

Equity Strategy

MSCI May26 Review: Expect Large Rebalance Outflow; Jun26 Accessibility Review Still an Overhang

- We estimate US\$2.2–2.7bn outflows at the May 29 rebalance, driven by deletions, survivor down-weights, Indonesia's underperformance and lower FIF.
- Post-rebalance may offer a tactical window, as the MSCI flow overhang clears and some names have already seen outsized selling.
- Key overhangs remain the Jun26 Market Accessibility Review and potential Korea/Vietnam market-classification changes.

Deletions: largely in line with expectations

MSCI's May26 Index Review removed six Indonesian names from the MSCI Global Standard Index: AMMN, BREN, TPIA, DSSA, CUAN and AMRT (moving to Small Cap). The deletion of BREN and DSSA was expected, given MSCI's earlier indication that stocks identified under Indonesia's new HSC framework would be deleted. For AMMN, TPIA, CUAN and AMRT, the likely drivers were lower FF following the use of >1% shareholder disclosure data, compounded by share-price and currency weakness.

Surviving stocks: downside risk remains

We estimate that Indonesia's weight in MSCI may fall to 0.6% (vs. pre-deletion weight of 0.7%) and estimate US\$2.2-2.9mn of outflows from the MSCI upcoming rebalancing in May 29th.

For the remaining Indonesian constituents, we anticipate the review as a potential down-weighting event. Given the strong rally in Korea and Taiwan this year, market-movement effects may further offset any denominator benefit for the surviving Indonesian names. Additionally, MSCI previously reaffirmed the freeze all FIF and NOS increases for Indonesian securities, removing the channel for stock-specific positive reweighting.

Key summary from our flow estimation:

- In our base case scenario, we estimate US\$2.2-27bn of outflow from MSCI Global Standard Index rebalance. Under the base case scenario, we anticipate biggest outflows from AMMN, TPIA, and BREN, on top of the deleted names (see **Exhibit 1** for details).
- In our aggressive scenario, we include active funds into our AUM assumption, we estimate that the outflow could reach US\$2.9bn. However, we think this may also include outflows from funds who have pre-empted the down-weighting, with some stocks already recorded bigger outflows than the estimated outflows under this scenario.
- For stocks in small cap index, we estimate net outflow of US\$35-50mn, largely to reflect stocks with lower FIF, though some stocks (e.g., BUMI, ENRG, PGAS, ADRO, MDKA, AADI) may see small inflows (US\$5-10mn) from Indonesian market re-weighting.

While the bulk of MSCI-related selling is expected to occur into the May 29 rebalance, we believe the post-rebalance period could offer a tactical opportunity as the key flow overhang is removed. Even under our aggressive scenario, the residual selling risk appears relatively limited after the rebalance.

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Upcoming risk events

We see the Jun26 Market Accessibility Review as another key overhang. Nonetheless, we see the latest development as positive progress to reduce the risk of possible downgrade to FM, as MSCI has acknowledged reforms by OJK, IDX and KSEI, including enhanced disclosure of shareholders above 1%, more granular investor classification, the HSC framework and a roadmap to raise minimum free float to 15%. Thus, our base case is for Indonesian market to remain in the EM.

Separately, Korea and Vietnam remain potential MSCI EM country-weight future changes which may affect Indonesia: Korea's eventual upgrade from EM to DM would be positive for Indonesia's EM weight, while Vietnam's eventual MSCI EM inclusion would be dilutive (albeit small). Any formal update should come through the Jun26 Market Classification Review.

Beyond MSCI Jun26 reviews, we continue to see weak IDR and growth outlook as the key risk factors for the market.

Exhibit 1. Estimated Outflow from MSCI Global Standard Index Rebalance

Ticker	Company	FF Market Cap. (US\$m)	Pure Passive (\$420bn) \$mn	Base Case (\$1700bn) \$mn	Aggressive (\$2000bn) \$mn	FIF Change	Outflow since 28th Jan26 (US\$m)
BBCA	Bank Central Asia	17,180	-37	-149	-176	40% (unchanged)	-1,234
BBRI	Bank Rakyat Indonesia	12,154	-26	-107	-126	45% (unchanged)	-509
BMRI	Bank Mandiri	8,956	-19	-78	-92	40% (unchanged)	-441
TLKM	Telkom Indonesia	7,955	-30	-122	-143	50% → 47.5%	-16
ASII	Astra International	5,983	-13	-54	-64	45% (unchanged)	+62
BBNI	Bank Negara Indonesia	3,298	-7	-28	-33	40% (unchanged)	-116
BRMS	Bumi Resources Minerals	2,494	-5	-21	-25	40% (unchanged)	+3
BRPT	Barito Pacific	2,339	-18	-73	-86	25% → 21%	-6
UNTR	United Tractors	2,006	-4	-17	-20	35% (unchanged)	+92
GOTO	GoTo Gojek Tokopedia	1,701	-22	-89	-104	70% → 50%	-80
AMRT	Sumber Alfaria Trijaya	1,510	-3	-14	-16	45% (unchanged)	+15
CPIN	Charoen Pokphand Indonesia	974	-26	-104	-123	45% → 25%	+23
AMMN	Amman Mineral Internasional	0	-106	-430	-505	19.88% → 0%	-43
TPIA	Chandra Asri Pacific	0	-78	-316	-372	10.00% → 0%	-9
BREN	Barito Renewables Energy	0	-53	-215	-253	5.86% → 0%	-2
DSSA	Dian Swastatika Sentosa	0	-50	-202	-238	12.80% → 0%	-26
CUAN	Petrindo Jaya Kreasi	0	-41	-164	-193	19.70% → 0%	-43
TOTAL INDONESIA OUTFLOW			-539	-2,183	-2,568		

Source: Bloomberg, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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