

Metals

Driven By Inflow

Neutral (Maintained)

Stocks Covered 3
Rating (Buy/Neutral/Sell): 3 / 0 / 0
Last 12m Earnings Revision Trend: Neutral

- **Top Pick: Aneka Tambang (ANTM).** Despite the presence of external risks for commodities, we remain positive on several stocks in the metals sector. These are supported by: i) Improving additional segments (eg ANTM and Vale Indonesia (INCO) for nickel ore sales), and ii) indications of improving margins (eg [Merdeka Copper Gold](#) (MDKA)), which could drive a turnaround for the company. These stocks have seen a rise in the shareholdings held by local institutions (+15% from Jan 2024) over the past year, despite the apparent risks. Our sector rating remains NEUTRAL.
- **Muted sentiment on infrastructure-related metals, except for copper.** The main sentiment in Indonesia's base-metal market is still focused on the movements of nickel and copper (with almost all JCI-listed companies focusing on the two metals), along with tin. The market seems to be still grappling with the economic uncertainty, which is hindering the potential for demand to increase further. This is the primary cause for price movements to remain restrained, especially for nickel (Figure 4). However, some positive developments are emerging in the copper market. Future supply constraints due to mining challenges (ie deeper locations for higher-grade ore) and environmental scrutiny, combined with strong demand from key industries (eg renewable energy and EVs) are making copper (and tin) prices more resilient vs other base metals. While the other metals are still important, they do not show the same strength in growth from their related industries.
- **All eyes on gold.** Currently, the best Bloomberg Commodity Index (BCOM) element to observe is gold (at 14% weight to the index), followed by the energy sector (natural gas 10%, crude oil 13% weight). Along with these, the sentiment towards some of the other JCI basic materials-related companies has risen modestly after being impacted by the large outflow of foreign funds. The strengthening of gold (currently at c.USD2,940/oz; +44% YoY) has largely been driven by concerns over global trade wars, which has fuelled inflation worries, making gold an attractive hedge against potential currency devaluation. Some companies, although not directly involved in the gold industry at the upstream level, have seen good appreciation, ie [ANTM](#) and [Hartadinata Abadi](#) (HRTA IJ, NR). On the other hand, other gold stocks with relatively high valuations (justified by increasing volumes, potential new reserve discoveries, and long-term expansions) are still favoured by the market (ie J Resources Asia Pasifik (PSAB IJ, NR) and Bumi Resources Minerals (BRMS IJ, NR)). We also see continued positive sentiment for other cheaper (in valuation) gold players like [United Tractors](#) (UNTR IJ, BUY, TP: IDR36,000).
- **Metal-based stocks relatively cheap now; ANTM our Top Pick.** Some concerns regarding domestic policies, ie the obligation to place 100% of export proceeds into the Indonesian financial system, could put pressure on the working capital-readiness of export-focused companies, particularly in the mining sector. Companies that are more focused on the domestic market are relatively insulated from this issue. Unfortunately, the risk of a continued decline in benchmark prices places further pressure on those involved in smelting (with cash margins dropping from 25% to c.10%). We believe that companies with additional diversification (ie robust ore reserves exceeding their own needs can sell to adjacent domestic smelters) will have stronger topline condition. Our preferences for this specific sentiment are ANTM and INCO.

Top Picks

Aneka Tambang (ANTM IJ) – BUY

Target Price

IDR1,900

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Company Name	Rating	Target (IDR)	% Upside (Downside)	P/E (x) Dec-25F	P/B (x) Dec-25F	ROAE (%) Dec-25F	Yield (%) Dec-25F
Aneka Tambang	Buy	1,900	17.3	13.5	1.1	8.7	4.8
Merdeka Copper Gold	Buy	2,200	20.5	81.5	2.7	3.4	-
Vale Indonesia	Buy	4,200	37.7	26.0	0.7	2.9	-

Source: Company data, RHB

24 February 2025

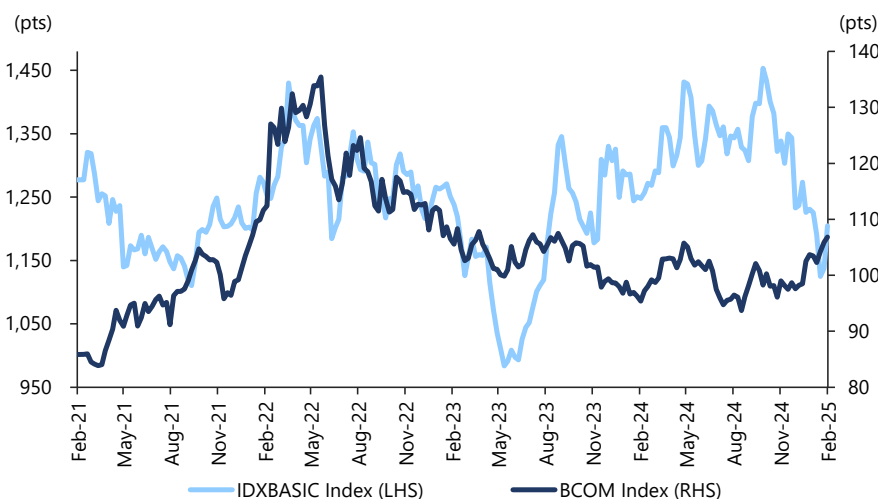
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Figure 1: Valuations of metal mining stocks under our coverage

Company	Price (IDR)	Target (IDR)	Market cap (IDRbn)	P/E (x)		EPS growth (%)		EV/EBITDA (x)		Div yield (%)		ROAE (%)		Rec
				FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	
Aneka Tambang	1,620	1,900	38,929	12.8	12.4	6.9	3.5	5.9	5.6	4.8	4.3	8.7	10.8	Buy
Vale Indonesia	3,050	4,200	32,146	25.4	19.1	19.9	32.8	4.7	4.3	1.2	0.8	2.9	5.4	Buy
Merdeka Copper Gold	1,825	2,200	44,663	81.8	44.6	N.M	83.7	12.8	8.2	0.0	0.0	3.4	8.7	Buy
Simple average				40.0	25.4	13.4	40.0	7.8	6.0	2.0	1.7	5.2	9.1	
Weighted average				42.9	26.7	7.9	42.6	8.2	6.2	2.0	1.7	5.1	9.3	

Source: Bloomberg, RHB

Figure 2: BCOM index vs IDXBASIC

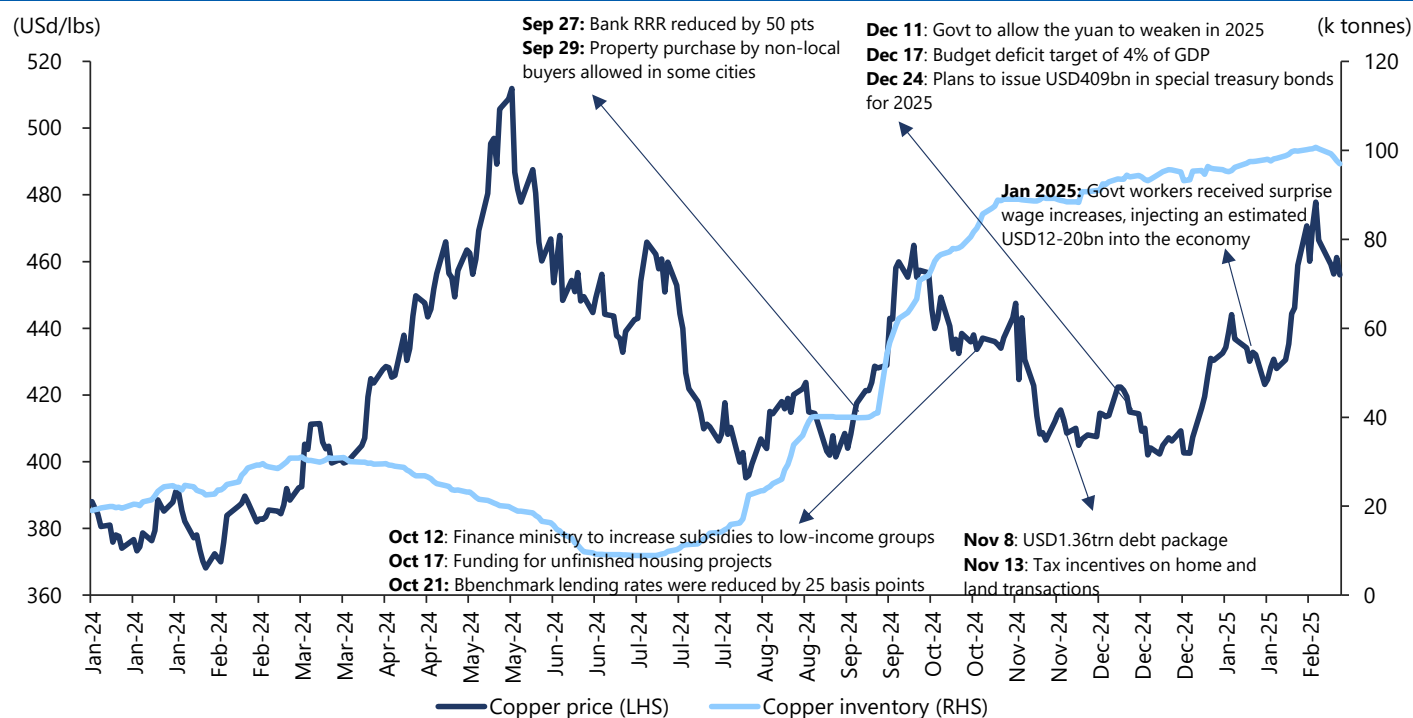


Source: Bloomberg, RHB

◆ Although the observed positive correlation is relatively weak (0.2), the main driver of commodity movement within the BCOM index is currently heavily influenced by gold, due to its massive volume and strong trend compared to other commodities in the index (ie oil, etc.). Concurrently, several gold-related stocks within the JCI have also appreciated.

◆ This has overshadowed the relatively weaker movements of other commodities, ie oil, nickel, iron ore, and others.

Figure 3: China's recent stimulus against movement on copper (Jan 2024-present)

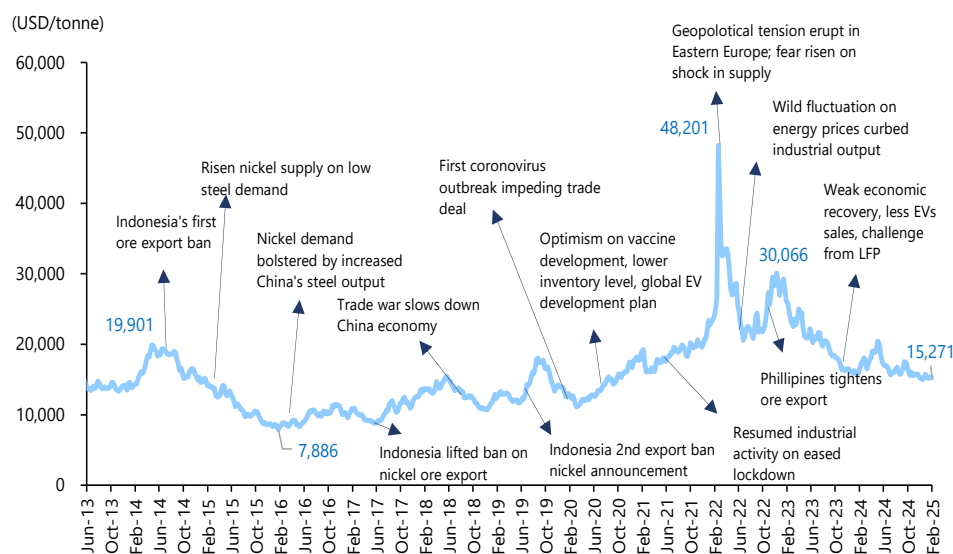


Source: Various sources

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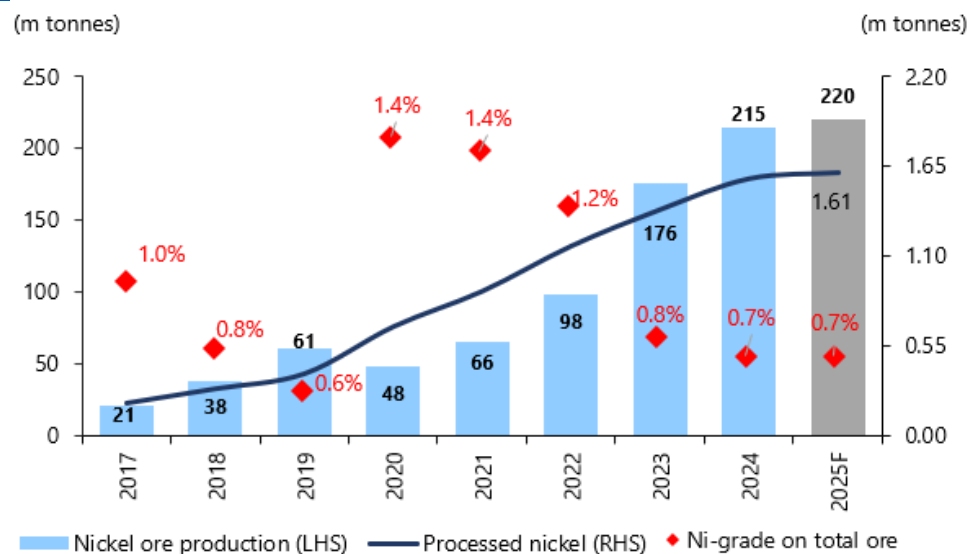
Figure 4: Nickel price trend



Source: Bloomberg, RHB

- ◆ The movement of nickel is still hindered by weak sentiment surrounding global infrastructure and manufacturing development, where the steel industry remains the primary consumer of this metal, with China being the world's leading steel producer – inventory of the total processed nickel now has reached 220k tonnes from 50k in Jan 2024.
- ◆ We see limited downside potential, with price support remaining resilient within the range of USD15-16k/tonne (FY25F RHB average: USD16,500/tonne; -2% YoY). A potential short-term catalyst could be the actions of certain smelter companies to reduce output, as well as the limited availability of feedstock (ie strict regulation in Indonesia, export ore ban in Philippines). If this occurs, supply levels may decrease slightly, providing upward pressure on prices in the near term, in our view.

Figure 5: Indonesia nickel ore production



Source: Bloomberg, RHB

- ◆ The Government will implement several restrictions on the domestic use of nickel ore, with sources to be drawn from several large and local mines, in line with the optimal utilisation of existing nickel smelters.
- ◆ However, production targets for this year are expected to remain in the same range as last year, which signals a green light for nickel mining companies, as their output is expected to continue growing this year – one of the main catalyst for ANTM.

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