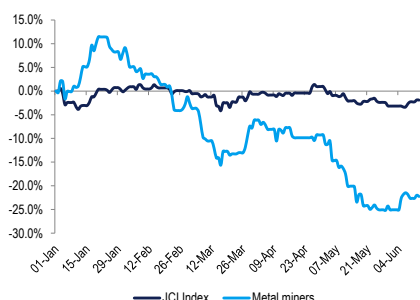


Sector Index Performance

	3M	6M	12M
Absolute	-11.5%	-23.8%	-32.1%
Relative to JCI	-10.5%	-23.6%	-28.1%



Summary Valuation Metrics

P/E (x)	2023F	2024F	2025F
ADMR IJ	8.4	8.0	7.7
ANTM IJ	8.6	8.9	11.6
HRUM IJ	6.2	7.4	7.4
MDKA IJ	27.2	25.0	29.7
INCO IJ	13.5	18.4	18.8

EV/EBITDA (x)	2023F	2024F	2025F
ADMR IJ	5.9	6.0	5.1
ANTM IJ	4.4	4.0	4.5
HRUM IJ	2.6	3.0	3.0
MDKA IJ	7.2	5.7	5.9
INCO IJ	6.4	8.9	9.9

Div. Yield	2023F	2024F	2025F
ADMR IJ	N/A	N/A	N/A
ANTM IJ	1.7%	2.5%	2.4%
HRUM IJ	5.6%	8.0%	10.7%
MDKA IJ	N/A	N/A	N/A
INCO IJ	N/A	N/A	N/A

In search of green shoots

- We think China economic data negative surprises may have been priced-in at current metals prices, leaving room for upside if Jun23 data improve.
- While ST price hinge on macro data, we continue to see possible support on price from the producers' cost curve and persistently tight inventory.
- We maintain sector's Neutral rating amid still uncertain recovery. Our sector preference is INCO, ANTM, HRUM.

Bearish positioning in metals led by cautious view on demand

Metals prices' further corrections in 2Q23 were driven more by weakness in China macro data, despite intact US growth and expectations for Fed rate pause. Based on the LME trade data, we see the recent price correction to have been driven more by producers adopting a more bearish positioning (hence, markedly different than in the in prior quarters where price movements were driven more by investors/traders positioning). Meanwhile, recent weeks' trade has indicated a more positive positioning by traders though largely in copper which drove c.8% rebound from May23 bottom.

China's negative surprises may have been priced-in

The negative surprises and soft growth data in Apr-May23 has materialized into weaker growth in main metals imports (Apr23 copper: -15% yoy). With some leading indicators indicating flattish growth in May 23, any improvement in Jun23 data may lead to demand recovery. Thus, barring further weakening in China, we see metal price correction may have priced-in the current expectation for lower global growth.

We retain conservative price forecast

We have updated our FY23 price forecast as follow: copper US\$9k/t (from US\$9.3k prev.), nickel: US\$22k/t (unchanged but with lower payability of 77% for NPI). While ST price may hinge on macro data point, we continue to see possible support on price from the producers' cost curve. This is particularly true in the case of nickel in spite of LME price still trading at c.14% above our estimated cost support level, the class-2 (NPI) current price (of ~US\$15k/t) should indicate price levels that is below the high-cost NPI producers in China (at US\$16-17k/t).

Maintain Neutral sector rating

With institutional holders already reducing (based on May23 data), there may be room for ST outperformance if China shows a meaningful recovery in Jun23. However, we maintain sector's Neutral rating for now as we see the recovery scenario to remain uncertain. Our sector preference skewed toward metals with relatively less direct exposure to China demand namely: INCO (Buy, TP Rp8,100) on class-1 nickel exposure, ANTM (Buy, TP Rp3,000) on higher nickel ore contribution versus peers, HRUM (Buy, TP Rp2,200) on valuation upside potentials from its nickel assets.

Fig. 1: Metal miners valuation summary

Ticker	Rating	Current price	Target price (Rp)	P/E		EV/ EBITDA		Div. yield
				2023F	2024F	2023F	2024F	
ADMR IJ	Buy	815	1,730	8.4	8.0	5.9	6.0	N/A
ANTM IJ	Buy	2,010	3,000	8.6	8.9	4.4	4.0	1.7%
HRUM IJ	Buy	1,505	2,200	6.2	7.4	2.6	3.0	5.6%
MDKA IJ	Buy	3,070	3,890	27.2	25.0	7.2	5.7	N/A
INCO IJ	Buy	6,450	8,100	13.5	18.4	6.4	8.9	N/A

Source: Bloomberg, Indo Premier

Erindra Krisnawan, CFA

PT Indo Premier Sekuritas
erindra.krisnawan@ipc.co.id
+62 21 5088 7168 ext.718

Reggie Parengkuan

PT Indo Premier Sekuritas
reggie.parengkuan@ipc.co.id
+62 21 5088 7168 ext.714

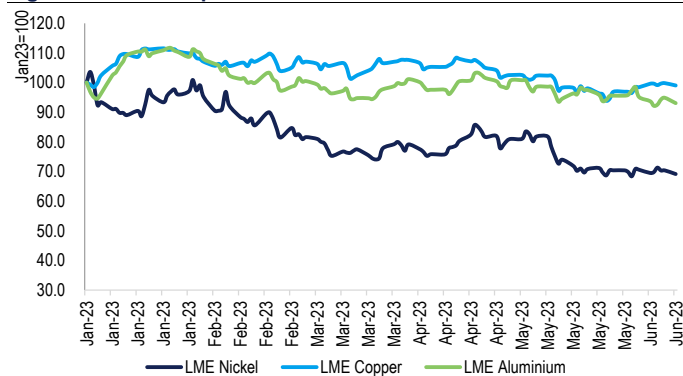
In search of green shoots

LME prices corrected further on China weak data

LME metals prices have seen further corrections in 2Q23 with copper, copper and aluminium weakening -6/-11/-6% QTD. The negative sentiment on metals prices have been driven more by persistent weakness in China macro data, despite intact US economy and expectations for Fed rate pause.

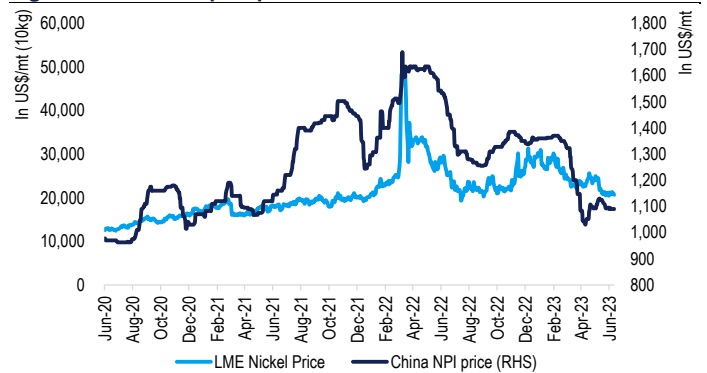
The weak China demand has also been apparent in NPI prices, which on average fell further by 16% qoq in 2Q23 (QTD), largely reflecting the persistently soft stainless steel production, and as supply from Indonesia has continued to increase ([please see our report here](#)).

Fig. 2: LME metals price YTD



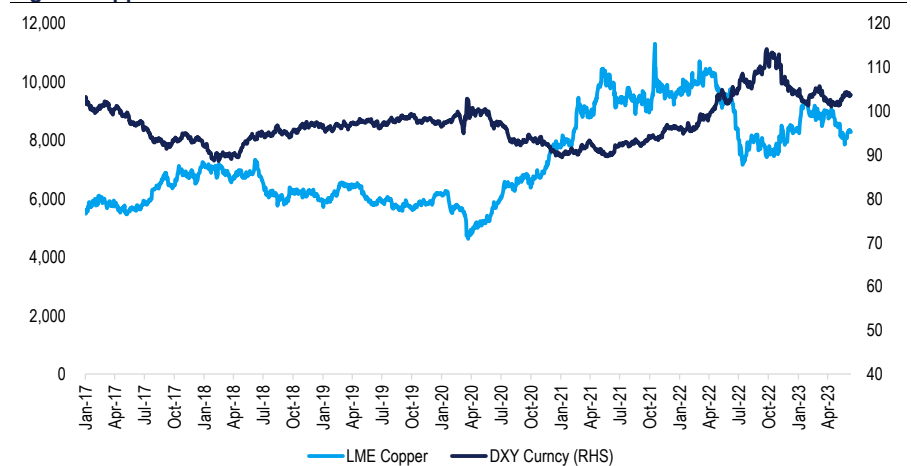
Source: Bloomberg, Indo Premier

Fig. 3: China NPI import price



Source: Bloomberg, Indo Premier

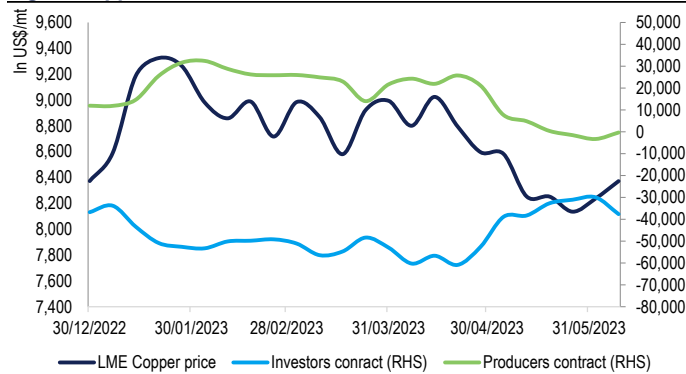
Fig. 4: Copper vs. DXY



Source: Bloomberg, Indo Premier

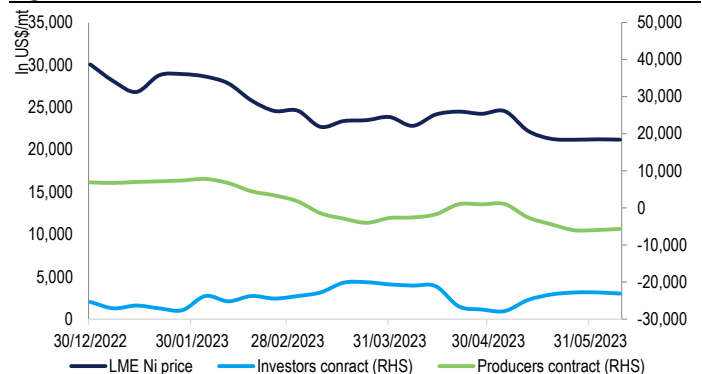
Amid the negative price sentiment, our check on LME trades indicated that the price correction has been driven more by producers adopting a more bearish positioning. This is different than in the in prior quarters where price movements were driven more by investors/traders bearish (short) positioning. The more cautious stance in 2Q23 coincided with the weak sets of data from China markets. Meanwhile, recent weeks' trade has indicated a more positive positioning by traders though largely in copper which drove c.8% rebound from May23 bottom.

Fig. 5: Copper traders commitment



Source: Bloomberg, Indo Premier

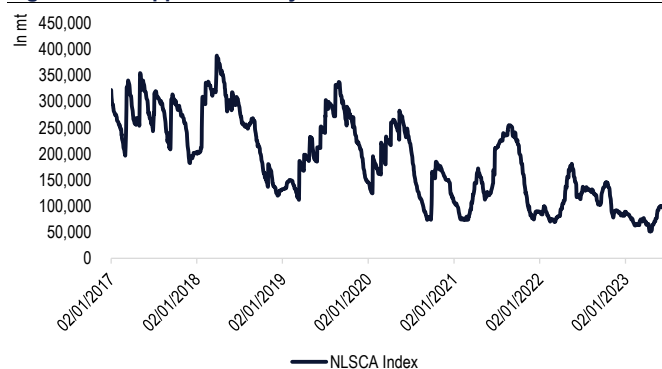
Fig. 6: Nickel traders commitment



Source: Bloomberg, Indo Premier

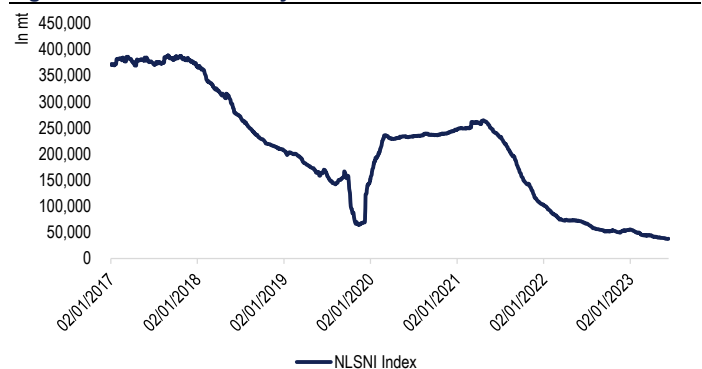
On the physical market, latest data for copper and nickel continue to point to tightness in inventories amid persistent down trend in inventory levels. While the increase in LME copper inventory in recent weeks (to 100k tonnes, from bottom of 50k tonnes in Apr23) has created a concern to market, we think this mainly reflected the weak demand from China, which may prove to be temporary as some leading indicators showed early signs of bottoming (please see below).

Fig. 7: LME copper inventory



Source: Bloomberg, Indo Premier

Fig. 8: LME nickel inventory



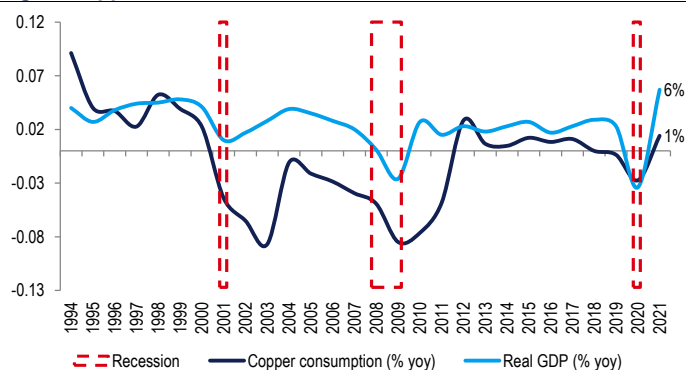
Source: Bloomberg, Indo Premier

Revisiting growth risk

On global growth, latest baseline scenario expects further weakness in global economic growth in FY23 (to 2.8% from +3.4% in FY22, based on IMF's Apr23 forecast). We see risk for the growth outlook to be cut further to reflect risk of slower China growth while US Fed also reaffirmed its plan to increase rates to a higher projected target rate of 5.25% in FY23.

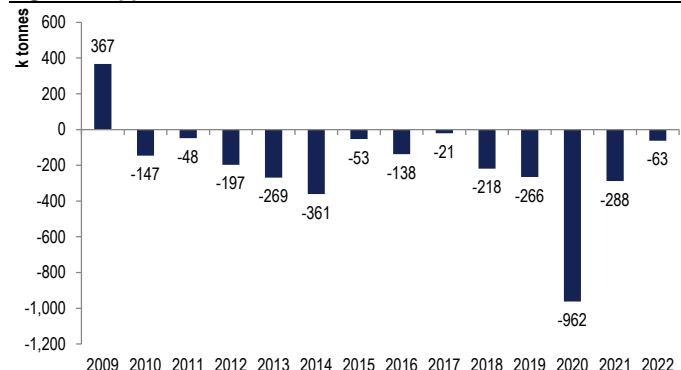
Using copper as a proxy for industrial metals, past recession in US resulted in demand contraction of 3-8%. Thus, if US recession materializes, we see risk that the market balance (for copper) to tip into a slight surplus. While we had previously expected demand recovery from China reopening to support global demand, the softer data point thus far may point to higher risk that demand contraction to materialize.

Fig. 9: Copper demand vs. recession



Source: Bloomberg, Indo Premier

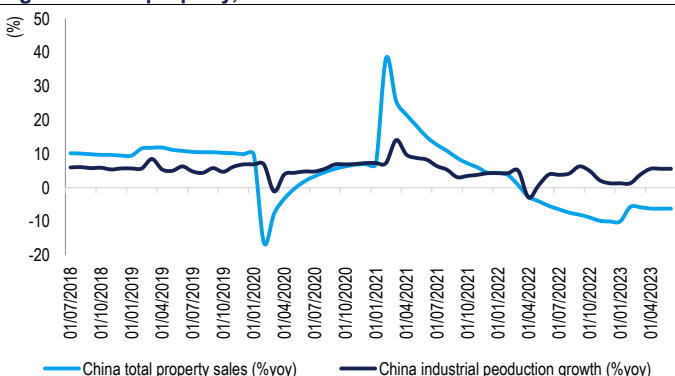
Fig. 10: Copper market balance



Source: Bloomberg, Indo Premier

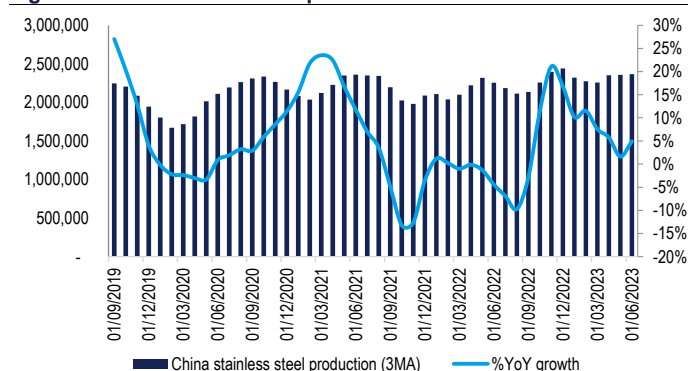
On China, the negative surprises and soft growth data in Apr-May23 has materialized into weaker growth in main metals imports (Jun23 copper: -15% yoy). With some leading indicators indicating flattish growth in May 23, green shoots in Jun23 data may lead to demand recovery. Thus, barring further weakening in China data points, we see that recent metal price correction may have priced-in the current expectation for lower global growth.

Fig. 11: China property, industrial sales



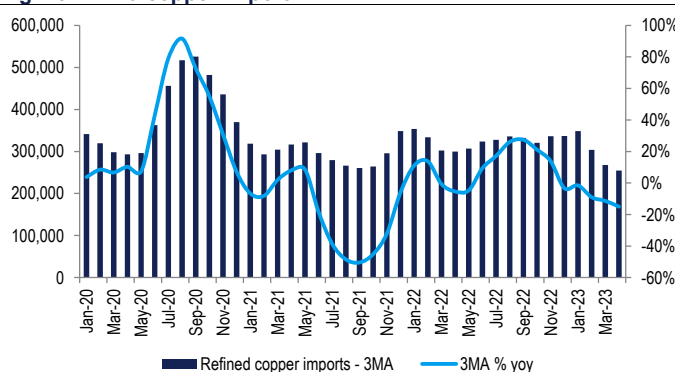
Source: Bloomberg, Indo Premier

Fig. 12: China stainless steel production



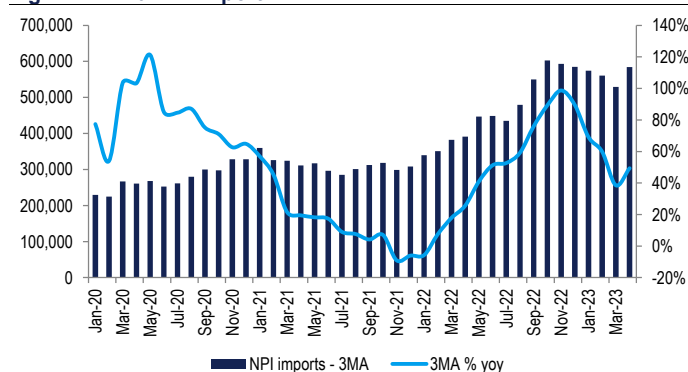
Source: Bloomberg, Indo Premier

Fig. 13: China copper import



Source: Bloomberg, Indo Premier

Fig. 14: China NPI import



Source: Bloomberg, Indo Premier

In addition to the tight inventory and still limited supply growth, we continue to see possible support on price from the producers' cost curve. We think this is particularly true in the case of nickel since despite LME price still

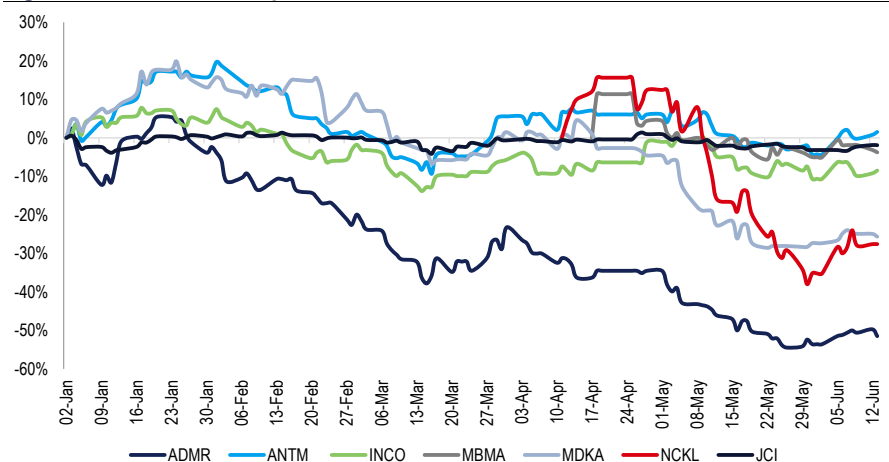
trading at 14% above our estimated cost support level, the class-2 (NPI) current price (of ~US\$15k/t) should indicate price levels that is below the high-cost NPI producers in China (at US\$16-17k/t).

Sector Recommendation

The Indonesian metal miners have underperformed in 2Q23 (QTD) amid metals price correction and company-specific concerns on weaker-than-expected 1Q23 earnings (MDKA) and revisions on growth projects plan (also MDKA on its Tujuh Bukit copper).

With institutional holders already reducing their positioning (based on May23 data), there may be room for ST outperformance if China data shows a meaningful recovery in Jun23. However, we maintain sector's Neutral rating for now as we see the recovery scenario to remain uncertain at this juncture. Our sector preference skewed toward metals with relatively less direct exposure to China demand namely: INCO (Buy, TP Rp8,100) on class-1 nickel exposure, ANTM (Buy, TP Rp3,000) on higher nickel ore contribution versus peers, HRUM (Buy, TP Rp2,200) on valuation upside potentials from its nickel assets.

Fig. 15: Metals stock YTD performance vs. JCI



Source: Bloomberg, Indo Premier

Fig. 16: Metal miners valuation summary

Ticker	Rating	Current price	Target price (Rp)	P/E		EV/ EBITDA		Div. yield
				2023F	2024F	2023F	2024F	
ADMR IJ	Buy	815	1,730	8.4	8.0	5.9	6.0	N/A
ANTM IJ	Buy	2,010	3,000	8.6	8.9	4.4	4.0	1.7%
HRUM IJ	Buy	1,505	2,200	6.2	7.4	2.6	3.0	5.6%
MDKA IJ	Buy	3,070	3,890	27.2	25.0	7.2	5.7	N/A
INCO IJ	Buy	6,450	8,100	13.5	18.4	6.4	8.9	N/A

Source: Bloomberg, Indo Premier

Fig. 17: MDKA EV/EBITDA valuation



Source: Bloomberg, Indo Premier

Fig. 18: ANTM EV/EBITDA valuation



Source: Bloomberg, Indo Premier

Fig. 19: HRUM EV/EBITDA valuation



Source: Bloomberg, Indo Premier

Fig. 20: INCO EV/EBITDA valuation



Source: Bloomberg, Indo Premier

SECTOR RATINGS

- OVERWEIGHT : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY RATINGS

- BUY : Expected total return of 10% or more within a 12-month period
- HOLD : Expected total return between -10% and 10% within a 12-month period
- SELL : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have any regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT Indo Premier Sekuritas or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.