2 March 2026

Flash Note

Boiling geopolitical tension sends market lower

JCI took more than -2.0% decline in the morning session today, following the rise of geopolitical tension in the Middle East over the weekend, where the joint US – Israel strikes on Iran since Saturday carried out until Supreme Leader Ayatollah Ali Khamenei and other Iranian top military officials killed. Since then, the conflict intensity has been on the rise with Iran launched retaliatory attacks on Israel cities and US military base in Bahrain, Kuwait, and Qatar.

The rise in Geopolitical tension in the Middle East impacted oil futures price which spikes by over 5% this morning, given Iran position as one of the significant oil producer in the Middle East and Strait of Hormuz as major oil waterway which now under threat. For Indonesia, surge in oil price poses risk to the fiscal room. In 2026, the budget for fuel subsidies allocated at IDR 25.1tn and IDR 171.3tn for energy subsidy compensation. Hence, every 10% increase in oil prices, the fiscal deficit could widen by around 0.1% of GDP. In addition to that, higher oil price will also translate into worsen current account balance through higher imports, where 10% rise in crude oil prices would reduce the current account balance by 0.1% of GDP. For inflation, if the 10% rise translated to non-subsidized fuel price, the impact will be 0.1%. However, if subsidized fuel price (Pertalite) also increased by the same amount, the first-round impact will be around 0.5% rise in inflation.

The market declines on broad-based basis this morning, except for commodity and energy stocks which show strong performance. Meanwhile, USD/IDR slightly weakened to 16.837 and other regional indices also in negative territory.

JCI's mover as of 09.20 am today (points):

Leaders	Index Points	Laggards	Index Points
BRMS	+9.7	BBRI	-14.2
ENRG	+4.6	BBCA	-11.9
ANTM	+4.3	TLKM	-8.4
EMAS	+3.8	BMRI	-7.8
MDKA	+3.4	BREN	-6.5

Source: Bloomberg

Our take:

Equity: Volatility has risen sharply following the escalation in geopolitical tensions between the US–Israel alliance and Iran. The primary transmission risks to our equity market are through oil price volatility, rising risk premium and Rupiah weakness, which could pressure sentiment and liquidity in the near term. We believe our portfolio positioning is relatively defensive. Our overweight exposure to consumer and healthcare provides stronger earnings visibility during periods of sudden macro or geopolitical shocks. Meanwhile, our allocation to basic materials, particularly gold-related exposure, could benefit from safe-haven demand and elevated commodity prices. We will closely monitor developments and remain tactically flexible should conditions deteriorate further.

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Our take:

Fixed Income: Indonesia bond market opened the week with risk-off sentiment following the escalation in the Middle East over the weekend, prompting defensive positioning across the yield curve. INDOGB opened weaker, with USDIDR gapping higher. 10yr benchmark series (FR108) was traded at 6.45-6.46%, up from Friday closing position of 6.40%, while the 5yr benchmark (FR109) opened at 5.75-5.83%, still within range bound of Friday closing position. While volatility is expected to remain elevated in the near term due to geopolitical developments, it is worth noting that INDOGB-UST spread has been at an attractive level of around ~240bps, vs 200bps earlier in the year.

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