KSI Research

Market Outlook Q4 - 2025

KIWOOM SEKURITAS INDONESIA

JCI ENTERS Q4, DECEMBER RALLY ANTICIPATED, US SHUTDOWN LOOMS

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Jakarta, early October 2025 feels darker than just the Halloween vibe. Exactly at midnight Washington time, the US federal government officially shut down after the US Congress failed to pass the funding bill. The dark shadow of this shutdown immediately haunted global markets: vital economic data delayed, federal employees furloughed, and investors seeking shelter in safe-haven Gold which just broke another record at USD 3,864. JCI enters Q4 with a gloomy atmosphere—armed with historically strong December rallies, but facing a winding road amid political storms and global uncertainties.

♫ *"October Song" by Skid Row*

WHAT TO EXPECT IN Q4-2025:

♫ *"Winter's on the rise"*

JCI closed September with a solid performance: +4.2% monthly, +16.9% throughout Q3, despite rupiah weakening 1.3% monthly and 2.6% quarterly. However, foreign flow remained negative: foreign net sell of Rp9.45 trillion throughout September and Rp6.28 trillion in Q3, all in the regular market. **KIWOOM RESEARCH maintains a conservative-moderate year-end target at 7,850 – 8,000,** with Q4 projection still positive but highly volatile due to a mix of domestic and external factors.

Historical Average Q4 Performance:

♫ *"Autum still in my eyes"*

Historically, Q4 tends to have positive odds: October averages around +1% with a high win-rate; November is relatively flat or slightly negative (around 70% of cases down); December is the strongest month, averaging +2.3% – 3.1% with win-rate almost always positive. This combination delivers a quarterly return of around +2% to +4% (midpoint ~+3%).

Domestic Catalysts:

♫ *"How do we get down the mountain we climb day by day"*

1. **Monetary policy**: BI has already cut BI-7DRR to 4.75% (Sept 17), further cuts remain possible, along with aggressive intervention in FX and government bond markets. Patriot Bonds DANANTARA also serves as a test of market acceptance.
2. **Corporate fundamentals:** Q3 earnings reports will be a catalyst, especially big banks (HIMBARA) linked to loan growth and projected liquidity absorption of Rp200 trillion from the government.
3. **Export commodity prices**: Positive trend in copper, CPO, coal, gold, and nickel provides sectoral support.
4. **MSCI Rebalancing:** November 5 announcement, effective November 25 — often triggers foreign fund rotation.
5. ***Window dressing***: December tradition remains a key driver for JCI toward year-end.

External Catalysts & Global Sentiment:

♫ *"The night of the longest goodbyes"*

1. **US Government Shutdown:** Stopgap funding expired Sept 30, Trump and Congress failed to reach an agreement → US federal services officially shut down. If shutdown lasts long, the impact includes delay of key economic data (payroll, GDP), Fed lacking reference points for October FOMC, while hundreds of thousands of federal employees furloughed. The longest previous shutdown (34 days, Trump's first term) hit Wall Street significantly; this time similar risks could pressure global and EM markets including JCI, with Gold strengthening as a safe haven.
2. **Fed monetary policy:** Direction of the next rate cut still determines foreign capital flows and USD movement.
3. **OPEC+ meeting November:** Potential oil production increase will affect energy prices, global inflation, and emerging market risk appetite.
4. **Conference of the Parties (COP) 30 in Brazil (Nov 10–21):** key annual forum on climate change under UNFCCC, highlighting energy transition narratives that could lift green commodity themes (nickel, copper, renewables, waste-to-energy).

US Shutdown Then vs Now :

♫ *"I'm scared of what can not be seen"*

Flashback 2018 – 2019

The longest US shutdown (34 days) happened in Trump's early term. Wall Street, which had previously risen to 2.7xx (S&P 500), plunged sharply, triggering global risk-off. However, JCI held up relatively well: still hovering 6,200 – 6,500 until early 2019. Only later, in April 2019, deeper correction came from a combination of external (global recession, US–China trade tensions, Fed policy) and domestic factors (foreign outflow, political uncertainty ahead of elections). Shutdown did not immediately collapse JCI back then; delay was 3 – 4 months before global effects fully hit.

Shutdown 2025

♫ *"Life has gone to sleep"*

This year's conditions are different:

- **Global markets much more fragile:** Fed just starting easing cycle, Dollar still strong, global liquidity tight. This shutdown not only about technical budget issue, but also delays key macro data (payroll, GDP), leaving Federal Reserve *"flying blind"* at October FOMC.
- ***Wall Street already at historic peak*:** Tech/AI rally dominates → correction risk more sensitive if negative catalysts hit.
- ***JCI around 8,000:*** Much higher than previous base, but with heavy foreign outflow (Rp9.4T Sept, Rp6.3T Q3). That means thinner buffer vs 2018–2019, as foreigners are not overweight Indonesia.
- ***Domestic***: Some support (BI rate cut, window dressing, MSCI rebalancing), but Rupiah fragile, 2026 fiscal deficit widening, and imported inflation risk from strong USD.

JCI Forecast:

♫ *"But I'll see you again in between"*

- ***Short-term*** **(**October – November 2025): Shutdown could trigger global risk-off → stronger EM outflows. JCI may lose momentum, sideways–correcting to 7,800 – 7,900 (lower bound of Kiwoom Securities' target).
- ***Medium-term*** (December 2025): Unlike 2019, this December has strong buffers: window dressing, MSCI rebalancing, seasonal rally. Thus, although Q4 volatile, JCI still has chance to close year near 8,000.
- ***Key risk*****:** if shutdown drags on (over a month) and Fed fails to provide clear guidance, foreign pressure may accelerate deeper correction below 7,800.

Bottom line: If the 2018–2019 shutdown impact on JCI was delayed, the 2025 shutdown could be felt more instantly because JCI is high, foreign outflows heavy, and Rupiah fragile. The difference is, December seasonality + MSCI catalyst could serve as the *"year-end savior"*.

Q4 Sector Picks:

♫ *"Strength through your memory"*

- **Energy & commodities:** Coal, Oil, Nickel, Copper/Gold, CPO → driven by global prices & transition narrative.
- **Defensives:** Consumer staples and large Telcos as hedge against Rupiah volatility. Healthcare also relatively resilient to Rupiah/external volatility.
- **Large banks:** Still core, but selective; NPL risk vs loan growth opportunity & year-end window dressing.
- **Event-driven:** MSCI add/delete candidates in November. Technology sector if supported by contract/orderbook *"event-driven"* catalysts.
- **LQ45 laggards:** Catch-up rally potential in undervalued names with strong Q3 earnings. Large-cap property could fit here ==> discounted valuation, Q4 momentum usually supported by presales + window dressing, especially if global + BI rates still cut further in Q4.
- **Seasonal / Cyclical Play:** Transportation & Logistics tactical/seasonal positioning, as Q4 often coincides with logistics peak season & land sales/FDI updates in industrial estates.

Conclusion:

♫ *"We leave the prayers & confessions behind, day by day"*

Q4 is historically positive with December rally support, but volatility could be high due to combination of BI rate cut, Rupiah, Q3 earnings, MSCI rebalancing, and global sentiment (Fed, commodities, OPEC+, COP30). Major risks stem from continued foreign outflows and US government shutdown, which could trigger global risk-off periods.

SPECIAL STOCK PICKS – KIWOOM RESEARCH COVERAGE:

♫ *"What do we do when the light that we shine fades away"*

Sector: Consumer Non-Cyclicals

1. JPFA (TP: 2,330)

Key Takeaways:

- Corn prices stable thanks to government distribution of 52,400 tons at IDR 5,500/kg.
- Potential revenue improvement from production control policies (DOC & broiler culling).
- Free Nutritious Meal (MBG) program budget in APBN raised to Rp335 trillion, boosting demand for animal protein products including chicken.

2. ICBP (TP: 11,450)

Key Takeaways:

- Exchange rate stability expected to be the main driver of ICBP profit growth.
- Increased MBG budget may boost demand in noodles and dairy segment.
- Rising export topline potentially gives more stable revenue.

3. SSMS (TP: 2,400)

Key Takeaways:

- Volume may rise along with B50 demand, potentially lifting ASP.
- Diwali and New Year festivities expected to drive palm oil demand.
- IEU-CEPA agreement implementation could trigger export demand surge.

Sector: Energy

AKRA (TP: 1,630)

Key Takeaways:

- JIIPE land sales 2025. Target 100 Ha this year with 22 Ha realized in H1, remaining 78 Ha focused in H2. Historically, peak transactions occur in Q4, becoming positive catalyst for annual target achievement.
- Strategic downstream initiatives to boost JIIPE land sales. Prabowo administration launched 18 strategic downstreaming projects, including Copper Rod, Wire & Tube project worth Rp19.2 trillion in JIIPE. This initiative expected to spur demand surge for AKRA's industrial land.

Sector: Infrastructure

1. HGII (TP: 210)

Key Takeaways:

- Company focusing on PPA (Power Purchase Agreement) acquisition with due diligence targeted for completion around Oct/Nov. Also planning to acquire 7 MW mini-hydro power plant.
- Significant growth besides annual capacity additions is additional construction service revenue starting 2026F.

2. IPCC (TP: 1,330)

Key Takeaways:

- EV import incentives expiring Dec 2025 push automakers to accelerate shipments, maintaining high throughput volume in 4Q25 as brands rush to benefit from remaining tax breaks.
- Integrated connectivity strategy and potential investment in Patimban Port position IPCC to capture long-term growth from local EV production and rising automotive logistics demand in Indonesia.

3. PGEO (TP: 1,800)

Key Takeaways:

- As a pure-play SOE geothermal operator, PGEO manages ±727.5 MW operational capacity with total area ±1,933 MW, making it the most visible geothermal listed company.
- PGEO targets 1 GW installed capacity by 2026 through conventional + innovations such as brine-to-power.

Sector: Finance

1. BMRI (TP: 6,300)

Key Takeaways:

- Highest re-rating potential among big banks, with dividend yield hitting 10% and valuation still undervalued.
- Stable performance, while corporate credit recovery serves as key catalyst for profitability.

2. BBRI (TP: 4,720)

Key Takeaways:

- Improvement in micro segment, mainly from NPL normalization and support from productive credit stimulus.
- Dividend yield around 8% and valuation fair to undervalued.

Sector: Basic Materials

ANTM (TP: 4,000)

Key Takeaways:

- Record trend in global gold prices.
- Diversification into nickel and bauxite may serve as balance.

Sector: Consumer Cyclicals

HRTA (TP: 1,100)

Key Takeaways:

- Exposure to bullion bank ecosystem keeps gold demand solid.
- Share price already at ATH and valuation relatively fair, strong catalyst comes from domestic and global gold demand trend.

Sector: Technology

CYBR (TP: 1,450)

Key Takeaways:

- Expansion continues through launch of IntelliBroń, mobile cybersecurity solution for corporates. Product targets new segment amid stricter data protection rules.
- Cyber Academy Initiative strengthens company's position as a key player in supporting Indonesia's digital transformation.

JUST IN: Indonesia to give additional stimulus in Q4, targets 30 million families

♫ *"Reborn as daylight dies"*

Source: *https://www.reuters.com/world/asia-pacific/indonesia-give-additional-stimulus-q4-targets-30-million-families-minister-says-2025-10-01/?utm_source=chatgpt.com*

Indonesia Q4 Stimulus Summary:

♫ *"Waiting on fate to bring something divine & be saved"*

- The government is preparing an additional Q4 stimulus package targeting more than 30 million families, complementing the previous Rp16.23 trillion program.
- A holiday stimulus worth nearly US$2 billion will be rolled out for Christmas and New Year, including 12–14% discounts on train, ferry, and airline tickets.
- This program runs in parallel with earlier incentives: distribution of 10 kg of rice to 18.3 million households, personal income tax exemptions for tourism workers, and a Rp5.3 trillion cash-for-work scheme for 600,000 workers.
- Details of the additional budget are still being finalized and will be announced next week, leaving questions over the effectiveness of its execution.

Sectors & Companies Benefitted:

♫ *"Passing into the sublime"*

- **Consumer Staples:** The government's plan to distribute 10 kg of rice to 18.3 million households is positive for staple food producers and distributors such as **INDF, ICBP, and HOKI.** Improved household purchasing power could also support **MYOR** and **SIDO**.
- **Transportation & Infrastructure:** Holiday fare discounts of 12–14% for trains and ferries, along with the Rp5.3 trillion labor-intensive program, are expected to boost mobility and traffic, benefiting infrastructure operators like **JSMR**. State-owned construction contractors (**ADHI, PTPP, WEGE, WTON, WSBP)** may also see additional project opportunities. (*Airlines and hotel/tourism plays are less relevant due to weaker fundamentals or limited liquidity).*
- **Retail Stores:** Fiscal stimulus is likely to spur year-end household consumption, a positive for modern retail and lifestyle players such as **AMRT**.
- **Market Sentiment:** Overall, the package reinforces the domestic consumption narrative as a key growth driver in Q4. That said, the ultimate impact will depend on the speed and effectiveness of budget execution.

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