

Jakarta Composite Index

Indonesia at a Crossroads

- Government fast-tracks capital market reforms (20% institutional equity cap, higher free float, IDX demutualization) to directly address MSCI investability concerns.
- Leadership changes at OJK and IDX signal accountability and a renewed push on governance, transparency, and investor protections.
- Clear, time-bound MSCI engagement underway, including UBO disclosures, stricter free float enforcement, and liquidity-support measures ahead of May 2026.
- Despite index overhang and foreign outflows, our January portfolio outperformed with +16.2% MoM vs JCI -3.4%, and we favor large-cap, government-linked stocks—BBRI, BMRI, TLKM, ANTM, and INCO.

Policy Shock Spurs Market Reform

Following the sharp JCI correction, consecutive trading halts, and MSCI's freeze on Indonesian index rebalancing over fundamental investability concerns, the government has escalated a broad capital market reform agenda. President Prabowo instructed an increase in pension fund and insurance equity investment limits to 20% (from 8%), alongside plans to accelerate IDX demutualization and raise the minimum free float requirement to 15% (from 7.5%) as early as next month, with a longer-term target of 25%. These measures directly address MSCI's concerns on liquidity, ownership concentration, and data transparency, while signaling strong policy commitment to defend Indonesia's emerging market status.

Leadership Reset to Restore Credibility

Friderica Widayarsi Dewi has been appointed Acting Chair and Vice Chair of the OJK Board of Commissioners following the resignations of Mahendra Siregar and Mirza Adityaswara. A sitting OJK Commissioner (2022–2027) and Head of Market Conduct, Education, and Consumer Protection, she brings deep capital market expertise from senior roles at IDX, KSEI (including as CEO), and BRI Danareksa Sekuritas, strengthening the emphasis on governance, transparency, and investor protection. At the exchange level, IDX CEO Iman Rachman resigned on 30 January 2026, taking responsibility for recent market volatility. Jeffrey Hendrik, formerly IDX Director of Development, was appointed Interim CEO through an internal, board-approved process, ensuring continuity and non-intervention by the government. He will oversee market stability during the transition and represent IDX in the MSCI meeting on 2 February 2026.

MSCI Engagement and Liquidity Backstop

OJK will temporarily operate from IDX, while IDX management is scheduled to meet MSCI on 2 February 2026 to discuss regulatory alignment, free float methodology, ownership transparency, and investor protection. Regulators will implement both immediate and medium-term measures, with near-term focus on shareholders with >5% ownership while consulting MSCI on global standards. Authorities also plan to disclose Ultimate Beneficial Owner (UBO) data for 100 companies, enforce a 15% minimum free float for JCI constituents and future IPOs, and consider new investment rules for institutions such as BPJS Ketenagakerjaan to improve liquidity, with completion targeted before May 2026. In parallel, Danantara has begun deploying capital into equities on a daily basis, focusing on fundamentally strong, liquid, and attractively valued stocks, while the higher 20% institutional investment cap is expected to be finalized imminently.

Index Overhang Keeps Risk Elevated

Goldman Sachs downgraded Indonesia to underweight, warning that a downgrade to frontier market status could trigger forced passive outflows of up to USD7.8 billion from MSCI-linked funds, with a further USD5.6 billion at risk if FTSE Russell revises its free float methodology—implying total potential outflows exceeding USD13 billion. UBS has also cut its stance to neutral, flagging a prolonged regulatory and index-related overhang until MSCI's review is resolved. These risks are amplified by Indonesia's structurally low free float—over 200 IHSG stocks have free float below 15%, the lowest among major Asia-Pacific indices—and high index concentration, with conglomerate-linked stocks accounting for ~40% of JCI weight. Historical precedent from India's Adani case shows free float reviews can trigger ~70% drawdowns in affected names within weeks.

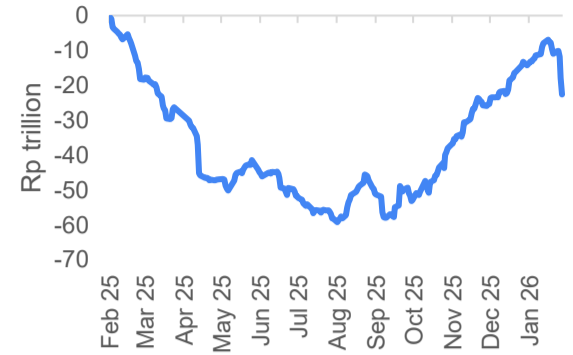
Defensive Positioning with Large-Cap Upside

Against this backdrop, foreign selling accelerated to -Rp13.34 trillion last week, lifting total January outflows to -Rp9.3 trillion, and we expect JCI volatility to persist through May 2026. Despite the challenging environment, our January portfolio significantly outperformed the JCI, delivering a +16.2% MoM return versus the JCI's -3.4% MoM, reflecting disciplined positioning. Looking ahead, we expect the higher investment cap to structurally benefit large-cap, government-linked names—particularly BBRI, BMRI, TLKM, ANTM, and INCO.

Monthly Picks Valuations 2026F

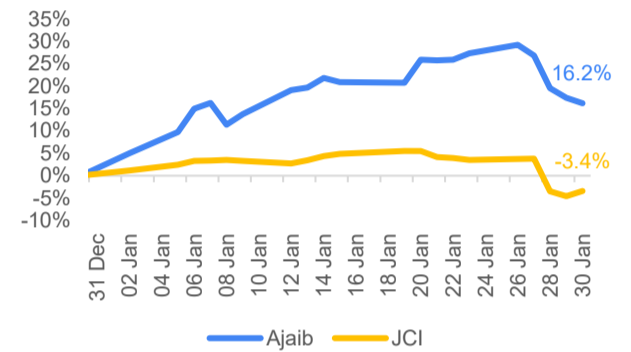
Stock Picks	Market Cap (Rp tn)	Weight (%)	Cons TP (Rp)	PE (x)	EPS Gth (%)
BBRI	571.7	37.1	4,550	11.2	8.3
BMRI	445.4	28.9	5,500	9.4	7.1
TLKM	356.6	23.1	3,900	16.3	8.6
ANTM	101.2	6.6	4,500	12.9	8.4
INCO	68.0	4.4	7,000	17.5	186.4

1-Year JCI Accumulated Foreign Flow



Source: Bloomberg, Ajaib Research

1M Stock Pick Performance vs JCI



Source: Bloomberg, Ajaib Research

Global Index & Currency

	Price	%MoM	%YTD
JCI	8,330	-3.7	-3.7
Hang Seng	27,387	6.9	6.9
Nikkei	53,323	5.9	5.9
Shanghai	4,118	3.8	3.8
STI	4,905	5.6	5.6
Dow Jones	48,892	1.6	1.6
FTSE	10,224	3.0	3.0
Rupiah	16,780	0.4	0.4

Source: Bloomberg, Ajaib Research

JCI Sectoral Performance

	Price	%MoM	%YTD
IDXNCYC	806.9	0.9	0.9
IDXCYC	1,243.7	1.4	1.4
IDXINFRA	2,429.0	-9.1	-9.1
IDXPROP	1,127.0	-3.9	-3.9
IDXBASIC	2,234.0	8.5	8.5
IDXINDUS	1,932.0	-10.3	-10.3
IDXENER	4,118.8	-7.5	-7.5
IDXTECH	8,912.7	-6.5	-6.5
IDXTRANS	2,016.8	2.6	2.6
IDXHLTH	1,975.0	-4.3	-4.3
IDXFIN	1,484.0	-4.3	-4.3

Source: Bloomberg, Ajaib Research

Commodity Performance

	Price	%MoM	%YTD
Coal	111.8	4.0	4.0
CPO (MYR/Ton)	4,229.0	4.4	4.4
Natural Gas	3.7	-1.3	-1.3
Gold	4,716.9	9.2	9.2
Nickel	17,555.0	4.8	4.8
Oil (Brent)	67.4	10.7	10.7

Source: Bloomberg, Ajaib Research

Rating for Sectors:

Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.

Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.

Underweight : We expect the industry to underperform the primary market index (JCI) over the next 12 months.

Rating for Stocks:

Buy : The stock is expected to give total return (price appreciation + dividend yield) of > +10% over the next 12 months.

Hold : The stock is expected to give total return of > 0% to ≤ +10% over the next 12 months.

Sell : The stock is expected to give total return of < 0% over the next 12 months.

Outperform : The stock is expected to do slightly better than the market return. Equal to “moderate buy”

Underperform : The stock is expected to do slightly worse than the market return. Equal to “moderate sell”

Analyst Certification:

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