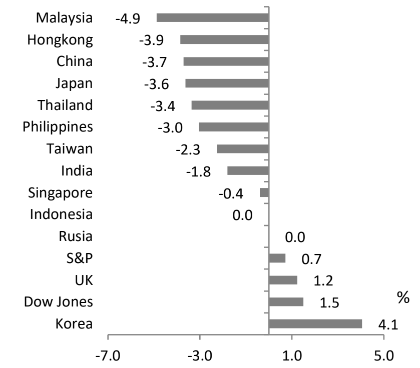
Equity Strategy

Potential Winners from BI's Surprise Rate Cut

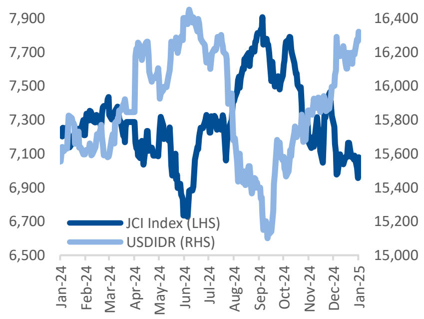
- **The period of policy rate cut was historically positive for JCI, which delivered 21% return during FY16-18 125bps rate cut.**
- **Banks and the perceived interest-rate sensitive sectors were clear winners during the past rate cut period.**
- **Despite limited scope for further cuts, we see BI's move as positive to support growth; we retain our FY25-end JCI target of 7,850.**

YTD Regional Market (%)



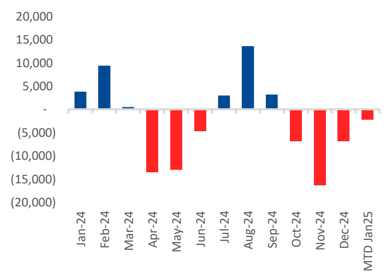
Source: Bloomberg

JCI vs USD



Source: Bloomberg

Net Foreign Flow (Rpbn)



Source: IDX

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Rate cut was historically positive for JCI

Despite the surprise timing, BI's policy rate cut is in-line with our expectation (of 50bps reduction in FY25) and thus, shall support our FY25 EPS growth forecast (of 6.5%). On share price, JCI has historically demonstrated a clear inverse relationship with the policy rate, with +21% return during the last FY16-18 125bps rate cut.

Winners: big cap, Banks, JSMR, ASII

During the FY16-18 rate cut period, return for big cap (LQ45: +32%) outpaced small cap (SMC Index: +21%). In terms of sectors, banks have demonstrated the highest inverse relationship during FY16-18 cut (+74-108% return), followed by JSMR (+25%), ASII (+18%). In the property sector, our analyst observed that policy rate cuts have historically not immediately translated to above-expected marketing sales, but the sector on average has seen lower discount to RNAV during the periods of rate cuts (please see Ismail Fakhri's property outlook).

Banks with higher portion of TD are potential winners

Our Banks analyst Victor Stefano sees that rate cut will benefit banks with a higher portion of TD more, such as BBTN (52%), BRIS (38%), and BBRI (36%). This could also alleviate pressure on BMRI and BBNI which have c. 40% of their CA deposit in the special rate category. In terms of loan yield, BBCA and BBRI have the upper hand with their fixed/floating rate of 50/12% and 60/7% of total loans, respectively, as of Sep24. The banks are confident about managing the rate of managed-rate loans steady amid lower benchmark rate. Furthermore, if the lower benchmark rate translates to lower bond/SRBI yield (unlike in the Sep24 rate cut), this may ease liquidity pressure in the banking system.

Support for FY25 EPS growth; key risk on IDR weakness

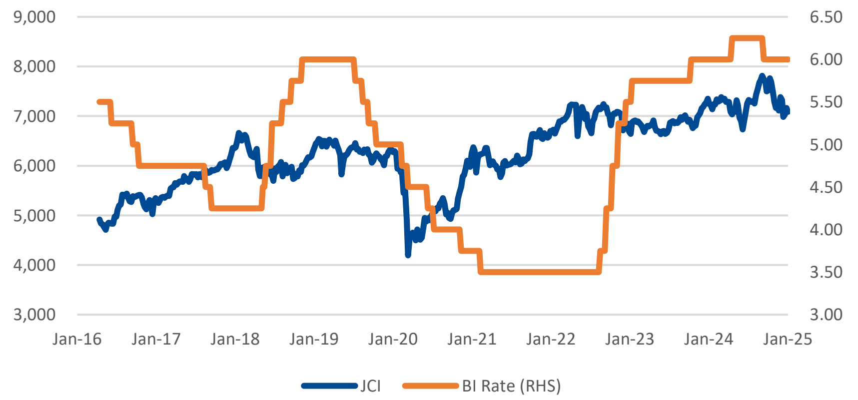
Despite a limited scope for further cuts (25bps in 2H25, based on our economist forecast), we see the surprise rate cut as positive support for growth outlook. We thus retain our FY25-end JCI target of 7,850, based on our EPS growth of 6.5% and 13x forward PE. Key risk to our view is possible IDR weakness.

Exhibit 1. Interest Rate Sensitive Stocks

Company	Rating	Latest Price (Rp/share)	Target Price (Rp/share)	Market Cap (Rpbn)	P/E (x) 25F	P/E (x) 26F	P/BV (x) 25F	P/BV (x) 26F	CAGR EPS Growth (24-26F)
ASII	BUY	4,940	5,900	199,989	6.1	5.6	0.9	0.8	5.0%
BBRI*	Not Rated	4,090	n.a	619,876	9.5	8.6	1.8	1.7	8.8%
BRIS	HOLD	2,750	2,900	126,855	17.0	15.3	2.6	2.4	10.8%
CTRA	BUY	960	1,700	17,794	7.9	6.8	0.8	0.7	15.8%
JSMR	BUY	4,240	6,200	30,773	8.0	7.7	0.9	0.8	-1.1%
PWON	BUY	400	640	19,264	8.2	8.7	0.9	0.8	1.5%

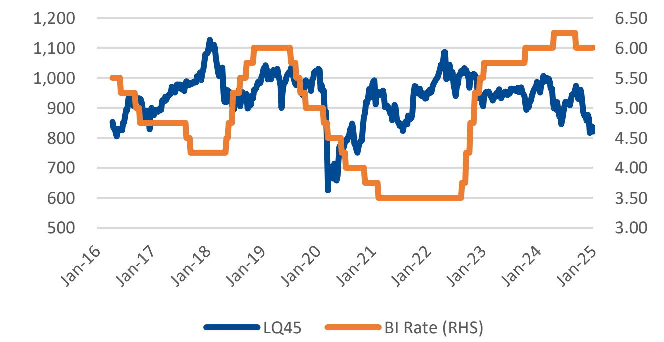
*Source: Bloomberg, BRIDS Estimates, *Consensus*

Exhibit 2. JCI Index vs. BI Rate (%)



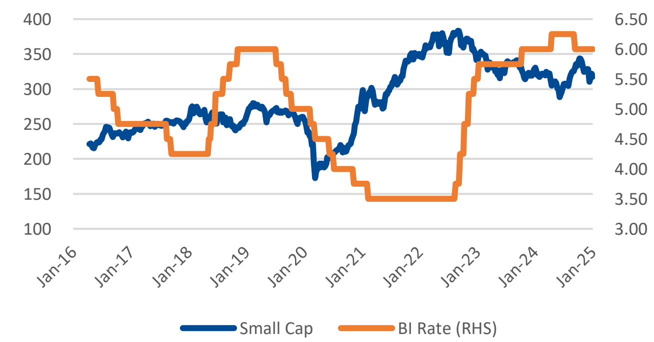
Source: Bloomberg, BRIDS

Exhibit 3. LQ45 Index vs. BI Rate (%)



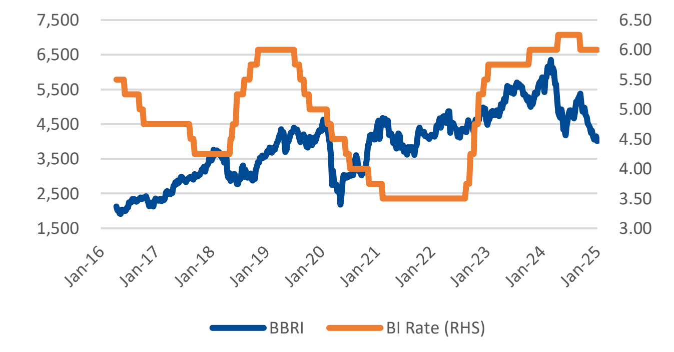
Source: Bloomberg, BRIDS

Exhibit 4. Small Cap Index vs. BI Rate (%)



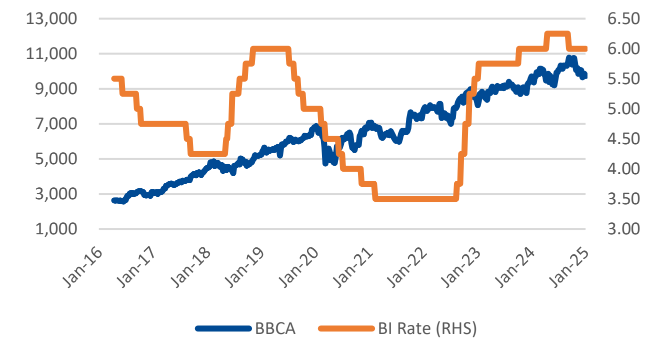
Source: Bloomberg, BRIDS

Exhibit 5. BBRI vs. BI Rate (%)



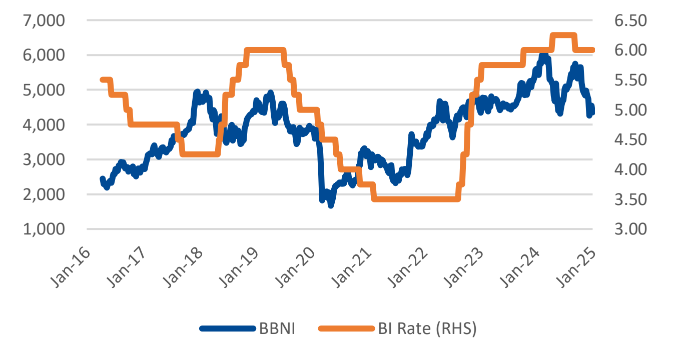
Source: Bloomberg, BRIDS

Exhibit 6. BBCA vs. BI Rate (%)



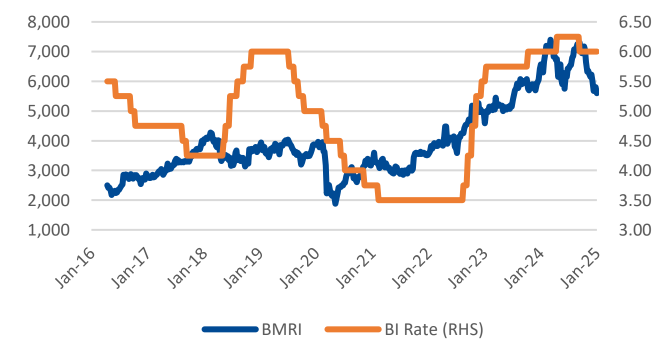
Source: Bloomberg, BRIDS

Exhibit 7. BBNI vs. BI Rate (%)



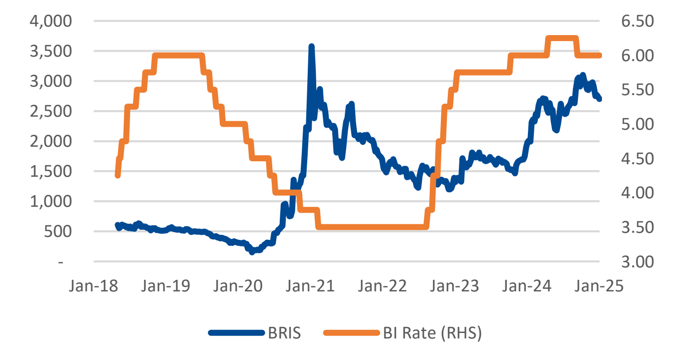
Source: Bloomberg, BRIDS

Exhibit 8. BMRI vs. BI Rate (%)



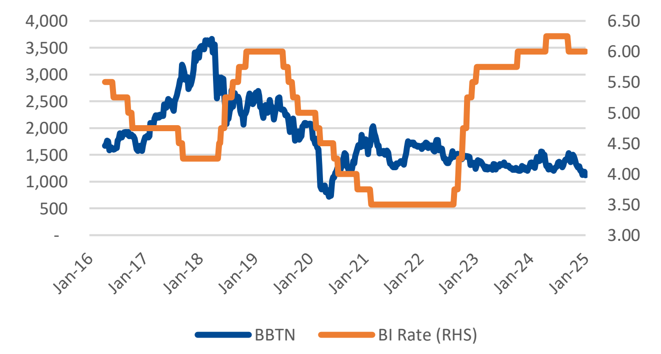
Source: Bloomberg, BRIDS

Exhibit 9. BRIS vs. BI Rate (%)



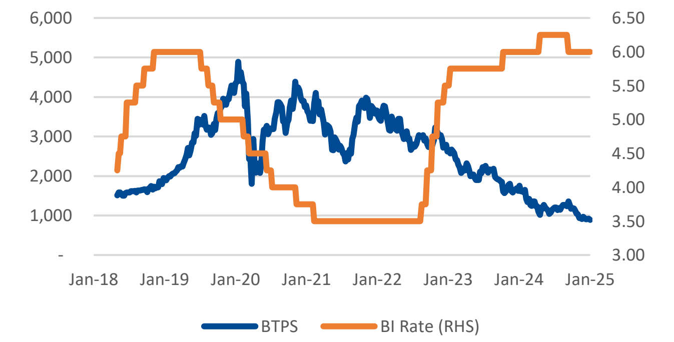
Source: Bloomberg, BRIDS

Exhibit 10. BBTN vs. BI Rate (%)



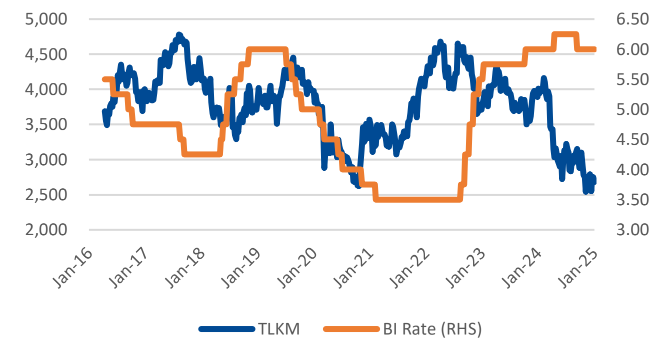
Source: Bloomberg, BRIDS

Exhibit 11. BTPS vs. BI Rate (%)



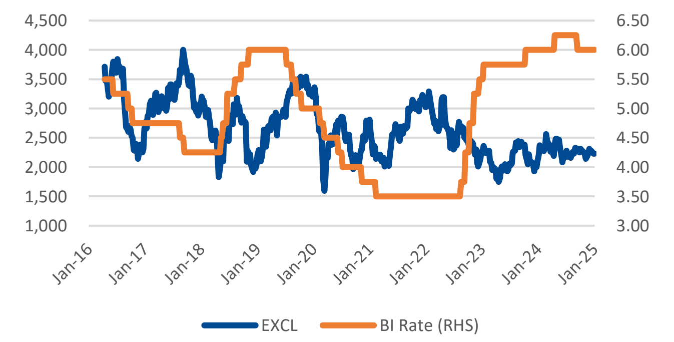
Source: Bloomberg, BRIDS

Exhibit 12. TLKM vs. BI Rate (%)



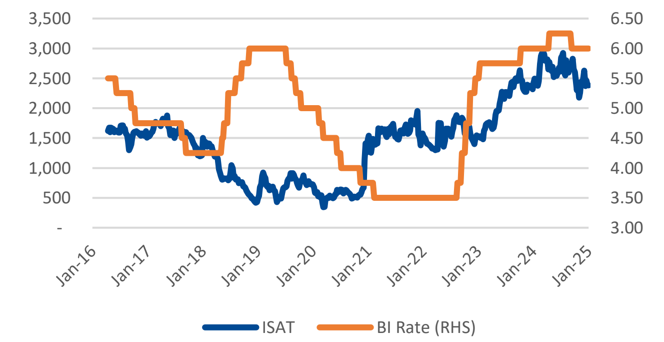
Source: Bloomberg, BRIDS

Exhibit 13. EXCL vs. BI Rate (%)



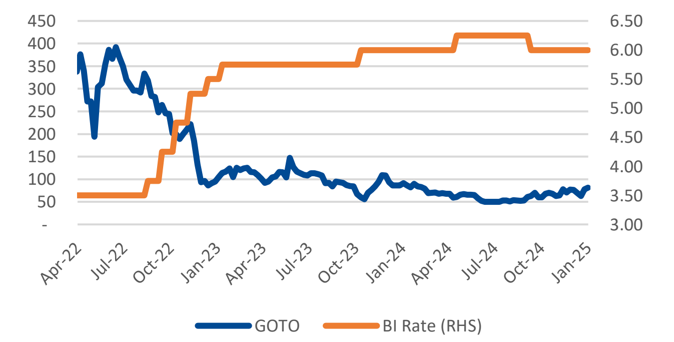
Source: Bloomberg, BRIDS

Exhibit 14. ISAT vs. BI Rate (%)



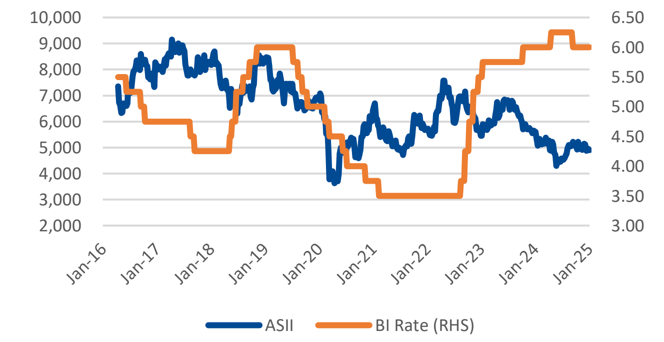
Source: Bloomberg, BRIDS

Exhibit 15. GOTO vs. BI Rate (%)



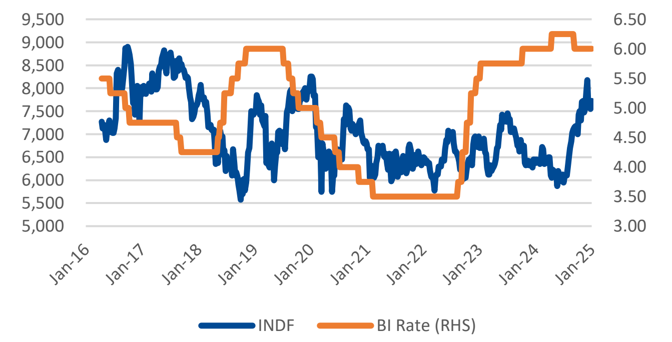
Source: Bloomberg, BRIDS

Exhibit 16. ASII vs. BI Rate (%)



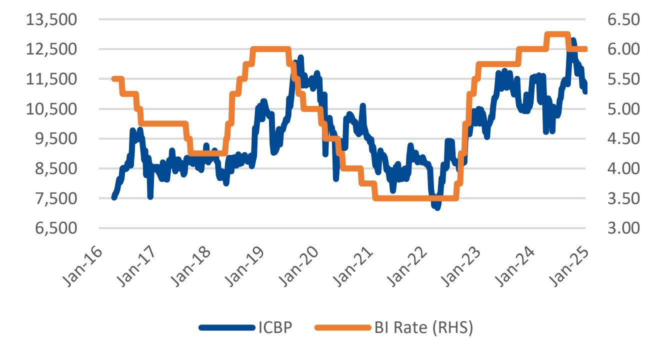
Source: Bloomberg, BRIDS

Exhibit 17. INDF vs. BI Rate (%)



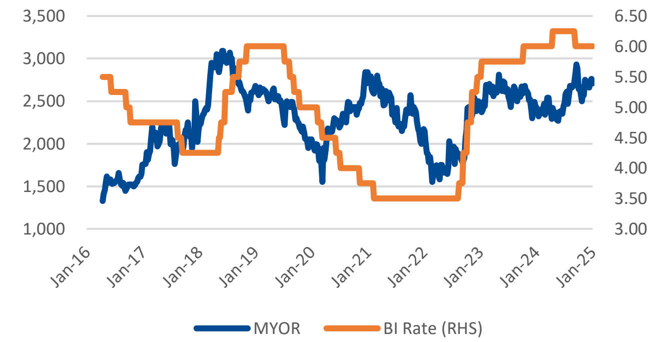
Source: Bloomberg, BRIDS

Exhibit 18. ICBP vs. BI Rate (%)



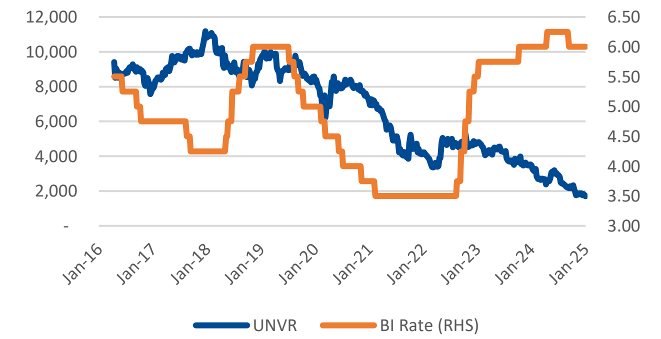
Source: Bloomberg, BRIDS

Exhibit 19. MYOR vs. BI Rate (%)



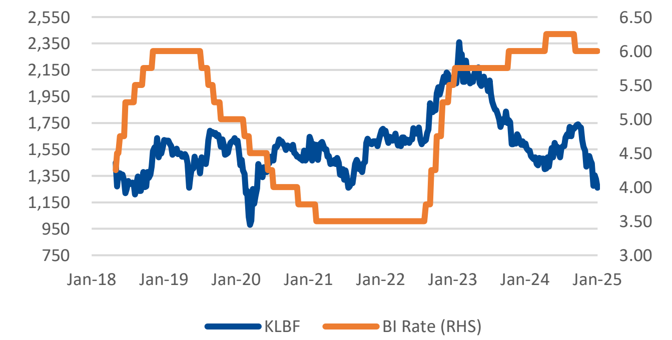
Source: Bloomberg, BRIDS

Exhibit 20. UNVR vs. BI Rate (%)



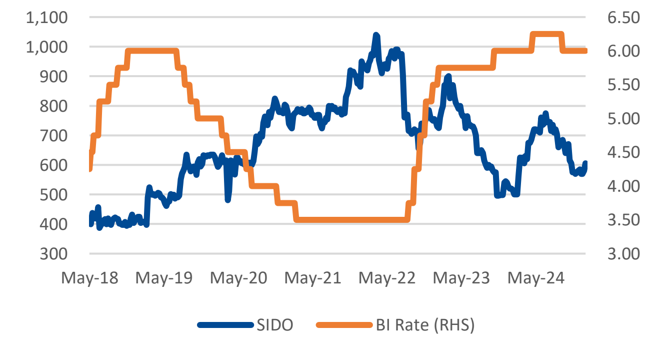
Source: Bloomberg, BRIDS

Exhibit 21. KLBF vs. BI Rate (%)



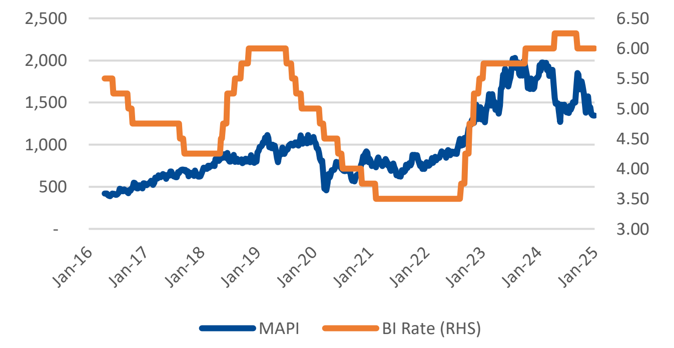
Source: Bloomberg, BRIDS

Exhibit 22. SIDO vs. BI Rate (%)



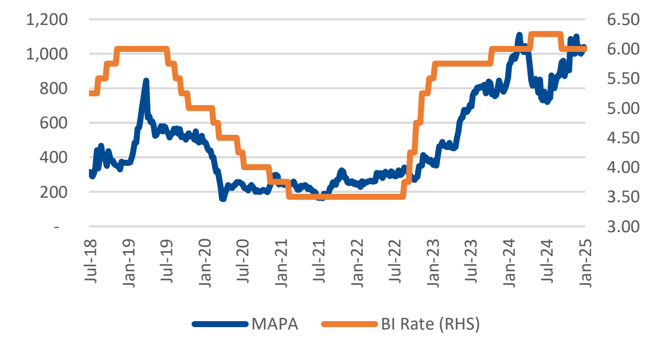
Source: Bloomberg, BRIDS

Exhibit 23. MAPI vs. BI Rate (%)



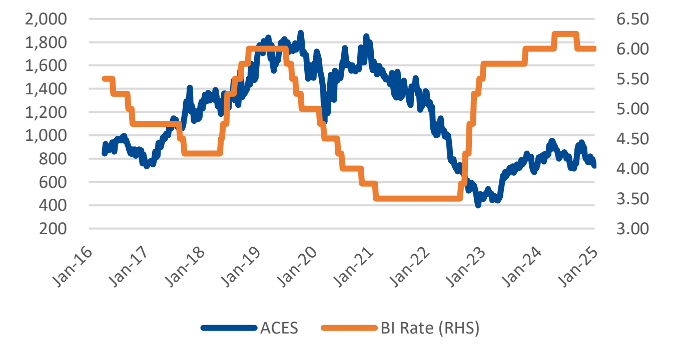
Source: Bloomberg, BRIDS

Exhibit 24. MAPA vs. BI Rate (%)



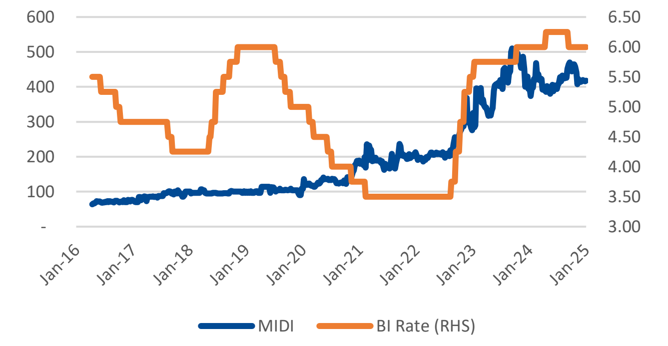
Source: Bloomberg, BRIDS

Exhibit 25. ACES vs. BI Rate (%)



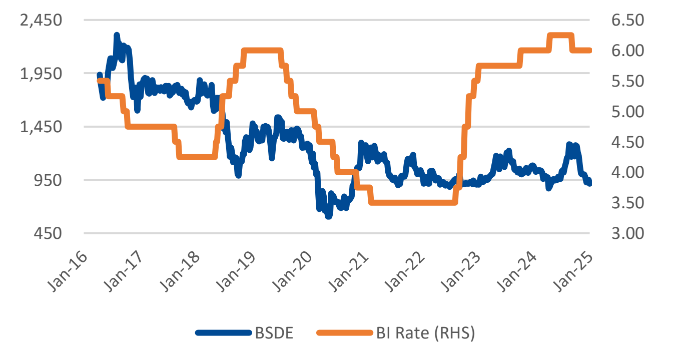
Source: Bloomberg, BRIDS

Exhibit 26. MIDI vs. BI Rate (%)



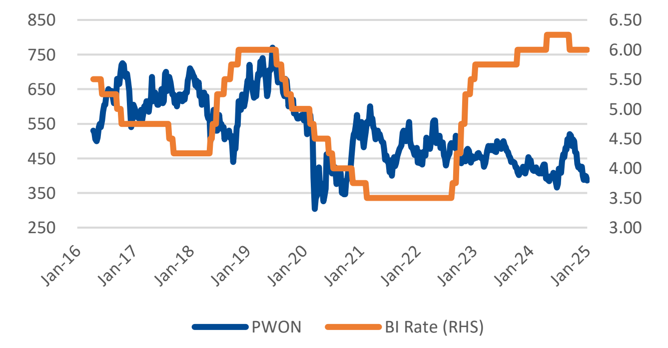
Source: Bloomberg, BRIDS

Exhibit 27. BSDE vs. BI Rate (%)



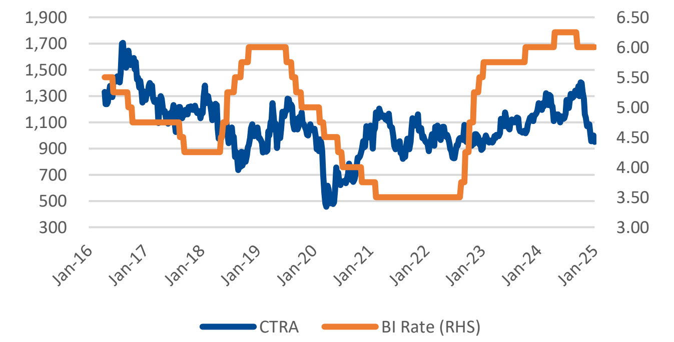
Source: Bloomberg, BRIDS

Exhibit 28. PWON vs. BI Rate (%)



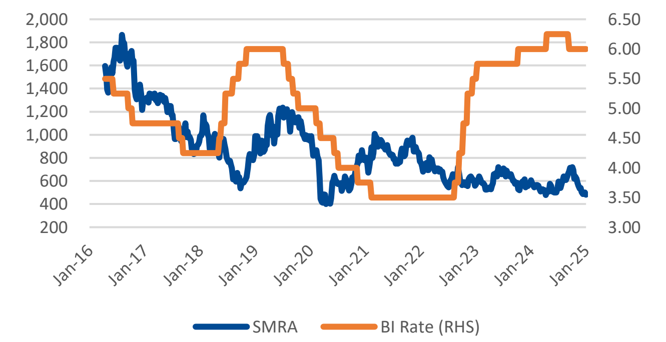
Source: Bloomberg, BRIDS

Exhibit 29. CTRA vs. BI Rate (%)



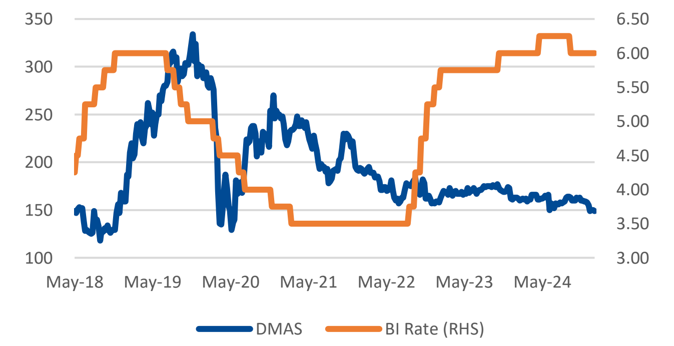
Source: Bloomberg, BRIDS

Exhibit 30. SMRA vs. BI Rate (%)



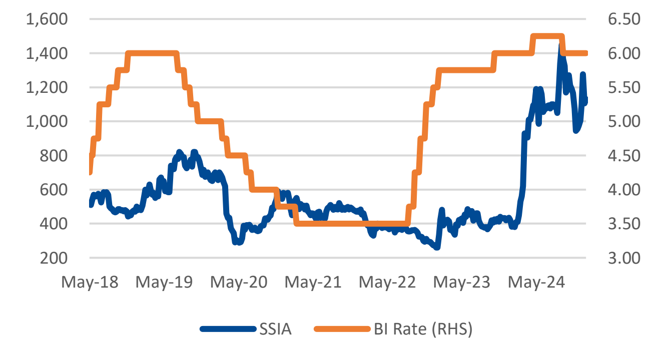
Source: Bloomberg, BRIDS

Exhibit 31. DMAS vs. BI Rate (%)



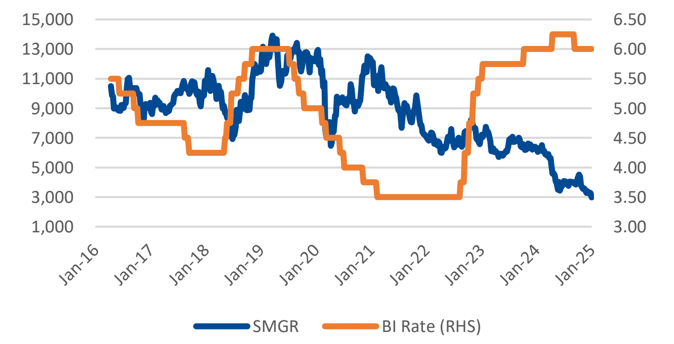
Source: Bloomberg, BRIDS

Exhibit 32. SSIA vs. BI Rate (%)



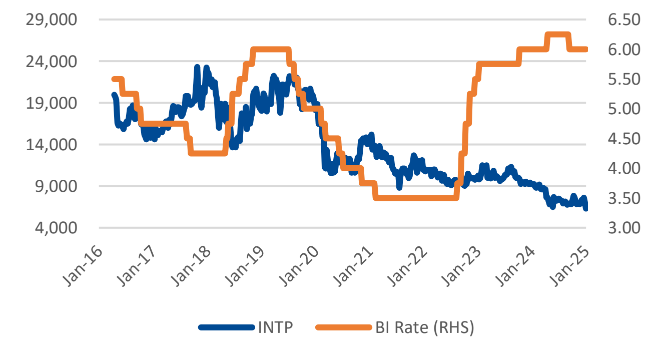
Source: Bloomberg, BRIDS

Exhibit 33. SMGR vs. BI Rate (%)



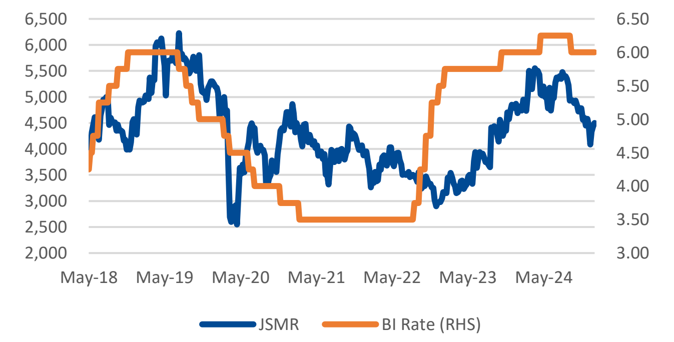
Source: Bloomberg, BRIDS

Exhibit 34. INTP vs. BI Rate (%)



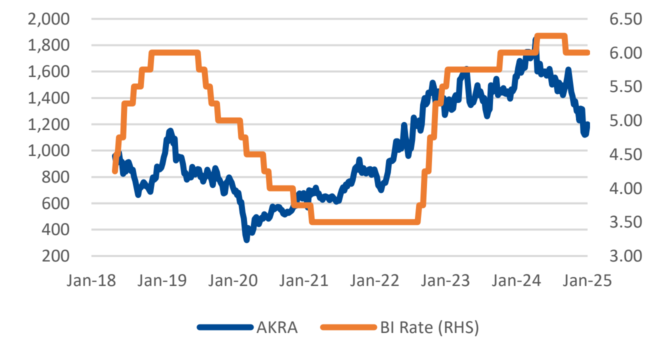
Source: Bloomberg, BRIDS

Exhibit 35. JSMR vs. BI Rate (%)



Source: Bloomberg, BRIDS

Exhibit 36. AKRA vs. BI Rate (%)



Source: Bloomberg, BRIDS

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Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

INVESTMENT RATING	
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