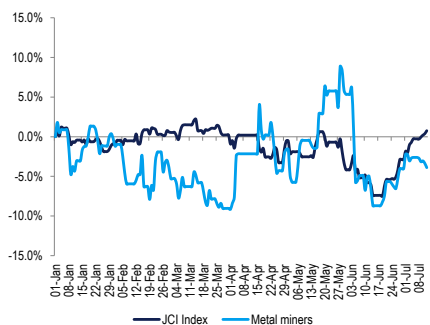


Sector Update | 15 July 2024

Sector Index Performance

| | 3M | 6M | 12M |
|-----------------|-------|-------|--------|
| Absolute | -1.8% | 0.5% | -15.9% |
| Relative to JCI | -2.3% | -1.0% | -23.5% |



Summary Valuation Metrics

| | 2024F | 2025F | 2026F |
|----------------------|-------|-------|-------|
| P/E (x) | | | |
| ADMR IJ | 8.9 | 8.6 | 6.8 |
| ANTM IJ | 11.8 | 9.6 | 9.3 |
| HRUM IJ | 8.3 | 8.4 | 6.5 |
| INCO IJ | 18.6 | 25.5 | 37.2 |
| MBMA IJ | 60.4 | 24.9 | 18.2 |
| MDKA IJ | N/A | 200.7 | 81.7 |
| NCKL IJ | 9.1 | 7.4 | N/A |
| EV/EBITDA (x) | | | |
| ADMR IJ | 7.5 | 8.2 | 7.4 |
| ANTM IJ | 6.9 | 5.0 | 4.5 |
| HRUM IJ | 5.0 | 6.0 | 4.0 |
| INCO IJ | 6.4 | 8.0 | 8.4 |
| MBMA IJ | 20.4 | 11.7 | 9.0 |
| MDKA IJ | 12.9 | 9.5 | 7.8 |
| NCKL IJ | 6.0 | 4.7 | N/A |
| Div. Yield | | | |
| ADMR IJ | N/A | N/A | N/A |
| ANTM IJ | 4.7% | 4.3% | 5.2% |
| HRUM IJ | N/A | N/A | N/A |
| INCO IJ | N/A | N/A | N/A |
| MBMA IJ | N/A | N/A | N/A |
| MDKA IJ | N/A | N/A | N/A |
| NCKL IJ | 2.8% | 3.3% | N/A |

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Lighter positioning is a positive but looming risk on softer demand

- Positioning has been relatively lighter on both commodity and equities – nickel at net short while local funds trimmed metals’ equities position.
- However, risks on softer demand may loom with soft reading in U.S and China economic activity, i.e. China PMI dip <50 in May24 and Jun24.
- We maintain our preference on precious metals > energy > base metals following higher possibility of a rate-cut by US Fed & recession risks.

Commodities positioning has been relatively lighter vs peak in May24

Base metals’ positioning has come down from its peak in May24 with LME nickel already at a net-short of 10k contracts as of early Jul24 (Fig. 2) from net long in May24. Albeit, speculators remained a net-long in copper but at a lesser magnitude vs. YTD peak (Fig. 3). At the same time, on commodity equities side, local funds positioning has declined after the price correction on the underlying commodity i.e. nickel -23%, copper -11% off-peak, suggesting lighter positioning and better upside shall there’s any positive macro-development and change in supply-demand (S-D).

Risks on softer demand has been apparent across US and China

While there’s a higher likelihood of rate cut (Fig. 8), this may also meant that underlying economic activity are soft. For instance, US unemployment rate has been picking up to above c.4% while part-time labours were going up and permanent labour were on the decline. Energy prices may remain sticky as OPEC export declined in Jun24 and MTD – prompting higher recession risks due to high energy prices amid soft economic activity. Additionally, China’s economy has been soft with PMI reading of 49.5 in May24 and Jun24 with steel-consumption on the declining trend.

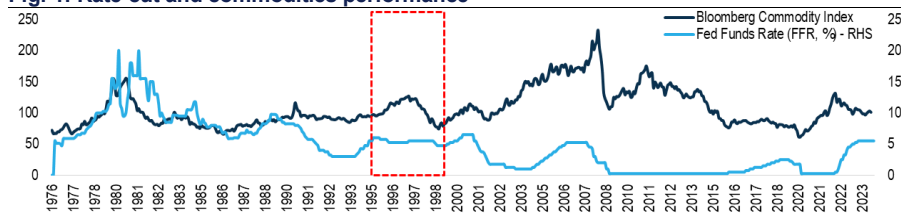
Rate cut historically been +ve for precious metals, -ve for base-metals

Previous rate-cut cycle has been positive for precious metals – especially during 2008’s GFC & Covid-19, but is negative for base-metals. But, in the event of soft-landing (similar to 1995-1996s 75bps rate cut), commodities on aggregate have performed by +30-40% as economic activities were resilient. While softer demand is already apparent globally – underpinning our preference for precious metals, we think base metals price correction won’t be as significant as previous rate-cut, driven by lighter positioning (in nickel) & structurally low supply growth (in copper).

Maintain our preference on precious metals & MDKA

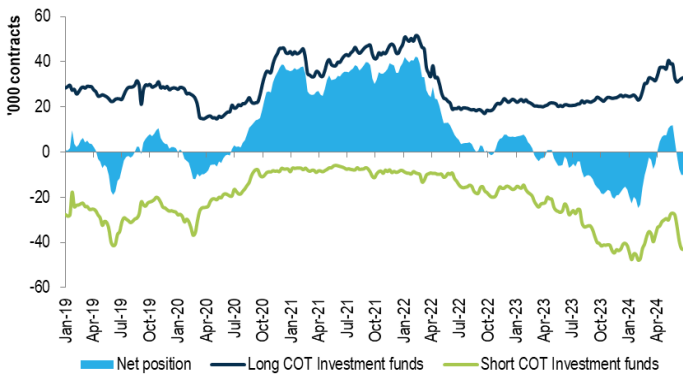
Hence, we maintain MDKA as our top pick due to its gold-exposure. Note that gold price has been relatively resilient and rallied to US\$2.4k/oz after US CPI data overnight, while energy are relatively flattish, and base metals such as copper are down by 2%. Downside risks include recession risks (for energy & base metals) and potential hard-landing scenario.

Fig. 1: Rate-cut and commodities performance



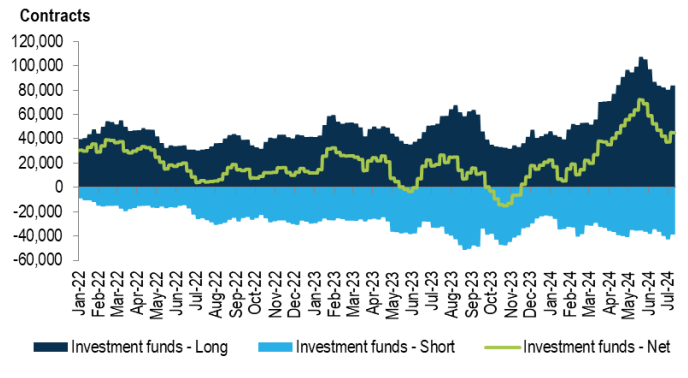
Source: Bloomberg, Indo Premier

Fig. 2: LME nickel net long (short) position



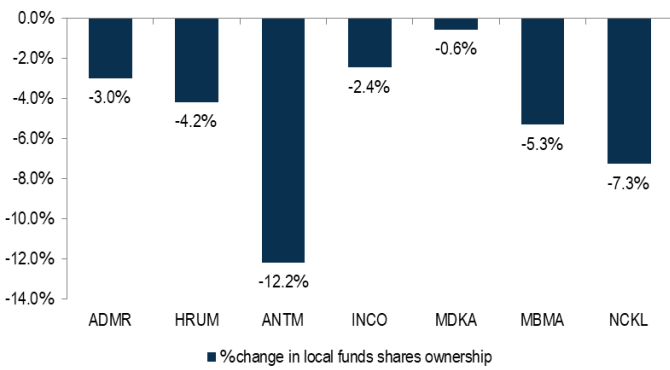
Source: Bloomberg, Indo Premier

Fig. 3: LME copper net long (short) position



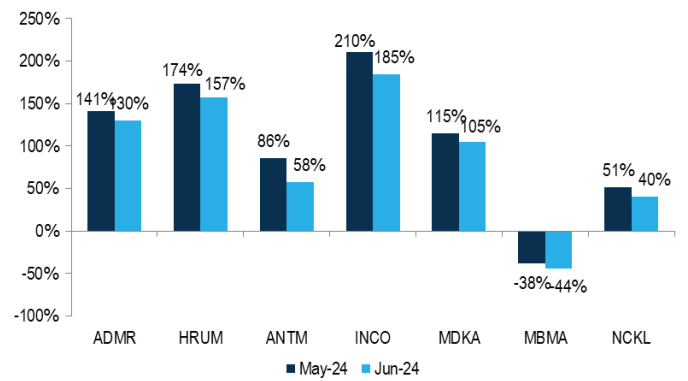
Source: Bloomberg, Indo Premier

Fig. 4: Local fund ownership change in Jun24 vs. May24



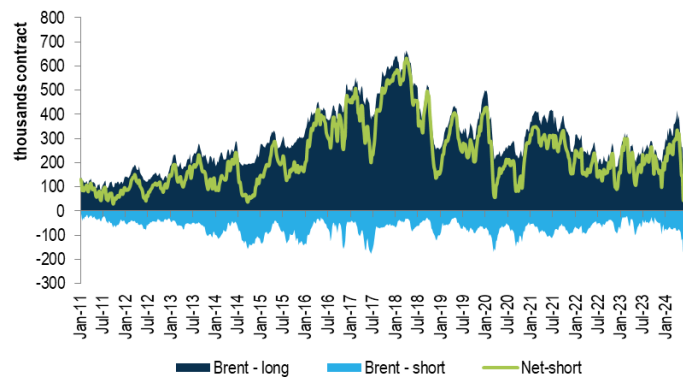
Source: KSEI, Indo Premier

Fig. 5: Local fund ownership overweight/underweight vs. JCI weight



Source: KSEI, Indo Premier

Fig. 6: Crude oil speculators' positioning



Source: Bloomberg, Indo Premier

Fig. 7: China's PMI manufacturing data



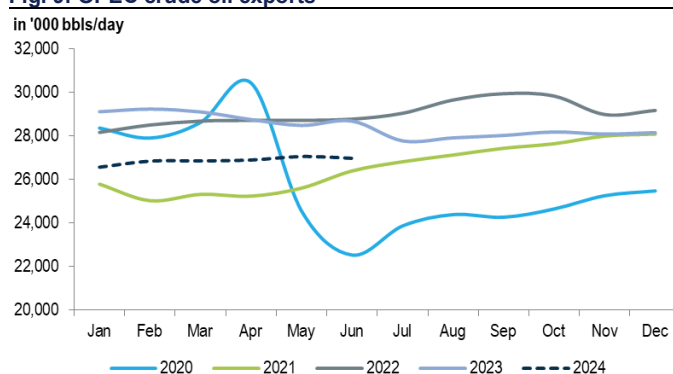
Source: NBS, Indo Premier

Fig. 8: US interest rate-cut probability by Dec24

| Target rate (bps) | Probability | | | |
|-------------------|-------------|-------|-------|-------|
| | Now | t-1 | t-7 | t-30 |
| 425-450 | 3.7% | 3.7% | 1.8% | 1.3% |
| 450-475 | 42.5% | 45.2% | 27.2% | 18.0% |
| 475-500 | 44.2% | 42.2% | 47.5% | 43.2% |
| 500-525 | 9.0% | 8.4% | 20.9% | 30.8% |
| 525-550 (Current) | 0.5% | 0.4% | 2.7% | 6.7% |

Source: Bloomberg, Indo Premier

Fig. 9: OPEC crude oil exports



Source: Bloomberg, Indo Premier

Fig. 10: Peers comparison table

| Ticker | Company | Rating | Target price (Rp/share) | P/E | | | EV/EBITDA | | | Dividend yield (%) | | |
|---------|---------------------------|--------|-------------------------|------|-------|------|-----------|------|-----|--------------------|------|------|
| | | | | 24F | 25F | 26F | 24F | 25F | 26F | 24F | 25F | 26F |
| ADMR IJ | Adaro Minerals Indonesia | Buy | 1,650 | 8.9 | 8.6 | 6.8 | 7.5 | 8.2 | 7.4 | N/A | N/A | N/A |
| ANTM IJ | Aneka Tambang | Buy | 1,750 | 11.8 | 9.6 | 9.3 | 6.9 | 5.0 | 4.5 | 4.7% | 4.3% | 5.2% |
| HRUM IJ | Harum Energy | Buy | 1,450 | 8.3 | 8.4 | 6.5 | 5.0 | 6.0 | 4.0 | N/A | N/A | N/A |
| INCO IJ | Vale Indonesia | Buy | 5,850 | 18.6 | 25.5 | 37.2 | 6.4 | 8.0 | 8.4 | N/A | N/A | N/A |
| MBMA IJ | Merdeka Battery Materials | Buy | 700 | 60.4 | 24.9 | 18.2 | 20.4 | 11.7 | 9.0 | N/A | N/A | N/A |
| MDKA IJ | Merdeka Copper Gold | Buy | 3,100 | N/A | 200.7 | 81.7 | 12.9 | 9.5 | 7.8 | N/A | N/A | N/A |
| NCKL IJ | Trimegah Bangun Persada | Buy | 1,100 | 9.1 | 7.4 | N/A | 6.0 | 4.7 | N/A | 2.8% | 3.3% | N/A |

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

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