

Monthly Bulletin

September 2020

What's Inside



Calendar

CN Export-Import (7-Sep)
 UK LME Nickel Stocks (8-Sep)
 US DOE Fuel Ethanol Inv. (9-Sep)
 ID BI 7D Repo Rate (17-Sep)



Global Event

Menjelang Pemilu US di Nov'20, Persaingan antara Biden dan Trump semakin memanas hal ini memberikan ketidakpastian politik untuk USD. Adapun, Koreksi signifikan terhadap sektor teknologi secara umum.



Indonesia

Pemerintah mengumumkan rincian atas RAPBN 2021 dimana badan anggaran terlihat memiliki dua karakteristik yaitu 1) *social safety net* dan 2) reformasi APBN melalui *capital expenditure*. Adapun RUU BI yang sedang dibahas oleh baleg saat ini menjadi perbincangan di pasar.



Equity Market

Kinerja IHSG ditutup sebesar -16.84% YTD atau +1.73% MoM (*cutoff date: 31-Aug-20*). *Rally* diakibatkannya oleh sektor-sektor *laggards* terkait antisipasi *recovery* i.e : Perbankan, Semen dan *overly punished stock* i.e : INDF, ICBP. Di sisi lain, Sektor Rokok memiliki kinerja yang buruk di bulan agustus terkait isu cukai.



Fixed Income Market

Yield 10 tahun obligasi Indonesia ditutup di level 6.9% pada akhir Agustus 2020. Kepemilikan investor secara proporsional menurun dari level 30% menjadi 28.2%. Hal ini diakibatkan meningkatnya pembelian dari perbankan selama bulan Agustus 2020. Pembelian asing relatif sedikit menurun selama sebesar 3.85trn di bulan Agustus 2020.





Section

Syailendra Perspective

1

Our Opinion & What We Think Will Develop in 3Q20

Dibawah merupakan *view* kami untuk 3Q20 yang kami utarakan pada bulan Juli :

- 🏠 Stimulus fiskal dan moneter sudah *price-in* dimana index saham global, termasuk IHSG, telah *rally* sebesar 25% - 40% dari level terendah.
- 🏠 Secara umum kembalinya aktivitas ekonomi akan secara gradual. Beberapa sektor, seperti jalan tol, semen, mobil, dan barang-barang *discretionary* mungkin akan mengalami *recovery* yang lebih cepat.
- 🏠 Revisi *earnings* kami rasa telah cukup, mengindikasikan *bottoming market*.
- 🏠 Posisi investor asing dan institusi lokal juga tidak agresif mengindikasikan *tactical bullish*.
- 🏠 Valuasi tidak lagi terlalu *depressed* di beberapa sektor dan momentum juga sedikit melandai, *risk and reward* dalam *stock-picking* lebih penting.
 - Kami sementara ini tetap fokus pada sektor yang trend perbaikan-nya akan terlihat di 3Q20.
 - Kami melihat 2Q20 results dapat menjadi katalis bila *earnings* terlihat *bottoming* sementara momentum perbaikan mulai terlihat. Sektor perbankan akan menjadi lebih menarik sesuai *earnings bottom* di 2Q20.
 - Sektor telekomunikasi bisa menarik sejalan dengan relatif *underperformance* yang terlihat selama 2 bulan terakhir sementara momentum *earnings* 2Q20 harusnya cukup baik.
 - Kami juga mencari peluang dengan *short-term M&A* sebagai katalis.
 - *Medium term*, kami melihat sektor properti dan konstruksi menarik karena 2021 bisa covid19, pemerintah akan ber-fokus pada penciptaan lapangan kerja.

Our Opinion & What We Think Will Develop in 3Q20

Berdasarkan perkembangan satu bulan terakhir, Kami melihat beberapa pandangan kami masih sesuai dengan yang telah diutarakan sebelumnya :

- 🏠 *Revisi earnings kami rasa telah cukup, mengindikasikan bottoming market.*
 - 8 dari 16 sector mencatatkan net income >50% hal ini termasuk sektor-sektor yang memiliki market cap cukup besar seperti (Telco, Banks, Consumer). Adapun beberapa sektor big-cap yang masih *laggads* seperti (Auto, Cement)
- 🏠 *Posisi investor asing dan institusi lokal juga tidak agresif mengindikasikan tactical bullish.*
 - Di bulan Agustus, Lokal and *foreign* MF dan IS tidak melakukan banyak perubahan terkait ownership di IHSG.
- 🏠 *Respon pasar finansial atas peningkatan kasus covid-19 terlihat lebih proporsional. Namun koreksi mungkin terjadi bila 1) terjadi lockdown secara massive dan 2) sentimen konsumen yang memburuk.*
 - Terlepas dari peningkatan Kasus Covid-19 di Indonesia, Kinerja IHSG di bulan Aug mencatatkan +1.7% MoM. Hal ini sesuai dengan pandangan kami dimana koreksi pasar akan lebih sensitif terhadap intervensi pemerintah atas aktivitas ekonomi dibandingkan peningkatan kasus Covid-19 selama perkembangan Covid-19 masih dapat *manageable*.
 - Adapun data deflasi selama Juli dan Agustus yang memperlihatkan kepercayaan konsumen dan daya beli konsumen masih belum memberikan tanda peningkatan signifikan.
- 🏠 *Dengan Pemilu US di 4Q20, Kami melihat risiko atas penguatan USD menjelang akhir tahun.*
 - Kami juga melihat potensi penguatan USD akibat posisi investor asing yang sudah tinggi dalam melakukan *short* terhadap DXY dan *upcoming US election* di Nov'20.



Section

COVID-19 Updates

2

Covid-19 Global Update as of August

No Global Second Outbreak as Situation Varies to Each Country

Global Covid-19 Dashboard

We monitor pace of growth cases, positivity rate and Stringency Index

Country	31-Jul-20					31-Aug-20					Changes and Our View				
	Rank	Total Cases	7D Avg. New Cases	7D Avg. Daily Positivity Rate	Stringency Index	Rank	Total Cases*	7D Avg. New Cases*	7D Avg. Daily Positivity Rate*	Stringency Index*	Monthly Growth Case	Avg. 7D Growth Case	Positivity Rate Chg.	Stringency Index Chg.	Notes
Indonesia	25	106,336	1,811	14.2%	62.50	24	172,053	2,645	17.4%	59.72	61.8%	46.1%	3.2%	-2.78	Cases grew above global rate
World	1	17,298,366	259,939			1	25,275,100	259,512			46.1%	-0.2%			
United States	2	4,495,014	65,845	7.9%	67.13	2	5,997,163	42,079	NA	67.13	33.4%	-36.1%	NA	0.00	Daily Cases already down, No chg. in economic stringency
Brazil	3	2,610,102	46,090	NA	72.69	3	3,804,803	38,925	NA	64.35	45.8%	-15.5%	NA	-8.34	Daily Cases already down, Gradual opening economy as Stringency down by 8bps.
India	4	1,638,870	50,132	10.0%	77.78	4	3,542,733	71,113	8.4%	79.63	116.2%	41.9%	-1.6%	1.85	Cases grew above global rate
Russia	5	834,499	5,637	2.1%	68.06	5	985,346	4,778	2.7%	54.17	18.1%	-15.2%	0.6%	-13.89	Daily Cases already down, Gradual opening economy as Stringency down by 14bps
Peru	8	407,492	5,199	NA	81.48	6	600,438	8,421	NA	85.19	47.3%	62.0%	NA	3.71	
South Africa	6	482,169	10,588	26.9%	80.56	7	622,551	2,215	16.9%	77.78	29.1%	-79.1%	-10.0%	-2.78	Daily Cases already down, No chg. in economic stringency
Colombia	13	286,020	8,521	26.6%	87.04	8	599,914	9,544	23.1%	87.04	109.7%	12.0%	-3.5%	0.00	
Mexico	7	416,179	6,495	53.9%	70.83	9	563,705	5,425	45.4%	-	35.4%	-16.5%	-8.5%	NA	
Spain	12	288,522	2,300	5.2%	64.35	10	462,858	8,203	NA	62.50	60.4%	256.6%	NA	-1.85	
Chile	9	353,536	2,111	10.7%	86.57	11	408,009	1,757	17.0%	83.80	15.4%	-16.8%	6.3%	-2.77	
Argentina	21	178,983	5,299	40.8%	90.74	12	380,279	8,487	15.9%	87.96	112.5%	60.1%	-24.9%	-2.78	
Iran	11	301,530	2,499	9.8%	64.35	13	371,816	2,146	8.7%	62.96	23.3%	-14.1%	-1.1%	-1.39	
United Kingdom	10	302,301	553	0.4%	64.35	14	327,798	1,073	2.4%	-	8.4%	94.2%	2.0%	NA	Daily cases is picking-up int Aug.
Saudi Arabia	15	274,219	1,975	3.4%	65.74	15	313,911	1,077	6.2%	60.19	14.5%	-45.5%	2.8%	-5.55	

Sumber: Syailendra Research, Our World In Data, JHU

- 🚩 Rata-rata 7 hari kasus Covid-19 global telah bergerak *flat* menjadi -0.2%. Hal ini memberikan sinyal yang baik terhadap prospek ekonomi kedepan. Adapun beberapa *region* dan negara yang mengalami peningkatan dari bulan Juli yaitu: Regional Eropa (Italy, UK, France) yang diakibatkan *low-base*, serta beberapa EM di Asia (India, Phillipine dan Indonesia).

Growth of Covid-19 Hasn't Slowed in Most Regions

At the same time, people gradually do out of home activity

Indonesia Covid-19 Dashboard

We monitor Growth Active vs Total Case, Daily New Cases and Mobility Spread

Top 10 Regions	31-Jul-20						31-Aug-20						Changes and Our View					
	Rank	Active Cases	Total Cases	30D Avg. New Cases	7D Avg. New Cases	Goog. Mobility Normality Spread (Workplace - Residential)	Rank	Active Cases	Total Cases	30D Avg. New Cases	7D Avg. New Cases	Goog. Mobility Normality Spread (Workplace - Residential)	Active Cases	Total Cases	30D Avg. New Cases	7D Avg. New Cases	30D vs 7D New Cases	Goog. Mobility Normality Spread
Nasional		37,338	108,376	1,687	1,851	-80		41,420	174,796	2,162	2,769	-35	11%	61%	28%	50%	28%	45
Jawa Timur	1	5,976	22,089	326	306	-81	1	5,034	40,086	374	415	-34	-16%	81%	15%	36%	11%	47
DKI Jakarta	2	7,360	21,399	325	433	-94	2	8,351	33,543	611	855	-46	13%	57%	88%	97%	40%	48
Jawa Tengah	4	3,573	9,516	184	196	-79	3	3,993	13,964	144	191	-32	12%	47%	-22%	-3%	33%	47
Sulawesi Selatan	3	2,624	9,422	140	116	-70	4	2,371	11,978	81	66	-37	-10%	27%	-42%	-43%	-18%	33
Jawa Barat	5	2,356	6,532	109	88	-84	5	4,640	11,063	149	235	-37	97%	69%	38%	166%	57%	47
Kalimantan Selatan	6	2,442	6,098	96	97	-73	6	1,646	8,288	71	64	-33	-33%	36%	-26%	-33%	-9%	40
Sumatera Utara	9	2,384	3,931	78	87	-74	7	2,547	6,827	96	94	-34	7%	74%	23%	8%	-1%	40
Sumatera Selatan	7	1,461	3,417	45	29	-69	8	1,045	5,207	34	42	-31	-28%	52%	-23%	44%	24%	38
Bali	10	483	3,407	63	50	-76	9	705	4,454	59	90	-52	46%	31%	-6%	81%	54%	24
Papua	8	1,652	3,059	40	38	-65	10	639	4,244	24	21	-22	-61%	39%	-42%	-45%	-12%	43

Sumber: Syailendra Research, CLSA, Google

- Perkembangan Covid-19 di Indonesia secara umum masih memburuk dari bulan Juli ke bulan Agustus. Hal ini terlihat dari pertumbuhan kasus secara total ataupun rata-rata harian. Namun, kami melihat *active case* dari beberapa wilayah (Bali, Jawa Timur, Sulawesi Selatan) menurun dibandingkan bulan Juli. Terlepas dari hal tersebut, respon masyarakat cenderung mengurangi mobilitas kantor dan berdiam di rumah, hal ini terlihat dari menurunnya *spread google mobility*.

Tracking Vaccine Progress So Far

3 out of 9 Phase III vaccines candidates have already been approved for a limited use

Summary of Major Vaccine Development

As of June 2020

Country/ Region	Vaccine Developer	Notes	2020				2021	
			1Q	2Q	3Q	4Q	1Q	2Q
US	Novavax/Emergent Biosolution/Praha Vaccine/Serum Institute of india/AGC Biologics/Fujifilm Diosynth Biotech	Joined US Operation Warp Speed in July 2020, Phase III trial expected to begin in fall 2020	Phase I & II		Phase III	Operation Warp Speed		
US	Moderna/NIAID/Lonza/Catalent/R ovi/Mediate	Phase III COVE study (US operation warp speed, NIH, BARDA) began end of July 2020; animal study results published end of July 2020; Interim analysis results of Phase I study published mid-July 2020; Completed enrollment for both cohorts of the Phase II study in early July 2020; FDA granted fast track designation in May 2020	Phase I & II		Phase III	Operation Warp Speed		
China	Sinovac/ Instituto Butantan	Phase III trial began end of July 2020; Phase II began June 2020 and is expected to be completed at the end of 2020; Preliminary results from Phase I/II trials released June 2020		Phase II	Phase III + Limited Approval			
China	Beijing Institute of Biological Products/Sinopharm	Phase III trial began July 2020;			Phase III			
China	Wuhan Institute of Biological Products/Sinopharm	Phase III trial began July 2020; Early Phase I/II trial results released June 2020			Phase III			
UK & EU	Astra Zeneca & Consortium of University	Phase III trial began end of June 2020; Interim results from ongoing Phase I/II trial released in July 2020; Will join US Operation Warp Speed vaccine trials in August 2020; Phase II/III trials are currently underway in the UK, Brazil and South Africa.			Phase III	Possibility of Emergency Delivery	Est. Productio n	
US	Biontech/Fosun Pharma/Pfizer	Phase IIb/III trial began end of July 2020; FDA granted Fast Track designation for two BNT162 candidates (BNT162b1 and BNT162b2) in July 2020; Joined US Operation Warp Speed in July 2020; Phase I/II began April 2020; preliminary data from ongoing Phase I/II trial released July 2020			Phase III	Operation Warp Speed		
China	Cansino	Phase II began April 2020 initial results release May 2020, mid-phase results release July 2020; Approved for military use in China on June 25,2020	Phase I & II		Limited Approval (Military)			
Russia <i>Sumber: New York Times, Milken Institute</i>	Gamaleya Research Institute	Phase III expected to begin September 2020; Phase I/II began June 2020; Received early approval for use in Russia on August 11, 2020, without a completed Phase III trial			Phase III			

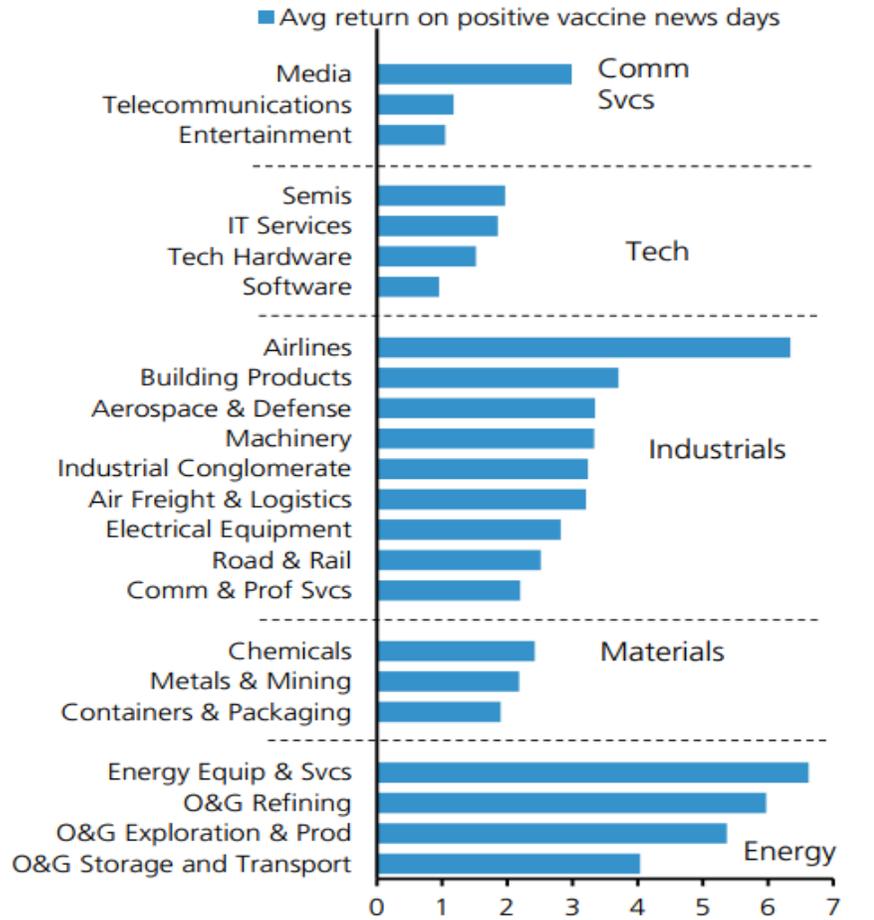
- 9 Kandidat yang akan atau telah memasuki fase III yaitu testing secara masal untuk menguji efektivitas vaksin. Adapun 2 tambahan vaksin yang masih dalam fase III telah disetujui oleh negara masing-masing untuk dapat dilakukan penggunaan terbatas sebagai penggunaan *emergency*.

Market Reaction Related to Vaccine Developments

Highest return was seen in most punished sector such as Airlines and Energy

Avg. Return on Positive Vaccine News

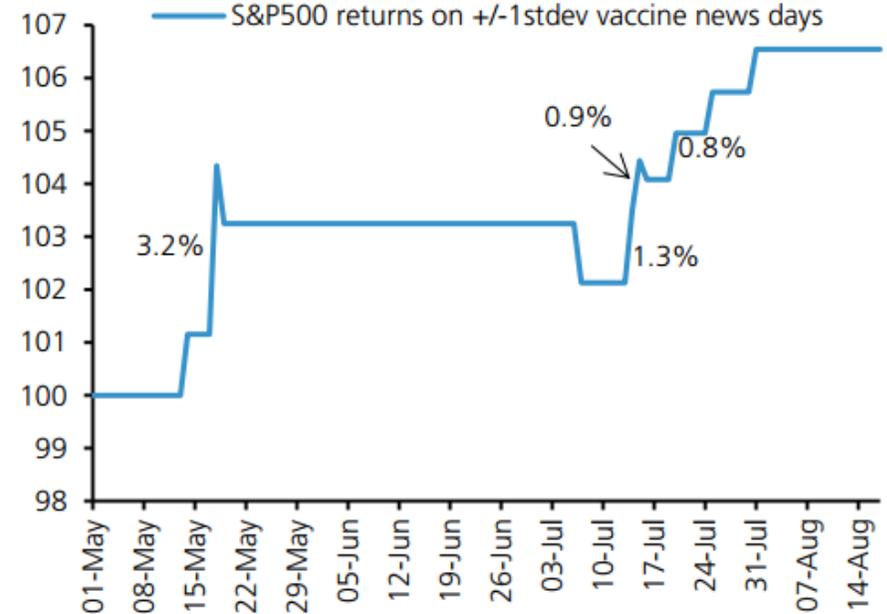
In % of return on the day



Source: UBS, Factset

Cum. S&P Return during Vaccine News

In cumulative return since end of Apr



Source: UBS, Factset

- ▲ Pasar sedang menunggu hasil *testing* fase III yang diekspektasi disekitar 4Q20. Apabila hasilnya positif, berdasarkan data historis, kami melihat pasar memberikan kontribusi return tertinggi pada sektor yang telah terkoreksi tinggi i.e Airline & Energy.



Section

Macro Update

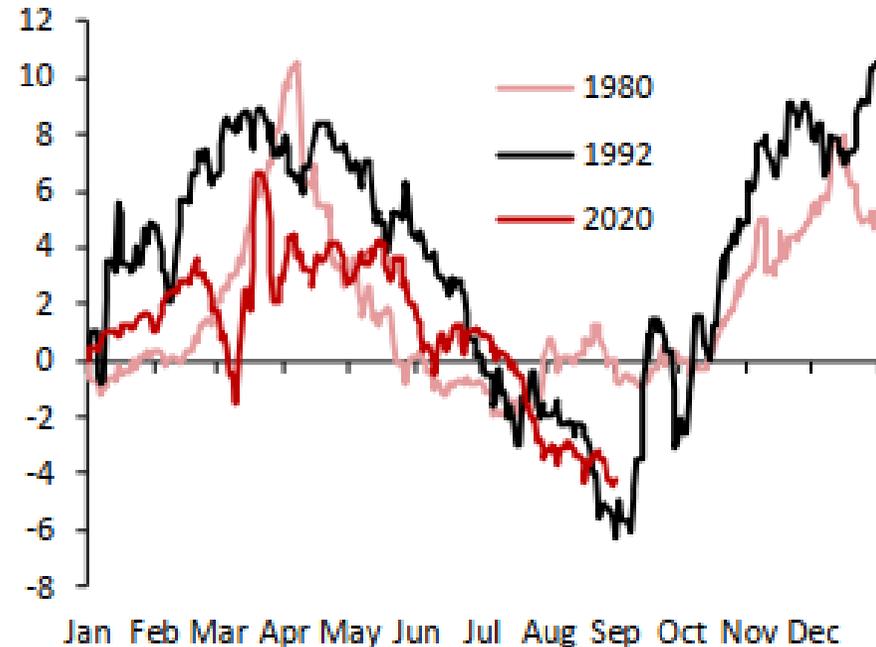
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Tactically, USD Could Strengthen During 2H20

Potential headwinds for its counterpart currency include IDR

In the past DXY had Surprised during Election

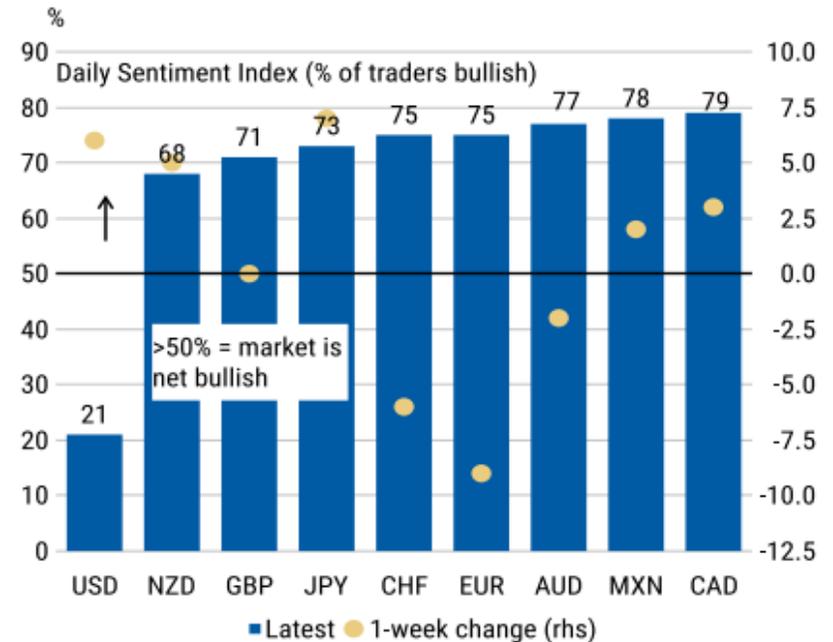
Level of DXY during US Election where incumbent loss



Source: Bloomberg, Syailendra research

At the same time, Market Remains Bearish on USD

Daily Sentiment Index (% of traders bullish)



Source: Macrobond

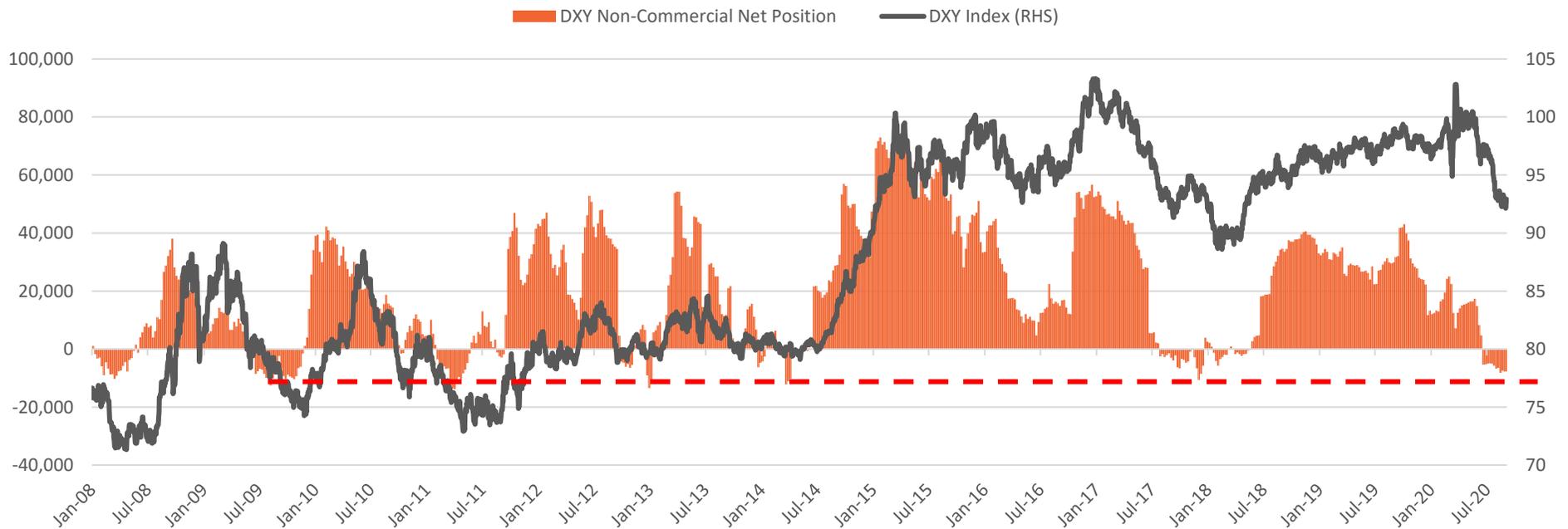
- Adapun faktor lain yang menjadi pertimbangan pasar. Secara historis, DXY cenderung menguat menjelang pemilu dimana *incumbent* presiden tidak terpilih kembali (1980 dan 1992). DXY cenderung bertahan di level psikologis 90 dalam beberapa pekan. Hal ini juga dipengaruhi akibat posisi pasar yang sudah *short* secara signifikan dalam 3 bulan belakang.

Dollar was Near its Shortest Position Since 2008

Incremental positive changes could impact highly to DXY movement

Spread of UST 2yr and UST 10yr during multiple periods of US recession (grey area)

Numbers in bps



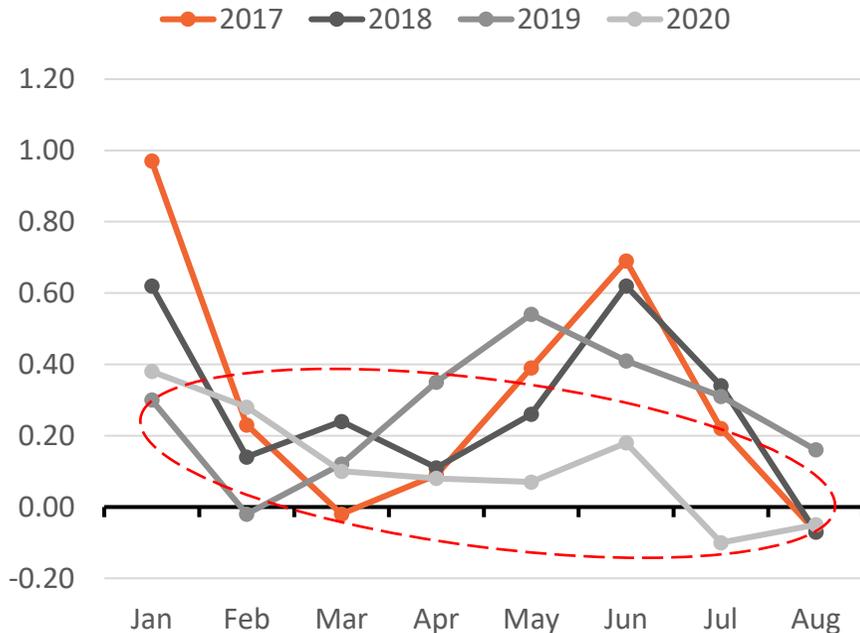
Source: Bloomberg, Syailendra research

- 🚧 Sejak 2008, Pasar mempunyai level terendah *short* untuk USD sebesar 15,443 kontrak dibandingkan level saat ini yang *short* sebesar 7,768 kontrak. Hal ini menandakan posisi konsensus yang *bearish* terhadap USD.
- 🚧 Apabila munculnya katalis positif atas USD, Risiko penguatan USD menjadi lebih besar akibat posisi *short* yang sangat tinggi.

Weak Consumption Still Apparent in 3Q20

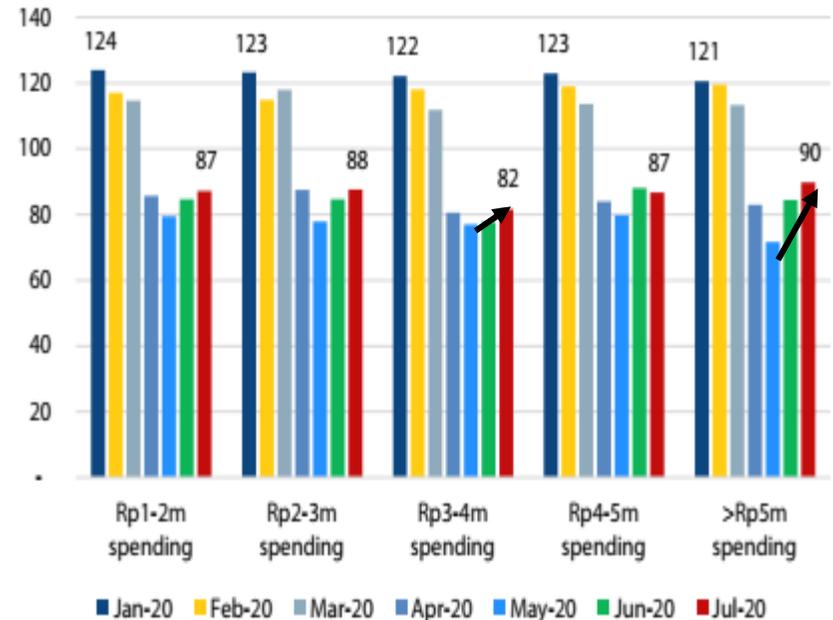
Two consecutive months of deflation provides more color on consumption

Inflation Trajectory in 2020 Sign of Weak Consumption
In % MoM CPI Index



Source: Bloomberg, Syailendra research

Middle Class is the weakest recovery the opposite of Upper-Class
In Consumer of Confidence Index



Source: Mandiri Sekuritas, Bank Indonesia

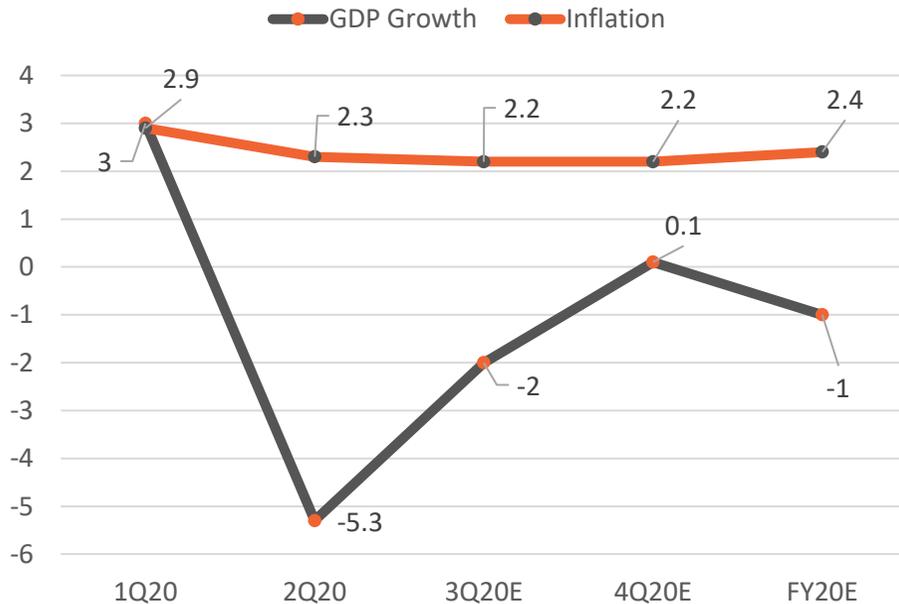
- Apabila kita melihat pergerakan inflasi di tahun 2020 dimana Indonesia mencatatkan deflasi bulanan di bulan Juli dan Agustus. Hal ini menandakan *demand* untuk konsumsi masih lemah.
- Adapun data CCI yang memperlihatkan peningkatan CCI untuk di level 3-4 juta perbulan relatif bergerak perlahan dibandingkan dengan basket lainnya.

Continued Recoveries of Indonesia Economy

Activities indicators still showed positive recoveries in Aug'20

GDP Growth to Improve in Next Quarters

YoY Change in %



Activities Recovered in Transition Period

Indonesia activity indicators index (100 = pre PSBB)



Source: Bloomberg, Syailendra research

Source: Syailendra Research

- Beberapa indikator aktivitas perekonomian Indonesia kembali melanjutkan perbaikan pada bulan Juli melanjutkan perbaikan bulan Juni pasca mulainya PSBB transisi di sebagian besar wilayah Indonesia.
- Perbaikan aktivitas ekonomi ini sejalan dengan pertumbuhan GDP yang diekspektasi membaik pada 3Q20 setelah menyentuh level terendah pada 2Q20.

2021 Budget Plan is Still Prone to Revision

Gov't assuming the economy is already normalized in 2H21 as investment pour-in

GDP Growth to Improve in Next Quarters

YoY Change in %

	2020 Outlook	2021 RAPBN	YoY%
A. Revenue and Grant	1,699.90	1,776.40	4.5%
I. Domestic Revenue	1,698.60	1,775.50	4.5%
1. Tax revenue	1,404.50	1,482.00	5.5%
2. Non-tax revenue	294.10	293.50	-0.2%
II. Grant	1.30	0.90	-30.8%
B. Government Expenditure	2,739.20	2,747.60	0.3%
I. Central Government Expenditure	1,975.20	1,951.30	-1.2%
1. Personnel expenditure (RHS)	403.70	420.70	4.2%
2. Material expenditure	273.20	357.40	30.8%
3. Capital expenditure	137.40	250.30	82.2%
4. Interest payment	338.80	373.30	10.2%
5. Subsidy	192.00	172.90	-9.9%
6. Grants Expenditure	5.10	6.80	33.3%
7. Social assistance	174.50	161.40	-7.5%
8. Other expenditures	450.50	208.60	-53.7%
II. Transfer to Region & Village Fund	763.90	796.30	4.2%
1. Transfer to region	692.70	724.30	4.6%
2. Village fund	71.20	72.00	1.1%
C. Primary Balance	-700.40	-597.90	-14.6%
D. Fiscal Surplus/(Deficit) (A-B)	-1,039.20	-971.20	-6.5%
As a percentage of GDP	-6.34%	-5.50%	
Notes (Other Classification)			
Infrastructure Spending	281.10	414.00	47.3%
Total Stimulus (PEN)	695.10	365.50	-47.4%
Social Safety Net Stimulus (Inc. in Total Stimulus)	203.90	110.20	-46.0%

Activities Recovered in Transition Period

Indonesia activity indicators index (100 = pre PSBB)

	2020 Outlook	2021 RAPBN
GDP Growth (%)	-1.1 to 0.2	4.2 - 5.5
Private Consumption (%)	-1.3 to 0.0	4.1 - 5.3
Government Expenditure (%)	2.0 to 4.0	4.5 - 7.0
GFCF (%)	-4.2 to -2.6	6.0 - 7.1
Export (%)	-5.6 to -4.4	2.7 - 6.2
Import	-10.5 to -8.4	3.2 - 8.5

Source: Syailendra Research

- ABPN 2021 memperlihatkan bagaimana pemerintah menyeimbangkan antara reformasi APBN dan stimulus ekonomi. Hal ini terlihat dari asumsi PDB dan alokasi dari stimulus ke belanja infrastruktur.
- Namun, hal yang perlu kita amati ialah seberapa cepat *covid-19* curve di Indonesia memperlihatkan tanda-tanda *flattening*.
- Di saat yang pencapaian realisasi fiskal di 2H20 memberikan buffer bagi konsumen.
- Apabila kedua hal tersebut berjalan lancar. Pemulihan ekonomi secara natural akan terjadi di tahun 2021.
- Sehingga, 2H21 pemerintah dapat memfokuskan diri dengan rencana reformasi baik dari belanja infrastruktur dan hal lainnya.

Legislative is Discussing Changes on Central Banks

Central Banks will have a stronger role in supporting economic growth

Several Major Article in Propsed Central Banks Bills

In comparison between existing law and propsed revision

Subject	Existing Law	Proposed Revision
Central Banks Target		
Primary goal (Article 7)	The goal of Bank Indonesia is to achieve and maintain IDR stability	The goal of Bank Indonesia is to achieve and maintain IDR stability, promote economic growth and create sustainable employment.
Strategy (Article 10)	Establish monetary targets, based on the inflation target.	Establish monetary targets, based on inflation, economic growth and employment targets.
Central Banks Independence		
Monetary council (Article 9)	Non Existence	The creation of Monetary Council to lead, coordinate and encourage monetary policy aligning with Government economic policies. Monetary Council consists of five members, which are 1) Finance Minister as the Chair, 2) Economic Affairs Minister, 3) Bank Indonesia's Governor, 4) Bank Indonesia's Senior Deputy Governor and 5) Financial Services Authority's Head of Commissioner.
Central Banks Leadership Structure		
Board of governors (Article 75)	The Board of Governors should be appointed under the following arrangement : ... (referred to existing law). At the latest 3 (three) weeks after the Act becomes effective, the President shall propose a candidate of Senior Deputy Governor in accordance with Article 40 and Article 41 for the first term of office for 5 (five years). The member of the Board of Governors as referred to in paragraph (1) letter b, letter c, and letter d shall be approved by the House of Representatives upon the nomination of the Governor.	Given that changes in monetary policy are fundamental, it is necessary to change the Board of Governors. With the enactment of this Law, the Board of Governors shall be terminated and acting Board of Governors is appointed. At the latest 1 (one) year since the effectiveness of this Act, the President shall propose the Board of Governors for a 5- year term of office.
Central Banks Role in Economic Recovery Program (PEN)		
Government bonds buying (Article 55) Bank Indonesia is prohibited from buying government securities on the primary market for its own account, except in the case of short-term government securities needed by Bank Indonesia for monetary control operations. Bank Indonesia may buy government securities on the primary market as part of the provision of the emergency financing facility. Bank Indonesia may purchase government securities in the primary market for monetary control operations and/or emergency financing facility. In certain economic conditions, Bank Indonesia may purchase government securities with zero coupon bonds and at a discounted price under an agreement with the Government.
Government financing (Article 56)	Bank Indonesia shall not provide any credit to the Government. In the event that Bank Indonesia violate the provision, the agreement to extend credit to the Government shall be null and void.	Bank Indonesia is allowed to provide temporary financing to the Government if there is any deficiency in government revenue. The financing is provided through purchasing government securities. The financing shall be paid up to three months after the fiscal year ended with maximum amount of 1/5 (a fifth) of the government revenue target.

Source: Bahana, Baled Legislative of Indonesia



Section

Fixed Income Update

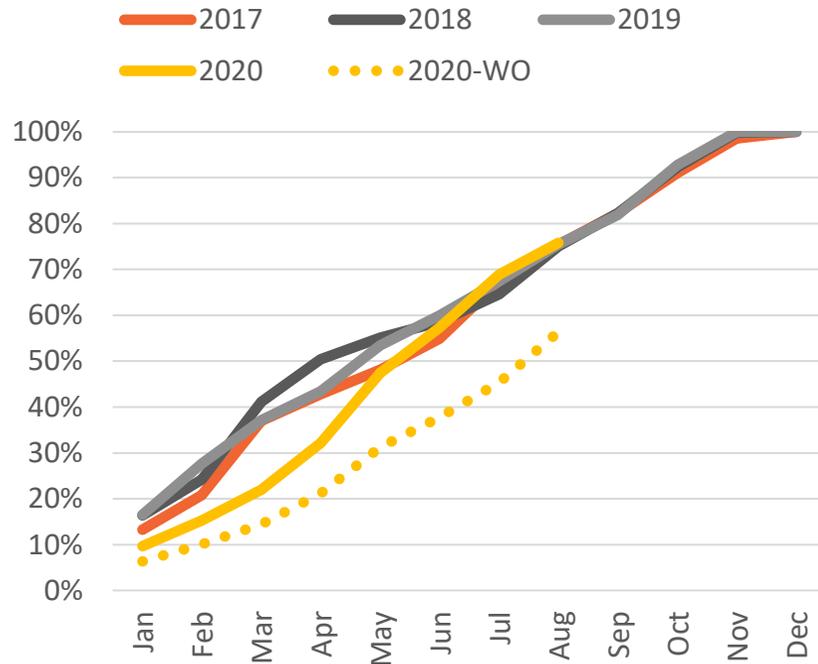
4

Government Auction Target

Issuance remains on-track but realization lagging behind

Cumulative Issuance as % of Full Year Target

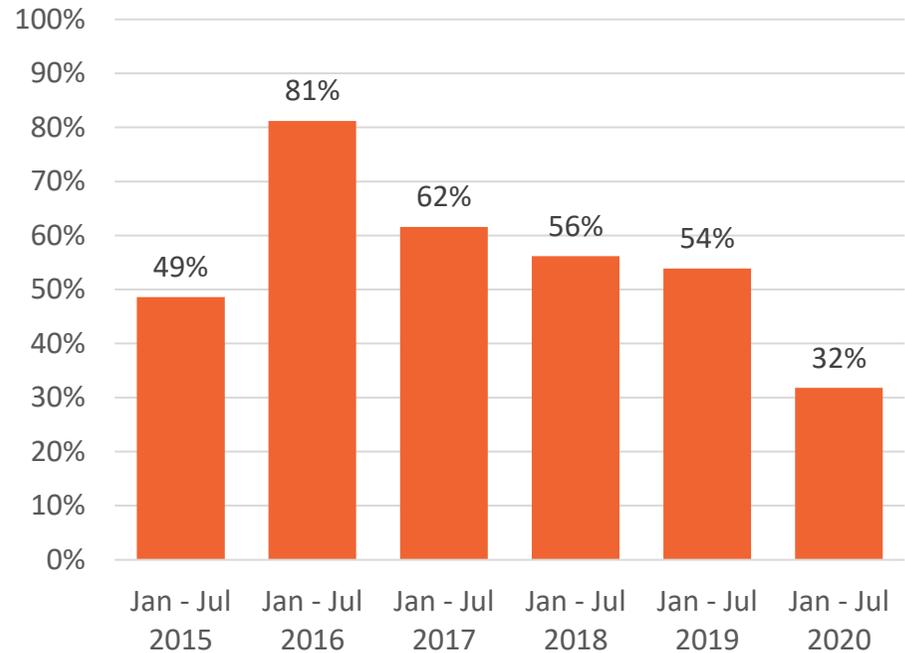
“WO” denotes scenario if BI is not buying in the primary market



Source: DJPPR, Syailendra research

Deficit Realization as % of FY Target

In %



Source: Mansek

- 🏗️ Penerbitan obligasi negara masih berada sesuai dengan target defisit fiskal pada level 6.2%. Realisasi penerbitan per akhir Agustus 2020 masih setara dengan rata-rata penerbitan dalam beberapa tahun terakhir.
- 🏗️ Namun, realisasi belanja pemerintah masih jauh dari target, per bulan Jul-20 belanja negara menyentuh level 31.8% dari target. Pemerintah sudah berencana mempercepat belanja negara pada 2H20 terutama untuk belanja sosial.

Real Rate Comparison among EMs

Indonesia still has attractive real rate compared to peers

Real 10Y YTM – Indonesia vs. Peers

Sorted from the least 10Y YTM, data as of Aug-20, unless otherwise stated

Country	10Y YTM (%) as of 3-Sep	Changes (bps)		Benchmark Rate (%)	Inflation rate (%)	Real Benchmark Rate (ppt)	10Y Real Yield (ppt)	20E Forecast	
		1 Month	1 Year					Current Account Balance (% GDP)	Fiscal Balance (% GDP)
Thailand	1.4	21.8	(2.8)	0.5	(0.5)	1.0	1.9	3.3	(6.0)
South Korea	1.5	22.9	20.6	0.5	0.7	(0.2)	0.8	3.5	(4.4)
Malaysia	2.6	5.1	(74.5)	1.8	(1.3)	3.1	3.9	1.5	(6.5)
Philippines	2.8	6.3	(162.5)	2.3	2.4	(0.2)	0.4	0.5	(7.6)
China	3.1	17.1	3.9	4.4	2.7	1.7	0.4	1.2	(6.7)
India	5.9	6.1	(66.1)	4.0	6.9	(2.9)	(1.0)	(0.9)	(4.1)
Mexico	6.0	27.2	(96.8)	5.1	3.6	1.5	2.4	0.1	(5.0)
Colombia	6.1	0.0	0.2	2.5	3.5	(1.0)	2.6	(4.1)	(7.9)
Russia	6.2	31.5	(91.0)	4.3	3.4	0.9	2.8	1.0	(4.5)
Turkey	6.5	(58.5)	(74.8)	8.3	11.8	(3.5)	(5.3)	(2.1)	(2.1)
Indonesia	7.0	10.0	(38.5)	4.0	1.3	2.7	5.6	(1.9)	(6.3)
Brazil	7.2	60.6	(29.3)	2.3	2.3	(0.1)	4.9	(1.0)	(15.7)
Pakistan	8.1	0.0	(528.3)	8.0	8.2	(0.2)	(0.1)	(1.7)	N/A
South Africa	9.1	(16.6)	22.8	3.5	3.2	0.3	5.9	(0.7)	(15.0)

Source: Bloomberg, Syailendra research

- Real 10yr Yield Indonesia masih paling menarik dibandingkan negara berkembang lainnya terutama di Asia Tenggara, yaitu sebesar 5.6%. Sebagai perbandingan, negara lain dengan real yield yang relatif tinggi adalah Afrika Selatan (5.9%), Brasil (4.9%) dan Malaysia (3.9%).

State Budget Financing Target 2020/21

RAPBN 2021 gross financing is pretty much similar to 2020 level

State Budget Financing Needs Comparison

In IDRtn, unless otherwise stated

2021 Financing Need	APBN 2020	APBN-P 2020 Perpres No 54/2020	APBN 2020 Mansek Estimate	RAPBN 2021
Deficit (% of GDP)	(1.76)	(5.07)	(6.34)	(5.50)
Deficit	307	853	1,039	971
Non-Debt Financing Net	45	154	181	171
Net govt securities	352	1,006	1,220	1,143
Maturing Debt	390	433	459	375
Total Gross Financing Need	742	1,440	1,679	1,518
Sources of debt Financing	742	1,440	1,679	1,518
1. Loan program	38	151	148	22
2. Gross govt securities	704	1,289	1,533	1,496

Source: Bloomberg, Syailendra research

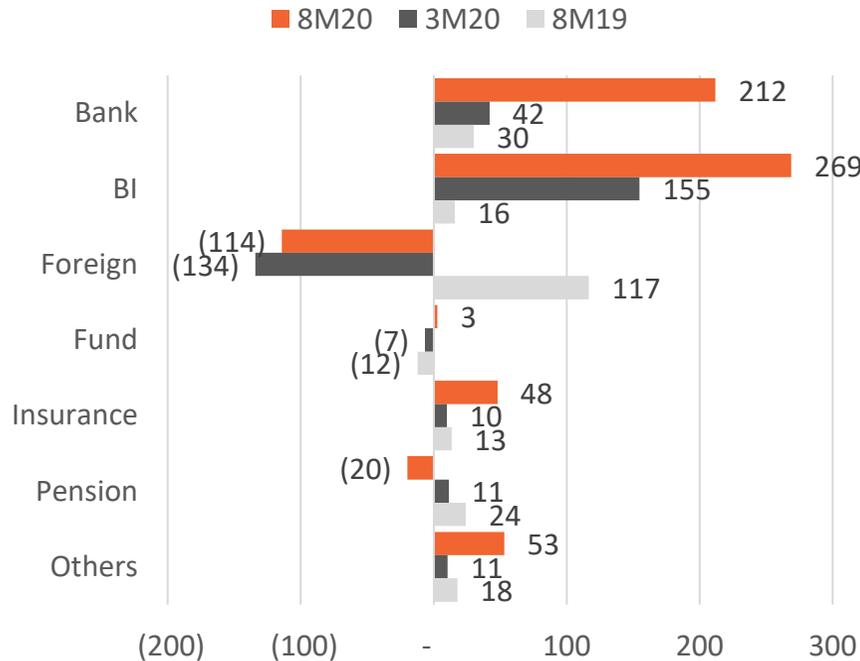
- ▲ Pemerintah menargetkan defisit fiskal pada level -5.5% pada tahun 2021 dan kebutuhan pembiayaan masih sama dengan tahun 2020 di sekitar IDR1,500tn.
- ▲ Pemerintah menyatakan tetap akan mengikutsertakan BI sebagai *standby buyer* sampai tahun 2022.

SBN Ownership

Banks continue the purchase of govt bonds at higher pace, BI giving support

Net New Ownership of SUN

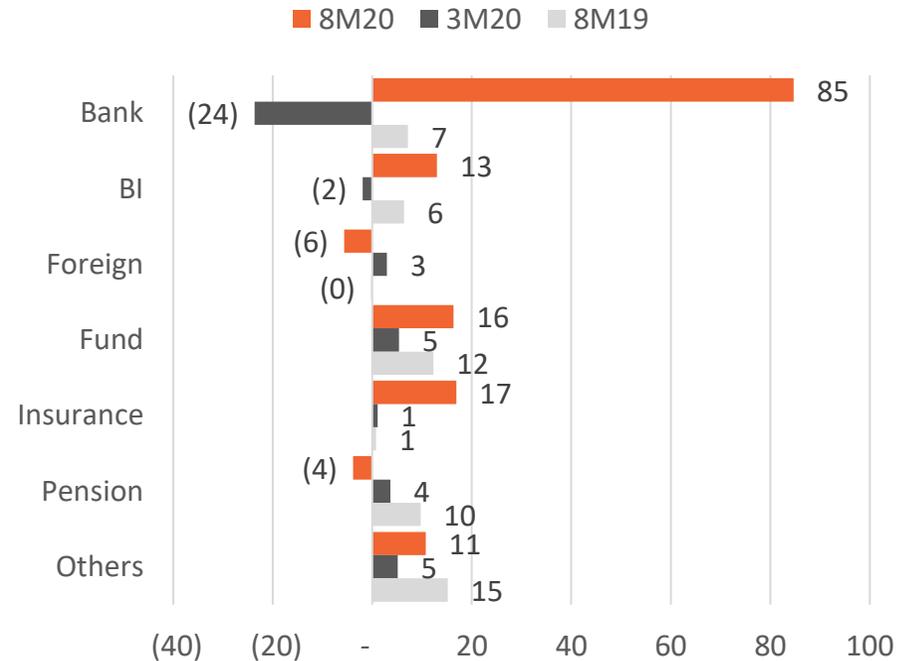
Based on ownership change YTD, in IDR tr



Source: DJPPR, Syailendra research

Net New Ownership of SBSN

Based on ownership change YTD, in IDR tr



Source: DJPPR, Syailendra research

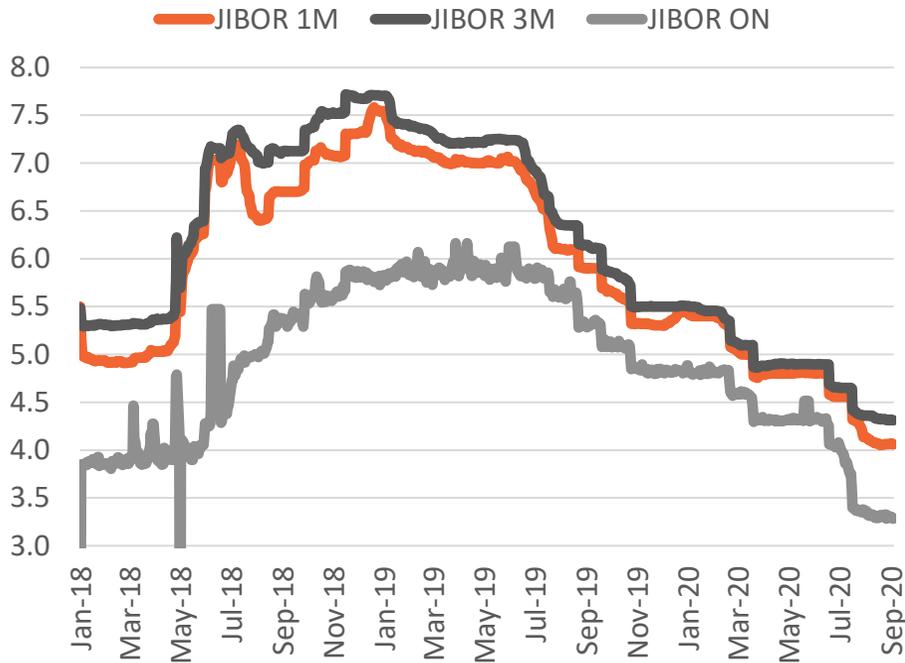
- Perbankan kembali menambah porsi kepemilikan di bulan Aug-20 bersamaan dengan BI. Investor asing juga ikut melakukan penambahan namun baru bertambah IDR20tn dibandingkan dengan bulan Mar-20.
- Sedangkan pada pasar SBSN, investor lokal perbankan dan reksa dana masih melakukan akumulasi pembelian pada bulan Agustus.

JIBOR rate and BI OMO data

Low rates encourage banks to opt for government bonds

Jakarta Interbank Offered Rate O/N, 1M, and 3M

In %



Source: Bloomberg, Syailendra research

BI Open Market Operation (OMO) Monthly Data

OMO in Reverse Repo and Term Deposits in IDRbn

IDRbn	Jun-20	Jul-20	Aug-20
RR (Reverse Repo)			
Total Bids	652,244	1,051,354	603,361
Total Accepted	604,401	394,926	76,000
% Awarded Bids	92.7%	37.6%	12.6%
TD (Term Deposit)			
Total Bids	805,053	1,926,327	1,094,330
Total Accepted	794,203	837,242	308,082
% Awarded Bids	98.7%	43.5%	28.2%
Awarded Bids DF	47,359	78,466	117,520

Source: Mansek

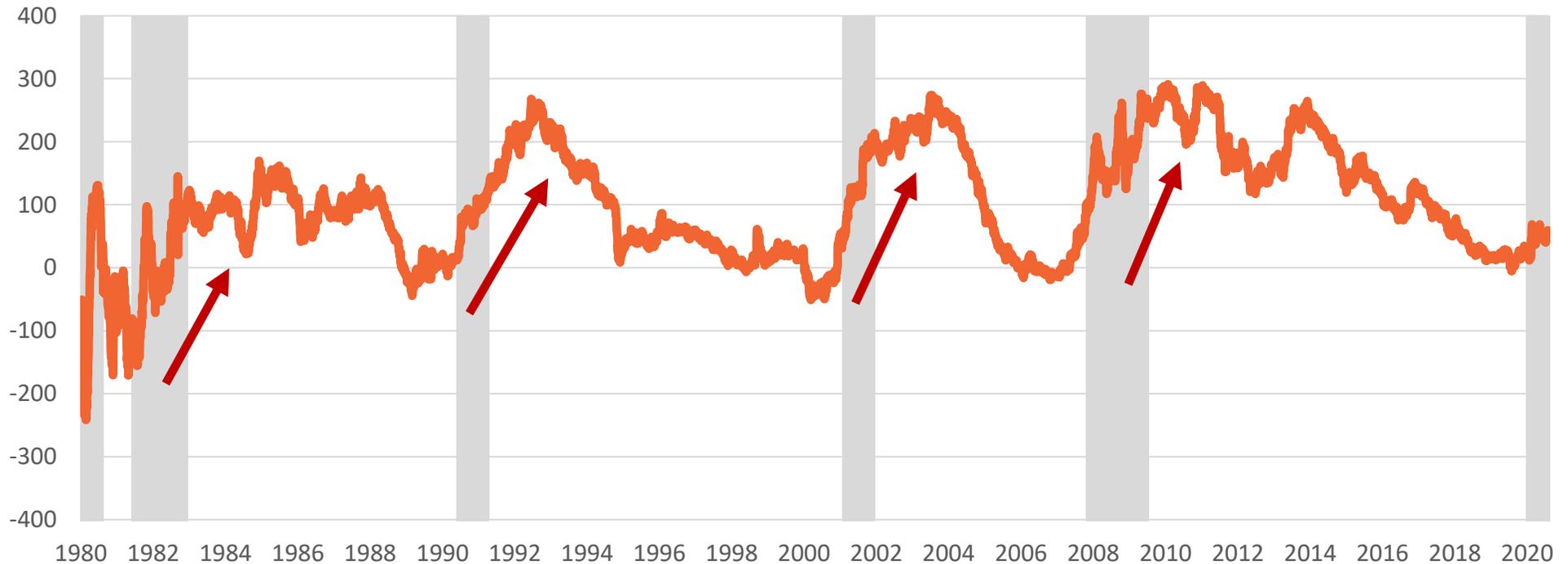
- 🏗️ Suku bunga JIBOR masih berada dalam tren penurunan dan masih berada pada posisi lebih rendah dari Mar-20.
- 🏗️ Nominal OMO Bank Indonesia yang dimenangkan cenderung menurun. Demi menjaga level imbal hasil, hal ini mendorong perbankan untuk menempatkan dana investasi mereka di instrumen lain, antara lain di SBN tenor pendek.

UST Yield Curve Post-Recession

Curve steepening bound to happen

Spread of UST 2yr and UST 10yr during multiple periods of US recession (grey area)

Numbers in bps



Source: Bloomberg, Syailendra research

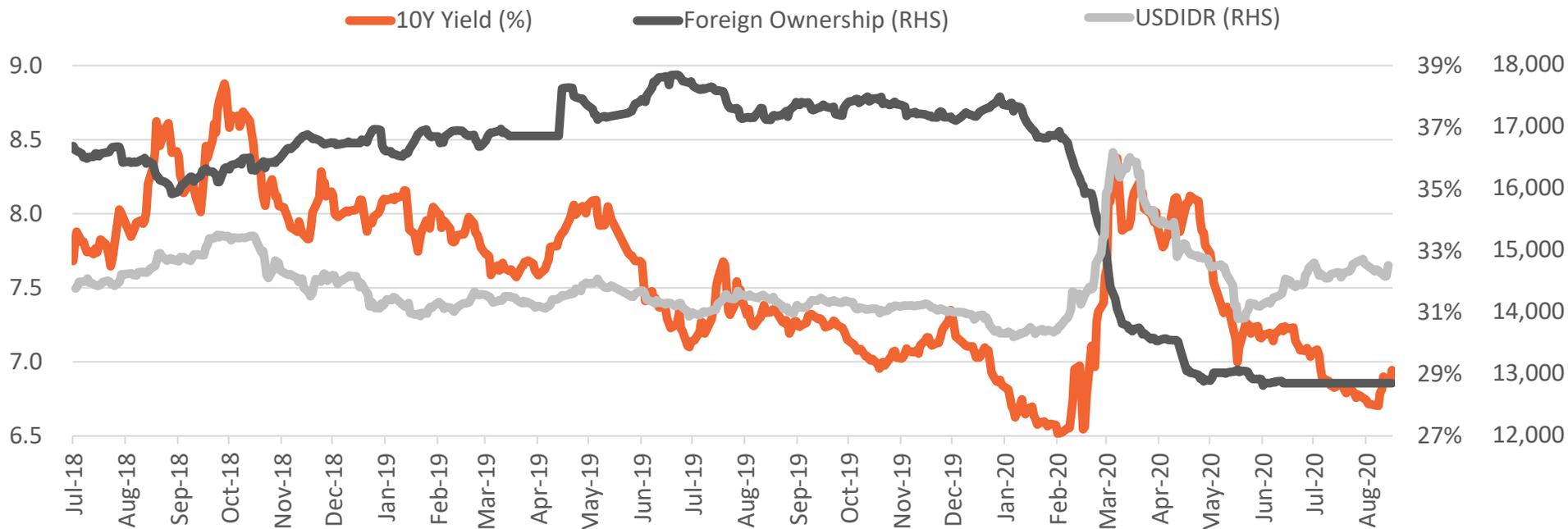
- ⚠ Berdasarkan data historis, 2-10 *spread* obligasi pemerintah AS mengalami kenaikan selama dan sesudah terjadinya resesi, i.e. *yield curve steepening*.
- ⚠ Yang terjadi pada periode-periode sebelumnya adalah imbal hasil obligasi tenor rendah mengalami penurunan atau cenderung lebih stabil dibandingkan obligasi tenor panjang.

Government Bond Outlook

Risk of supply-demand imbalance

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

Yield level still has room for downside



Source: Bloomberg, Syailendra research

- 📌 Demand signifikan dari investor asing belum terlihat, i.e. level kepemilikan masih dalam tren penurunan dan berada di sekitar 28%, bahkan ketika USDIDR sudah menyentuh level 14,700 dan imbal hasil 10y di 6.9%.
- 📌 Kami melihat ada risiko *supply-demand imbalance* pada obligasi pemerintah hingga tahun depan. Hal ini berpotensi menyebabkan kenaikan level imbal hasil dalam jangka waktu pendek-menengah.



Section
Equity Update

5

Global Indices Performance

Most major indices recorded positive performance last month

Global Indices Historical Performance

Equities continued rally in July following rebound in previous month

No	Country	YTD	1M	3M	6M	1Y	P/E	P/BV	ROE
Global Market									
1	Dow Jones (US)	-0.11%	8.62%	12.00%	11.89%	7.68%	24.83	4.31	22.84
2	S&P 500 (US)	8.66%	9.00%	14.98%	18.49%	19.61%	26.80	3.74	18.96
3	Nasdaq (US)	31.63%	12.44%	24.08%	37.45%	47.88%	40.08	5.93	39.05
4	London (UK)	-3.42%	3.63%	8.70%	1.55%	0.44%	24.21	1.51	8.28
5	DAX (GR)	-2.29%	1.54%	11.72%	8.87%	8.43%	21.20	1.56	6.03
6	CAC (FP)	-17.30%	1.50%	5.36%	-6.83%	-9.73%	25.77	1.48	5.15
Asia Market									
1	Nikkei (JP)	-2.18%	0.99%	5.77%	9.44%	11.76%	23.14	1.72	8.26
2	Hang Seng (HK)	-11.10%	2.62%	9.65%	-3.65%	-2.13%	11.99	0.98	10.18
3	Shanghai (CN)	11.70%	5.45%	19.05%	17.89%	17.65%	14.83	1.50	9.73
4	Shenzhen (CN)	18.00%	6.04%	24.55%	22.24%	26.76%	16.25	2.01	10.51
5	NFT (IN)	-7.09%	3.07%	18.86%	1.66%	3.30%	24.05	2.60	11.00
6	Kospi (KR)	5.85%	4.29%	14.61%	17.07%	18.21%	16.93	0.96	5.16
7	Kosdaq (KR)	26.64%	4.14%	18.85%	38.89%	38.93%	22.73		
ASEAN Market									
1	Singapore (SG)	-21.41%	-1.68%	0.87%	-15.89%	-18.48%	16.44	0.87	6.66
2	Kuala Lumpur (MK)	NA	-5.26%	NA	NA	NA	NA	NA	6.77
3	Thailand (TH)	-17.04%	NA	-2.40%	-2.23%	-20.80%	22.15	1.48	5.83
4	Vietnam (VN)	-8.64%	8.07%	1.99%	-0.06%	-10.41%	16.04	2.07	14.82
Indonesia Market									
1	JCI / IHSG (ID)	-16.84%	4.57%	10.20%	-3.93%	-17.22%	18.95	1.86	11.80
2	JII / ISSI (ID)	-19.69%	2.61%	4.83%	-3.82%	-21.83%	19.04	1.84	12.91
3	IDX30 (ID)	-18.68%	6.27%	13.04%	-6.24%	-17.39%	17.96	2.02	12.20
4	LQ45 (ID)	-18.76%	6.01%	13.55%	-6.29%	-17.23%	18.18	1.97	12.06

Foreign Equity Flow

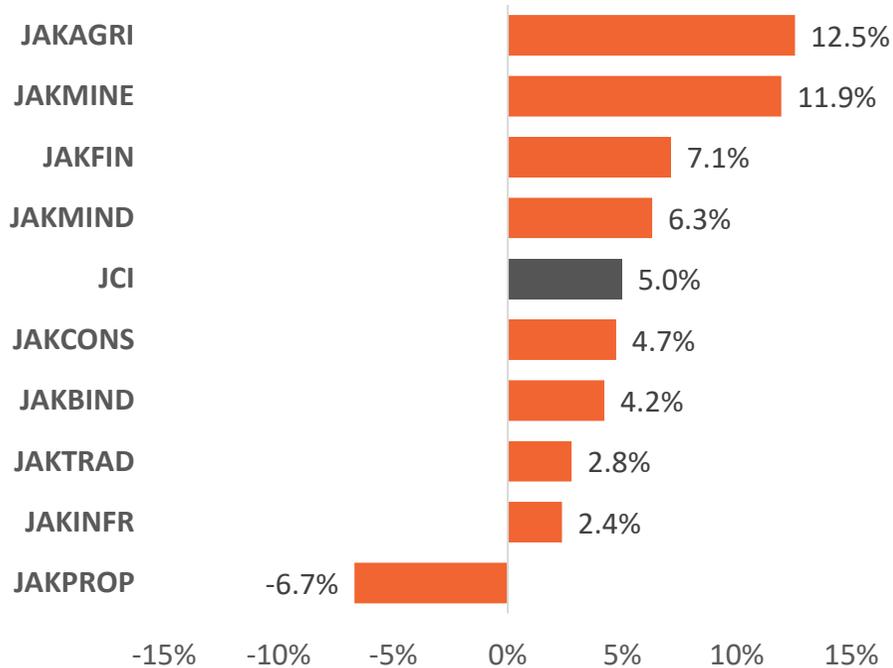
Net foreign outflows since February

Monthly Data (US\$ mn)	India	Indonesia	Korea	Philippines	Taiwan	Thailand	Malaysia	EM Asia ex. China	EM Asia ex-China ex-Malaysia
Jun-19	149	99	287	-139	1,091	1,505	33	3,025	2,992
Jul-19	-1,934	-20	1,620	81	-616	653	-20	-237	-217
Aug-19	-2,199	-651	-2,142	-226	-2,785	-1,762	-620	-10,386	-9,766
Sep-19	955	-519	-872	-143	2,532	-381	-133	1,437	1,571
Oct-19	2,062	-269	-208	73	4,094	-258	-116	5,379	5,494
Nov-19	3,150	-493	-3,025	-259	1,961	-254	-370	710	1,081
Dec-19	862	571	1,024	-173	1,058	-811	-292	2,239	2,531
Jan-20	1,373	1	-165	-164	-1,143	-562	-33	-693	-660
Feb-20	414	-340	-3,000	-179	-4,659	-627	-469	-8,859	-8,390
Mar-20	-8,390	-375	-10,544	-303	-12,077	-2,450	-1,288	-35,426	-34,139
Apr-20	-31	-560	-3,964	-325	818	-1,439	-612	-6,113	-5,500
May-20	1,719	-548	-3,302	-166	-5,051	-984	-690	-9,021	-8,331
Jun-20	2,473	-318	-705	-190	3,269	-737	-698	3,096	3,793
Jul-20	1,153	-264	725	-124	269	-323	-601	835	1,436
Aug-20	6,096	-581	-2,295	-261	-2,183	-887	-356	-468	-112
Yearly									
YTD	4,807	-2,984	-23,250	-1,711	-20,755	-8,010	-4,747	-56,650	-51,903
2019	14,234	-1,306	924	-240	9,377	-1,496	-2,683	18,811	21,493
2018	-4,557	-3,656	-5,676	-1,080	-12,231	-8,913	-2,885	-38,999	-36,114
2017	8,014	-2,960	8,267	1,095	6,587	-796	2,456	22,664	20,208
2016	2,903	1,259	10,480	83	10,956	2,240	-628	27,294	27,922
2015	3,274	-1,580	-3,580	-1,194	3,384	-4,372	-5,062	-9,130	-4,068

Monthly Sector Performance

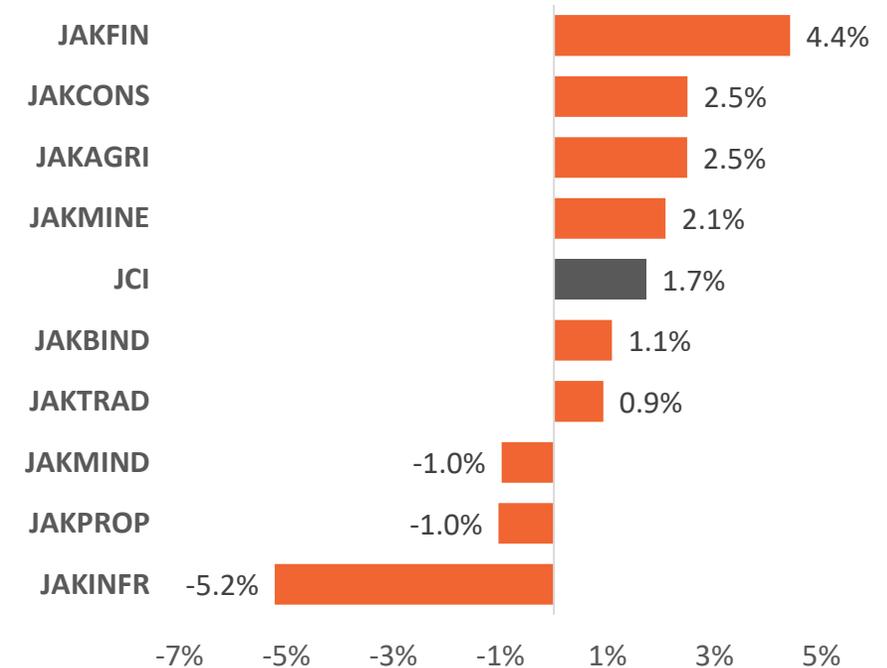
Banks extended its rally to August

JCI Performance By Sector
In July 2020



Source: Bloomberg

JCI Performance By Sector
In August 2020



Source: Bloomberg

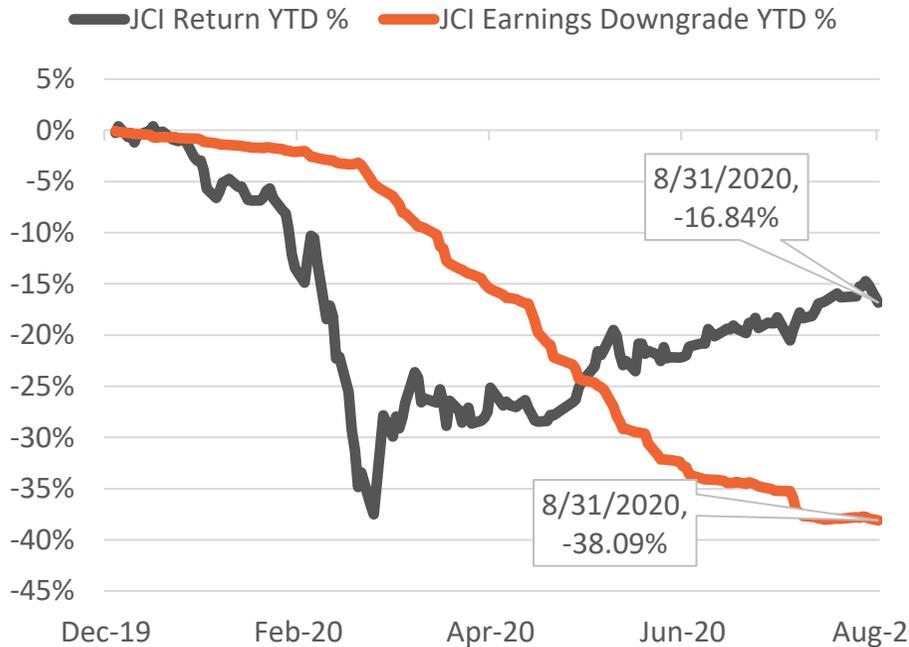
- Di bulan Agustus, IHSG meningkat sebesar +1,7%.
- Peningkatan kali ini di dorong oleh kinerja pada sektor Keuangan (+4,4%) dan Konsumer (+2,5%).
- Di sisi lain, sektor Infrastruktur mengalami penurunan di periode yang sama (-5.2%).

Earnings Expectation Still Adjusting

Market consensus continued JCI 2020 earnings downgrade

Earnings Downgrade Converging with Index Return

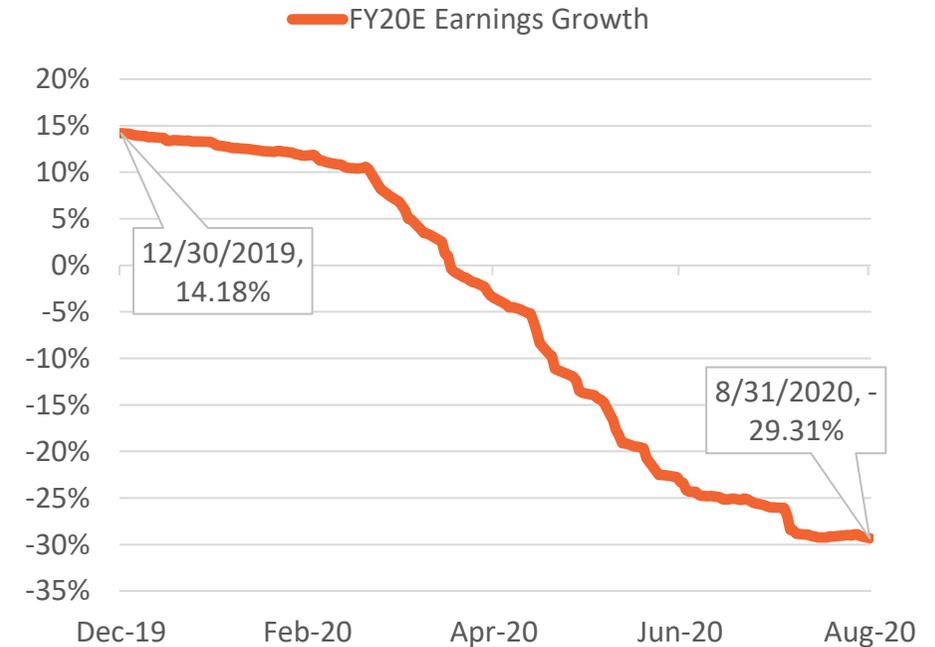
JCI return vs JCI earnings downgrade YTD %



Source: Bloomberg

FY20E Earnings Cuts Were Decelerating

JCI FY20E earnings growth in % YoY



Source: Bloomberg

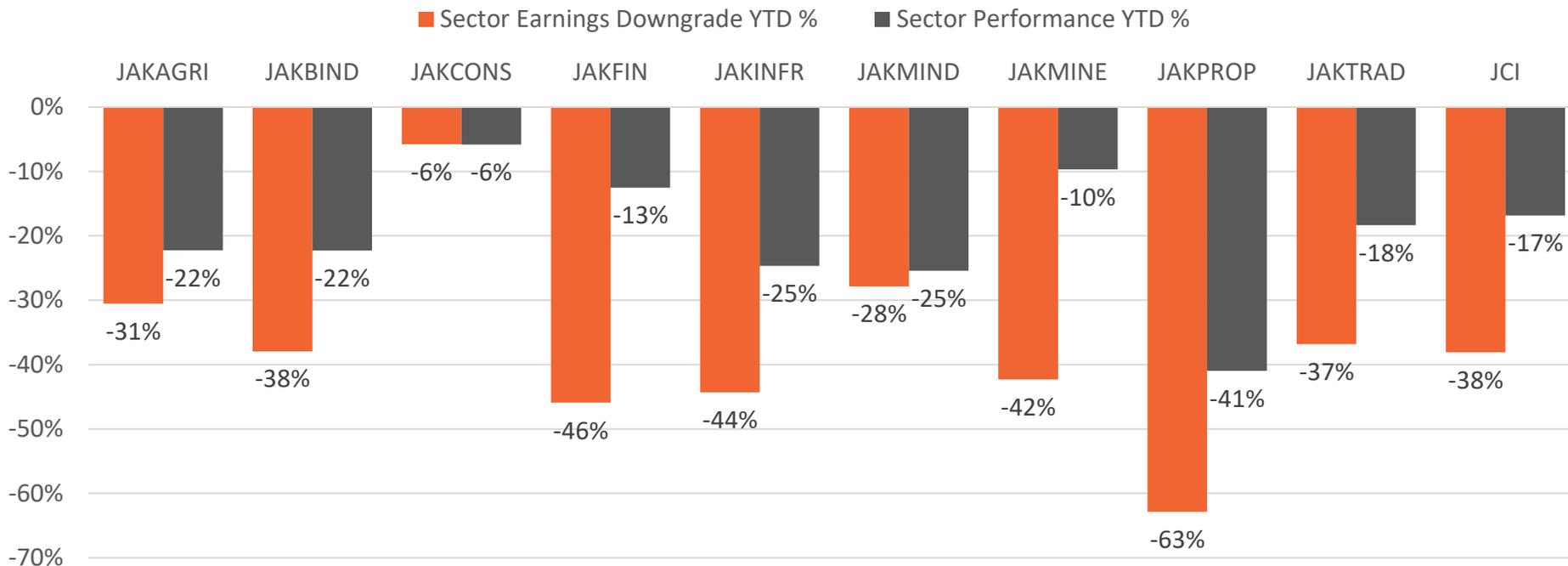
- 🚩 Penurunan ekspektasi pasar atas pertumbuhan laba FY20 IHSG terus berlanjut di bulan Agustus. Konsensus pasar masih memperkirakan seberapa besar sebenarnya dampak penyebaran virus COVID-19 terhadap pertumbuhan laba FY20.
- 🚩 Ekspektasi pertumbuhan laba IHSG FY20 bergerak dari +14.18% YoY pada awal tahun menjadi -29.31% YoY, setelah berubah negatif pada bulan April.

Earnings Downgrade Per Sector

Sector performance is correlated with earnings expectation

Comparing JCI Sectors Performance and Consequent Earnings Downgrade

In % change YTD



Source: Syailendra research, Bloomberg

- 📌 Sektor JAKCONS adalah top performer IHSG secara YTD.
- 📌 Ekspektasi laba per sektor untuk FY2020 kini tampak lebih sesuai dengan kinerja pergerakan saham pada masing-masing sektor.

Foreign Equity Flow

Net foreign outflows since February

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Jan-20	1,373	1	-165	-164	-1,143	-562	-33	-693	-660
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Jun-20	2,473	-318	-705	-190	3,269	-737	-698	3,096	3,793
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Yearly									
YTD	4,807	-2,984	-23,250	-1,711	-20,755	-8,010	-4,747	-56,650	-51,903
2019	14,234	-1,306	924	-240	9,377	-1,496	-2,683	18,811	21,493
2018	-4,557	-3,656	-5,676	-1,080	-12,231	-8,913	-2,885	-38,999	-36,114
2017	8,014	-2,960	8,267	1,095	6,587	-796	2,456	22,664	20,208
2016	2,903	1,259	10,480	83	10,956	2,240	-628	27,294	27,922
2015	3,274	-1,580	-3,580	-1,194	3,384	-4,372	-5,062	-9,130	-4,068

1H20 Results

Consumer, Plantation, and Telco recorded positive growth in 1H20

1H20 Earnings Result by Sector

In % of 1H20 YoY Growth and % of FY Earnings Estimate

Sector	1H20	YoY%	Cont. Total Index Earnings	Cons. 1H20 Realization	Commentary
Telco	14,659,474	13.36%	1.23%	57%	
Auto	11,378,000	16.07%	1.12%	69%	Earnings was inflated due BNLI Divestment 4.5trn gain
Consumer	12,234,672	4.84%	0.40%	50%	
Plantation	504,193	388.80%	0.29%	28%	
Oil & Gas	1,020,878	53.17%	0.25%	47%	
Building Materials	1,082,498	-3.76%	-0.03%	29%	
Healthcare	1,638,372	-10.40%	-0.14%	44%	
Utilities	542,317	-31.01%	-0.17%	20%	
Transportation	-93,671	-159.15%	-0.18%	-281%	
Financials Non-Bank	332,038	-51.89%	-0.25%	51%	
Media	1,557,135	-19.74%	-0.27%	51%	
Industrial Estate	-81,219	-111.50%	-0.56%	-9%	
Poultry	1,763,887	-34.85%	-0.67%	45%	
Infrastructures	105,732	-90.02%	-0.68%	10%	
Petrochemical	-565,843	-190.97%	-0.85%	-48%	
Heavy Equipment	4,060,955	-28.27%	-1.14%	53%	
Mining	4,048,441	-35.37%	-1.58%	36%	
Cigarettes	8,707,214	-21.21%	-1.67%	45%	
Retail	141,611	-96.17%	-2.53%	6%	
Construction	-880,913	-130.60%	-2.68%	-39%	
Property	-698,308	-122.60%	-2.70%	-13%	
Banks	45,292,218	-25.81%	-11.22%	57%	
Total	106,749,681	-24.02%	-24.02%		

Source: Syailendra research, Bloomberg

- 🔺 Hingga 1H20, Secara aggregate IHSG telah mencatatkan laba sebesar -24% YoY. Kinerja IHSG diperburuk dari sektor Konstruksi, Properti dan Retail. Di sisi lain, Sektor yang relatif kuat di 1H20 ialah Telco, Consumer dan Plantation.

JCI Valuation is Undemanding

Indonesia's index valuation is attractive compared to other countries'

Desc.	P/E		EPS Growth		P/B		Dividend Yield		ROE	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
South East Asia	19.58	15.14	-31.9%	29.8%	1.43	1.35	2.79	3.00	7.50	9.31
Indonesia	19.32	14.55	-27.1%	32.8%	1.89	1.76	2.30	2.18	11.77	14.41
Malaysia	20.55	17.42	-21.8%	18.0%	1.50	1.45	3.06	3.36	6.74	8.00
Phillipines	19.47	14.18	-36.6%	37.3%	1.40	1.30	2.00	1.91	6.54	9.12
Thailand	22.13	17.04	-36.8%	29.9%	1.47	1.42	2.70	2.99	5.80	6.73
Asia										
Hong Kong	11.97	10.05	-16.6%	19.1%	0.97	0.92	3.32	4.03	10.05	10.12
India	24.76	18.19	-15.3%	36.2%	2.79	2.53	1.39	1.66	11.32	13.73
Korea	17.20	12.07	-1.3%	42.5%	0.98	0.92	1.86	2.07	5.15	11.04
Taiwan	18.84	16.13	3.4%	16.8%	2.04	1.94	3.21	3.63	13.47	13.89
Japan	22.69	18.15	-20.3%	25.0%	1.72	1.62	1.78	1.99	8.28	8.84
Europe										
German	21.61	15.43	-28.2%	40.1%	1.58	1.50	2.64	2.96	6.23	8.50
France	26.13	16.19	-47.3%	61.5%	1.50	1.45	2.75	3.26	5.22	7.79
Italy	22.85	13.29	-55.4%	72.0%	1.02	0.98	3.69	4.33	5.38	6.46
Russia	11.22	7.79	-40.6%	44.0%	0.87	0.82	5.35	6.84	7.03	8.50
Latin America										
Mexico	18.94	11.13	-29.1%	70.3%	1.68	1.54	3.12	3.77	10.64	17.34
Argentina	11.95	6.68	-55.5%	78.9%	0.95	0.99	1.66	1.84	9.38	12.15
Brazil	46.47	13.00	-69.6%	257.5%	1.85	1.70	2.49	3.48	3.03	13.66
Colombia	13.29	9.87	-21.9%	34.6%	0.68	0.64	3.73	3.38	7.64	13.06
North America										
Canada	24.44	16.58	-35.8%	47.4%	1.52	1.55	3.17	3.24	8.22	10.26
United States	26.91	21.26	-20.0%	26.6%	3.76	3.52	1.67	1.73	18.96	23.87

Equity Strategy

Expecting positive improvement ahead

Arguments for Equity Market

Penurunan pasar yang cukup dalam akibat kekhawatiran investor terhadap dampak virus corona menyebabkan valuasi saham menjadi menarik dengan mempertimbangkan pertumbuhan jangka menengah.

Penurunan bersifat sementara, karena tidak adanya perubahan secara fundamental terhadap perekonomian Indonesia secara jangka panjang.

Kebijakan pemerintah dalam pemberian stimulus dapat membantu perekonomian dalam waktu dekat. Disaat yang bersamaan, Pemerintahan presiden Jokowi tetap berencana untuk memunculkan reformasi guna menarik investasi asing i.e : *omnibus tax law, labor reform*.

Posisi investor asing yang relatif minim dalam 3 tahun terakhir, valuasi yang sangat atraktif harusnya mengundang investor untuk kembali berinvestasi pada pasar saham Indonesia.

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

Dampak dari virus Corona terhadap pertumbuhan ekonomi dunia dan domestik masih belum bisa dipastikan besarnya, namun pastinya negatif. Risiko penyebaran *covid-19* yang berkepanjangan dapat mengakibatkan dampak ekonomi yang lebih besar dari ekspektasi pasar.

Pemerintah mempunyai andil besar di tahun 2020 baik dari kebijakan stimulus ekonomi dan rencana reformasi pemerintahan. Adapun *trade-off* yang dilakukan mengakibatkan tingkat hutang Indonesia meningkat, Hal ini dapat menjadi *overhang* setelah beberapa periode kedepan i.e : *crowding-out* sistem perbankan, meningkatnya instrumen cukai/pajak kedepan, dll. Sehingga *recovery* beberapa sektor dapat dibawah ekspektasi pasar.

- 🔺 Kami melihat baik di level global ataupun domestik terdapat perbaikan dari sisi sentimen investor atas ketidakpastian dan *recovery* laba atas beberapa sektor. Hal ini selayaknya dapat memberikan *support* bagi IHSG.
- 🔺 Kami mengasumsikan pertumbuhan laba 2020F dikisaran : -30% sd -20% dengan P/E dikisaran 13-15x. Target JCI 2020F berkisar pada 5,300 – 5,700

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SYAILENDRA 

PT Syailendra Capital

District 8 Treasury Tower
39th Fl. Unit 39A, SCBD Lot 28
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190
P. : +62 21 2793 9900
F. : +62 21 2972 1199

www.syailendracapital.com

