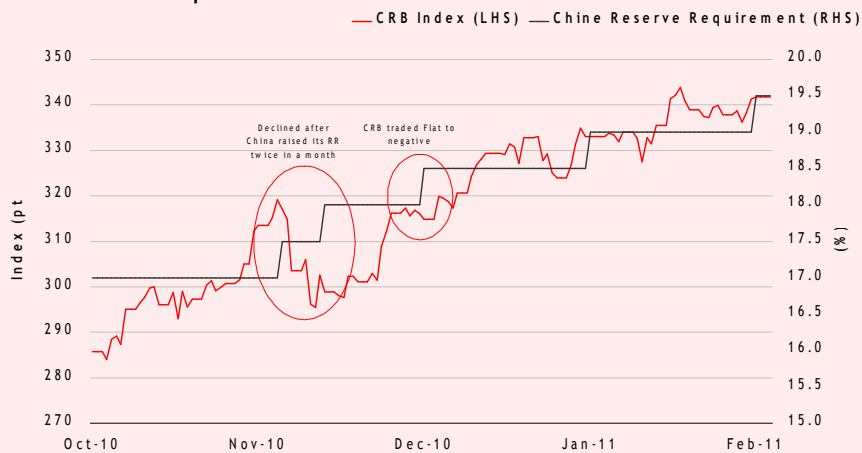


Commodities Comment: Temporary Dampened Sentiment

When China, one of the largest consumer of almost all commodities in the world and an global economic powerhouse, sneezes, everyone will catch a cold. Every eyes are watching the country's policy especially those that will directly affected to its aggregate demand. Bank of China has decided to hike RRR (reserve requirement ratio) by another 50 basis points to 19.5 last weekend, the fourth increase in the last 3 months in its attempt to curb the country's rising inflation. The tightening policy often results in a negative short term sentiment for commodities as speculation on lower demand rises, but not for the long term, as underlying demand growth continue to be strong. Palm oil declined for a fifth day following soybean and rubber, which fell on the day after the RRR hike announcement.

China Reserve Requirement vs. CRB Index



Source: Bloomberg, TRIM Research

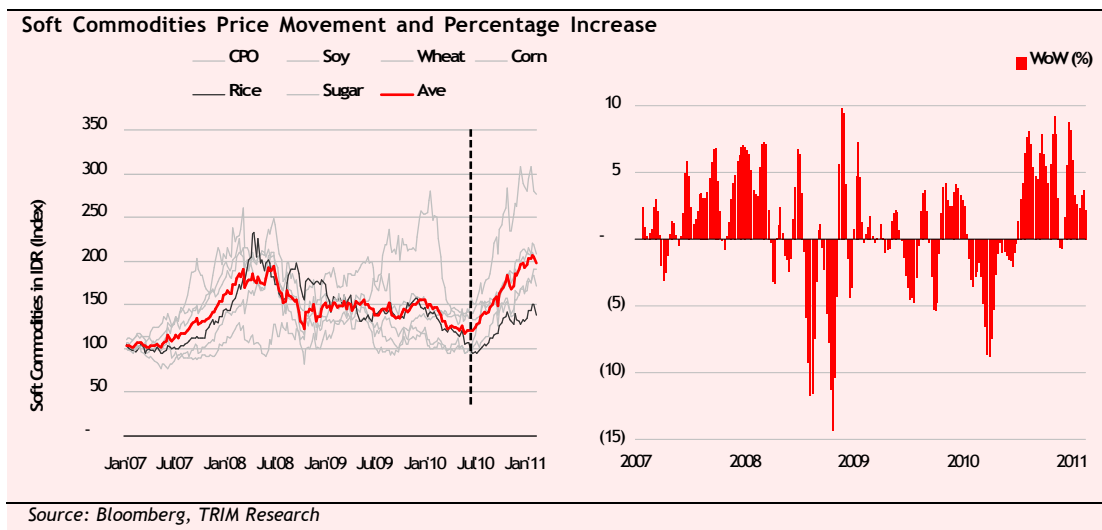
Soft Commodities: Peaking Out Signal for Food Prices??

Last week, we wrote about increasing food prices due to unfavorable inventory reports from USDA (TRIM Commodities Comments 2011 02 14: Summary on USDA Feb'11 Agricultural Report). We continue to expect global food prices to peak sometimes in 2Q11 and eventually softens in 2H11, as the base case assumption for (1) weather, the key culprit driving food prices in this cycle, is expected to abate in 2H11, and that (2) more planting done by farmers in a higher price environment will lead to higher output in the next harvest season.

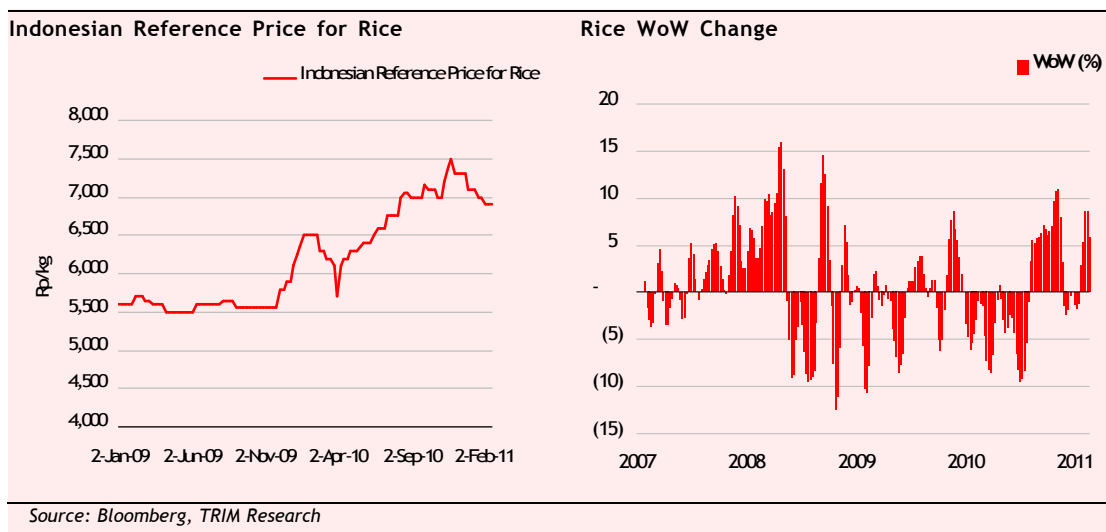
Andrian Tanuwijaya
Analyst

andrian.tanuwijaya@trimegah.com

Food inflation is a measure of the change in prices. In this regard, our WoW food price change seems to be losing momentum, and that global food prices is showing peaking price patterns on a WoW change basis. This leads to our speculation that food price driven inflation may peak soon.



However, the global rice price, which contributes to the largest portion withing the Asian Food CPI measure, has surged 8.2% YTD due to supply concern. Rice's WoW change is more volatile than the overall soft commodities', and is still not showing any declining price momentum yet. The good news however, Indonesian domestic rice price has been declining gradually, a successful sign that government's market operation to import rice is being priced in.



Tin: Indonesian Output May Slump 11%-25% YoY in 2011

Bangka Belitung Timah Sejahtera, a group of eight national tin smelters said that the country's output this year will be reduced to 60,000-70,000 tons in 2011, down from government estimated 90,000 tons and 78,965 tons of 2010 output. The lower output estimation is in line with TINS lower production target at 38,000 tons this year due to prolonged La Nina. This is also a deliberate strategy by the management "strategy" to constrict global supply so as to create a new higher floor price for tin in general.

Investors should not read too much into data released by Indonesian Trade Ministry last week showed that the country shipped 7,334.6 tons of refined tin during Jan'11, 8.3% higher than Jan'10 shipment. We see this rising tin export volume as mainly a profit maximization behavior by producers in the midst of the high price environment, as not a real production increase.

Indonesia remains as the key marginal supplier tin in the world right now, as it is the only sizable producers left to have the capacity to ramp up production easily compared to other tin belt regions. China has a lot of tin reserve but almost all of it was produced to fulfill its own demand. Peru and other countries in the region are facing the depleting reserve and thus production, while the African reserve is too costly to be mined due to political and safety issue.

World Largest Refined Tin Producers

Company	Country	2009	2010	% Change
Yunnan Tin	China	55,898	59,180	5.9
PT Timah	Indonesia	45,086	39,100	(13.3)
Malaysia Smelting Corp	Malaysia	36,407	38,737	6.4
Minsur	Peru	33,920	36,052	6.3
Thaisarco	Thailand	19,300	23,505	21.8
Liuzhou China Tin	China	10,500	14,300	36.2
Yunnan Chengfeng	China	14,947	14,155	(5.3)
EM Vinto	Bolivia	11,805	11,520	(2.4)
Metallo Chimique	Belgium	8,690	9,945	14.4
Gejiu Zi Li	China	5,600	9,000	60.7
Koba Tin	Indonesia	7,455	6,644	(10.9)
Jianxi Nanshan Tin	China	3,000	6,000	100.0

Source: ITRI

Oil: Price May Further Rise on Middle East Supply Concern

Several weeks ago, crude oil price reached USD92/barrel due to Egyptian crisis and had gradually eased along with political recovery in the country after Mubarak's presidency over. But Middle East crisis seems to continue and spreading to other countries such as Yemen, Bahrain, and Libya. Prolonged conflicts had bolstered global concern that supplies will be disrupted. Libya, the eight largest oil producers among those with quotas in OPEC, has become the focal point of region-wide protests ignited by Tunisia and energized by Egyptian "successful" demonstration

Bloomberg Estimated of OPEC Crude Output

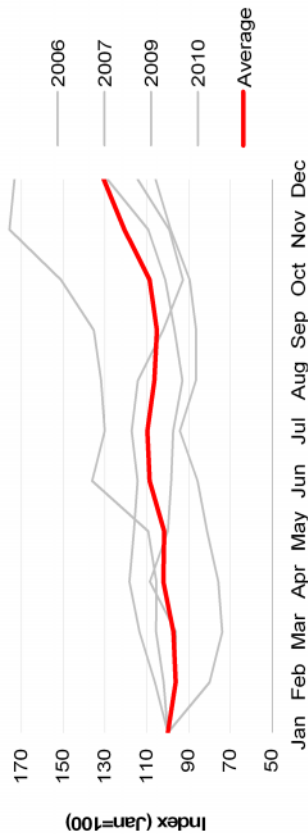
No	OPEC Country	Production Estimated (000 barrel/day)
1	Saudi Arabia	8,051
2	Iran	3,336
3	U.A.E	2,223
4	Kuwait	2,222
5	Venezuela	1,986
6	Nigeria	1,673
7	Angola	1,517
8	Libya	1,469
9	Algeria	1,202

Source: Bloomberg

22-Feb-11

Energy

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 the chunk 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 peaking weather adversity, and continued strong demand side from Asia, we are confident that coal contracts for Japanese FY11 done in Mar'11 will be result in little deviation from our new USD125/ton assumptions for 2011.

Risk:

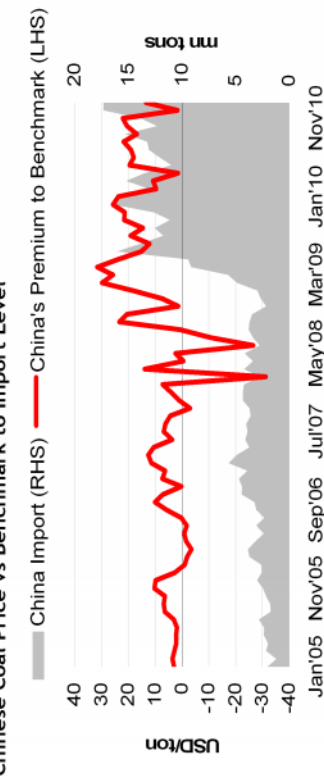
ST macro risk is the biggest risk, followed by regulatory risk as increase of local demand may urge Indonesian government to implement stricter DMO and price control. Government also state that it might ban the export of low rank coal in 2014 to increase state's export revenue.

Source: Bloomberg, Trimegah Research

Price Movement

	Last	WoW (%)	MoM (%)	YoY (%)	Ytd (%)	Average Price
						3 Mth 6 Mth Ytd
Oil and Gas						
Crude Oil	86.2	2.2 (3.3)	7.5 (18.2)	7.5 (20.8)	(5.7)	87 89 84 89
Natural Gas	4	(2.5)			(12.0)	4 4 4 4
Coal						
Newcastle 6,700kc GAD	124	2.9 (6.2)	33.8 (8.5)	33.8 (1.4)	125	123 110 128
Qinhuangdao 6,000kc GAD	139	0.0 (0.5)	33.1 (3.3)	8.5 (9.9)	139	133 125 136
Richard Bay 6,000kc NAR	117	1.7 (3.3)	42.6 (3.4)	42.6 (9.7)	118	118 105 122
Coal (Daily)	119	3.3 (9.7)	3.4 (9.7)	56.7 (9.7)	117	119 109 120
Other						
Baltic Dry Index	1,295	4.8 (5.5)	(52.4)	(27.0)	1,176	1,605 2,108 1,320

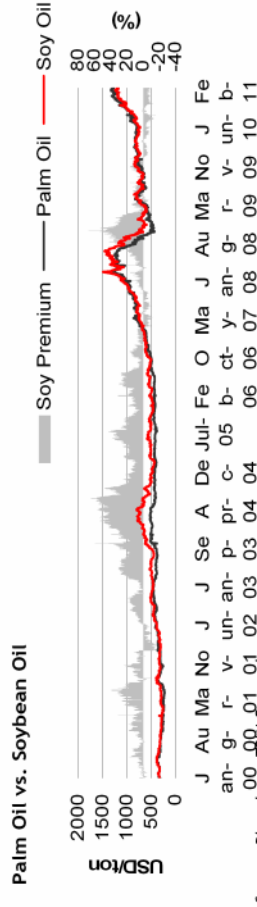
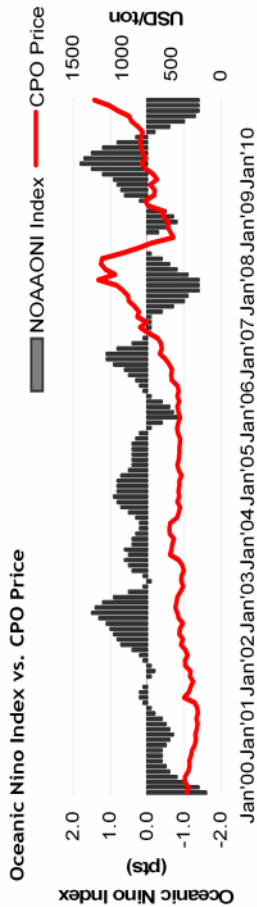
Chinese Coal Price vs Benchmark to Import Level



Source: Bloomberg, Trimegah Research

Relative Companies

	Ticker	Trim TP (Rp/shr)	Last Px (Rp/shr)	M. Cap (Rptr)	YTD (%)	Bloomberg TP	P/E (x)	PIBV (x)	ROE (%)	EPSg (x)	Div. Y (%)
						Avg High Low	2011 2012	2011 2012	2011 2012	2011 2012	2011 2012
Adaro Energy	ADRO	3,050	2,425	77.6	(4.9)	3,107 4,200 2,600	14.0 10.7	3.4 2.8	24.0 25.9	100.1 31.3	1.8 2.8
Bumi Resources	BUMI	-	2,750	57.1	(9.1)	3,507 4,300 2,500	12.0 9.1	2.7 2.2	22.6 23.8	85.7 30.8	1.6 2.9
Borneo Lumbang Energy	BORN	-	1,570	27.8	17.2	2,033 2,000 2,050	14.0 9.7	3.2 2.5	22.8 25.9	21.8 44.5	1.3 2.5
Harum Energy	HRUM	-	8,450	22.8	(6.1)	10,500 11,900 8,500	13.4 9.6	7.1 4.7	53.1 48.3	104.9 38.5	2.3 3.5
Indika Energy	INDY	-	3,725	19.4	(21.2)	5,721 6,600 4,825	9.5 7.9	2.6 2.1	26.8 26.3	79.7 20.1	2.9 4.5
Indo Tambangraya Megah	ITMG	52,400	47,100	53.2	(7.2)	60,026 75,200 46,726	11.4 9.6	5.2 4.1	45.6 42.9	78.2 19.1	4.0 5.7
Tambang Batubara Bukit Asam	PTBA	26,700	19,450	44.8	(15.3)	26,050 35,600 19,000	12.8 10.7	5.1 4.0	39.8 37.4	71.3 19.2	2.8 4.3
Regional Average							12.4 9.9	2.9 2.2	23.3 22.1	32.3 16.9	2.3 2.3



Source: Bloomberg, TRM 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.

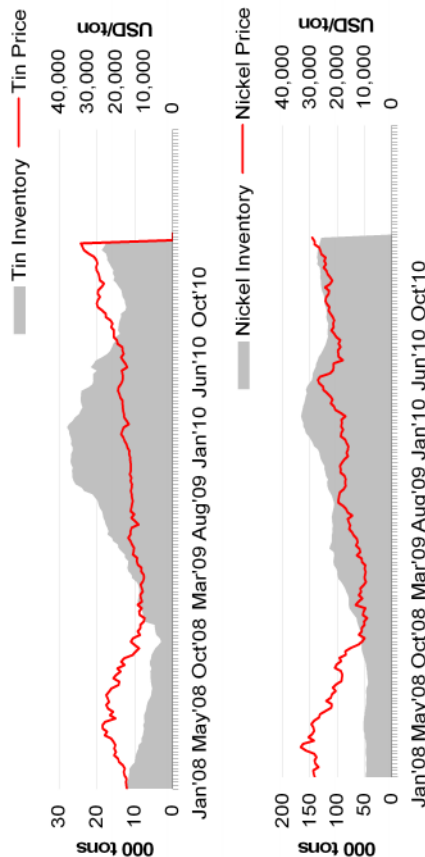
ST La Nina phenomena (wet in the Eastern and dry in the Western) expected to continue until the end of 1Q11 with strong La Nina occur during Oct'10- Feb'11 period, creating a supply shortage for most of soft commodities counters.

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			P/E (x)	EPSg (x)			Div. Y (%)					
	Last	WoW (%)	MoM (%)	YoY (%)	Ytd (%)	Average Price				YTD (%)	Avg	YTD (%)		Trim TP (Rp/shr)	Last Px (Rp/shr)	M. Cap (Rprtr)		2011	2012	2011	2012	
CPO Malaysia	3,720	(5.9)	(2.0)	41.1	(2.1)	3,740	3,333	32,500	27,567	32,500	22,000	13.3	12.7	4.0	3.5	30.3	27.4	35.8	4.5	3.8	4.3	
CPO Rotterdam	1,270	(3.1)	(1.0)	56.8	(1.2)	1,290	1,123	1,950	1,429	1,950	1,200	14.8	12.0	3.3	2.6	22.3	21.9	0.0	23.7	0.9	1.1	
Soybean Meal	1,368	0.0	(3.1)	42.3	(1.8)	1,405	1,254	520	500	520	480	10.3	9.4	1.5	1.3	14.8	14.2	32.7	9.6	1.4	1.6	
Soybean Oil	56	(0.1)	(1.9)	45.5	(2.2)	58	51	16,000	14,562	16,000	13,000	11.2	10.6	2.7	2.3	23.7	21.6	35.7	5.6	2.5	3.0	
Rubber	527	(0.5)	10.8	81.5	30.2	507	439	4,625	3,709	4,625	2,875	13.5	10.2	2.5	2.1	18.7	20.9	43.4	32.6	0.9	1.4	
Corn	710	2.8	8.0	91.0	12.8	681	628	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wheat	822	(2.1)	(0.3)	64.0	3.5	847	794	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sugar	31	0.6	(4.1)	25.1	(3.4)	32	29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Relative Companies	Ticker	Trim TP (Rp/shr)	Last Px (Rp/shr)	M. Cap (Rprtr)	YTD (%)	Avg	Bloomberg TP	P/BV (x)	P/E (x)	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	
Astra Agro Lestari	AALI	26,600	22,200	35.0	(15.3)	27,567	32,500	4.0	12.7	4.0	3.5	30.3	27.4	35.8	4.5	3.8	4.3	4.5	3.8	4.3		
BW Plantation	BWPT	-	1,130	4.6	(12.4)	1,429	1,950	3.3	12.0	3.3	2.6	22.3	21.9	0.0	23.7	0.9	1.1	0.0	23.7	0.9	1.1	
Gozco Plantation	GZCO	-	410	2.1	(4.7)	500	520	1.5	10.3	1.5	1.3	14.8	14.2	32.7	9.6	1.4	1.6	32.7	9.6	1.4	1.6	
London Sumatra Indones	LSIP	14,600	10,950	14.9	(14.8)	14,562	16,000	2.7	10.6	2.7	2.3	23.7	21.6	35.7	5.6	2.5	3.0	35.7	5.6	2.5	3.0	
Sampoerna Agro	SGRO	4,050	2,725	5.2	(14.2)	3,709	4,625	2.2	10.5	2.2	1.9	19.4	18.4	20.6	7.3	2.5	2.8	20.6	7.3	2.5	2.8	
Bisi International	BISI	-	1,180	3.5	(36.9)	-	-	2.5	13.5	2.5	2.1	18.7	20.9	43.4	32.6	0.9	1.4	43.4	32.6	0.9	1.4	
Regional Average								2.7	14.4	2.7	2.4	17.5	16.9	11.7	7.2	0.0	0.0	11.7	7.2	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 ascend. We would expect tin to outperform nickel in the medium term on lower inventory glut and structural supply issues.

ST Demand growth 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. Moreover, at higher price large scale nickel pig iron production would be expected to contribute a supply expansion, giving the pressure on nickel prices.

Risk:

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

Source: Bloomberg, TRIM Research

Price Movement	Inventory Level					Ytd
	Last	WoW (%)	MoM (%)	YoY (%)	Early Year	
Non ferrous Metal						
Aluminum	2,558	2.8	6.4	20.3	4.0	2,497
Copper	9,811	(1.8)	4.2	34.2	2.4	9,825
Nickel	29,150	1.6	11.6	42.6	18.0	27,990
Zinc	2,560	3.5	11.2	12.4	5.0	2,455
Lead	2,646	1.3	10.1	14.8	4.7	2,548
Tin	32,300	(0.6)	16.4	88.1	20.1	30,986
Precious Metal						
Gold	1,389	1.1	3.5	24.8	(2.3)	1,357
Silver	32	5.2	17.8	99.1	4.5	30
Platinum	1,844	1.0	1.2	20.9	4.4	1,825
Palladium	855	2.2	4.0	93.5	6.8	825
LME	4,429	(0.1)	6.5	31.6	5.1	4,357
Inventory Level						
Aluminum	4,621,325	0.5	1.6	0.7	4,277,050	8.0
Copper	411,475	2.2	7.9	(25.9)	377,550	9.0
Nickel	129,222	-0.8	(4.8)	(20.5)	135,672	-4.8
Zinc	708,675	0.0	(0.4)	31.0	701,425	1.0
Lead	296,750	-0.3	12.3	84.8	208,275	42.5
Tin	17,540	-0.2	1.4	(31.5)	16,275	7.8
Precious Metal						
Gold	11,206,171	0.3	(3.1)	12.8	11,591,781	-3.3
Silver	102,374	(0.5)	(1.7)	(5.9)	104,849	-2.4

Relative Companies	Ticker	Trim TP (Rp/shr)	Last Px (Rp/shr)	M. Cap (Rptr)	YTD (%)	Bloomberg TP			PIE (x)	PIBV (x)	ROE (%)		EPSg (x)		Div. Y (%)	
						Avg	High	Low			2011	2012	2011	2012	2011	2012
Aneka Tambang	ANTM	-	2,200	21.0	(10.2)	2,706	3,014	2,000	11.7	11.5	13.2	11.9	20.4	1.4	3.4	3.9
International Nickel	INCO	-	4,900	48.7	0.5	5,484	6,000	4,150	13.8	11.3	20.2	23.0	7.5	14.0	5.3	5.4
Timah	TINS	-	2,775	14.0	0.9	2,964	3,575	2,300	17.8	10.6	16.1	23.2	49.2	11.9	3.4	5.0
Regional Average									20.1	17.2	13.7	15.1	30.3	5.8	0.0	0.0

PT Trimegah Securities Tbk
19thFL, Artha Graha Building
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, INDONESIA
Tel : (6221) 515 2727 Fax : (6221) 515 4580

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