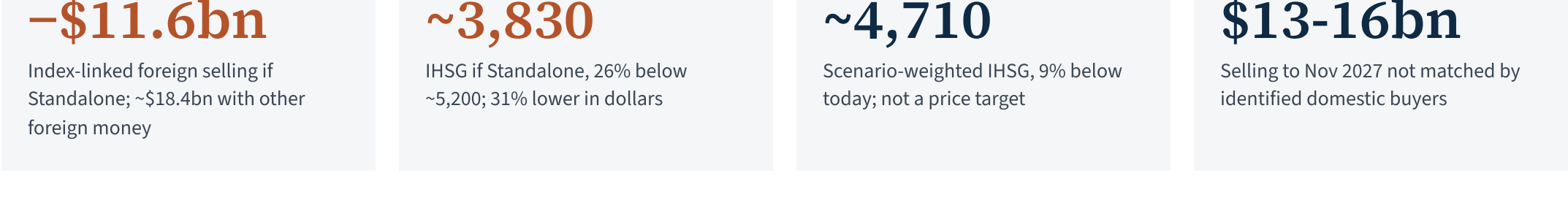


SULCO STUDY NO. 1 • MARKETS AND CAPITAL FLOWS

Indonesia and the MSCI Standalone proposal

On 15 Oct 2026 MSCI proposed moving Indonesia from Emerging to Standalone, citing opaque ownership and suspected coordinated trading. Feedback closes 30 Apr 2027; the decision is due by 30 Jun 2027. Our base case (50%) is Standalone, effective at the Nov 2027 review (our assumption).

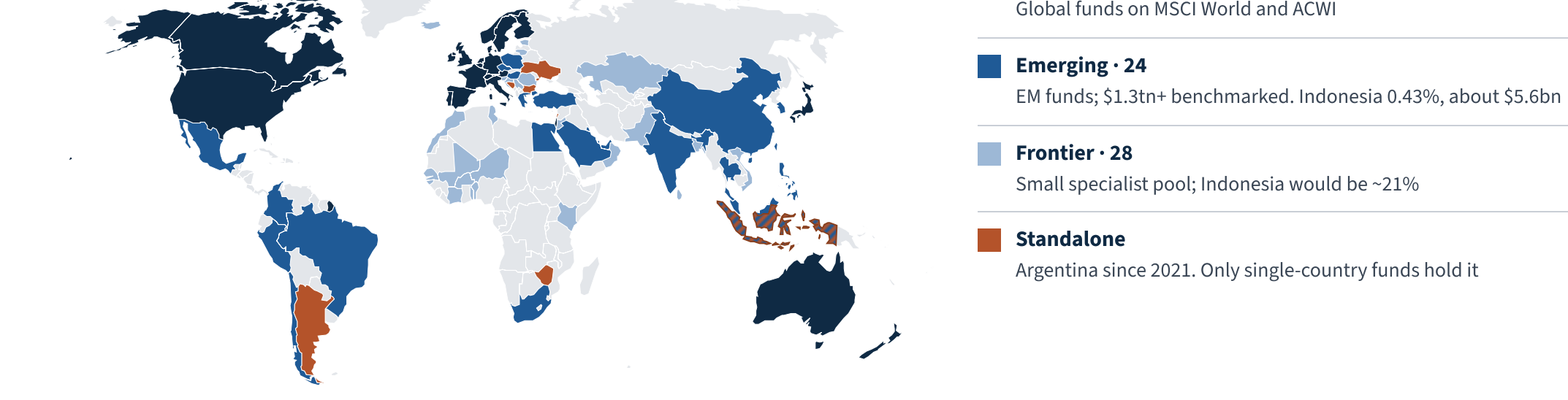
By Ade S • 29 October 2026 • IHSG ~5,200 • USD/IDR 18,180 • US dollars unless stated



This is a summary. The full study, Sulco Study No. 1 (35 slides), sets out the method, sources, sensitivities and policy options; slide numbers are given in each section below. [Read the full study](#) • [Methodology note](#)

1. WHAT MSCI IS AND HOW IT MOVES MONEY • Full deck: slides 3-12

MSCI's tiers decide which funds must own a market; Standalone sits in no regional index

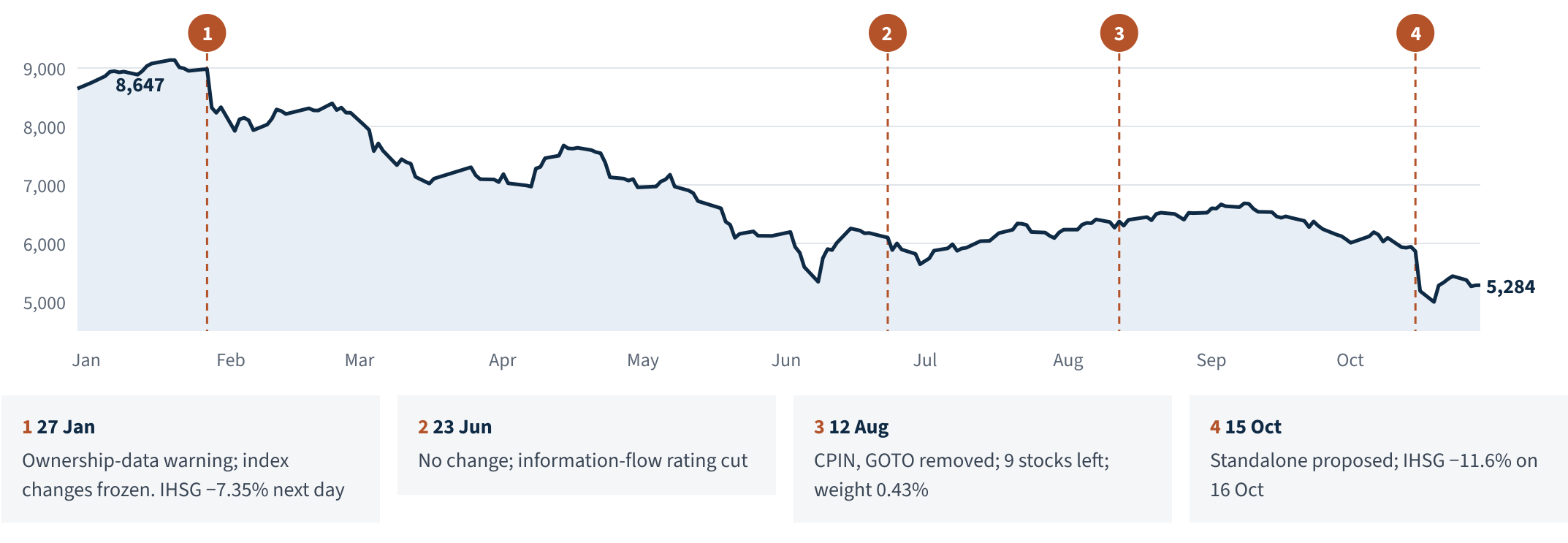


Indonesia striped: Emerging today, Standalone proposed. Grey: not in MSCI composites or not shown.

A country's weight follows its tradable market value: \$53.4bn ÷ \$12.28tn MSCI EM = 0.43%. Each 0.1 point of EM weight is about \$1.3bn of index-tied money. Index funds must sell on the effective date; active funds measured against the index usually follow.

2. WHY STANDALONE, AND WHAT 2026 HAS DONE • Full deck: slides 7-8 and 13-16

Four MSCI steps in nine months; the IHSG fell from 8,647 to about 5,200



Feedback reported by MSCI says Frontier “would not properly recognize the depth of the market problems”: opaque ownership, suspected coordinated trading, reforms applied unevenly and little visible enforcement. Indonesia passes the size test; it fails on information flow and price formation. OJK and IDX announced reforms on 21 and 26 Oct; MSCI will judge enforcement, not announcements.

3. SCENARIOS TO JUNE 2027 • Full deck: slides 17, 23-24 and 31

Standalone is our base case at 50%; the weighted IHSG is about 4,710

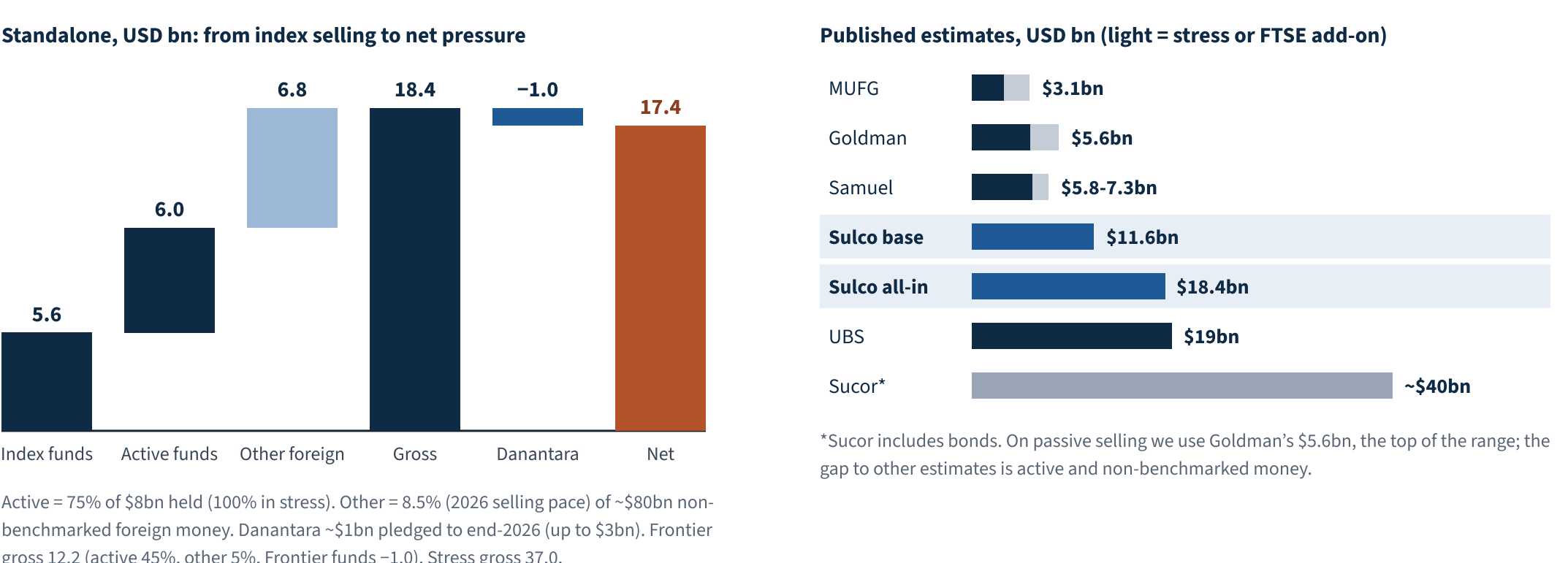
Scenario	3,000	4,000	5,000	6,000	7,000	Prob.	USD/IDR	vs 5,200	In USD
A. Reforms accepted				6,910 (6,610-7,220)		15%	17,800	+33%	+36%
B. Status quo			5,200 (5,020-5,380)			25%	18,200	0%	0%
C. Frontier		4,560 (4,270-4,850)				10%	18,900	-12%	-16%
D. Standalone		3,830 (3,550-4,110)				50%	19,500	-26%	-31%
Scenario-weighted			4,710					-9%	-12%

Two-block model: the 9 MSCI stocks (~24% of IDX value) move with MSCI Indonesia's P/E (7.3x today; 10.0x, 7.3x, 6.5x, 5.5x in A to D), earnings and the rupiah; the other 76% moves at 0.8x. Grey line = ~5,200 today. Standalone at 40% or 60% (10 points to or from B) gives 4,840 or 4,570. P/E bands are Sulco judgement.

How the odds are set. Sulco judgement, anchored on MSCI's statement that it “expects to proceed” and on six MSCI downgrade consultations since 2012. A 15%: MSCI stood down once in six (Nigeria 2017). B 25%: it has deferred or extended before (Nigeria 2017, 2022-23). C 10%: Frontier was used for size problems, Standalone for access problems, which is Indonesia's issue. D 50%: five of six ended in a downgrade, discounted because the fix is in OJK and IDX hands.

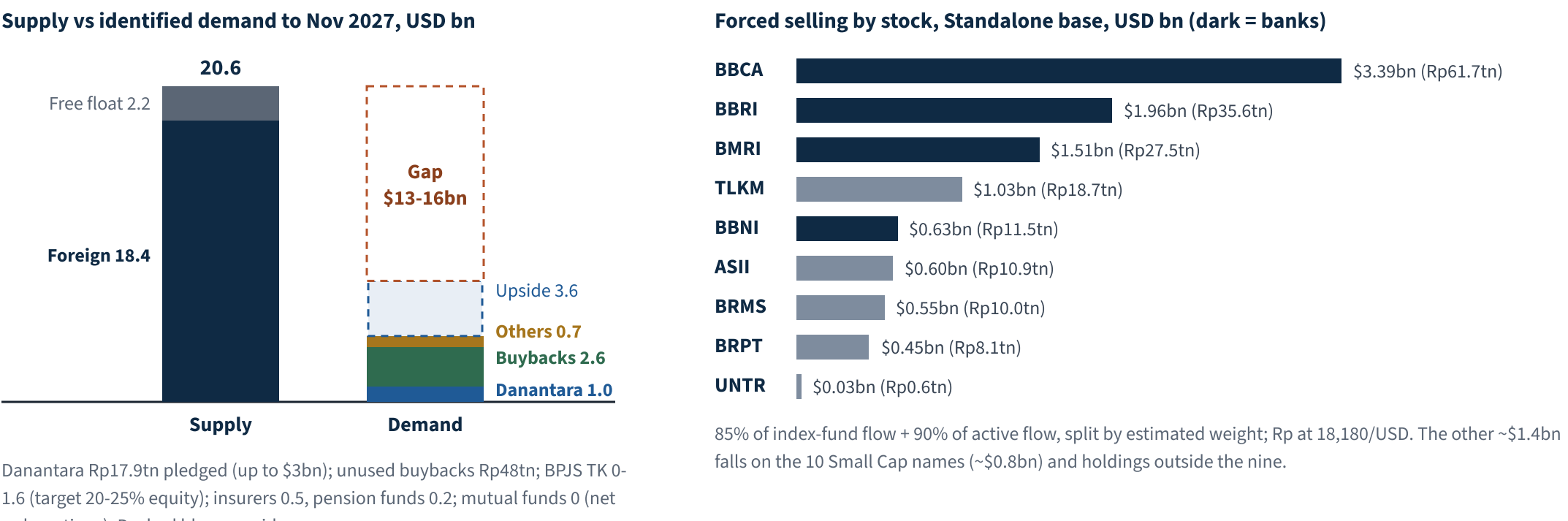
4. FOREIGN FLOWS • Full deck: slides 18-20

About \$11.6bn of index-linked selling under Standalone, \$18.4bn with other foreign money



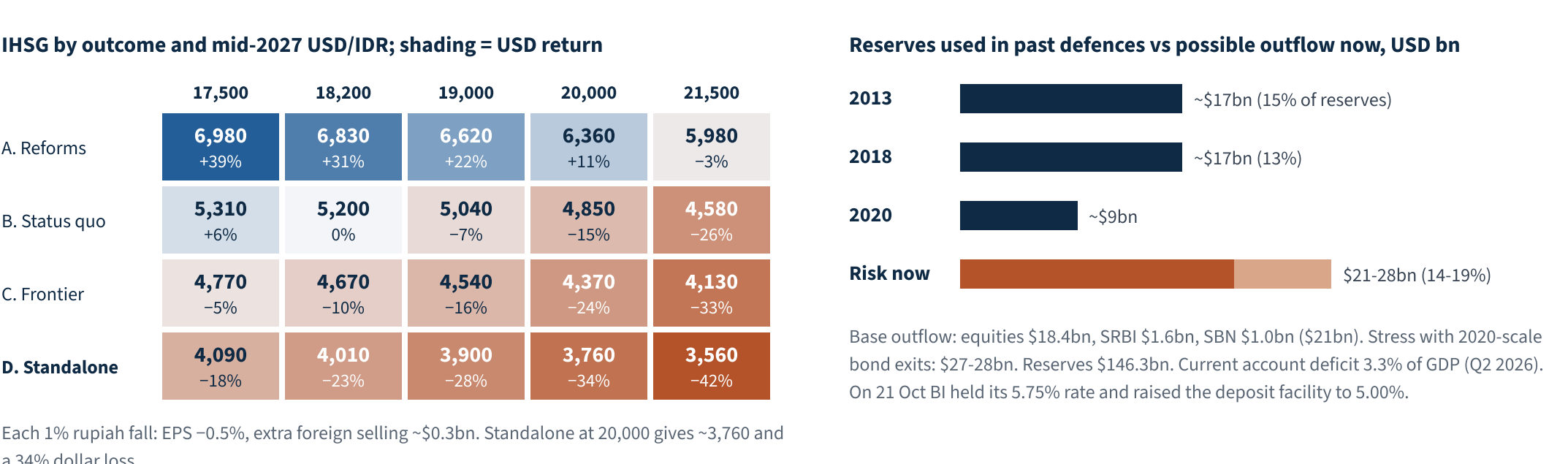
5. WHO SELLS, WHO BUYS • Full deck: slides 21-22

Domestic buyers cover 21-38% of supply; the four big banks take ~74% of selling in the nine MSCI stocks



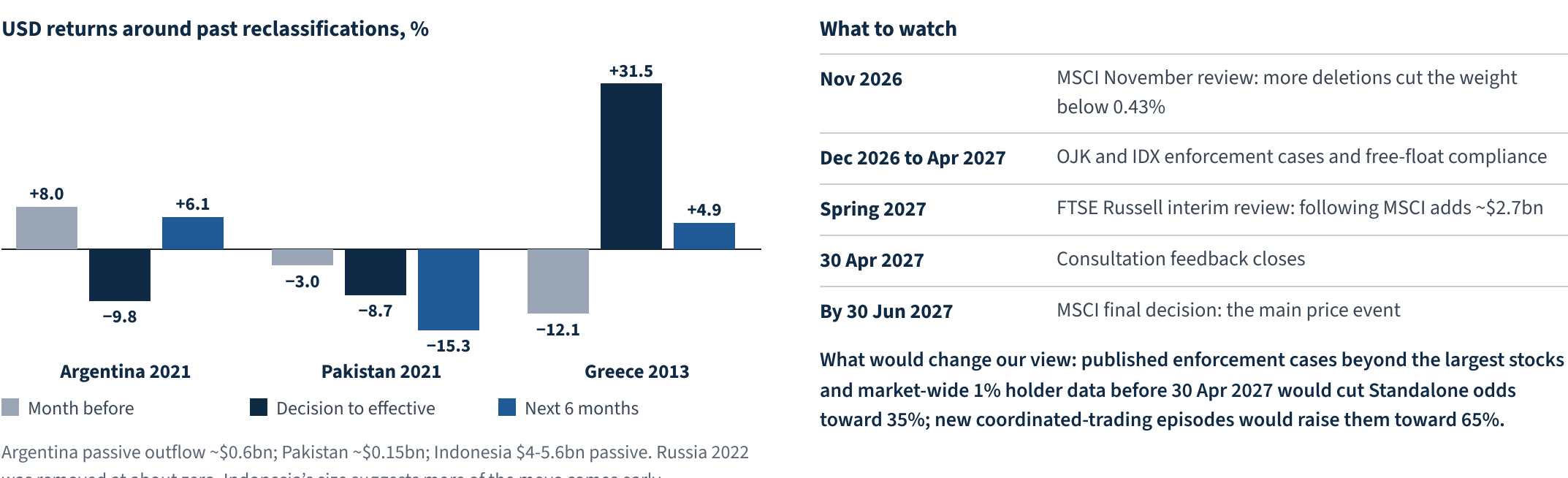
6. THE RUPIAH AND BANK INDONESIA • Full deck: slides 26-29

A weaker rupiah deepens dollar losses; reserves can absorb the base case at a cost like 2013 and 2018



7. PRECEDENTS AND WHAT TO WATCH • Full deck: slides 25 and 30-33

Past cases were small and their price paths mixed; Indonesia's passive outflow is ~7-9x Argentina's



Read the full study

35 slides with the method, 79 linked sources, selling by stock, the full rupiah grid and policy options. Free with your email.

[sulco.id/research/msci-standalone](#)