

IDX Confidence: One Sell-Off, Three Different Stories

Inside Indonesia's 2026 Sell-Off: What Three Capital Groups Are Really Thinking



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1. THE THESIS

1.1 What We See

The IHSG is down 26.5% year to date. Global risk markers light up from series of unprecedented actions: the MSCI froze Indonesia's index review in January, removed six constituents in May, forcing Rp 31.5 trillion of selling. Fitch and Moody's hold Negative outlooks on the sovereign rating.

Outside Indonesia, the picture is the opposite: the S&P 500 is at fresh all-time highs (7,412 on May 11) on an AI capex rally; Vietnam's VN-Index is at record highs (1,929 in late May, up 46.6% year-on-year); Thailand's SET50 is up 30% over the same window.

The common reading inside Indonesia is that **this is a confidence crisis:** foreign capital is fleeing, retail is panicking, the bid has disappeared. Almost every article you read follows this narrative.

1.2 What We Find

We believe that what is happening in the IDX is not as simple as it seems. **To know where the market is heading, we need to know what its participants are thinking.**

To find out, Mirra Labs ran a behavioral simulation across 1,000 Indonesian-equity market participants, split into three investor groups:

- **Retail investors** (including *Gen Z* first-timers and mass-affluent veterans)
- **Local institutional allocators** (e.g. pension/insurance, mutual fund, government-linked desks)
- **Foreign institutional allocators** (e.g. active EM / Asia / ASEAN PMs and global passive PMs)

Each agent answered **six structured questions** about sentiment, conviction triggers, capital rotation, restoration policy, mandate constraints, and benchmark override. What the simulation surfaced does not match the headline narrative.

- The price action looks like capitulation, but the behavior across all three investor groups tells three different stories.
- Even within the same investor group, the public postures don't dictate their actual actions. Experience, mandate, and expectations play a more important part than what they say.
- Each investor group reacts to different triggers. And each has formed their probability expectation of those triggers happening.

1.3 The Implication

Understanding this dynamic, the question becomes: **which trigger fires first**, and **which group moves first to become a willing buyer**? And whether the assumed sequence of capital flows actually holds once the binding constraints pulling each group in different directions, mandate, regulation, public posture, are accounted for.

IDX in 2026 is not a *'value'* question. It is a *'will'* question, and three groups of capital are still answering it differently. Read the answers correctly and the next two quarters of Indonesian exposure look very different than the chart suggests.



2. WHILE THE WORLD RALLIES, INDONESIA DRIFTS THE OTHER WAY

2.1 Indonesia's 2026 Drawdown

The Jakarta Composite Index closed at 6,162 on May 22, 2026, down 26.5% year to date. The market hit circuit breakers twice on January 28-29, the first sustained trading halts since the COVID crash of March 2020. Several structural pressures are in play:

- MSCI froze its Indonesia index review on January 29, then removed six constituents from its Indonesia index on May 13, forcing approximately Rp 31.5 trillion of mechanical selling.
- Sovereign risk markers moved with the market: Fitch revised its Indonesia outlook to Negative; Moody's followed. Goldman Sachs downgraded Indonesia to Underweight.
- The rupiah weakened past 17,500 per USD by mid-May, and the local press has begun talking about IDR / USD pressure as a structural drag on foreign re-entry, not a temporary one.

However, at the same time, retail registration to IDX has not slowed. KSEI's Single Investor Identification count grew from 20.32 million in December 2025 to 27.07 million in May 2026, adding 6.7 million new accounts in 4.5 months. Stockbit data for the worst sell-off week (May 4-8) showed Rp 1 trillion of net retail buying.

2.2 The Rest of the World Is Going the Other Way

The contrast outside Indonesia is sharp.

- **United States.** The S&P 500 hit a fresh all-time high of 7,412 on May 11, 2026; Nasdaq hit a record 26,274 the same day on an AI capital-spending rally. Earnings projections for 2026 have been revised 2x from 14.4% to 28.6% growth.
- **Vietnam.** The VN-Index closed at 1,886 on May 25, up 6.93% in the past four weeks and 46.6% year on year. Moody's revised the country's credit outlook to Positive in mid-May.
- **Thailand.** The SET Index closed at 1,538 on May 22, with the SET50 up roughly 30% over the past year on an electronics and AI infrastructure rally.
- **Malaysia and India.** Both are softer than the rest. The FBM KLCI is approximately flat YTD; India's Nifty has pulled back roughly 3% over the past year on foreign outflows. Both are in their own corrections, but on a fundamentally different order of magnitude from IDX's.

3. THREE BUYERS, THREE QUESTIONS

3.1 This Drawdown Sets the Reference Point for Years

A 26.5% drawdown is not just a price event. For foreign allocators, **this type of drawdown resets the country's risk premium baseline for the rest of the decade**. Indonesia in 2026 sits in the position Thailand sat in after 2014 and South Korea sat in after 2017: a market that lost its valuation premium.

If the current paralysis hardens into a stable equilibrium ("Indonesia is the EM you wait on"), **the rotation to other countries (Vietnam, Thailand) may become structural, not tactical**.

3.2 Recovery Requires a Buyer. There Are Only Three.

The market does not bounce on hope; it bounces when a specific cohort deploys capital.

For the Indonesian equity market in 2026, there are three candidate buyers: **domestic retail**, **domestic institutional allocators**, and **foreign institutional allocators**. The question of who returns first looked deeper into the behavioral mechanism of each:

- **Will retail deploy?** Indonesian retail has two halves with different anchors. Veterans look at multi-cycle valuation; first-timers look at peer sentiment and personal portfolio pain. What they say they will do and what their experience predicts they will do are different things.
- **Will local institutions rotate offense?** Three sub-populations hold most of the domestic institutional pool, each governed by a different binding constraint: regulation, prospectus, and political-strategic mandate.
- **Will foreign allocators re-enter?** They see every country as an equal name in their spreadsheet. They name a specific trigger and assign a specific probability to that trigger. The triggers are public; the probabilities are not.

The findings that follow work through each of these three questions in turn, then close on the rotation question: when the active capital that does have discretion moves, where does it go and how cleanly.

4. WHAT WE DID

4.1 The Study

We simulated **1,000 Indonesian-equity market participants**, grouped into **7 segments across Retail, Local Institutional, and Foreign Allocators**.

Each agent carries a calibrated profile: demographics for retail, seat-based composition (firm, role, mandate type, AUM tier) for institutional, and hub geography for foreign institutional. Profiles are anchored to public sources including regulatory reports, industry benchmarks, and academic papers (see *Sources and References* for detail).

Each agent **answered six structured questions** covering sentiment, mechanism triggers, capital rotation, policy preferences, mandate, and benchmark.




1. **Where do you stand** on Indonesian equities over the next six months? (six-month sentiment)
2. **What specific event** would change your conviction in the next six months? (mechanism trigger)
3. If you cut your Indonesian equity by ~20%, **where would the capital go?** (destination)
4. **What policy action** would most restore your confidence — and how likely it is to happen? (restoration belief)
5. If your mandate allowed full discretion, **would you voluntarily reduce your position?** (asked of local institutional only)
6. If MSCI/FTSE downgrades Indonesia further, **would you override the benchmark?** (asked of foreign institutional only)

4.2 Meet Your Seven Segments



Retail Investors

 <p>Gen Z & Millennial First-Timer</p> <p>18-34, sub-Rp 50M ticket, post-2020 onboarded; mobile platforms (Stockbit, Bibit, Ajaib, IPOT)</p> <p><i>Jakarta / Surabaya / Bandung — mobile-first · 150 agents</i></p>	 <p>Mass-Affluent Veteran</p> <p>35-65, Rp 100M-1B ticket, pre-2018 onboarded; direct broker (Mandiri, BCA, Mirae)</p> <p><i>Jakarta-led — direct broker · 150 agents</i></p>
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Local Institutional Allocators

 <p>Mandate-Captive Allocator</p> <p>Pension & insurance officers; equity allocation well below regulatory cap (BPJS-TK at 8.35% vs 50%)</p> <p><i>150 agents</i></p>	 <p>Discretionary Mutual Fund PM</p> <p>Equity-only reksa dana saham PMs; prospectus floor ~80% binds them to sector-tilt only</p> <p><i>150 agents</i></p>	 <p>Government-Linked Strategic</p> <p>Government-linked investment officers; political-strategic mandate, not portfolio-return optimization</p> <p><i>150 agents</i></p>
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Foreign Allocators

 <p>Active EM / Asia / ASEAN PM</p> <p>Active EM/Asia/ASEAN PMs with full discretionary rotation; Indonesia weight 0.3-30% by sub-mandate</p> <p><i>Singapore 50% / London 20% / HK 15% / NY 15% · 150 agents</i></p>	 <p>Global Passive PM</p> <p>Passive vehicle PMs tracking MSCI / FTSE EM; behavior is rules-mechanical, no view formed</p> <p><i>iShares (EIDO, IEMG), Vanguard, State Street · 100 agents</i></p>
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5. KEY FINDINGS

5.1 FINDING 1: The Price Action Says Capitulation. The Behavior Says Something Else.

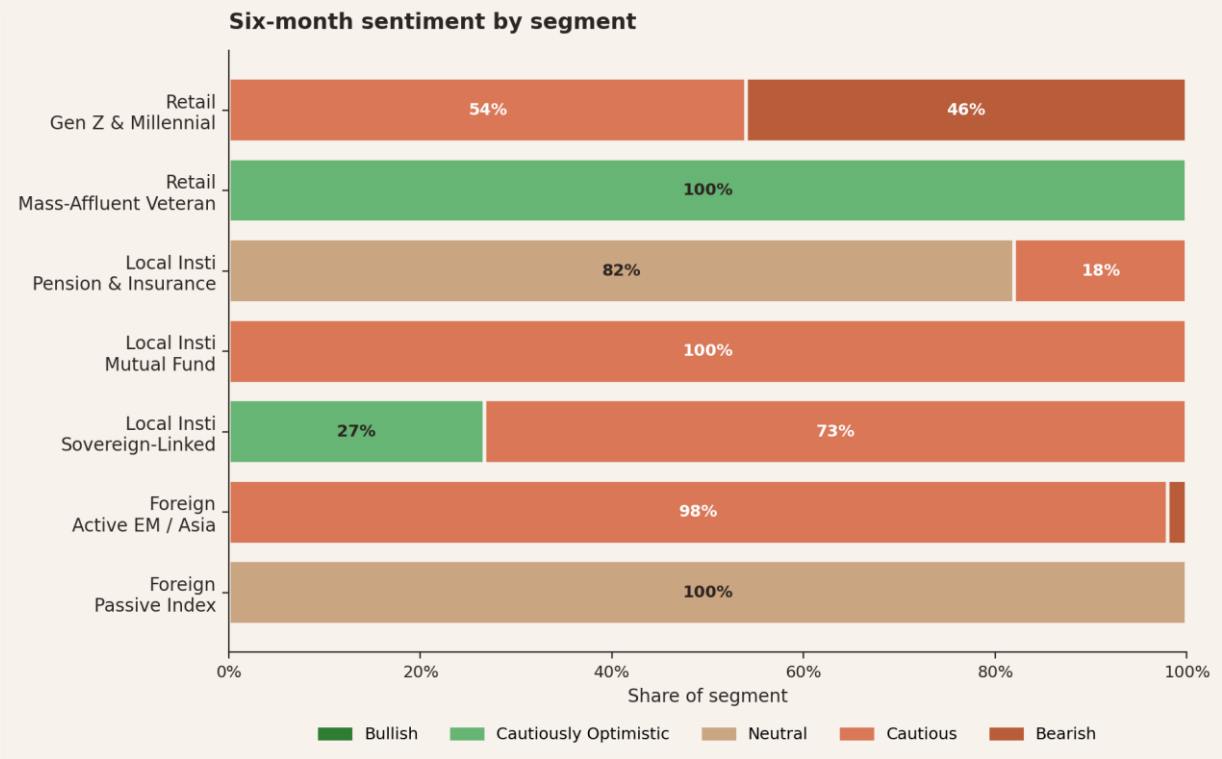


Exhibit 1 | Most market commentary frames the drawdown as a confidence collapse. The simulation surfaces a different picture. The market is not in panic. It is in paralysis, on three measurable dimensions.

Sentiment is measured, not bearish. When 1,000 agents across all seven segments were asked their six-month read on Indonesian equities (Q1), the dominant answer was cautious (52%) followed by neutral (22%) and cautiously optimistic (19%). Only 7% answered bearish. The price action is steeper than the conviction shift behind it.

Most capital cannot rotate even if it wanted to. When the same agents were asked where they would put the capital if they reduced their Indonesian equity exposure by approximately 20% (Q3), 80% ranked "sit idle" as their top destination. The lock is structural and varies by segment:

- **Pension and insurance allocators cannot rotate cross-asset within their equity sleeve;** the freed capital would sit in cash within the same mandate envelope
- **Mutual fund managers running equity-only funds are bound by prospectus floors** (typically 80% minimum equity); they can tilt sectors but cannot exit to bonds within the fund

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- **Foreign passive PMs** do not rotate at all by mandate design; their behavior is rules-mechanical
 - **Retail investors** at the smallest ticket sizes **lack the broker infrastructure for cross-border rotation**; the honest destination is a money-market fund or gold

The only segment that produced a clean rotation answer was **foreign active EM**, which represents 15% of the population. The remaining 85% is structurally held.

The May 13 selling was mechanical, not chosen. When MSCI removed six names from its Indonesia index on May 13, 2026, the resulting approximately Rp 31.5 trillion of selling happened automatically across every passive vehicle that tracks the index. The capital that left was index capital responding to an index rule. **The price impact was real; but the conviction shift behind it was zero.**

Honestly, we just track the index. Indonesia is one name out of more than a thousand for us. If MSCI cuts it, we sell at the rebalance — no view, no debate. We don't really form one.

— **Global Passive PM*, Agent 0975*

Indonesia is in a structural drawdown driven by a narrow share of the market with discretion to act, amplified by mechanical index flows. **The other 85% of capital is holding through the cycle because that is what their mandates and access infrastructure require.** The bid that returns when this resolve will look like a gradual unlock as specific mandate constraints loosen, foreign-active sentiment turns, and the next index review removes the mechanical drag.

5.2 FINDING 2: Two Retail Indonesias Are Looking at the Same Drawdown. Only One of Them Is Panicking.

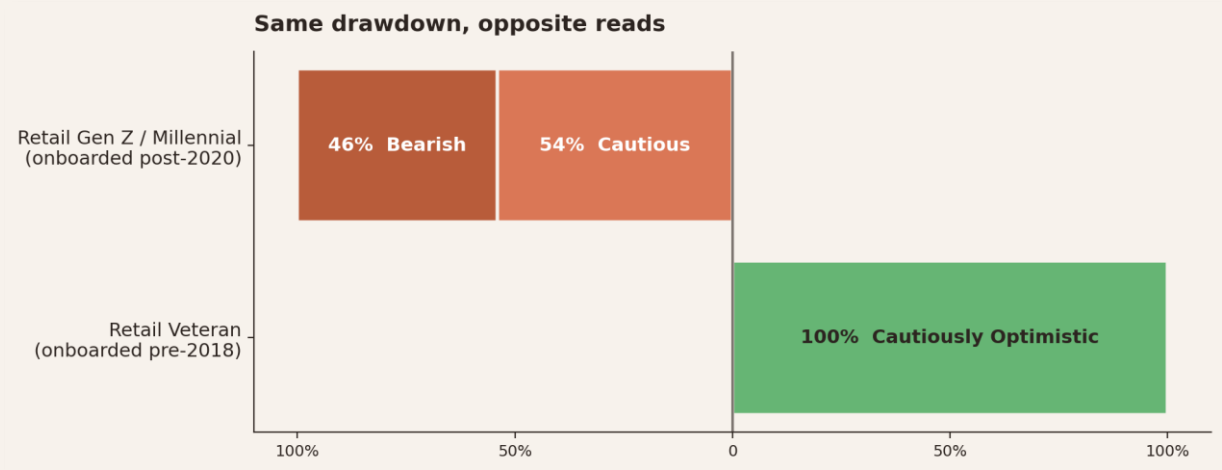


Exhibit 2 | Most coverage of Indonesian retail treats it as a single block: 27 million KSEI accounts, Java-urban concentration, mobile-platform driven, KOL-led. The reality is way different.

Most coverage of Indonesian retail treats it as a single block: 27 million KSEI accounts, Java-urban concentration, mobile-platform driven, KOL-led. The simulation shows the **cohort splits cleanly into two groups** that read the same market in opposite directions. The split is not on income, geography, or platform, **but on when they started investing.**

Gen Z and millennial first-timers are at the edge of capitulation.

The younger retail cohort (aged 18-34, sub-Rp 50M ticket, onboarded after 2020) returned 54% cautious and 46% bearish on the six-month sentiment question (Q1). **This is the first sustained drawdown of their investing lives.** The behavioral playbook they internalized in 2020-2024 (markets recover faster than expected, calibrated on the V-shaped 2020 recovery and the 2023-2024 commodity rally) is failing in real time.

This is the first real bear market my portfolio has ever seen. Every week MSCI takes out another name, the headlines get worse, and my account just keeps bleeding. I've never seen losses this deep — and honestly, it doesn't feel like it's going to stop.

— **Gen Z First-Timer*, Agent 0068*

Mass-affluent veterans are calmly accumulating.

The more experienced retail cohort (aged 35-65, Rp 100M-1B ticket, onboarded before 2018) returned 100% cautiously optimistic. **They have lived through the 2013 taper tantrum** (rupiah -25%, IHSG sharp drawdown) **and the 2020 COVID crash** (IHSG -38% peak to trough Q1 2020). Both recoveries happened. Their behavioral default is to wait it out and accumulate the bluest chips on dips.

I've been through 2013 and 2020 — both times the market came back. Right now my broker's research shows the bank stocks trading near their cheapest valuations in years, and the dividends are still flowing. For long-horizon names like BBCA, this is when you add, not run.

— **Mass-Affluent Veteran*, Agent 0341*

The same drawdown reads as a buying opportunity to the more experienced retail and as a regime break to the others. The shared inputs (price, news, MSCI action, foreign coverage) hit two different priors.

- **The less experienced anchors on social-feed sentiment shifts** and personal-portfolio pain thresholds. Same data, opposite interpretation.
- **The more experienced cohort** has gone through previous cycles, and **anchors their belief on prior recovery** and dividend yields on blue chips;

The supporting fact that compounds the risk. **Indonesian retail account registration has not slowed despite the drawdown.** KSEI added 6.7 million new SIDs between December 2025 and May 2026, growing the base from 20.32 million to 27.07 million. The new entrants are walking into the exact regime their cohort has no playbook for.

The retail bid from the more experienced cohort is real today (Stockbit's Rp 1 trillion net buying during the May 4-8 sell-off week confirms it). One is a stabilizing force; the other one is a structural risk if the drawdown extends past 6 months or a second leg arrives.

5.3 FINDING 3: Three Local Institutional Cohorts Hold Most of the Domestic Bid. None of Them Are Buyers.

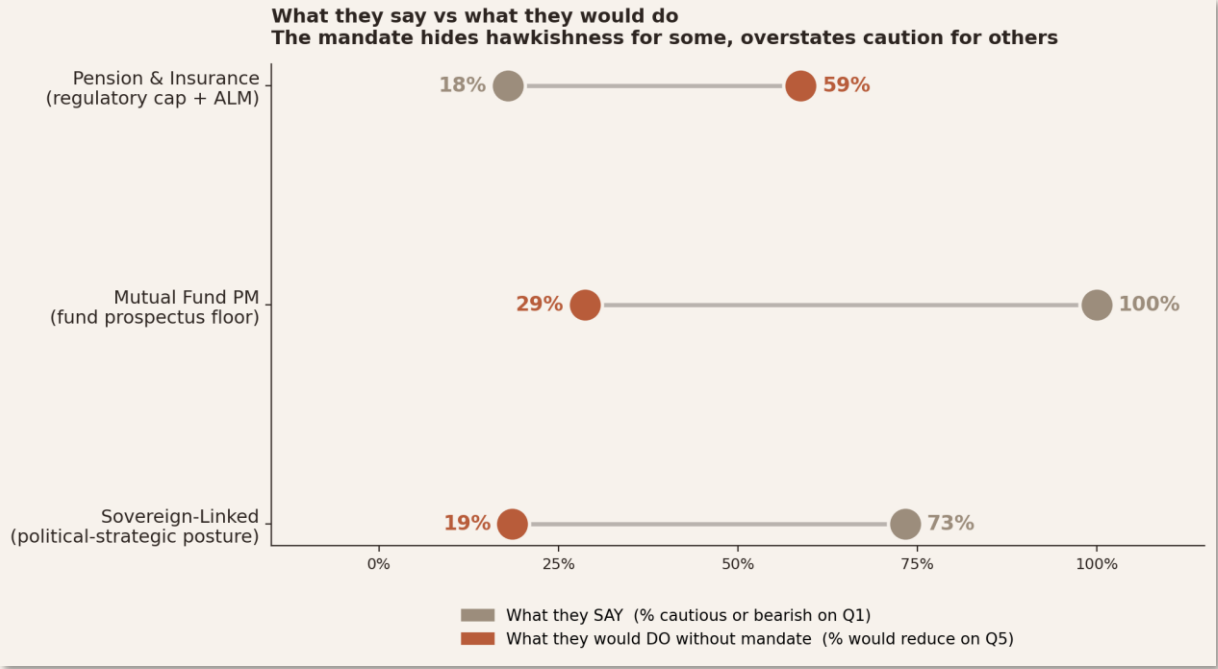


Exhibit 3 | Within the local institutions, the simulation surfaces three different conversations, anchored on three different binding constraints, leading to the same operational outcome: none of them are adding at the current price.

What are the Portfolio Managers in large local institutions, those that execute mandates, trade on prospectuses, and invest on top-down direction from the government actually thinking about Indonesian equities in May 2026?

Pension and insurance allocators are calm and constrained – held by their mandate, but not by their belief.

- **96% of them** (pension funds, life insurance, general insurance, DPLK private pension) **answered neutral** on the six-month sentiment question (Q1). They are not bearish; they are not optimistic. Market view almost does not enter the conversation.
- **However, when asked separately whether they would voluntarily reduce their Indonesian equity position if their mandate allowed full discretion (Q5), the mean answer was 59% probability they would.**

The position they hold is set by IPS-approved equity allocation and asset-liability matching, not by conviction.

Honestly, my hands are tied. The IPS sets my equity allocation; ALM does the rest. Even with the IHSG down 26.5% and the MSCI shock, I'm not really moving my weight — the trustee board's risk appetite and the post-scandal supervision keep us conservative no matter what the market does. My personal view almost doesn't matter.

— **Mandate-Captive Allocator*, Agent 0312*

Mutual fund managers are defensively positioned and watching for an industry signal.

Almost all from this cohort answered 'cautious'. Their constraint is the fund prospectus: equity-only reksa dana saham products have minimum equity floors (typically 80%), so they cannot rotate to bonds within the fund. They can tilt sectors away from cyclicals toward defensives, and that is what they are doing.

The voluntary-reduction probability is only 29% (Q5), meaningfully lower than the Pension and Insurance cohort because they already have more sector-tilt discretion within their fund. **They are watching for is industry-level signal: a reversal in Bareksa and Bibit retail flow direction back into reksa dana saham, or a Danantara deployment that broadens the sector bid.**

Valuations are attractive and there's selective stock-picking I'd love to do — but tracking-error discipline keeps me defensive right now. My prospectus locks me at an 80% equity floor, so the only thing I can really do is tilt sectors. I'm sitting defensively because I can't exit the asset class even if I want to.

— **Discretionary Mutual Fund PM*, Agent 0489*

Government-linked desks are publicly optimistic and privately split.

This cohort (Danantara AM, INA, state-bank treasury) are **73% cautious** and **27% cautiously optimistic** on Q1. The split is the substantive finding. **The institution's public posture** (Rosan Roeslani's May 2026 "pede pasar saham" statement and Danantara's framing as buyer-of-last-resort) **is institutionally aligned,** but **the agent-level reasoning surfaces a gap between what is said publicly and what the desk operator actually sees** in the portfolio. The voluntary-reduction probability is only 19% (Q5).

When asked what would restore confidence, **71 of 150 agents** named the same specific policy: a **concrete Danantara deployment timeline of Rp 50T+ into LQ45 by Q3 2026 (Q4)**. Their belief that this will actually execute is 64%, the highest in the study.

From where I sit, theoretical reform talk doesn't move the needle. What I'm waiting on is something concrete — when the Danantara dry powder gets deployed, into which names, and how much. That's what shifts confidence from this seat.

— **Government-Linked Strategic Allocator*, Agent 0712*

The three constraints together explain the domestic bid.

- Pension and insurance hold because regulation and ALM force them to. Mutual funds hold because prospectus binds them to.
- Government-linked desks hold because public posture aligns the institution with the administration's stabilization message.

None of these segments are buying the dip in size. The domestic institutional capital base of approximately Rp 2,000 trillion is doing exactly what its architecture says it should do under a drawdown: holding the baseline without adding. Anyone modeling Indonesian equity flows from a "domestic institutional buyer steps in" assumption is likely to overestimate the *'discretionary'* slice of that capital.

5.4 FINDING 4: Foreign Allocators Are Waiting for One Specific Thing. Almost None of Them Believe It Will Arrive.

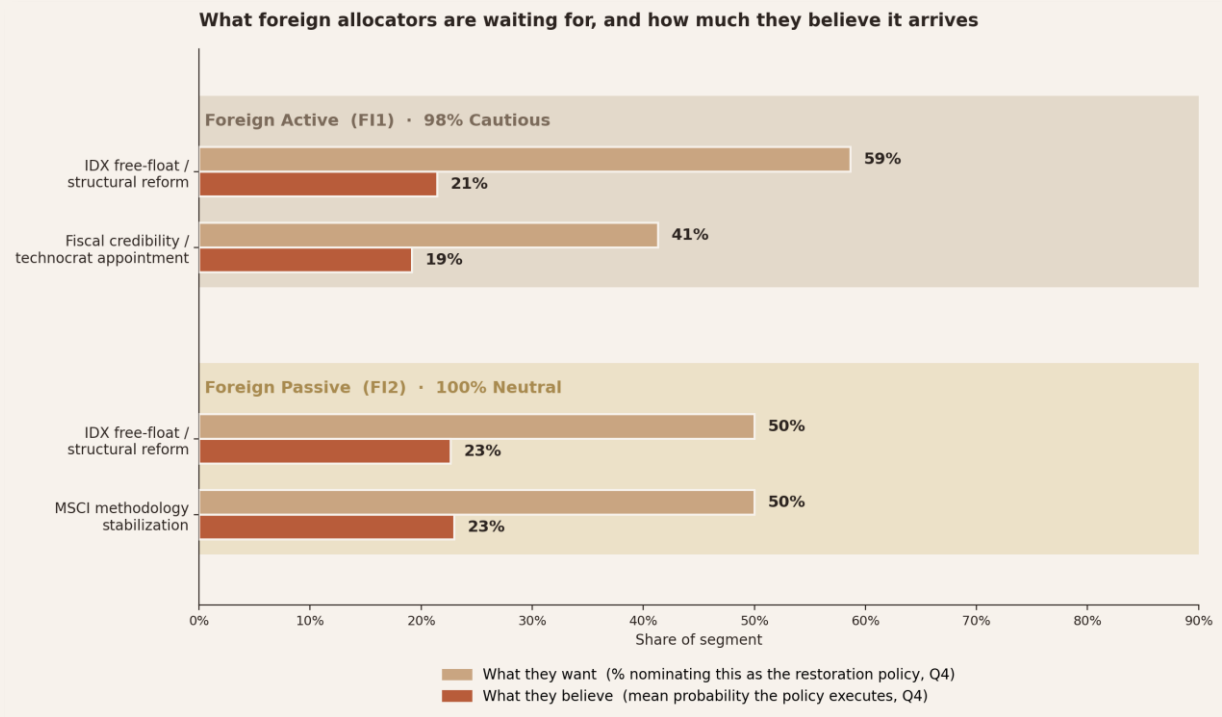


Exhibit 4 | Foreign-investors show views that are meaningfully more nuanced than the institutional house calls (Goldman Underweight, UBS Neutral) suggest. The position is underweight, but the conviction is conditional.

The institutional house calls on Indonesia have been brutal (Goldman Underweight, UBS Neutral, Schrodgers' "worst-performing market" language). But what do the people running Indonesian exposure at these global portfolio allocators actually care about?

Active foreign PMs are cautious, not capitulated.

The active foreign allocators (active EM, Asia, ASEAN, and dedicated-Indonesia funds) returned **98% cautious** on the six-month sentiment question (Q1). The agents are anchored to the institutional consensus that the position should be underweight, but the **language used to justify the position is consistently "trust and access break that needs policy evidence to reset," not "Indonesia is fundamentally broken."**

The MSCI forced selling exposed a real trust-and-liquidity break — Indonesia isn't fundamentally broken, but I need to see policy credibility before I add risk back. I'm anchored on sell-side benchmark

signals, Bloomberg consensus flows, and MSCI/FTSE mechanics. Right now all three are pointing the same way: stay underweight.

— **Active EM PM*, Agent 0851*

When agents were asked to name the **single policy action that would most restore their confidence and rate its probability of execution** (Q4), the result split the study population in two.

- **Government-linked desks** (the ones who would execute) believe **execution at 64%**.
- **Active foreign PMs** (the ones watching for it) believe execution **only at 21%**.

The same general policy category (a credible deployment announcement, a sovereign rating outlook revision, or a structural reform commitment) reads as **likely to the people inside the lever and unlikely to the people outside it**.

Foreign-active reasoning consistently traces this to track record:

The fastest confidence reset would be a credible fiscal-discipline signal — ideally a Sri-Mulyani-era technocrat as Finance Minister, with a hard deficit reaffirmation. But cabinet reshuffles are rare in year one unless a crisis forces them, and so far the appointments have been loyalty-based. I'm putting maybe 18% on it — that's basically just tail-risk of a crisis-forced reshuffle.

— **Active EM PM (Singapore-based)*, Agent 0612*

The 21% versus 64% gap is the reform-vs-denial catch-22 expressed in numbers. The bid that would clear the market is conditional on policy execution. **The buyer assigns only an approximately one-in-five probability to that execution. The seller assigns approximately two-in-three.** Until those two converge, the active foreign bid does not arrive at the price that releases the supply.

The embedded fact that compounds the picture.

Foreign passive PMs would override their benchmark with a **probability of 2.5% (Q6) if MSCI or FTSE further downgrades Indonesia. Active PMs would override at 31%.**

When the active PM is already underweight and waiting for a reform signal that may not come, the marginal seller of any further index event is the passive bloc, and the passive bloc sells mechanically with no discretionary contesting bid. This is the structural setup that made May 13 a Rp 31.5 trillion event without a market debate.

The picture taken together:

- Active foreign capital is **positioned defensively** but conditionally on their trigger
- Passive foreign capital is **positioned mechanically**

The conditional capital **believes the policy that would reset its position is unlikely to come**. Until that probability rises (or until valuations fall enough that Indonesia trades at a deep-value level that overrides the policy concern), **foreign passive remains a one-way mechanical seller on any index event** and **foreign active remains underweight** with their hands on their reasons.

5.5 FINDING 5: On Almost Every Question in This Study, the Segments Disagreed. On This One, They Didn't.

When foreign active capital rotates, where it goes

Where Foreign Active EM / Asia / ASEAN PM look to deploy when they rotate out of Indonesia — and why.

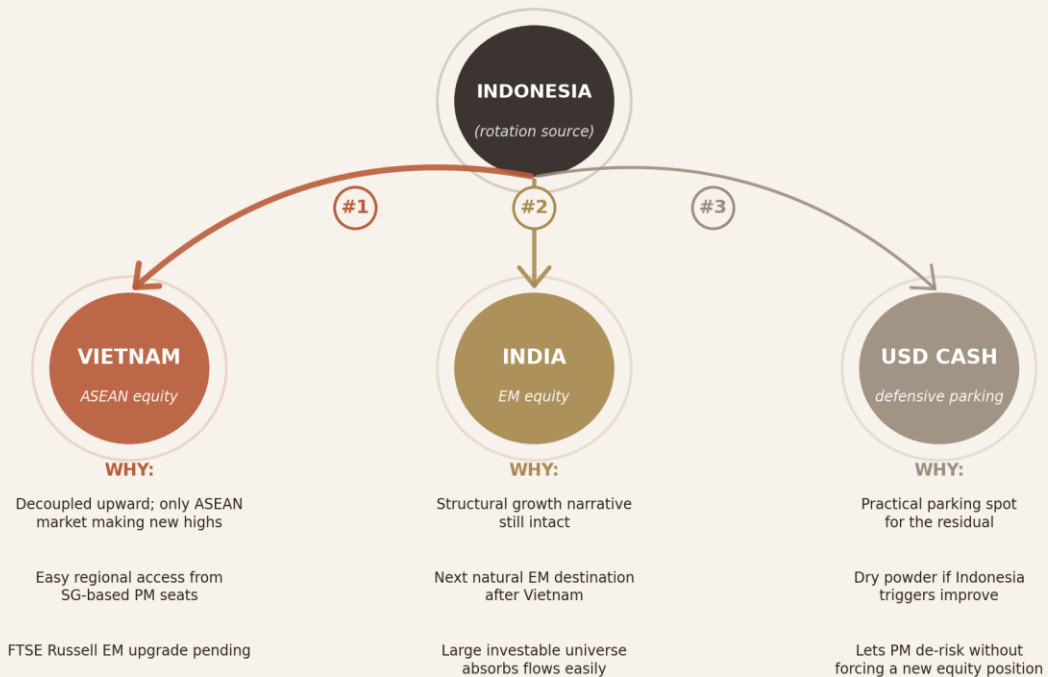


Exhibit 5 | Finding 1 said 80% of agents cannot rotate. Finding 5 follows the remaining 20%. The result is the cleanest single-segment unanimity in the study.

Foreign active EM PMs are consensus rotators. When the 150 Foreign Active PM agents were asked to rank their top three substitution destinations if they reduced Indonesian equity exposure (Q3),

every single agent **ranked Vietnam first and India second**. There is no internal debate. The third-ranked destination split between USD cash, dedicated-Indonesia continuation, and India variants, but the top two were unanimous.

I've got full discretionary rotation across the EM universe, and being Singapore-based means I can move quickly into regional names. Vietnam is the obvious first stop — the market's decoupled upward and the FTSE Russell EM upgrade is pending. India is the natural second destination on structural growth.

— **Active EM PM (Singapore-based)*, Agent 0734*

The market data validates the rotation. Vietnam's index is at record highs in late May 2026, up 46.6% year on year, with a FTSE Russell pending EM upgrade pulling additional active capital into Vietnamese equities. India is also a frequent rotation destination on its structural-growth narrative, even though Nifty is in its own pullback. The rotation is observable in foreign-fund flow data outside this simulation.

The asymmetry is the operational point. The selling side of this trade (Indonesia) is contested and slow. **Each segment cites a different trigger for re-entry:**

- Rating recovery for foreign active
- MSCI methodology stability for passive
- Regulatory cap lift for local pension
- Policy directive for government-linked
- KOL signal shift for retail *Gen Z*

The buying side of the trade (Vietnam, India) is consensus and fast. Active EM PMs do not debate Vietnam; they enter. This is a general property of capital rotation: when discretionary capital **moves out of a market, it picks its next destination quickly and crowds in**; when it considers **returning to the original market, it has many different conditions and waits for each one independently**.

6. CONCLUSION: WHAT BREAKS THE PARALYSIS

The simulation produces a structural read that runs against the headline narrative. Indonesia is not in a confidence-collapse spiral, but in a **slow, structural drawdown shaped by a narrow set of discretionary actors** operating against a much larger captive holding base, with policy execution as the gating variable for the next leg of recovery.

6.1 Who Leads the Bounce, And In What Order

There are three candidate buyers. Ranked by the data, the likelihood and speed of each leading is the opposite of street consensus.

Retail veterans are already leading at small scale. They are the only segment producing a clean accumulation signal at current prices. They keep buying as long as blue-chip dividend continuity holds and the drawdown does not extend deep into the second half. They are not a market-clearing bid, but they are the floor.

Government-linked local institutions are the next domino. Their voluntary-reduction probability is 19%, the lowest in the study; their execution belief is 64%, the highest. They are positioned to deploy if instructed. The trigger is a political-strategic instruction. If that capital deploys at the size and timeline it expects, it broadens the bid before foreign capital re-enters.

Foreign active is the slowest to unlock. They are waiting for policy execution (assigning 21% probability). Even when triggers begin to fire, the cohort that already rotated to Vietnam returns slowly, segment by segment, condition by condition. The bid is not coming back as a single event.

6.2 What to Watch

Each segment listens to a different signal. Five triggers, drawn directly from agent reasoning across the simulation, would shift the structural picture:

- **A specific top-down deployment instruction (size + timeline + sector concentration)** from government-linked party like Danantara. Government-linked desks already assign 64% probability. If foreign active belief moves above 35-40% on the same trigger, the convergence has begun.
- **A Fitch sovereign outlook revision back to Stable before Q3 2026.** Cited by foreign active PMs as the single most-meaningful confidence trigger. Agent probability estimates 12-21%.

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- **An MSCI or FTSE methodology stabilization commitment** for the rest of 2026. Foreign passive PMs have one behavioral trigger and this is it. Without it, every future index event remains a one-way mechanical sell.
 - **A reversal in Bareksa and Bibit retail flow direction back into reksa dana saham for two consecutive months.** Mutual fund managers cite this as the industry signal that lifts defensive positioning and allows them to add selectively rather than tilt-and-defend.
 - **A POJK 5/2023 amendment lifting the insurance equity allocation cap from 8% to 20% on LQ45-only names.** Pension and insurance allocators cite this as the structural change that would unlock incremental industry-wide capital deployment. Agent-assigned probability is approximately 50%.

6.3 What This Means for Capital-Market Professionals and Local Institutions

For sell-side, buy-side, and corporate-treasury readers positioning around the next two quarters:

- **The leading indicator is the Foreign Investors' execution belief, not the index level.** Until the belief-execution gap between Government-linked desk and Foreign Investors closes meaningfully, the foreign bid that would clear the market does not arrive. Watch survey work and broker commentary on foreign-active sentiment shifts more closely than price.
- **The rotation away is real, fast, and asymmetric.** Vietnam absorbed the active money quickly; Indonesia gets it back slowly. Position around that asymmetry rather than against it.
- **Trade the constraint, not the index.** Different segments listen to different signals. A POJK amendment moves pension and insurance; a Danantara deployment moves government-linked and broadens sector-tilt for mutual funds; a Fitch revision moves foreign active.

Indonesia's 2026 sell-off looks like a single price event because that is how the chart shows it. The simulation says **it is a sequenced unlock with a specific gating variable, a specific leading indicator, and a specific order in which the three buyers arrive.** Read the sequence and the positioning that follows it is different from positioning to the chart.

7. ABOUT THIS RESEARCH

This Field Note was produced by Mirra Labs, a research technology company specializing in Southeast Asian capital markets and consumer behavior. Our platform generates behavioral predictions by simulating thousands of demographically and seat-calibrated agents through structured research questions. Each agent carries a calibrated profile (demographics, mandate constraints, information environment, prior experience), and the simulation surfaces what each segment would actually do or say under a defined market condition.

Agent-based behavioral simulation is grounded in peer-reviewed computational social science and is already adopted by leading global consulting firms, asset managers, and research organizations. Mirra Labs applies this methodology with deep demographic and institutional calibration for Southeast Asian populations. All segment-level estimates are checked against public market data, regulatory disclosures, and segment-level behavioral benchmarks through an internal multi-source review process.

Agent quotes reproduced in this report have been lightly edited for length and clarity; the underlying meaning and specific facts are preserved verbatim. The complete simulation data file (1,000 agents, 4,700 question-agent observations, full reasoning) is available upon request.

Want this analysis for your market or coverage universe?

We run custom simulations calibrated to specific markets, customer bases, and product questions across Southeast Asia. Equity, fixed income, FX, consumer, B2B.

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Methodology Note

This Field Note is a public report produced by Mirra Labs. The simulation outputs represent calibrated estimates of segment-level behavior, not direct measurements. Findings are presented as directional reads checked through cross-segment internal consistency and against public market data where applicable. All segment-level estimates have been reviewed through an internal multi-source process. Agent quotes have been lightly edited for length and clarity; the underlying meaning and specific facts are preserved verbatim.

APPENDIX: THE QUESTIONS WE ASKED

Each of the 1,000 agents in this study answered the subset of these six questions applicable to their segment. The wording below reflects how the questions were posed.

Question 1: Six-month sentiment. *Asked of all 1,000 agents.* Where do you stand on Indonesian equities over the next six months, on a five-point scale from bearish to bullish, and what is the single biggest reason behind your stance?

Question 2: Mechanism trigger. *Asked of all 1,000 agents.* What specific event, data point, or policy action in the next six months would meaningfully change your conviction on Indonesian equities, in either direction?

Question 3: Substitution destination. *Asked of all 1,000 agents.* If you reduced your Indonesian equity exposure by approximately 20%, where does that capital most likely go? Rank your top three destinations from a defined list (Vietnam, India, Thailand, Philippines, Malaysia, MSCI EM ex-Indonesia, cash and money-market, gold, fixed income, sit idle).

Question 4: Counterfactual restoration. *Asked of all 1,000 agents.* What is the single policy or governance action that would do the most to restore your confidence in Indonesian equities, and what is the probability that action actually executes within six months?

Question 5: Mandate-captive position. *Asked of the 450 local institutional agents (Pension/Insurance, Mutual Fund PMs, Government-Linked desks).* If your mandate allowed full discretion, what is the probability you would voluntarily reduce your current Indonesian equity position, and what is the single biggest constraint forcing the current position?

Question 6: Rules vs conviction. *Asked of the 250 foreign institutional agents (Active EM/Asia/ASEAN PMs, Global Passive PMs).* If MSCI or FTSE downgrades Indonesia further in the next six months, what is the probability you override the benchmark signal and maintain your current allocation? What single condition would have to be true for you to actively override?

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