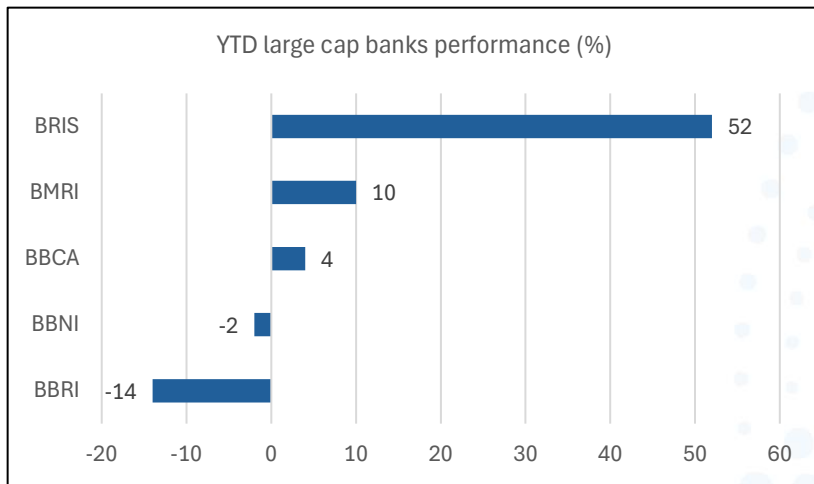


Soft 1Q24 financial sector results

JCI index is under pressure today (with intraday low of -2%) dragged down mainly by large cap banking stocks (BBCA, BBNI, BBRI, BMRI, and BRIS), especially BMRI that was down by -12% as it reported weaker-than-expected 1Q24 result. Furthermore, there was downward revision on BMRI guidance for 2024 that could lead to 5-7% earnings downside. Together with weak 1Q24 results of other large cap banks like BBRI and BBNI, profit taking was done across all the banks. The weakness in banking sector are mostly due to macro factors such as weak purchasing power, tight liquidity, and rising cost of fund. JCI was down by 140 points, while the big banks contributed 115 points or 82% of JCI's decline.



Source: Bloomberg. As of 30 April 2024.

Based on the reported 1Q24 results so far, despite the soft banking results we are still comfortable with our 7-11% EPS growth assumption for 2024 (we have revised down our 2024 EPS growth assumption from 9-13% in late 2023). We still see strength in other sectors such as consumer staples, healthcare, poultry, energy, and property, which are supporting JCI growth in 2024.

Equity comment: We have anticipated the weak 1Q24 banking results hence we reduced our banking exposure since March 2024 and we have been sitting on an underweight position on the financial sector. With the big banks facing significant profit taking, we might be looking to add exposure on selective big banks when the valuation turns more attractive.

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