

TRIM Commodities Comments

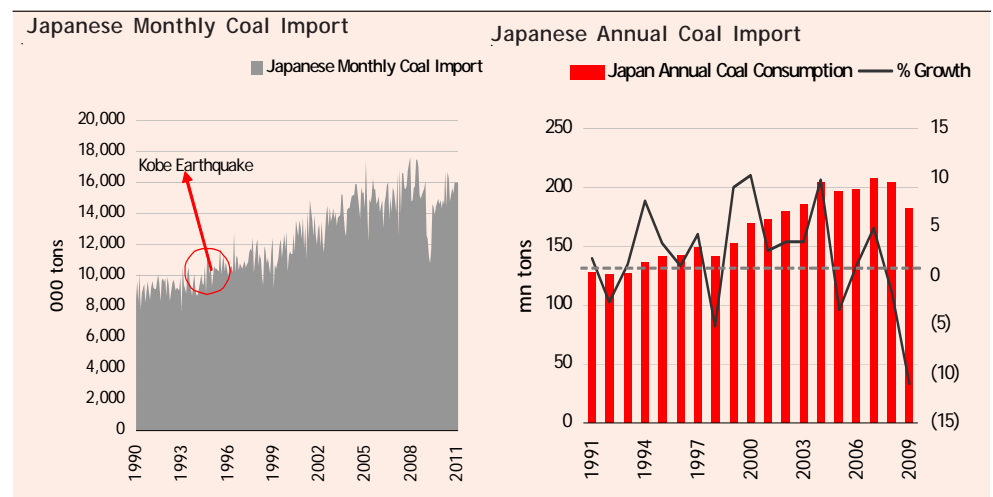
Commodities after Japanese "Massive" Quake

Commodities Comment: Commodities after Japanese "Massive" Quake

A major 8.9 magnitude of earthquake followed by a deadly tsunami has hit Sendai last Friday, concerns over the world's third largest economy and in particular the implications to seaborne trade of commodities which Japanese imports most amongst other nations. Economic loss assessments so far is difficult and still mixed in direction. However, one trend is for sure, that overall demand maybe weak in the ST, before recovering in the MT (2 economic quarters and beyond).

❑ **Thermal Coal: Eased Demand is Unlikely, Betting on Higher Demand due to Nuclear Power Plant Shut-Down**

Crude oil declined on Friday, 11th Mar'11, as market saw economy growth hampered as well as demand on fuel in Japan. However, we don't see Japanese thermal coal demand will decline after the earthquake, learning what has happened in 1995 when major earthquake struck Kobe which caused USD120bn in damages or equivalent to about 2.5% of Japanese GDP. We expect demand on thermal coal remains resilient and even tends to be stronger due to the shut down on nuclear reactors located in the Fukushima Area. It will take a long time for a nuclear power plant to back in normal operation after being exploded, creating a shortage of electricity supply. Japanese Government will optimize its steam power plant to offset this power shortage, leading to a higher demand on fuel (thermal coal, oil, and natural gas).



Source: Bloomberg, TRIM Research

❑ Base Metals and Coking Coal: Short Term Pressure Due to Halted Smelters

Several Japanese smelters has been suspended after temblor struck, some of those facilities were damaged. As the world's second largest steel producers, the hampered production will automatically cause the demand on metal ore and coking coal eased in the short term. However, we don't see it as a significant issue that will create an imbalance on global seaborne trade. Other countries smelter facility will ramp up their production to take over supply disruption from Japan. Moreover, Japan reconstruction program expected to boost steel demand thus raw material demand.

World's Largest Steel Producers (mn tons)

Rank	Country	2007	2008	2009
1	China	1,351.3	1,326.5	1,219.7
2	Japan	494.9	500.5	567.8
3	Russia	209.7	198.0	139.1
4	United States	120.2	118.7	87.5
5	India	72.4	68.5	59.9

Source: World Steel Association

❑ How These Impacted Indonesian Commodities Related Stocks?

Japan remains as the key country to our international trade, as it becomes Indonesian number one export destination. Our exporters, especially commodities related goods, currently are watching the development progress of the country.

Indonesian Non Oil-Gas Export Destination by Value

Rank	Country	2009	2010	Shares (%)
1	Japan	12.0	16.5	12.7
2	China	8.9	14.1	10.9
3	United States	10.5	13.3	10.3
4	India	7.4	9.9	7.6
5	Singapore	8.0	9.6	7.4

Source: Central Bureau of Statistics

Indonesian Coal Export Destination by Volume

Rank	Country	Volume (mn tons)	Shares (%)
1	China	41.2	25.6
2	Japan	24.7	15.4
3	South Korea	19.1	11.9
4	India	16.8	10.5
5	Malaysia	10.7	6.7

Source: Department of Energy and Mineral Resources

ADRO (around 10% of its coal sold to Japan) told the local media that its coal delivery to Japan was undisturbed by the earthquake. ANTM confirmed that they still haven't received any cancellation from Japanese buyers yet, but the management admitted that there a possibility for some postponements due to force majeure.

Special Report on UNTR: Meaningful Supply Risk

UNTR imports its large size heavy equipments and more than half of its engine and other spare parts from Komatsu Japan. The rest are from Komatsu Thailand and Komatsu Indonesia. Due to the recent 9.0 Sendai Quake, Komatsu principal has closed its Japanese factories for internal assessments.

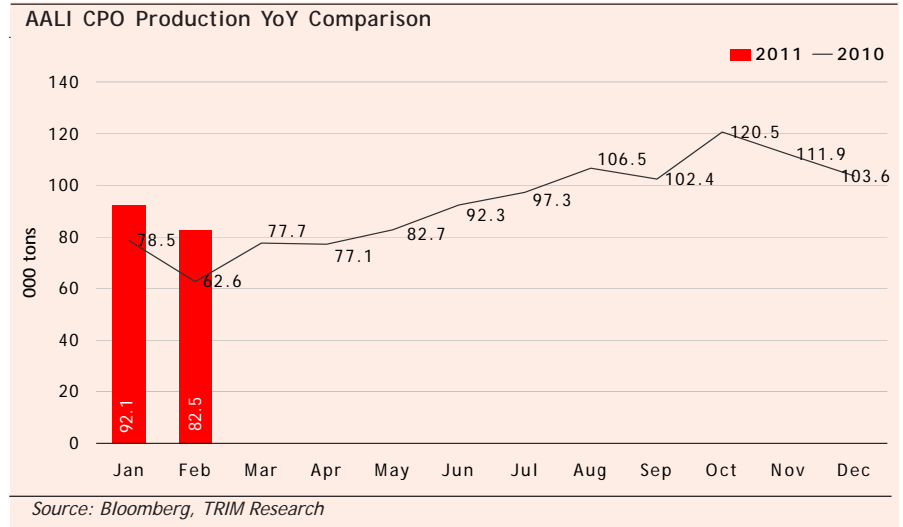
Management Update

The good news is that UNTR currently carry about 2 months of ready-to-sell inventory, this should buy UNTR some time. The bad news however is that there is still no visibility as to when Komatsu Japan will be put online again. Even if put online, would the current state of infrastructure around Komatsu Japan affect supply chain?

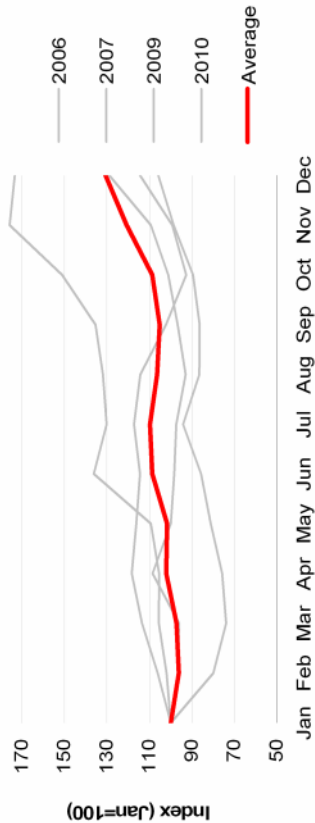
We are cautious, and continue to report on further notice as soon as available.

AALI: CPO Production Continuous to Pick Up, Confirm Recovery??

Recovered production continue as company's CPO production reached 174,596 tons in 2M11, rose 23.7% YoY, mainly derived from the rise in nucleus and plasma FFB production. FFB production grew 18.4% YoY to reach 641,053 tons in 2M11, resulting a better FFB yield of 2.91ton/ha compared to 2.55ton/ha in 2M10.



Coal Price Seasonality



Catalyst:

MT to LT Indian 11th policy plan and Indonesian fast track of 1st 10,000 MW power plant projects will come online going until 2014 with coal as a dominant fuel, creating a regional hunger for coal. It is estimated that 5,000-6,000MW of coal fired power plants scheduled to come online in 2011 in Indonesia. PLN coal demand will jumped 75% to reach 70mn tons in 2014 compared to current level of 40mn tons. 2nd 10,000MW programme is already beginning in Indonesia, again with coal taking 30% of power source for the programme. India will continue to feed its domestic demand from seaborne market due to structural problem of its supply side. LT emerging market growth will continue to provide a good floor for coal prices, with robust demand coming from China, India and Indonesia.

ST China coal price expected to be steady as winter season passed, lowering heating demand in the country. We expect Japanese coal demand to be higher-than-normal after its nuclear power plants shut down, pushing the utilisation of steam power plant and boost thermal coal demand.

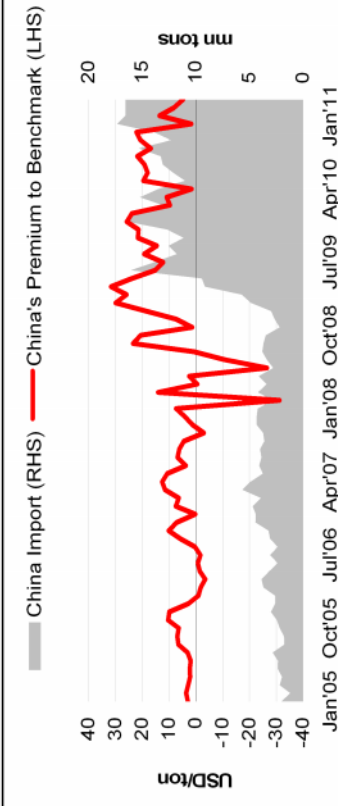
Risk:

ST macro risk is the biggest risk, followed by regulatory risk as increase of local demand may urge Indonesian government to implement stricter DMO and price control.

Source: Bloomberg, Trimegah Research

Price Movement

	Last	WoW (%)	MoM (%)	YoY (%)	Ytd (%)	Average Price	Ytd		
						1 Mth	3 Mth	6 Mth	
Oil and Gas									
Crude Oil	101.2	(3.6)	20.0	26.8	10.7	92	87	87	92
Natural Gas	4	1.3	(1.6)	(10.9)	(11.1)	4	4	4	4
Coal									
Newcastle 6,700kc GAD	131	0.4	8.4	39.1	3.8	128	127	115	129
Qinhuangdao 6,000kc GAD	138	0.0	(0.6)	28.1	7.9	138	135	128	137
Richard Bay 6,000kc NAR	120	0.3	4.4	44.5	(7.6)	118	121	109	121
Coal (Daily)	126	2.1	9.5	68.0	(4.3)	120	121	112	120
Other									
Baltic Dry Index	1,559	9.5	26.1	(56.4)	(12.1)	1,349	1,429	1,935	1,337

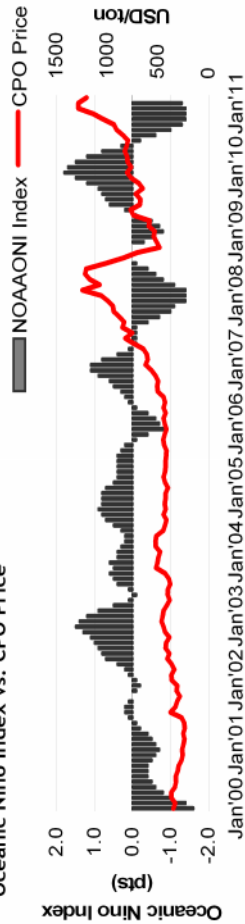


Source: Bloomberg, Trimegah Research

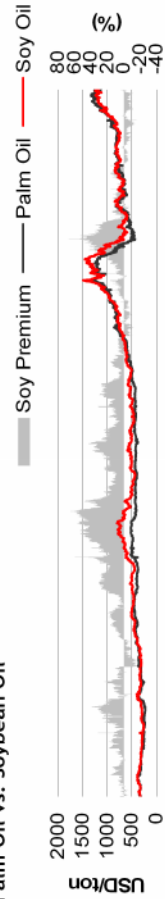
Relative Companies

Ticker	Trim TP (Rp/shr)	Last Px (Rp/shr)	M. Cap (Rp)	YTD (%)	Bloomberg TP	P/E (x)	PIBV (x)	ROE (%)	EPSg (x)	Div. Y (%)
					Avg	2011	2011	2011	2011	2011
Adaro Energy	3,050	2,375	76.0	(6.9)	3,108	13.9	3.3	23.9	104.7	1.8
Bumi Resources	-	2,975	61.8	(1.7)	3,617	13.5	2.9	21.7	92.3	1.5
Borneo Lumbung Energy	-	1,530	27.1	14.2	1,963	13.4	3.1	23.2	55.4	1.0
Harum Energy	-	8,950	24.2	(0.6)	10,750	14.2	7.3	47.8	106.8	1.9
Indika Energy	-	3,825	19.9	(19.0)	5,721	9.8	2.6	26.8	80.1	2.8
Indo Tambangraya Megah	52,400	46,150	52.1	(9.1)	56,080	9.6	4.3	44.4	22.9	5.8
Tambang Batubara Bukit Asam	26,700	20,750	47.8	(9.6)	26,755	11.2	4.3	38.6	19.7	4.2
Regional Average						11.9	2.8	23.9	43.6	2.4

Oceanic Nino Index vs. CPO Price



Palm Oil vs. Soybean Oil



Source: Bloomberg, TRIM Research

Catalyst:

LT Oil Consumption per capital in emerging markets (China 14kg, India 8kg, Brazil 18kg, and Indonesia 17kg) are still half of developed nations (30kg). This will support CPO prices in the long term as CPO prices will need to remain above cost + margin model to support volume growth. Structural oil supply problems combined with USD debasement story will support bio-diesel commercial viability in the LT.

MT A drier period followed after La Nina will boost CPO production and make the supply and demand balanced. Price will be normalize but it will be floored in our view, as human consumption of edible oil will grow steadily at 4.0%-5.0% CAGR mainly contributed by Chindia and bio diesel mandatory in several edible oil producer countries. Moratorium in Indonesia also expected to hamper CPO production, driving a positive outlook on CPO price in medium term.

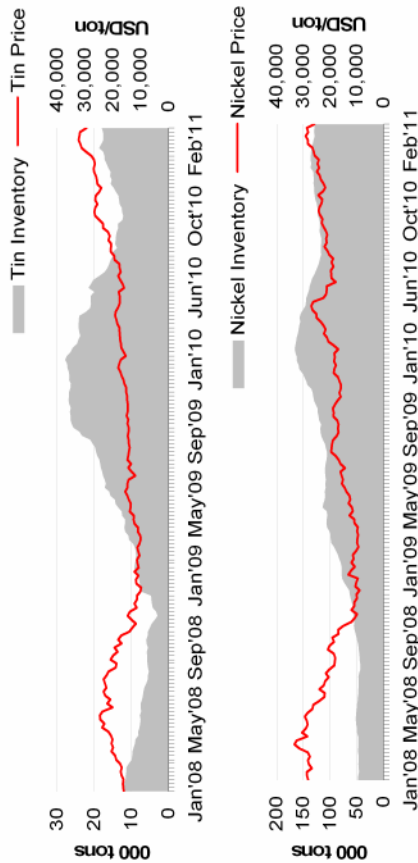
ST La Nina phenomena expected to start abating from now. CPO price has declined almost 20% from its peak back in Jan'11, in line with our view.

Risk:

We also see moratorium along with unclear forest spatial regulation as a serious obstacle for Indonesia planters to expand, hampering the growth opportunity. Association expects our planters will "only" add 200k ha - 250k ha in 2011 vs. 500k ha 3-4 years ago.

Price Movement	Malaysia Palm Oil						YTD	Low	High	Bloomberg TP		YTD (%)	M. Cap (Rptr)	Last Px (Rp/shr)	Trim TP (Rp/shr)	Ticker
	Last	YoW (%)	MoM (%)	YoY (%)	Last	MoM (%)				YoY (%)	Avg					
CPO Malaysia	3,363	(9.8)	(15.2)	26.4	(11.8)	3,650	3,740	3,431	3,750	Production	1,094	3.5	(5.4)	1,058	(19.9)	AALI
CPO Rotterdam	1,130	(10.8)	(14.4)	34.5	(12.1)	1,229	1,256	1,155	1,259	Crude Palm Oil	279	4.8	(6.0)	266	(22.3)	BWPT
Soybean Meal	1,335	(4.3)	(4.9)	44.2	(4.3)	1,369	1,381	1,291	1,391	Palm Kernel	118	(7.2)	(12.2)	127	(26.5)	GZCO
Soybean Oil	56	(5.4)	(3.1)	41.3	(3.2)	57	57	53	57	Palm Kernel Oil	118	(7.2)	(12.2)	127	(26.5)	LSIP
Rubber	378	(21.0)	(28.3)	28.6	(6.6)	491	462	398	476	Export	1,114	(8.6)	(14.0)	2,333	59.6	SGRO
Corn	664	(7.4)	(4.5)	82.4	5.6	703	659	602	671	Ex-Palm Oil	76	18.7	(21.9)	64	(37.7)	BISI
Wheat	719	(10.2)	(17.6)	48.1	(9.5)	795	802	752	808	Ex-Palm Kernel Oil	1,479	4.2	(17.4)	43.4	2.8	
Sugar	28	(5.8)	(8.6)	43.6	(12.0)	30	32	30	31	Inventory	2.4	18.7	20.9	32.6	0.8	
										Palm Oil	2.4	18.7	20.9	32.6	0.8	
Relative Companies																
Astra Agro Lestari										P/E (x)	2011	2012	2011	2012	2011	2012
BW Plantation										P/BV (x)	2011	2012	2011	2012	2011	2012
Gozco Plantation										ROE (%)	2011	2012	2011	2012	2011	2012
London Sumatra Indones										EPSg (x)	2011	2012	2011	2012	2011	2012
Sampoerna Agro										Div. Y (%)	2011	2012	2011	2012	2011	2012
Bisi International																
Regional Average											15.0	14.3	2.6	2.4	17.2	16.5
											6.1	5.3	6.1	0.0	0.0	0.0

Nickel & Tin Price vs Inventories



Catalyst:

LT Growth from global emerging markets will continue to provide a floor for base metal prices. Aggressive money printing and fiscal stimuli will eventually lead on to inflation, favoring hard asset prices in the future. Supply side issues coming from both China and Indonesia, who both are world's largest tin supplier, will be supportive of tin's prices long term

MT The Q.E 2.0 US stimulus is very commodity intensive, and will be supportive of based metal prices. Based on cost + margin model, the fair nickel price is estimated to be USD16k/ton - USD20k/ton.

However, demand is needed to bring its inventory down from historic levels, before nickel price can resume its ascent. We would expect tin to outperform nickel in the medium term on lower inventory glut and structural supply issues.

ST Global demand for nickel is expected to slow mainly cause by lower demand for stainless steels in China and EU. In the other hands, production will speed up supported by new projects coming and continued restart of idled capacity. ABARE expects world demand for nickel to "only" grow by 6.0% in 2011 compared to 9.0% of supply. Temporary stop on several Japanese smelters after the major earthquake will temporarily weaken metal ore demand to the world's second largest steel producers.

Risk:
EU faster recovery than estimated and improving Chinese demand will become the upside risk for our nickel view.

Source: Bloomberg, TRIM Research

Price Movement		Last	WoW (%)	MoM (%)	YoY (%)	Ytd (%)	Average Price	1 Mth	3 Mth	6 Mth	Ytd	Inventory Level				Last	WoW (%)	MoM (%)	YoY (%)	Early Year	Ytd (%)						
Non ferrous Metal																											
Aluminum																											
		2,508	(1.3)	0.4	11.7	2.0	2,542	2,479	2,401	2,500	2,500	Non ferrous Metal				4,585,750	-0.4	(0.2)	1.5	4,277,050	7.2						
Copper																											
		9,200	(2.9)	(9.3)	23.8	(4.0)	9,683	9,592	8,978	9,665	9,665	Aluminum				426,000	-0.3	6.0	(20.0)	377,550	12.8						
Nickel																											
		25,725	(6.3)	(10.9)	18.4	4.0	28,030	26,523	24,949	27,019	27,019	Copper				127,986	-1.1	(1.9)	(19.5)	135,672	-5.7						
Zinc																											
		2,302	(2.7)	(8.5)	(1.2)	(6.0)	2,451	2,411	2,360	2,433	2,433	Nickel				733,925	1.2	3.5	36.2	701,425	4.6						
Lead																											
		2,474	(4.0)	(6.2)	9.3	(2.9)	2,562	2,534	2,452	2,555	2,555	Zinc				288,150	-0.7	(2.5)	69.4	208,275	38.4						
Tin																											
		29,800	(3.1)	(8.2)	69.8	10.8	31,441	29,091	27,252	29,689	29,689	Lead				17,960	1.2	2.1	(24.6)	16,275	10.4						
Precious Metal																											
Gold																											
		1,422	(0.9)	4.2	29.1	0.0	1,408	1,382	1,367	1,380	1,380	Tin				11,128,785	0.1	(0.4)	11.2	11,591,781	-4.0						
Silver																											
		36	0.2	17.7	110.8	16.3	34	31	28	31	31	Precious Metal				102,364	(0.8)	(0.4)	(8.7)	104,849	-2.4						
Platinum																											
		1,763	(3.2)	(3.7)	9.7	(0.4)	1,814	1,791	1,738	1,806	1,806	Gold															
Palladium																											
		757	(4.0)	(9.3)	63.7	(5.6)	805	796	719	804	804	Silver															
LMEX																											
		4,140	(3.0)	(7.6)	19.8	(1.7)	4,339	4,251	4,024	4,291	4,291	Platinum															
Relative Companies																											
		Ticker	Trim TP (Rp/shr)	Last Px (Rp/shr)	M. Cap (Rp/shr)	YTD (%)	YTD (%)	Bloomberg TP Avg	High	Low	TP	P/E (x)		2011	2012	P/BV (x)		2011	2012	EPSg (x)		2011	2012	Div. Y (%)		2011	2012
Aneka Tambang																											
		ANTM	-	2,175	20.7	(11.2)	(11.2)	2,648	3,000	2,000	2,000	11.2	10.8	1.3	1.6	12.0	14.5	1.8	3.8	4.0	4.8	1.8	3.8	4.0	4.8	4.8	4.8
International Nickel																											
		INCO	-	4,750	47.2	(2.6)	(2.6)	5,433	6,700	4,150	4,150	12.6	9.7	2.5	2.1	19.6	21.5	9.3	19.1	5.2	6.5	9.3	19.1	5.2	6.5	6.5	6.5
Timah																											
		TINS	-	2,625	13.2	(4.5)	(4.5)	2,994	3,575	2,300	2,300	17.1	9.8	2.7	2.3	15.6	23.6	57.4	10.7	3.9	5.4	57.4	10.7	3.9	5.4	5.4	5.4
Regional Average																											
												18.3	23.3	2.3	2.6	12.4	11.1	2.9	(21.7)	0.0	0.0	2.9	(21.7)	0.0	0.0	0.0	0.0

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