



STAR RATINGS REVIEW

MONTHLY MORNING MEETING JUL 2010. PRESENTED BY iFAST FINANCIAL PTE LTD ©

INDONESIA (3.5 STARS – ATTRACTIVE)

1. Indonesia's economy grew 5.7% y-o-y in 1Q10 after growing 5.4% in 4Q09. The key contributors to economic growth in 1Q10 came from higher investment which grew 7.9% y-o-y and stronger exports which grew 19.6% y-o-y. Even though government spending fell by 8.8% y-o-y, the negative drag it has on overall GDP growth was limited.
2. Imports are growing at a faster rate than exports as monthly total trade balance tightened since reaching a new high in Dec 09. Nonetheless, the total trade balance for Indonesia was US\$518 million in Apr 10, indicating that the nation remains as a net exporter which contributes positively to overall economic growth.
3. Consumer confidence remains optimistic for the fourteen straight months as the consumer confidence index stayed above the 100 mark (which indicates optimistic responses from those surveyed). Consumers are particularly optimistic of higher income ahead as the expectation of family income sub-index in May 10 was 134.7, highest among other sub-indices.
4. Total motorcycle sales in May were 640234 units while total car sales in May were 60526 units. Though both sales figures tapers off recent record high sales volume, they remain significantly higher than the long term average, suggesting strong consumer spending in Indonesia.
5. Inflation continues to creep up slowly but remains below the long term historic average inflation rate. As present level of 4.2% y-o-y increase, the government has little pressure to raise benchmark interest rate, providing further support for economic growth.
6. Analysts remain positive on the Indonesian economy as we continue to see upwards revision of the nation's forecasted GDP for 2010 and 2011. As of May 10, the median forecasted GDP growth was 5.8% and 6.2% for 2010 and 2011 respectively.
7. Moody's Investors Services raised the sovereign rating outlook of Indonesia from stable to positive. The reasons cited for the upgrade is the nation's capacity to sustain a strong economic growth coupled with effective fiscal and monetary policies as well as overall stability. This makes Indonesia one step closer to achieving an investment-grade credit rating for future debt issuance, hence potentially lower borrowing cost for the government.
8. Indonesia attracted strong investors' interest and it continue to be the top performing equity market at the end of 2Q10. As of 30 June 2010, the index recorded a 15.0% YTD return (in terms of local currency).
9. The consensus estimated earnings for JCI index are 28.6% and 22.7% for 2010 and 2011 respectively.
10. As of 23 June 2010, the JCI index trades at a PE ratio 14.6X and 11.9X forecasted 2010 and 2011 earnings. Valuations remains undemanding based on 2011 earnings and we maintain the market at an "Attractive" rating of 3.5 stars.