

Shockwaves from MSCI

MSCI proposes to reclassify the MSCI Indonesia Indexes from Emerging Market (EM) to Standalone Market status. Although acknowledge the several latest reforms, MSCI mention significant concerns on Indonesia equity markets remain around market dysfunction, including continued suspected coordinated trading behavior and lack of confidence of meaningful enforcement. MSCI will open feedback from market participants until 30 April 2027 and will announce its decision before 30 June 2027. Meanwhile, MSCI will closely monitor the developments in the Indonesian market.

Our take:

MSCI's proposal to reclassify Indonesia from Emerging Market to Standalone Market status is clearly negative for the JCI in the near term, particularly compared with market expectations of a continued freeze on index-related changes. While this is not yet a final decision, MSCI's concerns regarding ownership transparency, free-float reliability, concentrated holdings, and trading practices remain significant. Despite announced reforms, MSCI views progress as inconsistent, highlighting the need for more effective enforcement.

Indonesia's weight in the MSCI Emerging Markets Index has declined from 1.16% in December 2025 to 0.43% in September 2026. Foreign institutional investors hold approximately US\$39 billion in Indonesian equities, of which an estimated US\$6 billion is held by passive investors tracking MSCI, FTSE, and S&P DJI indices combined. Potential outflows could add pressure to the Rupiah and foreign exchange reserves, further complicating Indonesia's macroeconomic outlook amid external volatility.

Against this backdrop, we remain hopeful that capital-market authorities will respond with further structural reforms and stronger enforcement to address MSCI's concerns. At the portfolio level, we will maintain a cautious and disciplined approach, prioritizing companies with sound fundamentals, resilient earnings visibility, and sufficient liquidity. We will closely monitor foreign fund flows, regulatory developments, and market liquidity, while maintaining flexibility in cash allocation to manage downside risks and preserve the ability to capitalize on market dislocations.

Disclaimer:

The information contained in this presentation has been obtained from public sources believed to be reliable and the opinions contained herein are expressions of belief based on such information. No representation or warranty, express or implied, is made that such information or opinions is accurate, complete or verified and it should not be relied upon as such. This presentation does not constitute a prospectus or other offering documents or an offer or solicitation to buy or sell any securities or other investments. Information and opinions contained in this presentation are published for reference of the recipients and are not to be relied upon as authoritative or without the recipient's own independent verification or taken in substitution for the exercise of judgment by the recipient.

All opinions contained herein constitute the views of Batavia Prosperindo Aset Manajemen's Investment team, they are subject to change without notice and are not intended to provide the sole basis of any evaluation of the subject securities and companies mentioned in this presentation. Any reference to past performance should not be taken as an indication of future performance. No member company of the Group accepts any liability whatsoever for any direct or consequential loss arising from any use of the materials contained in this report.