Batavia Prosperindo

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Flash Note

Market sentiment remains fragile

The JCI fell by more than 2% during the morning session as selling pressure persisted amid concerns over a potential MSCI reclassification of Indonesia to Standalone Market status, despite ongoing domestic capital market reforms. Externally, the Fed held rates as expected by the market, but persistent inflation concerns kept the likelihood of hikes in December high. Meanwhile, elevated oil prices due to unresolved Middle East tensions continue to put Indonesia's balance of payments and fiscal position at risk. The sell-off in JCI was broad-based across sectors, while regional indices were mixed this morning.

JCI's mover as of 10.02 am today (points):

Leaders	Index Points	Laggards	Index Points
TPIA	+2.5	BBCA	-18.3
DSSA	+1.4	ASII	-6.5
TMAS	+0.3	BBRI	-5.9
UNTR	+0.3	BREN	-4.4
BSDE	+0.2	BRPT	-3.8

Source: Bloomberg

Our take:

Equity: Against the MSCI 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.

Fixed income: Yesterday's INDOGB market saw a sharp sell-off in thin trading, with late foreign outflows pushing yields up by a further 9–14 bps. Most bids retreated in the second half as USD/IDR approached 18,200, peaking at 18,190, while expectations of another rate hike added to the bearish sentiment. IndoGB5yr yield closed at 7.56% (up from 7.45% previous day) and IndoGB10yr yield closed at 7.65% (up from 7.55% previous day). This morning, INDOGB is poised for a technical recovery after two sessions of limited buying interest amid persistent outflows. Market participants remain in price-discovery mode, with limited offers in sight and bids turning slightly firmer, although sentiment remains fragile.

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