FOCUS

Palm Oil Industry in 2019 and This Year’s Expectations

In 2019, Indonesia palm oil production reached 51.8 million tons of CPO, growing +9% (Y/Y) from that of 2018. High production was in line with the growing domestic demand, which increased by +24% (Y/Y) to 16.7 million tons. In detail, the biggest growth stemmed from biodiesel consumption (+49% Y/Y), as it was underpinned by B20 implementation last year; consumption growth for food was only second to biodiesel at +14% (Y/Y), and closely followed by oleochemical consumption at +9% (Y/Y).

On the one hand, in 2019, palm oil export volume stood at 35.7 million tons, increasing by +4% (Y/Y) than that of 2018. On the other hand, however, exports value declined by -17% (Y/Y) to US$19B from US$23B, reflecting weak CPO price last year. Palm oil export was the biggest to China at 6 million tons, followed by India at 4.8 million tons, and EU at 4.6 million tons; but robust volume growth was seen at exports to Africa, which was recorded at +11% (Y/Y) to 2.9 million tons from 2.6 million tons.

Going forward, the palm oil industry is expected to be more benign this year, as a better climate environment, in addition to stronger palm oil price, is seen as a catalyst. Moreover, the government's B30 plan, estimated to start its implementation in 2020, could spur biodiesel consumption to 8.3 million tons. Yet, it is important to monitor escalating geopolitical tensions such as Middle East political tension and U.S.-China trade war, possibly disturbing palm oil supply-demand. In a nutshell, Indonesian Palm Oil Association remains optimistic on the industry this year, if compared with last year.

Fig. 1: Palm Oil Production and Exports (in thousand tons)

Sources: GAPKI, MPIS Research
MARKET RECAP

In trading on Wednesday (26/2) JCI closed lower -98 points (-1.7%) to 5,689. The total trading volume reached 9.15B shares with a total transaction value amounting to Rp7.7T. Foreign investors recorded a net sale of Rp1.7T, which resulted in net foreign sales amounting to Rp3.66T during 2020.

All sectors retreated, which were led by basic industry (-4.3%), manufacturing (-2.6%), and miscellaneous industry (-2.3%). Stocks supporting the JCI were INPP (+16%), IBST (+15%), and PLIN (+7.9%). Stocks weighing down the JCI were BBCA (-1.7%), TPIA (-5.8%), and HMSP (-4.0%).

U.S. NEWS

U.S. stocks closed mostly lower as investors were weighed the impact on the spread of coronavirus (Covid-19) to Europe and the Americas. Meanwhile, investors waited for economic stimulus from the central banks and policymakers to cushion the blow from the Covid-19. South Korea, Italy, and Iran reported a hike in Covid-19 cases over the last four-days, according to Coronavirus COVID-19 Global Cases by Johns Hopkins CSSE as of 7:03 E.T. confirmed cases in South Korea reach 1261 with 12 deaths and 22 recovered, while in Italy reach 401 with 12 deaths and 1 recovered and Iran reach 139 with 19 deaths and 0 recovered. The DJIA fell 0.45% to 26,959.15, the S&P 500 lost 0.37% to 3,116.53 and the Nasdaq Composite added 0.17% to 8,980.78

U.S. Treasury yields fell, with the 10-year notes hit a record low to yield 1.35%. The two-year notes were 1/32 higher, yielding 1.17%. The 30-year bonds were down 26/32 to yield 1.84%.

Oil prices fell after the Covid-19 outbreak to Europe and the Americas stokes worries about crude oil demand. WTI closed lower by -2.28% to US$48.76/barrel, while Brent crude was down by -2.69% to US$53.47/barrel.

NEWS FROM THE MARKET

ACST WILL CONDUCT RIGHT ISSUE

PT Acset Indonusa Tbk (ACST) will conduct a Limited Public Offering II through Capital Increase by granting Pre-emptive Rights (HMETD) by issuing up to 15 million ordinary shares with a nominal value of Rp100/share. The funds obtained will be used to pay off the company's debt obligations.

DOID TO ALLOCATE CAPEX LESS THAN US$100 M

PT Delta Dunia Makmur, Tbk. (DOID) will allocate less than US$100 million for capital expenditure, relatively the same with last year’s US$73 million, which will be spent on periodic repair and maintenance and IT infrastructure development. Last year, DOID posted an +18% Y/Y growth in coal production. On the other hand, the top line slipped and the bottom line fell to US$881.8 (-1.2%) million and US$20.5 million (-72.9%), respectively.

SGRO TO ISSUE Rp600B BONDS AND SUKUK IJARAH

PT Sampoerna Agro Tbk (SGRO) continuing the issuance of Sampoerna Agro I Sustainable Bonds and Sampoerna Agro I Sukuk I Sustainable Bonds with a target of Rp1.0T each, namely by issuing Phase I Sustainable Bonds I 2020 with a principal amount of Rp300 and Sukuk Continuous Ijarah I Phase I of 2020 with the remaining Ijarah compensation of Rp300B. 65% from the obtained funds, will be used to make some bank early repayment from the subsidiary’s principal debt and the remaining 35% will be used for the working capital of the company. The Bonds consist of 2 series; for Series A (Rp208.5B - 9.35% - term of 3 years) and Series B (Rp1.5B - 9.75% - term of 5 years). Whereas the Sukuk Ijarah consists of 2 series; for Series A (Rp175B - Ijarah installments in the amount of Rp16.36B) and Series B (Rp125B - Rp12.9B in installments). Pefindo assigns idA- and idA- (sy) ratings for these Bonds and Sukuk.
BBRI LOWERED MORTGAGES RATE
PT Bank Rakyat Indonesia Tbk (BBRI) responded to the decision of the Bank Indonesia RDG on Thursday, February 20, 2020, which lowered the BI 7-Day Reverse Repo Rate (BI7DRR) by 25 bps to 4.75%, the Deposit Facility interest rate by 25 bps to 4.00%, and the Lending Facility interest rate of 25 bps to 5.50%, by planning to reduce the mortgage (KPR) rate by 25 bps to 4.75% in 1Q20 as a first step and will then be followed by a decrease in interest rates from other products. As additional information, the company is currently focusing on financing Micro, Small and Medium Enterprises (MSMEs) with a consumer credit base rate for mortgages at 9.9%. Meanwhile, for non KPR is set at 12.0%.

KBLI RECEIVED LOAN FROM BMRI
PT Bank Mandiri (Persero) Tbk (BMRI) extended and added a credit (12 months) amounting to Rp1.37T to PT KMI Wire & Cable Tbk (KBLI) which will be used for working capital (Rp1.37T) and treasury line (US$10M). Company gave its building land, machine tools, inventories and trade receivables as collateral. It is equal to 50% of the Company’s total assets for the financial year. According to 3Q/19 financial report, KBLI’s assets amounted to Rp3.16T: liabilities Rp.933.08B and equity Rp.2.23T.

INDY BEGINS THE EXPANSION IN AWAK MAS MINE
PT Indika Energy, Tbk. (INDY) will cooperate with Nusantara Infrastructure Ltd. in developing Awak Mas gold mine in Luwu Regency, South Sulawesi. This will be done through INDY injecting equity capital to PT Masmindo Dwi Area, Nusantara Infrastructure Ltd.’s subsidiary, which will be executed in two phases with a total value of US$40 million, resulting in INDY’s stake of 40% in the company.

CITA ISSUED A NEW RIGHT ISSUE
PT Cita Mineral Investindo Tbk (CITA) issued a new right issue, and Glencore International Investments (GII) purchased amounting to Rp1,19T on February 21, 2020. GII’s share ownership in Cita Mineral rose from 18% to 30.21%. It will be used to pay all principal & interest of long-term bank loans to Bank OCBC (48.16%), then Company will pay (36.92%) all principal & interest of its subsidiary, PT Harita Prima Abadi Mineral to three banks, DBS, OCBC & OCBC NISP. The remaining funds will be for working capital. As of 2018, CITA’s Minerals sold 80% of MGB production to the international market and the remaining (20%) is sold to an associated entity, PT Well Harvest Winning Alumina Refinery (WHW). CITA through its subsidiary, Well Harvest Winning Alumina Refinery (WHW), plans to build a second-stage alumina smelter (US$400M). Sources of funding will come from internal cash & bank loans. As of 3Q19, CITA recorded net sales amounting to Rp2.78T (+95.77%;Y/Y), The highest sales was from bauxite sales to Pengtai International Trading Pte Ltd (Rp1.08t), Chalco Shandong International Trading Pte Ltd (Rp674,72B), King Metore International Pte Ltd (Rp308.08B), and Xiamen Great Corporation (Rp289.13B). While the profit increased to Rp740.5B (+32.9%;Y/ Y).sebesar Rp1,19T.
TECHNICAL OUTLOOK

JCI IS NEGATIVE, WITH EXPECTED RANGE OF 5,600 to 5,780.

JCI was closed lower at 5,688 breached the nearest Support at 5,760, so the next Support lays at 5,620/560 while the nearest Resistance hanging at 5,840/960. PSAR red dot already hit the candlestick but continues to drop down along with MACD, Stochastic and RSI. Candlestick already hit the lower Bbline, along with EMA 5, 20850 still in a dead cross pattern.

Hence, our JCI still negative from technical analyst outlook and coupled by negative foreign sentiment.

SUMMARY OF STOCK PICKS

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Support</th>
<th>Resistance</th>
<th>Entry Point</th>
<th>Target Price</th>
<th>Cutoff Price</th>
<th>Risk-to-reward Ratio</th>
<th>Last Price</th>
<th>Temporary Gains / Status</th>
</tr>
</thead>
</table>
## Data & Agenda

### ECONOMIC CALENDAR

<table>
<thead>
<tr>
<th>Economic Indicator</th>
<th>Period</th>
<th>Date</th>
<th>Time (WIB)</th>
<th>Prev.</th>
<th>Forecast</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Balance</td>
<td>Jan-20</td>
<td>17-Feb</td>
<td>16:00</td>
<td>-US$28.2 M</td>
<td>-US$800 M</td>
<td>-US$870 M</td>
</tr>
<tr>
<td>Retail Sales (Y/Y)</td>
<td>Dec-19</td>
<td>11-Feb</td>
<td>8:10</td>
<td>1.30%</td>
<td>1.00%</td>
<td>-0.50%</td>
</tr>
<tr>
<td>Inflation (Y/Y)</td>
<td>Jan-20</td>
<td>3-Feb</td>
<td>14:00</td>
<td>2.72%</td>
<td>3.01%</td>
<td>2.68%</td>
</tr>
<tr>
<td>CCI (Y/Y)</td>
<td>Feb-20</td>
<td>6-Feb</td>
<td>16:00</td>
<td>126.4</td>
<td>124.8</td>
<td>121.7</td>
</tr>
<tr>
<td>FX Reserves</td>
<td>Mar-20</td>
<td>7-Feb</td>
<td>17:00</td>
<td>129.2B</td>
<td>125.6B</td>
<td>121.7B</td>
</tr>
<tr>
<td>GDP</td>
<td>4Q19</td>
<td>5-Feb</td>
<td>16:00</td>
<td>5.02%</td>
<td>5.02%</td>
<td>4.97%</td>
</tr>
</tbody>
</table>

Source: Trading Economics, MPIS Research

### MARKET STATISTICS

#### TOP Gainers

<table>
<thead>
<tr>
<th>TICKER</th>
<th>Close</th>
<th>Chg</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTSM</td>
<td>190</td>
<td>47</td>
<td>32.87%</td>
</tr>
<tr>
<td>NELY</td>
<td>139</td>
<td>29</td>
<td>26.36%</td>
</tr>
<tr>
<td>PDES</td>
<td>850</td>
<td>125</td>
<td>17.24%</td>
</tr>
<tr>
<td>SOSS</td>
<td>444</td>
<td>62</td>
<td>16.29%</td>
</tr>
<tr>
<td>NINP</td>
<td>940</td>
<td>130</td>
<td>16.05%</td>
</tr>
</tbody>
</table>

#### TOP Trading Value

<table>
<thead>
<tr>
<th>TICKER</th>
<th>Close</th>
<th>Chg</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMRI</td>
<td>7,650</td>
<td>(150)</td>
<td>-1.92%</td>
</tr>
<tr>
<td>BBRI</td>
<td>4,480</td>
<td>(20 )</td>
<td>-0.44%</td>
</tr>
<tr>
<td>BBCA</td>
<td>32,100</td>
<td>(550)</td>
<td>-1.68%</td>
</tr>
<tr>
<td>TLKM</td>
<td>3,510</td>
<td>(80 )</td>
<td>-2.23%</td>
</tr>
<tr>
<td>BBNI</td>
<td>7,300</td>
<td>(200)</td>
<td>-2.67%</td>
</tr>
</tbody>
</table>

#### MOST ACTIVE

<table>
<thead>
<tr>
<th>TICKER</th>
<th>Close</th>
<th>Chg</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOWR</td>
<td>855</td>
<td>(15 )</td>
<td>-1.72%</td>
</tr>
<tr>
<td>TLKM</td>
<td>3,510</td>
<td>(80 )</td>
<td>-2.23%</td>
</tr>
<tr>
<td>MNCN</td>
<td>1,270</td>
<td>(80 )</td>
<td>-5.93%</td>
</tr>
<tr>
<td>BBRI</td>
<td>4,480</td>
<td>(20 )</td>
<td>-0.44%</td>
</tr>
<tr>
<td>BBCA</td>
<td>32,100</td>
<td>(550)</td>
<td>-1.68%</td>
</tr>
</tbody>
</table>

#### TRADING STATISTICS

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading Volume (in mn shares)</td>
<td>9,150</td>
</tr>
<tr>
<td>Trading Value (in bn rupiah)</td>
<td>7,707</td>
</tr>
<tr>
<td>Trading Frequency (in times)</td>
<td>421,149</td>
</tr>
<tr>
<td>Foreign Net Trading Value (bn IDR)</td>
<td>(1,747)</td>
</tr>
<tr>
<td>YTD Fgn Net Trading Value (bn IDR)</td>
<td>(3,660)</td>
</tr>
</tbody>
</table>

Source: IDX

### Disclaimer

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MORNING DEW

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