri	BMRI	BUY	6,100	7,300	19.7%	35,083	54.8	10.1	9.1	2.0	1.8	22.4	(23.0)
Bank Tabungan Negara	BBTN	BUY	1,265	1,700	34.4%	1,094	4.5	4.8	4.2	0.5	0.5	12.4	(5.2)
Bank Negara Indonesia	BBNI	BUY	4,620	6,300	36.4%	10,618	23.7	7.7	6.8	1.1	1.0	14.6	(62.3)
Bumi Serpong Damai	BSDE	BUY	945	1,200	27.0%	1,233	0.9	7.3	6.9	0.5	0.5	5.5	2.5
Ciputra Development	CTRA	BUY	1,115	1,370	22.9%	1,274	1.6	10.2	9.2	0.9	0.9	9.6	(11.1)
Bukalapak.com	BUKA	BUY	134	270	101.5%	851	2.3	25.0	23.2	0.5	0.5	-5.3	(76.7)
Cisarua Mountain Dairy	CMRY	BUY	4,950	5,500	11.1%	2,420	0.6	26.7	23.1	5.8	5.1	22.2	(57.7)
Ace Hardware Indonesia	ACES	BUY	800	1,200	50.0%	845	3.0	16.0	13.8	2.1	2.0	12.7	(23.2)
Jasa Marga	JSMR	BUY	4,760	7,300	53.4%	2,129	2.2	11.7	10.1	1.2	1.1	27.3	161.8

Source: Bloomberg, UOB Kay Hian

JCI MONTHLY RETURN OVER THE PAST 10 YEARS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Ave	0.58	1.36	(1.41)	(0.05)	(0.83)	(0.07)	2.02	0.56	(1.62)	1.42	0.86	2.82
2024	-0.89	1.5	-0.37	-0.75	-3.64	-1.04						
2023	-0.16	0.06	-0.55	1.62	-4.08	0.43	4.05	0.32	-0.19	-2.7	4.87	2.71
2022	0.75	3.88	2.66	2.23	-1.11	-3.32	0.57	3.27	-1.92	0.83	-0.25	-3.26
2021	-1.95	6.47	-4.11	0.17	-0.8	0.64	1.41	1.32	2.22	4.84	-0.87	0.73
2020	-5.71	-8.2	-16.76	3.91	0.79	3.19	4.98	1.73	-7.03	5.3	9.44	6.53
2019	5.46	-1.37	0.39	-0.21	-3.81	2.41	0.5	-0.97	-2.52	0.96	-3.48	4.79
2018	3.93	-0.13	-6.19	-3.14	-0.18	-3.08	2.37	1.38	-0.7	-2.42	3.85	2.28
2017	-0.05	1.75	3.37	2.1	0.93	1.6	0.19	0.4	0.63	1.78	-0.89	6.78
2016	0.48	3.38	1.56	-0.14	-0.86	4.58	3.97	3.26	-0.4	1.08	-5.05	2.87
2015	1.19	3.04	1.25	-7.83	2.55	-5.86	-2.2	-6.1	-6.34	5.48	-0.2	3.3
2014	3.38	4.56	3.2	1.51	1.11	-0.31	4.31	0.94	0.01	-0.93	1.19	1.5

Source: Bloomberg, UOB Kay Hian

- Asian currencies have depreciated against the US dollar ytd, with the Japanese yen declining 11.3%. The rupiah has depreciated by 4.3% and caused the JCI to deliver a -2.71% return ytd. The JCI has outperformed MSCI Asia Pacific ex-Japan Index for two consecutive years and by a total of 28.63% from 1 Jan 21 until now.

MAJOR ASIAN CURRENCIES AND INDEX PERFORMANCE

	31-Dec-23	26-May-24	Change (%)		YTD Return in USD (%)
USDJPY	141.040	156.990	-11.3%	TWSE Index	15.79%
USDTHB	34.256	36.707	-7.2%	S&P 500	11.85%
USDTWD	30.579	32.259	-5.5%	FTSE 100 UK	10.55%
USDPHP	55.385	58.192	-5.1%	FTSE KL	10.54%
USDIDR	15,339	15,995	-4.3%	HIS Hong Kong	10.24%
USDMYR	4.594	4.712	-2.6%	SXXP Euro Stoxx	10.19%
USDSGD	1.320	1.350	-2.2%	Nikkei 225	4.44%
USDCNY	7.100	7.244	-2.0%	STI Singapore	2.69%
USDEUR	0.906	0.922	-1.8%	SHCOMP	1.93%
USDHKD	7.812	7.813	0.0%	JCI Index	-2.71%
USDGBP	0.786	0.785	0.1%	SET Thailand	-9.01%

Source: Bloomberg, UOB Kay Hian

- Undervalued names could outperform.** Investors can consider investing in names that are trading below their historical PEs. The recent market corrections have resulted in many names trading below -2SD PE.

- Telco: TLKM, TOWR, EXCL; technology: MTDL, BUKA, DCII
- Cement: SMGR, CMNT; construction: IMPC
- Consumer: UL TJ, GOOD, MLBI, DMND
- Healthcare: EPMT.

NAMES TRADING BELOW HISTORICAL -1SD PE

Ticker	Price	2024 PE	PE (x)					STD	Below					
			-2SD	-1SD	Mean	+1SD	+2SD		-2SD	-1SD	Avg.	Avg.	+1SD	+2SD
TLKM	3,060	11.5	12.3	14.8	17.3	19.8	22.3	2.5	YES	YES	YES	NO	NO	NO
EXCL	2,310	15.7	17.4	23.2	29.0	34.8	40.6	5.8	YES	YES	YES	NO	NO	NO
LPKR	68	9.7	95.0	153.9	212.8	271.7	330.6	58.9	YES	YES	YES	NO	NO	NO
MNCN	332	1.5	2.7	4.1	5.6	7.1	8.6	1.5	YES	YES	YES	NO	NO	NO
HMSP	730	9.8	10.7	13.6	16.6	19.6	22.5	3.0	YES	YES	YES	NO	NO	NO
TOWR	705	10.3	10.8	14.0	17.1	20.2	23.3	3.1	YES	YES	YES	NO	NO	NO
SMGR	3,860	11.1	11.4	16.0	20.6	25.2	29.8	4.6	YES	YES	YES	NO	NO	NO
BUKA	133	21.6	33.6	35.1	36.7	38.3	39.9	1.6	YES	YES	YES	NO	NO	NO
KLBF	1,550	22.9	20.9	23.5	26.1	28.7	31.2	2.6	NO	YES	YES	NO	NO	NO
SIDO	725	18.7	15.9	18.9	21.9	24.9	27.9	3.0	NO	YES	YES	NO	NO	NO
ASII	4,600	6.2	5.0	7.8	10.7	13.5	16.3	2.8	NO	YES	YES	NO	NO	NO
INDF	6,125	5.4	3.9	6.6	9.4	12.1	14.8	2.7	NO	YES	YES	NO	NO	NO
ICBP	10,450	12.9	9.9	14.9	19.8	24.8	29.8	5.0	NO	YES	YES	NO	NO	NO
UNVR	3,070	23.0	16.6	24.6	32.5	40.5	48.4	7.9	NO	YES	YES	NO	NO	NO
GGRM	18,225	7.2	5.0	7.9	10.9	13.8	16.7	2.9	NO	YES	YES	NO	NO	NO
AMRT	2,720	27.0	24.7	31.4	38.2	44.9	51.7	6.7	NO	YES	YES	NO	NO	NO
MYOR	2,280	15.1	8.6	19.0	29.4	39.8	50.2	10.4	NO	YES	YES	NO	NO	NO
AKRA	1,570	10.7	8.5	11.9	15.3	18.6	22.0	3.4	NO	YES	YES	NO	NO	NO
JSMR	5,000	12.2	(1.7)	14.8	31.3	47.8	64.3	16.5	NO	YES	YES	NO	NO	NO
ERAA	402	6.6	3.0	6.8	10.6	14.4	18.1	3.8	NO	YES	YES	NO	NO	NO
SMRA	525	9.3	(8.5)	10.9	30.2	49.5	68.8	19.3	NO	YES	YES	NO	NO	NO
ROTI	995	14.0	11.8	19.5	27.2	35.0	42.7	7.7	NO	YES	YES	NO	NO	NO
TAPG	575	4.1	1.5	4.7	7.9	11.1	14.3	3.2	NO	YES	YES	NO	NO	NO
PWON	402	8.9	4.0	9.1	14.3	19.4	24.6	5.2	NO	YES	YES	NO	NO	NO

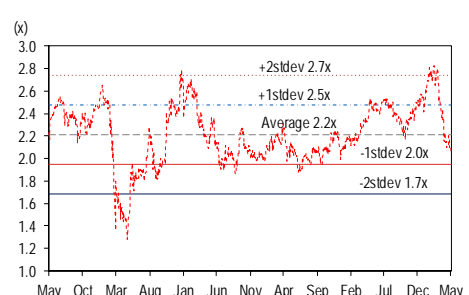
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BBNI P/B VALUATION



Source: Bloomberg, UOB Kay Hian

BBRI P/B VALUATION



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