KSI Research

Monetary Policy Update

KIWOOM SEKURITAS INDONESIA

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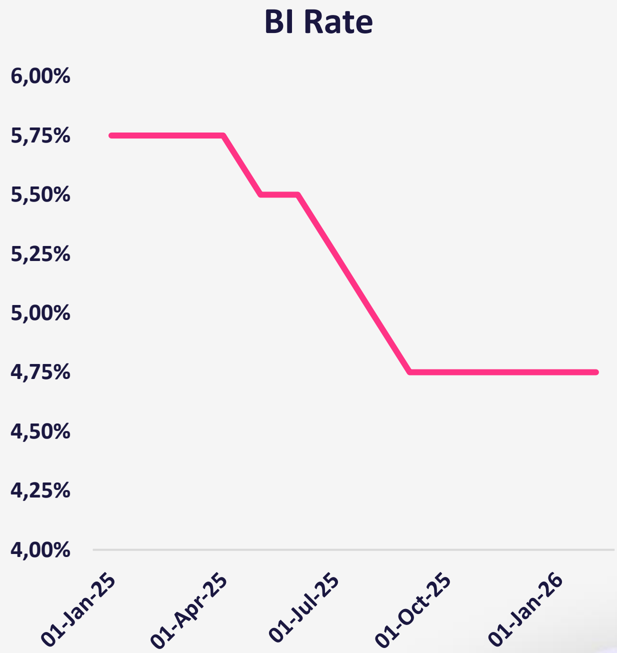
BI Holds Rate at 4.75%, What It Means for JCI ?

Bank Indonesia has maintained the BI-Rate at 4.75%, the Deposit Facility Rate at 3.75%, and the Lending Facility Rate at 5.50%. With inflation stable within the 2,5±1% target and foreign exchange reserves at US$154.6 billion, emphasize that macro stability remains well-preserved. The effect on the stock market is neutral-to-positive. While there is no "policy shock," it doesn't provide the aggressive catalyst that a rate cut would offer.

A trade surplus and healthy Balance of Payments projections reduce external risks, keeping the JCI's downside relatively limited. Without a rate cut, a rally acceleration will rely more heavily on corporate earnings growth and foreign capital inflows.



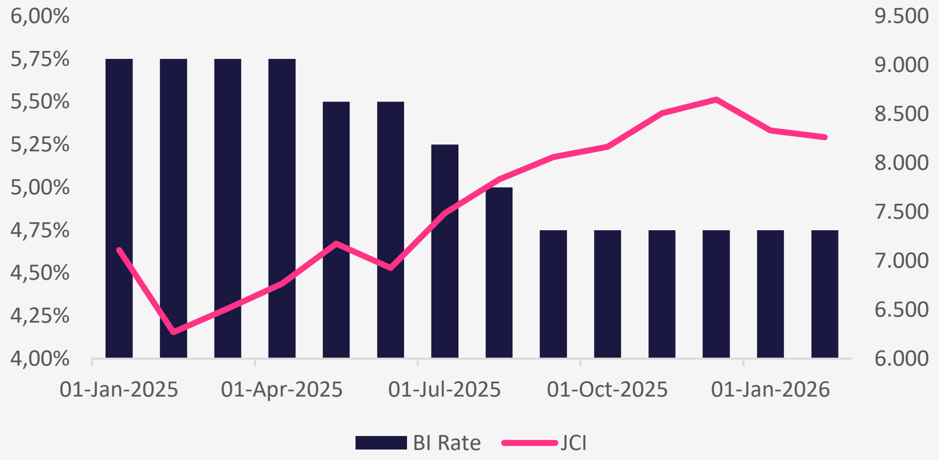
Source: Bank Indonesia

In-line with Expectations ?

This move was widely expected and market already priced in the expectations, as the consensus forecasted BI to hold steady at 4.75%. On a positive note, BI is keeping the door open for future rate cuts, contingent on Rupiah stability and inflation trends. This provides a safety net for the market once global pressures begin to ease. It serves as a foundation for investor confidence rather than an instant catalyst.

Sectors to Focus	
	Export & Commodities based sector, supported by the trade surplus and external resilience.
	Digital Infrastructure & Telecommunications sector, benefitting from recurring income and lower sensitivity to short-term interest rate fluctuations.
	Energy & Downstreaming sector, driven by structural narratives and clear cash flow visibility.
	Selective Consumer sector, boosted by the Ramadan–Eid momentum and early-year State Budget APBN realization.
	Big Banks sector, expected to remain stable; however, credit expansion will likely be gradual without more aggressive rate cuts.

JCI vs BI Rate



Source: Bank Indonesia, Bloomberg

Can the JCI Reclaim the 9,000 Level ?

Reclaiming the 9,000 level presents opportunities and challenges that we must tackle. On the optimistic side, the path to 9,000 is paved by a sustained trade surplus, a healthy Balance of Payments, and Bank Indonesia's accommodative forward guidance amid controlled inflation. Furthermore, the market is set to benefit from seasonal tailwinds, specifically the Ramadan–Eid momentum and the early-year realization of government spending (APBN), which typically bolsters domestic consumption.

However, this bullish outlook faces significant challenges. A persistently hawkish Fed stance remains a primary threat, as it could delay global rate cut expectations and maintain pressure on emerging markets. While Indonesian debt instruments like SRBI and SBN continue to attract inflows, the equity market still grapples with foreign outflows and concerns over market reform and Indonesia's perceived risk premium.

Ultimately, for the JCI to realistically hit the 9,000 milestone, three stars must align

- Foreign capital must return to a net buy position in equities
- Rupiah must remain resilient against external shocks
- Q1 corporate earnings must deliver solid, bottom-line growth.

In Summary

The BI rate hold is not a rally catalyst, but it strengthens the foundation of stability. The key to hitting 9,000 lies in the combination of foreign flows, earnings performance, and improving global sentiment.

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