

DANANTARA INDONESIA
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From the Danantara Indonesia Investor Relations Team

INVESTING AT DANANTARA INDONESIA

The Day the Market Paused

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Photo credit: Danantara Indonesia Investor Relations Team

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"Tell Dina and Rafa that conglomerate stocks are in a bubble and you might as well start World War I. Right now, investment professionals who take a bearish view on these highly speculative names are being openly ridiculed. In this environment, it is far easier for aggressive traders to look clever than it is for professional money managers to remain faithful to sound investing principles.

As we step into 2026, the tone begins to shift ... We see three sources of potential momentum ahead: **a return to value, transformation across Danantara companies, a push toward market deregulation.**"

PANDU SJAHRIR, Chief Investment Officer of Danantara Indonesia

From "Pandu Sjahrir's 2025 Year-End Letter," published on 24 December 2025

Wednesday last week was meant to be uneventful.

One of those mornings where nothing dramatic happens and the universe stays quiet, at least for a moment. Then I checked my phone.

The MSCI announcement sat at the top of the screen with no warning.

Group chats lit up before I finished the first sentence. Screenshots flooded in. The market had not even opened, but emotionally the damage was already done.

I paused with my phone in hand, chest tight. A lag that felt dangerous.

So, I drank a shot of espresso, attempted push-ups to get myself out of fight-or-flight mode, and wished that the combination of caffeine and short cardio would bring me back into focus.

Only after that, wired and slightly breathless, did my thoughts line up enough to think clearly again. Which, as a market participant, already counts as a small victory.

And that was when my perspective flipped.



Danantara Indonesia CEO Rosan Roeslani speaks at a press conference following the MSCI announcement, with (L-R) Coordinating Minister for Economic Affairs Airlangga Hartarto, Minister of State Secretariat Prasetyo Hadi, Minister of Finance Purbaya Yudhi Sadewa, and Danantara Indonesia COO Dony Oskaria / Photo credit: Danantara Indonesia

This was not a disaster. It was a signal. A market that had been making new highs, even for companies that may never make a profit, was finally being forced to pause.

What first felt like chaos now looked like the start of a new phase. An opportunity for something more honest to begin.

As Thoreau once wrote, *“Not until we are lost do we begin to find ourselves.”*

Before Wednesday

Indonesia's stock market is supposed to be a barometer of the economy. On the surface, it looked busy and liquid. But as that fateful Wednesday exposed, up close it behaves more like a treadmill. Plenty of motion with no real progress.

The IHSG was being carried by a handful of thin-float “conglomerate” stocks, trading furiously on momentum and story rather than fundamentals. As of the end of 2025, about a quarter of the index sat in companies that were still losing money. Some others had valuations that hovered around 150–300× earnings.

For context, most of the US “Magnificent 7”, actual tech and AI giants, trade at about 30× earnings. Expensive, yes. But grounded in cash flow, scale, and market dominance.

What held up parts of our index was something else entirely. Speed mistaken for strength, activity confused with value.

Meanwhile, investors stubborn enough to stick with fundamentals were politely told that they were in the wrong lane. That those times had simply changed.

The market had looked calm and strong. But it was not built to be tested.

Thus, when MSCI announced a freeze and potential downgrade, Wednesday became test day.

The MSCI–Indonesia Situation: A Timeline

October 2025: MSCI's review of free-float methodology for Indonesian stocks sparks sell-offs. The Jakarta Composite Index drops sharply, nearly 3% in a session. Investors react to possible future changes in MSCI index treatment of Indonesian shares.

November 2025: BEI and regulators open dialogues with MSCI, aiming to clarify investability and transparency issues.

Late January 2026: MSCI flags concerns over market structure and governance in Indonesia, freezing index changes and a potential downgrade. Raises questions about price discovery and investor confidence.

February 2026: Global brokers like Goldman Sachs, Nomura, and others downgrade Indonesia exposure. Foreign outflow risk becomes a central narrative.

Indonesian equities see heightened volatility. Investors reassess liquidity, free float, and foreign ownership risks.

Regulators and market participants respond publicly, including leadership reshuffles on the former. Emphasis on reforms, transparency, and stability.

Indonesia's market faces a perception test. The issue becomes less about one index and more about governance credibility.

Character Over Credentials

Warren Buffett once said we do not need extraordinary intelligence to do well in markets. What we need is steadiness. That idea stays with me because it opens a door. The market remains one of the few places where background matters less than behavior. In a world of pedigrees, patience and long-term thinking are the great equalizers.

A 2025 NYU Stern study found that most investors spend only minutes researching before trading. Simply slowing down, reading carefully, doing basic work already places us ahead of the crowd. That asymmetry is rare, and it is precious.

This is why fairness in market matters.

When ordinary Indonesians save enough to buy a few shares, many are not chasing excitement. They are reaching for breathing room. I think often of Reza Rahadian's film "Pangku." A family living day to day with no buffer and no room for mistakes. Their tunnel vision is not a flaw. It is survival.



In "Pangku," a young single mother balance care and responsibility in a life shaped by scarcity and restraint / Photo credit: Gambar Gerak Film

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This is not fiction. As of August 2025, only 8.77 percent of Indonesians above 15 years old are university graduates. About 35 percent completed high school. Since COVID, most new jobs pay below minimum wage.

Hence, for many, stock market investing is not a game. It is their ladder to a better life. A place where they could potentially gain more out of their hard-earned rupiah.

That Wednesday was a reminder. Investing in the stock market is not a privilege reserved for the wealthy. It is the language of people who want choice.

But if the market is meant to speak that language, then we must allow that market to become real. When we walk into a fruit market, we would expect to buy nutritious tropical fruits, not plastic displays. The stock market should be no different.

The Cost of Short-Term Thinking

What unsettled me that Wednesday was not the loss. Loss is familiar. Loss is honest.

It was the people this crash most impacted.

Not those with the most information or flexibility. They were better positioned to absorb it. The ones who felt it most were those who believed the market was real.

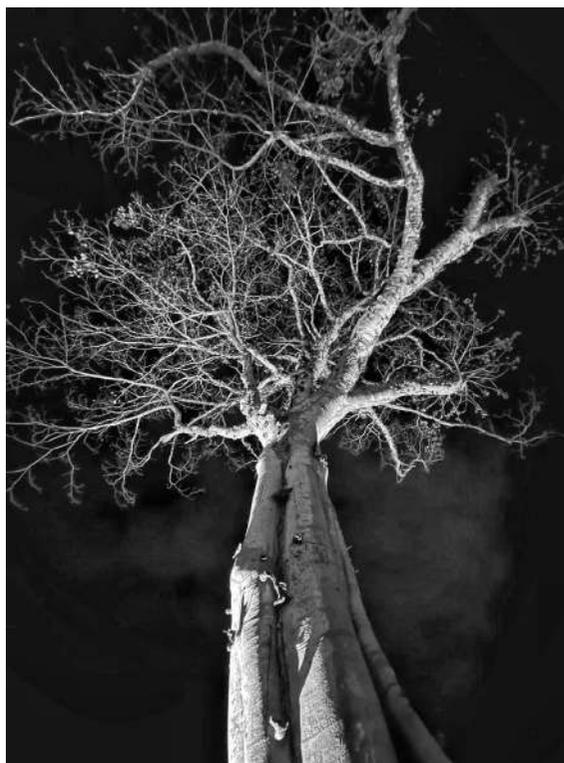
People who save carefully, learn and invest patiently, and trust that effort could still compound into something durable.

What lingered was not anger, but a sense of breach. A feeling that the market I thought I understood had changed. That trust had thinned. Over the days that followed, the feeling sharpened into clarity.

The problem is not capital. It is that we tried to cheat time.

We live inside short cycles of headlines, prices, elections. But societies that fail to manage time eventually find it harder to manage power. Because when time is mismanaged, policy becomes reactive. Growth looks impressive, then breaks. Progress accelerates, then vanishes.

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The market remains one of the few places where background matters less than behavior.

Photo credit: Danantara Indonesia Investor Relations team

Stock investing is one of the ways a society learns patience. When immediacy is rewarded, people become anxious, reactive, and increasingly guided by amplified narratives without the ability to tell signal from noise. Fundamentals are forgotten, hype is celebrated.

The market today feels open. Anyone can open a trading account from a mobile phone in minutes. But access alone does not prepare people for risk, volatility, or loss. Momentum, once given room, has its own will.

When prices are not allowed to speak honestly, openness does not create safety. That Wednesday, I reminded myself that market participants do not equate to investors. When governance is poor, someone will arbitrage, even if it looks unfair. By nature, the market is “money ruled.” The hope is that money has a rational brain and is willing to stay and fund economic progress, with returns reflecting the difference between what is known today and what is predicted for the future.

But money is not really homogeneous. Call them speculators, traders, fast money, or any other names. Educated or not, they just play games of asymmetry. A functioning market needs counterbalance built in. It needs to reduce asymmetries in information, access, and requirement, instead of overregulation.



Pandu Sjahrir, Danantara Indonesia's CIO, wrote in his 2025 year-end letter that restraint does not win many fans in a momentum-driven market / Photo credit: Danantara Indonesia

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For Danantara Indonesia, as a market participant and long-term investor, what weakens a capital market is not high valuations per se, but distorted ones, and the erosion of trust that follows. Trust that information flows seamlessly, and that the market is a place for honest price discovery.

When FOMO allows noise to overwhelm signals, investors should be able to trust that the market has the mechanism to correct itself.

So, the question becomes simple. What must change?

Transparent share ownership. Governance and enforcement. A deeper market. Strengthened liquidity. Efficient and effective price discovery. All in addition to increased stakeholders' preparedness.

It was heartening to see stakeholders act swiftly, and regulators stepping up. The market is only as honest as we demand it to be. Look at South Korea: its 2025 stock market rally looked sudden, but it was actually the by-product of painful reforms first signaled in 2023 and implemented in 2024.

What must also change is our relationship with time. We need a market where prices are allowed to speak, where ownership is visible, where belief is not quietly punished.

This kind of reform is uncomfortable. Some prices fall. Some stories end. Some advantages fade. But if nothing moves, nothing changes.

This is an opportunity that does not come every day. It is something we shall not miss.

After the coffee and the push-ups, I sat back down and returned to work. Not because the fear had disappeared, but because it was the price of admission. The market had humbled us, yes. But sitting there in the quiet, I realized: this was what learning felt like.

That Wednesday, I came to see that nothing can be repaired until we first accepted it as broken.

The road ahead remains long, the dust still in the air. Yet, for the first time in a while, it feels like the path is re-anchoring. A not-so-quiet return to fundamentals, at last.

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Reform is uncomfortable. But if nothing moves, nothing changes.

Photo credit: Danantara Indonesia Investor Relations team

Did You Know?

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*The floor of the New York Stock Exchange, littered with paper after the market closed, from 1920.
Photo credit: US Library of Congress*

In the late 1960s, the US stock market nearly ground to a halt. Not because of a crash, but because it could not process its own paperwork.

Trading volumes surged, but settlement relied on physical stock certificates. This overwhelmed broker back offices and led to chronic delivery failures and even collapsed firms. The New York Stock Exchange was forced to shorten trading hours and close one day a week just to clear the backlog.

The crisis ultimately led to the creation of modern clearing infrastructure, including the Depository Trust Company, reshaping how markets function today.

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