Weekly Update

12-16 October 2026

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Market Movement - Summary

The JCI plunged last week, down 14,91% WoW to 5.185, as MSCI opened a consultation on a proposal to reclassify Indonesia from Emerging Market to Standalone Market. Over the past month, the index has fallen 19,50%. Selling pressure spread across every sector, with the steepest declines in energy (IDXENER -19,27%), infrastructure (IDXINFRA -19,03%) and industrials (IDXINDUS -17,96%). Foreign investors booked a net outflow of USD176,5 million in the equity market over the week, widening the year-to-date (YTD) foreign net outflow to USD5,06 billion.

In the bond market, the 10-year US Treasury yield fell 17 bps to 5,07%, while the 10-year Indonesian government bond (SUN) yield rose 15 bps to 7,36%, moving in opposite directions and widening the yield differential. On the flow side, foreign investors recorded a net inflow of USD208,2 million into the Government Securities (SBN) market over the week (as of 15 Oct), bringing the YTD foreign net inflow to USD2,09 billion, lifting foreign ownership to 13,13%. Meanwhile, the rupiah weakened 0,72% WoW against the dollar to 18.012.

On the monetary policy front, Bank Indonesia did not hold an SRBI auction last week, in line with its biweekly auction frequency. The last auction was held on 9 October 2026, and the schedule for the next auction will be announced after this week's Board of Governors Meeting (RDG). Going forward, the rupiah, which weakened to 18.012 per USD, remains the key driver of SRBI yields.

What Happened

MSCI Evaluates Indonesia's Market Classification



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On 15 October, MSCI launched a consultation on a proposal to reclassify the MSCI Indonesia index from Emerging Market to Standalone Market. MSCI assessed that progress in improving market governance has not been consistent, particularly regarding the transparency of ownership structures, suspected coordinated trading and the enforcement of regulations. Although the Indonesian authorities have announced several reforms, MSCI continues to maintain certain freezes on changes to index constituents and weights. This is a proposal, not a final decision. Feedback from market participants will be accepted until 30 April 2027, with a final decision due no later than 30 June 2027. This sentiment raises concerns about potential passive fund outflows and reduced attractiveness of Indonesian equity among global institutional investors, alongside a potential rise in the equity risk-premium.

US Inflation



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Annual US inflation, based on the Consumer Price Index (CPI), rose to 3,7% YoY in September 2026 (Aug'26: 3,4% YoY), slightly above the market forecast of 3,6% YoY. Inflationary pressure was broad-based across nearly all major components, driven primarily by a surge in energy prices, particularly gasoline and fuel oil, even as food price inflation slowed. On a monthly basis, CPI increased 0,6% MoM, the largest rise in five months, with gasoline accounting for more than half of the increase.

Index	Sep'26 YoY(%)	Aug'26 YoY(%)
Gasoline	34.2	27.4
Fuel oil	74.2	52.0
Electricity	4.4	3.8
Food	2.5	2.7
Shelter	3.2	3.0
Transportation services	2.7	2.4

Source: US BLS

★ : Relevance towards market movements

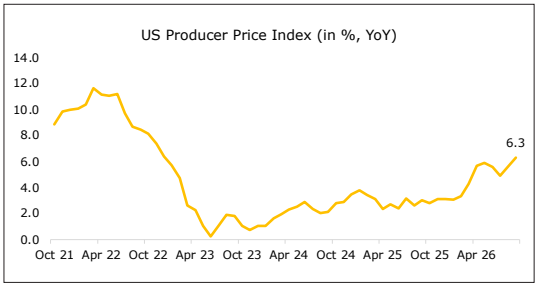
Meanwhile, core inflation, which excludes food and energy, rose to 2,6% YoY from a five-year low in August (Aug'26: 2,4% YoY), slightly above the 2,5% YoY consensus. On a monthly basis, core inflation stood at 0,3% MoM, unchanged from August.

US Producer Price Index



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The US Producer Price Index (PPI) rose 1,3% MoM in September 2026 (Aug'26: 0,5% MoM), well above market expectations of 0,5% MoM and the sharpest increase since March 2022. The surge was mainly driven by the global energy shock stemming from the Middle East conflict, which also pushed up transportation and warehousing costs. By component, goods prices jumped 2,6%, with more than 80% of the increase coming from energy, particularly gasoline, while services prices rose 0,8%.



Source: Bloomberg

Food prices also rose amid geopolitical tensions and adverse weather, while core PPI, which excludes food and energy, climbed 0,7% MoM. On an annual basis, PPI rose 6,3% YoY, the highest since December 2022, signaling producer-level price pressures that could pass through to consumer prices in the coming months.

US Retail Sales



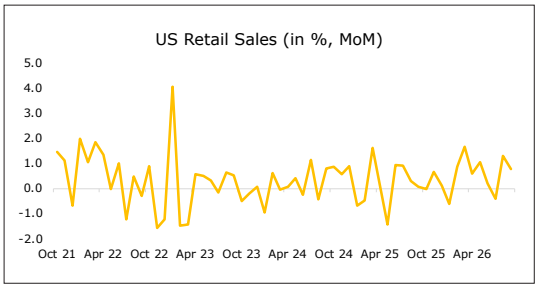
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US retail sales rose 0,8% MoM in September 2026, well above the market forecast of 0,3% MoM, following an upward revision to August (Aug'26: 1,3% MoM). However, the increase was largely driven by a surge in sales at gasoline stations on the back of higher gasoline prices, while sales excluding gasoline stations rose only a modest 0,2% MoM.

These data are not adjusted for price changes, so the rise in sales value does not fully reflect an increase in spending volumes. In addition, control group sales, which feed into GDP calculations, slowed sharply from August, signalling a potential weakening in consumer purchasing power.

Category	Sep'26 YoY(%)	Aug'26 YoY(%)
Gasoline stations	6.4	4.0
Motor vehicles & parts	0.2	0.7
Furniture	1.3	0.2
Electronics	0.6	2.1
Building materials	-0.6	0.2
Food & beverages	0.4	0.2
Health & personal care	0.7	1.2
Clothing	0.0	0.6
Sporting goods & hobby	-0.5	1.0
General merchandise stores	-0.1	0.8
Miscellaneous retailers	-3.0	3.6
Nonstore retailers	0.3	2.0
Food services & drinking places	1.1	1.4

Source: US Census Bureau



Source: US Census Bureau, FRED

★ : Relevance towards market movements

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What to Watch

19 October 2026

★★☆

China GDP Growth Rate in Q3 2026 - Consensus expects 4.4% YoY (Q2'26: 4.3% YoY).

20 October 2026

★☆☆

China Loan Prime Rate 1Y and 5Y in October - Consensus expects 3.0% and 3.5%(Sep'26: 3.0% and 3.5%).

21 October 2026

★★★

Bank Indonesia Interest Rate Decision in October - Consensus expects 5.75% (Sep'26: 5.75%)

23 October 2026

★★☆

US S&P Global Composite PMI Flash in October - Consensus expects 57.6 (Sep'26: 58.4).

Key Takeaways

In the domestic market JCI fell sharply by 14.91% WoWto 5,185 following MSCI's proposal to downgrade Indonesia from Emerging Market to Standalone Market status. Although no final decision has been made, the launch of the consultation represents a serious warning for the market. Equity market volatility is expected to remain elevated in the near term as investors adjust their expectations. Market participants will also closely monitor regulatory reforms, particularly those addressing shareholding transparency, the reliability of free-float data, and consistent enforcement of market rules. The latest measures initiated by the Indonesia Stock Exchange (IDX) include disclosing affiliation status in the published list of shareholders with 1% ownership and excluding stocks classified as having high shareholding concentration (HSC) from the JCI calculation.

Meanwhile, the impact on the bond market has been relatively limited. The 10-year Indonesian government bond yield rose by 15 bps to 7.36%, diverging from the decline in US Treasury yields, while the rupiah weakened by 0.72% to IDR18,012 per US dollar. We believe sentiment surrounding MSCI's proposal affects the bond market indirectly, primarily through potential weakness in the rupiah, which will affect interest rate policy expectation by the Central Bank.

On the external front, global markets remain under pressure from rising US inflation and expectations that the Fed will maintain a restrictive monetary policy stance, amid surging energy prices driven by the conflict in the Middle East. Against this backdrop, markets are pricing in an 85.1% probability that the Fed will keep interest rates unchanged at 3.75–4.00% in October.

Persistent external pressures, rising domestic bond yields, and uncertainty surrounding MSCI's proposal limit the scope for monetary easing in the near term. Bank Indonesia is therefore expected to prioritize exchange rate stability at its Board of Governors Meeting on October 20–21.

In this dynamic situation, we believe investors may adopt a wait-and-see approach while closely monitoring market developments. For investors with a long-term investment horizon, volatility may offer opportunities to gradually build positions in assets with solid fundamentals. Meanwhile, investors with shorter investment horizons may consider relatively lower-volatility instruments, such as money market funds or short-duration fixed income funds.

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Global Indices	16-Oct-26	1W (%)	1M (%)	YTD (%)
Nikkei 225 - Japan	65,324	-5.37	0.47	29.77
Kospi - Korea	5,668	-14.46	-17.79	34.50
Hang Seng - Hongkong	24,187	-0.10	-2.28	-6.45
SH Comp - China	3,716	-2.56	-5.00	-6.28
Nifty 50 - India	23,146	2.78	-0.86	-10.77
Strait Times - Singapore	5,416	0.25	-4.25	16.33
SET - Thailand	1,573	-0.29	-0.70	24.87
FTSE - Malaysia	1,608	-0.04	-3.47	-4.56
PSEi - Philippines	5,783	1.43	-1.25	-4.46
S&P500 - US	7,659	-1.95	0.12	11.07
DAX - Germany	25,623	2.13	1.26	4.62
MSCI ex. Japan	1,061	-5.75	-6.24	16.26

Indonesia	16-Oct-26	1W (%)	1M (%)	YTD (%)
JCI Index	5,185	-14.91	-19.50	-40.04
LQ-45	509	-15.48	-20.57	-39.93
JII	301	-17.36	-22.25	-47.89
IDX Sector Energy	2,551	-19.27	-21.83	-42.72
IDX Sector Basic Industry	1,389	-17.15	-21.96	-32.49
IDX Sector Industrials	1,294	-17.96	-24.05	-39.95
IDX Sector Consumers Non-cyclical	603	-11.46	-14.81	-24.57
IDX Sector Consumers Cyclical	752	-17.00	-20.57	-38.66
IDX Sector Healthcare	1,274	-13.25	-13.34	-38.26
IDX Sector Financial	1,176	-10.56	-13.81	-24.13
IDX Sector Properties & Real Estate	678	-8.89	-14.18	-42.18
IDX Sector Technology	5,164	-11.09	-24.15	-45.81
IDX Sector Infrastructures	1,376	-19.03	-24.84	-48.48
IDX Sector Transportations & Logistic	1,498	-15.53	-16.23	-23.79

Foreign Flow	as of	WTD	MTD	YTD
Equity (million USD)	16-Oct-26	-176.5	-397.6	-5,063.2
Bonds (million USD)	15-Oct-26	208.2	520.9	2085.20

Bonds (price)		16-Oct-26	1W (%)	1M (%)	YTD (%)
FR0109	5th	94.76	-0.98	-1.40	-6.89
FR0108	10th	93.82	-1.64	-2.30	-8.78
FR0106	15th	97.56	-1.90	-2.27	-1.79
FR0107	20th	97.08	-2.47	-2.61	-1.95
US Treasury	5th	99.43	0.05	0.21	1.68
US Treasury	10th	84.33	0.79	0.18	-3.47

Commodity (USD)	16-Oct-26	1W (%)	1M (%)	YTD (%)
Oil - WTI	101	10.41	1.11	75.00
Coal	155	2.72	7.92	44.96
CPO	4,536	1.59	-3.45	12.64
Nickel	15,363	-1.66	-5.06	-8.71
Gold	4,166	-0.68	-4.87	-4.01

Currency/Rates	16-Oct-26	1W (%)	1M (%)	YTD (%)
USD/IDR	18,012	0.72	1.52	7.41
USD/JPY	158.02	-0.18	0.73	1.03
USD/EUR	0.89	-0.34	2.19	4.53
USD/CNY	6.69	-0.09	-0.15	-4.42
7DRRR (%)	5.75	0.00	0.00	1.00
Fed rate (%)	4.00	0.00	0.00	0.25

Calendar 12-16 October 2026	Results
US Inflation Rate YoY in September	3.7%
US Core Inflation Rate YoY in September	2.6%
US PPI YoY in September	6.3%
US Retail Sales MoM in September	0.8%

Positive Movement Negative Movement

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