

# Investment Strategy

## JCI trading halt on MSCI decision

- During the early second trading session, the JCI experienced a trading halt after having plunged sharply earlier in response to MSCI's announcement of an "interim freeze" on Indonesia. This policy freezes increases in the Foreign Inclusion Factor (FIF) and Number of Shares (NOS), which determine the weight of Indonesian stocks in MSCI indexes, so that for the time being any increase in free float or the number of publicly held shares will no longer automatically translate into a higher Indonesian weight in the index. This step was taken after MSCI completed its consultation on the free float methodology for Indonesian stocks and reassessed shareholding classifications.
- We see two possible scenarios. First, the current sell-off is temporary and mainly reflects technical pressure rather than a deterioration in the economy or in corporate fundamentals, so the long-term impact will largely depend on how quickly regulators respond and implement corrective measures. Second, this situation could evolve into a more structural negative sentiment, as Indonesia's opportunity to "move up in weight" is temporarily closed; in the worst-case scenario, there could be a reduction in index weight or even a downgrade to frontier market status if transparency improvements are not achieved before May 2026.
- Several important points for market participants to monitor are that the profile of foreign capital flows is likely to shift: the thesis of "passive inflows" driven by higher FIF and index promotions will become irrelevant for some time, while additional outflow risks may emerge if FIF is cut or if Indonesia's weight in the MSCI Emerging Markets index is reduced going forward. We advise investors to be cautious with stocks that previously rallied on speculation of MSCI inclusion or promotion, as the "MSCI trade" for the February review is effectively off the table; in our assessment, these include BUMI, MDKA, and ANTM, which had been strong candidates for index inclusion, while on the other hand CPIN and INDF, which had been at risk of exclusion, are now effectively retained.
- We also observe that current price pressure is highly concentrated in large-cap and conglomerate group stocks that form the core MSCI constituents and the main pillars of the JCI, implying that short-term volatility may remain elevated even though corporate fundamentals have not changed significantly. However, over the longer term, this sharp, technically driven correction may create opportunities for selective accumulation in companies with strong fundamentals and relatively lower sensitivity to changes in MSCI weights.
- In this context, we continue to see potential in stocks such as DEWA, BRMS, RMKE, EXCL, & JPFA, based on a combination of fundamental factors, sectoral positioning, and their relatively limited exposure to the risk of index-weight cuts. We also highlight TINS, where fundamental leverage to elevated tin prices and the expected production recovery in 2026 continues to underpin a constructive view on the stock.

# Appendix 1

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