FOCUS

MAJOR BANKS’ FIRST HALF EARNINGS

Three major banks, BMRI, BBNI, and BBCA, have released their earnings reports for the second quarter of this year. The banks booked quite steady yearly loan growth (BMRI 9.5%; BBNI 19.9%; BBCA 14.3%). On the other hand, BMRI and BBNI posted lower third-party fund (TPF) yearly growth compared to the previous quarter at 5.0% and 13.0%, respectively. Last quarter, a rapid increase in banks’ time deposit became the main driver for TPF growth. BBCA, on the other hand, recorded higher TPF yearly growth at 9.5% vs. 7.9% in 1Q19.

Cost of funds remained stable for the three banks (BMRI 3.0%; BBNI 3.2%; BBCA 2.0%), thus net interest margin was also steady. BMRI recorded NIM of 5.6%, BBNI 4.9%, and BBCA 6.2%. Net interest income growth came strong (BMRI 10.3%; BBCA 13.1% Y/Y), except for BBNI (1.0% Y/Y) as it was still burdened by high interest expenses. This was then reflected in the banks’ net profit growth (BMRI 11.1%; BBNI 2.6%; BBCA 12.6% Y/Y).

From what we observed, each bank now faces different challenges which represent the overall challenges in the banking industry. BMRI deals with lower non-interest income and high LDR; BBNI struggles with high interest burden; while BBCA, although it recorded strong net and non-interest income, it provisions almost doubled which obstructed the Bank from scoring a higher net profit.
MARKET RECAP
On Thursday trading session, JCI was closed higher by +16.4 points or +0.26% to 6,401. Total volume transaction reached 17.2 billion shares, with trading value of Rp9.2T. Foreign investors posted net sell of Rp515B, translating to YTD net buy of Rp70.5T. Three sectors retreated, including: consumer goods (-0.44%), mining (-0.41%), and manufacturing (-0.01%), while advancing sectors were led by property (+1.29%), miscellaneous industry (+1.27%), and infrastructure (+0.89%). Stocks supporting the JCI were ASII (+1.7%), BMRI (+1.3%), and MKPI (+18.8%). On the contrary, stocks weighing down the JCI were HMSP (-1.3%), UNVR (-1.0%), and GGRM (-2.1%).

U.S. News
U.S Stock tumbled dragged down by some disappointing earnings reports and fears that the Fed may less aggressive than hoped in cutting interest rates next week after the European Central Bank's (ECB) policy decision. ECB signaled its intention to explore monetary easing but did not cut interest rates, ECB intends to maintain its current interest rates at least through the first half of 2020. The DJIA was down 0.47% at 27,141.05, while the S&P 500 lost 0.53% to 3,003.68 and the Nasdaq dropped 1% to 8,238.54.

U.S Treasury yields rose as ECB kept interest rates unchanged. Benchmark 10-year notes were down 8/32 to yield 2.08%. The 30-year bonds fell 19/32 to yield 2.61%.

Oil prices ended mixed, Brent crude settled lower by -0.13% at US$63.10/barrel. WTI up by +0.04% to US$55.90/barrel.

NEWS FROM THE MARKET
COMPANY UPDATES
LQ45 NEW CONSTITUENTS
Indonesia Stock Exchange (IDX) has released the list of companies included in LQ45 Index for trading period of August 2019 to January 2020. IDX used free-float shares for the weighting. Free-float shares requirement is non-controlling shares at least 50 million shares or 7.5% of total shares. Three stocks are added to LQ45 Index: PT Bank Tabungan Pensiunan Nasional Syariah Tbk (BTPS), PT Ciputra Development Tbk (CTRA), and PT Japfa Comfeed Indonesia Tbk (JPFA). On the other hand, three stocks are removed: PT Adhi Karya Tbk (ADHI), PT Elnusa Tbk (ELSA), and PT Waskita Beton Precast Tbk (WSBP).

KRAS TO EXPORT STEEL TO AUSTRALIA
PT Krakatau Steel (Persero) Tbk signed 2-year agreement of steel export with Cedex Steel & Metals Pty. Ltd following import taxes on steel that ended on December 19, 2018. Steel products that will be distributed to Cedex, including: Hot Rolled Coil, Hot Rolled Sheet, Hot Rolled Pickled Oiled, and Checkered Plate. For almost 20 years, Cedex Steel has been selling KRAS products under the brand name of Krakatau Plate in Australia. In addition, KRAS' newly-established plant is expected to produce additional 1.5M tons of Hot Rolled Coil per year.

TASPEN COOPERATE WITH PRDA IN PROVIDING BETTER HEALTH SERVICES
To improve health services to all state civil apparatus, employee and retiree of PT Taspen (Persero), the company and PT Prodia Widyahusada, Tbk. (PRDA) joined in mutualism symbiosis. The cooperation includes lower clinical laboratory examination fee, medical check-up fee, and also cooperation in short-term or eventual activities like co-marketing, a join event, health talk, and open booth. Prodia will provide health services such as lab examination, panel examination, and advanced genetic tests. Mentioned tests can be enjoyed by active state civil apparatus and their family, state civil apparatus retiree and their families, TASPEN employees and their families.

INDUSTRY UPDATES
BRAZIL CHICKEN TO ENTER INDONESIA
Brazil won the dispute in the World Trade Organization (WTO) regarding chicken export to Indonesia. The dispute started in 2009 when Brazil claimed that Indonesia blocked access to export chicken to the country. On 16 October 2014, Brazil reported Indonesia to the WTO with the allegation of obstructing the export of frozen and processed chicken to the country. After a few rounds, on 24 July 2019, WTO announced that Brazil has won the case and could export chicken to Indonesia.
EU IMPOSED 8-18% IMPORT TARIFF ON BIODIESEL

European Union officially imposes import tariff ranging from 8-18% on Indonesian biodiesel. The policy will be effective provisionally as of 6 September 2019, and fully effective started on 4 January 2020 with a 5-year duration. Permata Group biodiesel was imposed with the highest tariff at 18%, followed by Musim Mas Group (16.3%), Wilmar group (15.7%), and Ciliandra Perkasa (8%).

This matter is an aftermath dispute between Indonesian and European countries happening for the past seven years. As of 2018, the European Commission has investigated the presence of subsidy from the Indonesian government to support financing export and over excessive tax incentives for exporting the palm oil products and its derivatives. They argue that European industry wants a fair competition.

TECHNICAL OUTLOOK

JCI is NEGATIVE, with expected range of 6,330-6,430

JCI was closed at 6,401. EMA 5 & 20 were still on golden cross pattern but prone to forming death cross pattern. MACD turn to negative along with red dot from Parabolic Stop and Reversal already appears. RSI curled higher along with Stochastic signaling up. The resistance hanging at 6,465/581, while the support lays at 6,190/5,767.

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</th>
<th>TEMPORARY GAINS / PTS</th>
<th>%</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUVA</td>
<td>99</td>
<td>110</td>
<td>103</td>
<td>108</td>
<td>96</td>
<td>1.40</td>
<td>97</td>
<td>(6)</td>
<td>-5.83%</td>
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<tr>
<td>FASW</td>
<td>7,575</td>
<td>8,475</td>
<td>8,050</td>
<td>8,425</td>
<td>7,850</td>
<td>0.53</td>
<td>7,950</td>
<td>(100)</td>
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<tr>
<td>FORZ</td>
<td>855</td>
<td>960</td>
<td>890</td>
<td>960</td>
<td>865</td>
<td>0.36</td>
<td>910</td>
<td>20</td>
<td>2.25%</td>
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<tr>
<td>GMFI</td>
<td>210</td>
<td>235</td>
<td>215</td>
<td>235</td>
<td>205</td>
<td>0.50</td>
<td>212</td>
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<tr>
<td>POWR</td>
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<td>1,050</td>
<td>880</td>
<td>1,040</td>
<td>820</td>
<td>0.38</td>
<td>895</td>
<td>15</td>
<td>1.70%</td>
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<tr>
<td>PTPP</td>
<td>2,010</td>
<td>2,300</td>
<td>2,095</td>
<td>2,250</td>
<td>1,900</td>
<td>1.26</td>
<td>2,120</td>
<td>25</td>
<td>1.19%</td>
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<tr>
<td>SMSM</td>
<td>1,456</td>
<td>1,638</td>
<td>1,520</td>
<td>1,600</td>
<td>1,480</td>
<td>0.50</td>
<td>1,550</td>
<td>30</td>
<td>1.97%</td>
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<tr>
<td>TOTL</td>
<td>505</td>
<td>570</td>
<td>520</td>
<td>565</td>
<td>500</td>
<td>0.44</td>
<td>520</td>
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<tr>
<td>PNBN</td>
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<td>1,520</td>
<td>1,455</td>
<td>1,490</td>
<td>1,370</td>
<td>2.43</td>
<td>1,370</td>
<td>(85)</td>
<td>-5.84%</td>
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</table>
Data & Agenda

ECONOMIC CALENDAR

<table>
<thead>
<tr>
<th>Economic Indicator</th>
<th>Period</th>
<th>Date</th>
<th>Time (WIB)</th>
<th>Prv.</th>
<th>Forecast</th>
<th>Actual</th>
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</thead>
<tbody>
<tr>
<td>Trade Balance</td>
<td>Jun-19</td>
<td>15-Jul</td>
<td>16:00</td>
<td>US$0.21B</td>
<td>-US$50B</td>
<td>US$196M</td>
</tr>
<tr>
<td>Retail Sales (Y/Y)</td>
<td>May-19</td>
<td>9-Jul</td>
<td>8:10</td>
<td>6.70%</td>
<td>11.25%</td>
<td>7.70%</td>
</tr>
<tr>
<td>Inflation (Y/Y)</td>
<td>Jun-19</td>
<td>1-Jul</td>
<td>14:00</td>
<td>3.32%</td>
<td>3.35%</td>
<td>3.28%</td>
</tr>
<tr>
<td>CCI (Y/Y)</td>
<td>Jun-19</td>
<td>8-Jul</td>
<td>16:00</td>
<td>128.20</td>
<td>130.2</td>
<td>126.40%</td>
</tr>
<tr>
<td>FX Reserves</td>
<td>Jun-19</td>
<td>5-Jul</td>
<td>17:00</td>
<td>US$120.3B</td>
<td>US$122B</td>
<td>US$123.8B</td>
</tr>
<tr>
<td>GDP</td>
<td>2Q19</td>
<td>6-Aug</td>
<td>16:00</td>
<td>5.07%</td>
<td>5.10%</td>
<td>-</td>
</tr>
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</table>

Source: MPIS Research

MARKET STATISTICS

TOP Gainers

<table>
<thead>
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<th>Ticker</th>
<th>Close</th>
<th>Chg</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>POSA</td>
<td>270</td>
<td>70</td>
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<tr>
<td>TIRA</td>
<td>260</td>
<td>67</td>
<td>34.72%</td>
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<tr>
<td>NUSA</td>
<td>72</td>
<td>18</td>
<td>33.33%</td>
</tr>
<tr>
<td>MTSK</td>
<td>236</td>
<td>52</td>
<td>28.26%</td>
</tr>
<tr>
<td>DAYA</td>
<td>284</td>
<td>56</td>
<td>24.56%</td>
</tr>
<tr>
<td>TWM</td>
<td>236</td>
<td>52</td>
<td>28.26%</td>
</tr>
<tr>
<td>TRAM</td>
<td>119</td>
<td>(3)</td>
<td>-2.46%</td>
</tr>
<tr>
<td>KONI</td>
<td>374</td>
<td>(56)</td>
<td>-13.02%</td>
</tr>
<tr>
<td>INPP</td>
<td>745</td>
<td>(105)</td>
<td>-12.35%</td>
</tr>
</tbody>
</table>

TOP Losers

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Close</th>
<th>Chg</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>JMAS</td>
<td>745</td>
<td>(160)</td>
<td>-17.68%</td>
</tr>
<tr>
<td>BRAM</td>
<td>8,125</td>
<td>(1,475)</td>
<td>-15.36%</td>
</tr>
<tr>
<td>FOOD</td>
<td>196</td>
<td>(34)</td>
<td>-14.78%</td>
</tr>
<tr>
<td>KONI</td>
<td>374</td>
<td>(56)</td>
<td>-13.02%</td>
</tr>
<tr>
<td>INPP</td>
<td>745</td>
<td>(105)</td>
<td>-12.35%</td>
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</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>SRIL</td>
<td>362</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>BBCA</td>
<td>31,250</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>BMRI</td>
<td>7,800</td>
<td>100</td>
<td>1.30%</td>
</tr>
<tr>
<td>BBNI</td>
<td>8,500</td>
<td>75</td>
<td>0.89%</td>
</tr>
<tr>
<td>BBRI</td>
<td>4,460</td>
<td>10</td>
<td>0.22%</td>
</tr>
<tr>
<td>SRIL</td>
<td>362</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>MNCN</td>
<td>1,420</td>
<td>25</td>
<td>1.79%</td>
</tr>
<tr>
<td>IPTV</td>
<td>246</td>
<td>4</td>
<td>1.65%</td>
</tr>
<tr>
<td>POSA</td>
<td>270</td>
<td>70</td>
<td>35.00%</td>
</tr>
<tr>
<td>ERAA</td>
<td>1,950</td>
<td>75</td>
<td>4.00%</td>
</tr>
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MOST ACTIVE

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<tr>
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<th>Chg</th>
<th>% Chg</th>
</tr>
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<tbody>
<tr>
<td>SRIL</td>
<td>362</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
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<td>25</td>
<td>1.79%</td>
</tr>
<tr>
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<tr>
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<td>1,950</td>
<td>75</td>
<td>4.00%</td>
</tr>
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</table>

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