

MSCI REBALANCING: IT LOOKS SCARY, BUT THE REAL MARKET PRESSURE MIGHT NOT BE AS BAD AS THE HEADLINES

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The results of the May 2026 MSCI (Morgan Stanley Capital International) rebalancing do indeed look negative for Indonesia. **A total of 18 domestic stocks were removed from various MSCI index categories, while AMRT (PT Sumber Alfaria Trijaya Tbk) became the only surviving name, despite being downgraded to the MSCI Global Small Cap index.** However, if we look closer, the selling pressure is actually not evenly distributed and is heavily concentrated on a few specific stocks.

DSSA (PT Dian Swastatika Sentosa Tbk) and BREN (PT Barito Renewables Energy Tbk) became the center of the largest pressure. DSSA is estimated to face a passive outflow of around Rp 9 trillion with an MSCI free-float adjusted market cap of around Rp 66.1 trillion, while BREN faces a potential outflow of around Rp 6 trillion with a FIF-adjusted market cap of around Rp 42.1 trillion. This means that more than half of the MSCI pressure actually rests solely on these two names. Meanwhile, other stocks like **AMMN (PT Amman Mineral Internasional Tbk), CUAN (PT Petrindo Jaya Kreasi Tbk), and TPIA (PT Chandra Asri Pacific Tbk)** remain affected, but their scale is relatively more limited as their market caps have already corrected quite deeply since the beginning of the year. **Because of this, foreign outflow estimates are now starting to look more realistic compared to the initial panic scenarios that pointed to over Rp 50 trillion.** Joeliardi Sunendar estimates an outflow of around Rp 27.8–31 trillion, CGS International around Rp 31.5 trillion, while Citi, in a worst-case scenario, estimates around Rp 34.7 trillion.

However, the YTD foreign net sell of around IDR 49 trillion does not necessarily fully reflect the MSCI effect yet. A portion of the pressure has likely been front-loaded over the last few months because global investors usually start positioning themselves well before the effective date of May 29, 2026. Stocks like DSSA, BREN, CUAN, to AMMN themselves have already experienced significant pressure before the final announcement came out. **The market usually has to observe several factors first to confirm whether the MSCI repositioning is still ongoing, such as:** daily foreign flow patterns, crossing transactions approaching the effective date, to changes in foreign ownership at KSEI. Additionally, it is necessary to differentiate between MSCI-driven outflows and general risk-off selling caused by the Rupiah breaching 17,500, the Iran war, high US Treasury yields, and global uncertainty. **In terms of market behavior, the most realistic probability is that some of the MSCI pressure is indeed already reflected in the YTD foreign outflow, but it is not completely over as passive trackers and MSCI ETF benchmarks usually still make additional adjustments approaching the implementation date.**

There are several other important points that have been relatively unnoticed by the market.

First, Indonesia's status as an Emerging Market remains safe and did not experience a downgrade to a Frontier Market.

Second, the size of the final outflow turned out to be much lower compared to the market's initial fears.

Third, this phenomenon is not exclusively an Indonesian event; in this MSCI ACWI (All Country World Index) review, only 49 stocks were added while 101 stocks were removed globally.

Fourth, the exit of several large-cap stocks actually increases the relative weight of Indonesian blue-chip stocks and jumbo banks in the index, which potentially directs foreign liquidity rotation into stocks with healthier free floats and governance, such as **BBCA (PT Bank Central Asia Tbk)**, **BMRI (PT Bank Mandiri Tbk)**, **BBNI (PT Bank Negara Indonesia Tbk)**, and **TLKM (PT Telkom Indonesia Tbk)**.

KIWOOM RESEARCH sees that the market currently might be too focused on the "18 stocks out" headline without realizing that most of the pressure has actually been unfolding gradually over the past few months. Nevertheless, domestic market conditions are still quite fragile. JCI yesterday dropped 46.72 pts / -0.68% to the 6,858.90 level after moving very volatily with an intraday low of 6,762 (a new low for the year), while foreign investors again recorded a net sell of IDR 799.25 billion. Local investor nervousness has also increased after **USD/IDR broke above 17,500** ahead of the Ascension of Jesus Christ long weekend on May 14-15.

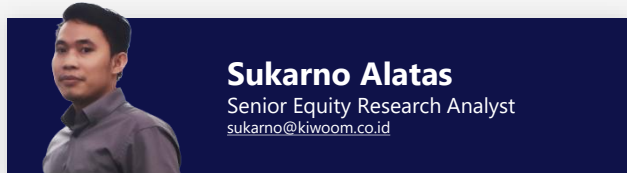
Therefore, **KIWOOM RESEARCH still views the safest strategy right now is to HOLD; WAIT & SEE while waiting for market volatility to subside.** JCI support area still has the potential to widen towards 6,762 - 6,745, even opening up room to close the gaps in the 6,538 to 6,092 areas, which would mean wiping out almost all of JCI's gains throughout 2025. The nearest resistance area is in the 6,980 - 7,015 range, which needs to be broken to slightly neutralize the heavy selling pressure.

For medium-term, we **TARGET IDX** to recover to ~7,300, once this capital market reformation bears fruit. As our bourse regulator said, "*enduring short-term pain, for a long-term gain*".

Sources:

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