

1Q26

Of Landmines and Timebombs



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Global *Macroupdate*



The Donroe Doctrine – Gunboat Diplomacy



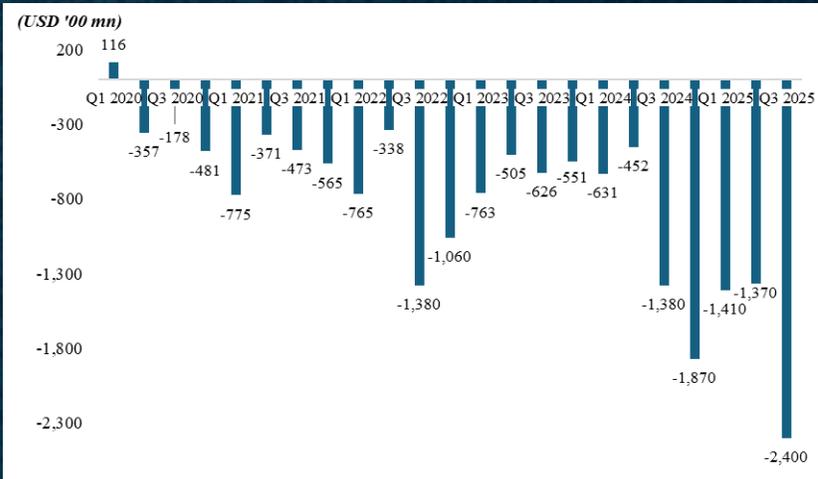
Maduro arrested in a Military Helicopter



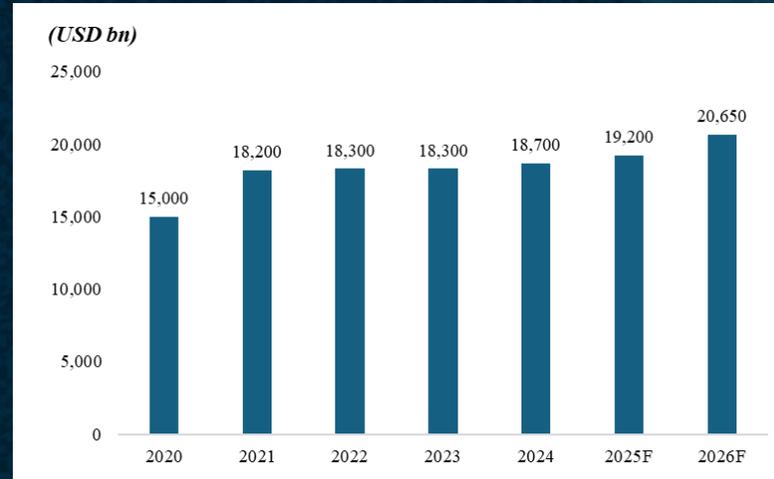
Iranians Cheering After The Khamenei's Death

- **Venezuela and Iran.** On Jan-2026, US undertook regime change in Venezuela by arresting the sitting President Maduro. The Trump administration then turned its attention to Iran and began joint operations with Israel to launch airstrikes—leading to the death of the former Ayatollah Khamenei.
- **Dismantling Adversarial Strata.** China and Russia's cheap oil supply taps have been closed. This reinforces the sentiment of China's grinding down economy.
- **Greenland, Cuba, and Colombia.** Trump has signaled his next focus for regime changes is Greenland, Cuba and Colombia. While resurrecting of the Monroe Doctrine (aptly called Donroe Doctrine under him), President Trump appears to only be targeting primary support regimes for its two main rivals.

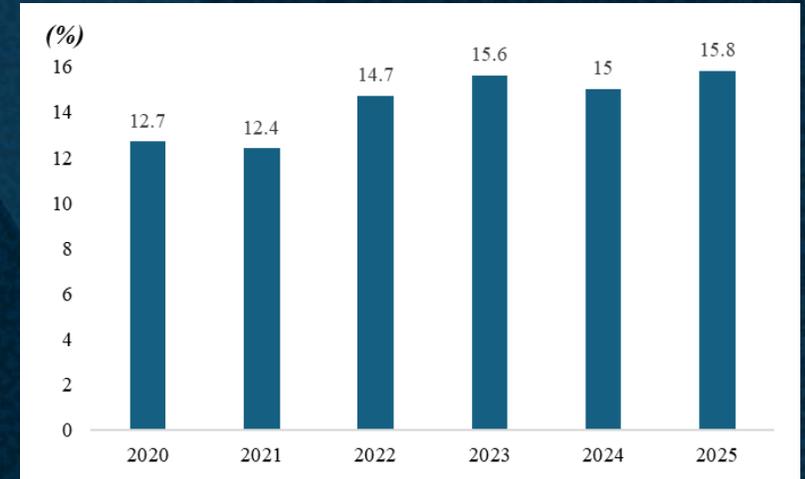
A Coughing Dragon : Fading Mandate Of Heaven



China Capital Flow, 2020—2025



China GDP, 2020—2026F



China Youth Unemployment, 2020—2025

- **Capital Flight In Flocks.** China Capital Flow has been below water since the covid pandemic in 2019. 3Q25 recorded a high capital outflow of USD 2.4 trillion.
- **GDP Slow Down.** The CCP has set China's growth to be 4.5-5% in 2026 which is the most modest growth since the 1990s. 2026 GDP Growth Consensus reaches only 4.7% YoY. Both 2027 and 2028
- **Youth Unemployment On The Rise.** As of Dec-2025, Youth Unemployment (ages 16-24) reached 16.5% from its peak in Aug-2025 at 18.9%. However, the statistics does not count youth that is not or no longer actively seeking a job, or current students. We are of the view that it could be as high as 25%

Spilling Over To South-East Asia

Country	Index	YTD	1Y	3Y	5Y
Vietnam	FTSE Vietnam 30 Index	52.1	40.5	30	47.5
Singapore	STI	19.8	19.1	52.5	85.3
Malaysia	FTSE Bursa Malaysia KLCI Index	4.3	-4.3	27.3	5.8
Thailand	FTSE SET Large Cap Index	1.5	-7.6	7.1	16.9
Indonesia	FTSE Indonesia Index	-9.9	-24.5	-25	4.1
Philippines	FTSE Philippines Index	-4.3	-18.2	14	-5
ASEAN+	FTSE ASEAN Extended Index	6.5	-2.4	17.2	27.5

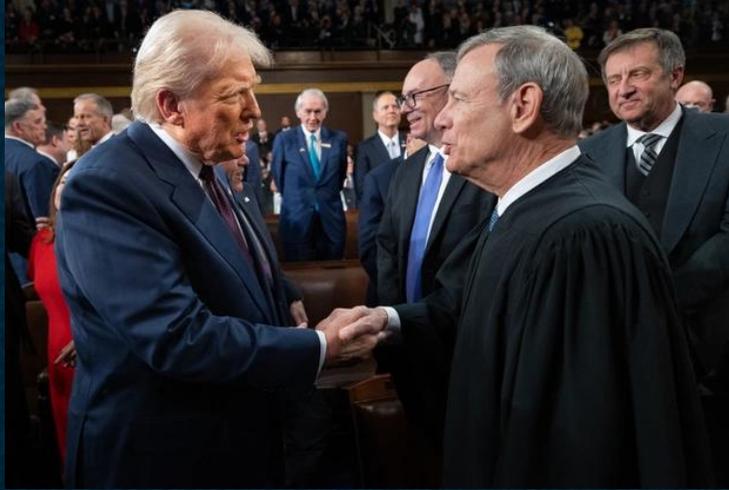
Countries	Stock market turnover ratio, 2022
Vietnam	95.25
Thailand	79.13
India	49.81
Indonesia	31.93
Malaysia	28.98
Philippines	10.92

SEA Index Performance, as of September 2025

- Vietnam Outperforming.** Vietnam's S&P PMI held steady around 50 in the past 3-Years indicating resilience in demand. Vietnam's General Statistics Office reported Manufacturing Production has maintained an elevated 2.30% in February 2026.
- Spreading The Productivity Across The Region.** We are of the view the current rate of production is reaching into the present threshold of Vietnam's manufacturing capabilities in certain sectors. This leads to foreign investors rotate their rudders to neighboring ASEAN countries.
- Increasing Equity Turnover.** Rising equity turnover has been observed in less developed markets, including India and several Southeast Asian economies, which have recorded strong growth despite starting from relatively low levels.

SEA Equity Turnover, 2022

15% Global Tariffs

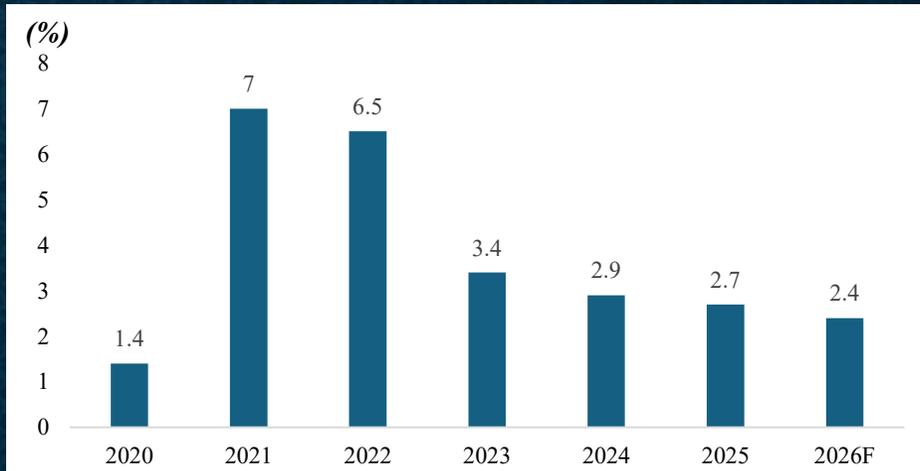


Chief Justice John Roberts Meets President Trump

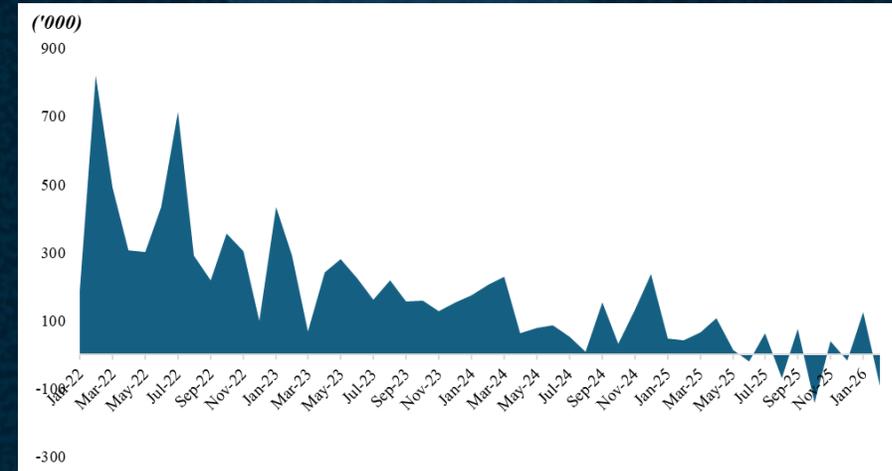
- **SCOTUS' descent on tariffs.** The Supreme Court of The United States has ruled The Trump administration's usage of the IEEPA law to implement sky-high tariffs (in China's case >100%) to be unlawful. The Trump administration rebuked the decision, but has also re-adjusted to laws whereby SCOTUS has approved implementation. Currently, the administration is utilizing the purview of 1974 Trade Act that allows a maximum 15% tariff.

This makes the US midterms a deciding factor for the Trump administration to allow it to carry on its bilateral negotiations.

U.S. Inflation And Jobs Reports



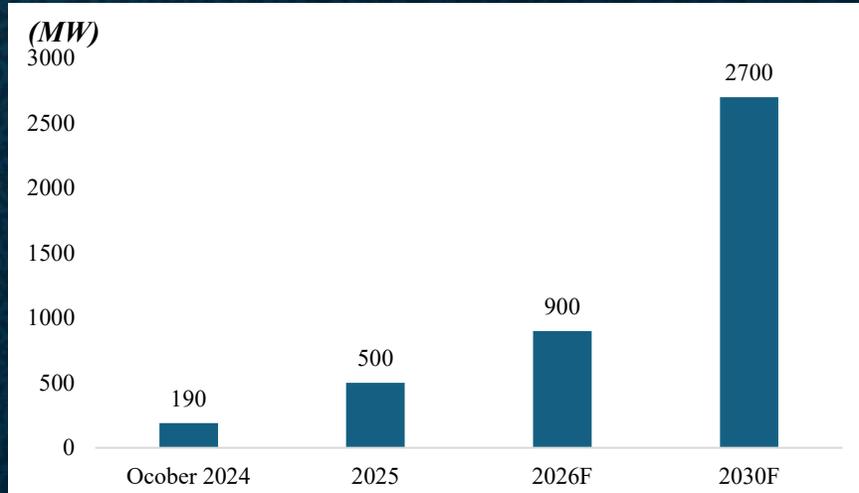
US Overhead Inflation, 2020—2025



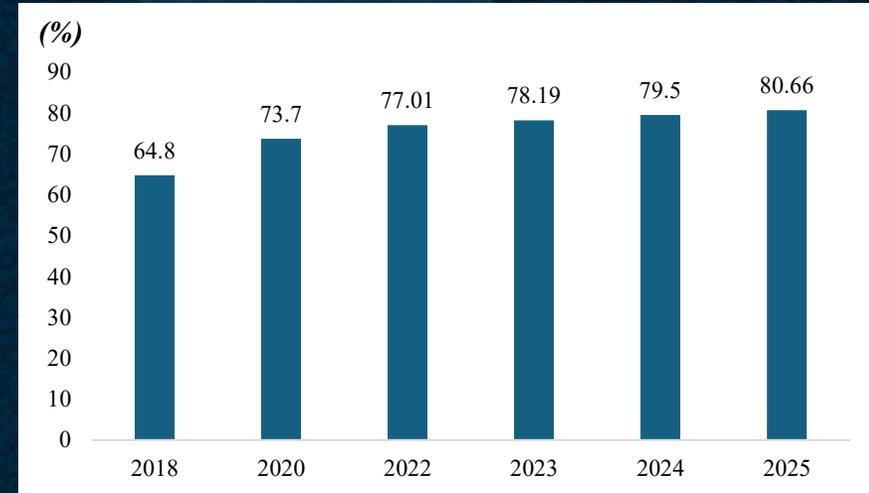
US Non-Farm Payroll, 2022—2025

- **Cooling Off Over Time.** US inflation has dampened down to 2.4% from the covid peak of 9.1% in Jun-2022. While inflation has gone back to pre-pandemic levels, rising oil prices from geopolitical tensions threaten to heat-up following economic metrics in the next few months.
- **White Collars Being Unbuttoned.** In Feb-2026, NFP recorded an estimated -92k job losses. With companies focusing on utilizing AI models in their production, there is an undergoing shift for efficiency by replacing costly human workers.

The Rise of A.I. and Datacenter



Indonesia Data Center Capacity



Indonesia Internet Penetration

- **A.I. Demand Frenzy.** With businesses adopting the usage of artificial intelligence (A.I.) in their operations and digitalization efforts across different sectors, there is an increased demand for datacenter infrastructure in Indonesia.

Warsh Replace Powell – A Hawkish Turn Or Surprise Dove?



Kevin Warsh, Trump's Choice to be Next Fed Chairman



Fed Rate, 2025—2026



President Trump and Fed Chair Powell in Fed Building Renovation

- **Hawkish word, Dovish Stance.** President Trump has announced he plans to nominate Kevin Warsh to replace for current Fed Chairman Jerome Powell.
- **Delayed Due To Investigation.** There has not been a set date for Warsh's confirmation hearing as Republican Senator Thom Tillis wants to delay the confirmation until a criminal investigation into Jerome Powell due to cost overruns in The Federal Reserve Building

Summary

- **The Donroe Doctrine – Gunboat Diplomacy**
- **A Coughing Dragon : Fading Mandate Of Heaven**
- **Spilling Over To South-East Asia**
- **15% Global Tariffs**
- **U.S. Inflation And Jobs Reports**
- **The Rise of A.I. and Datacenter**
- **Warsh Replace Powell – A Hawkish Turn Or Surprise Dove?**

Domestic *Macrouupdate*



Indonesia Between BRICS and BOP



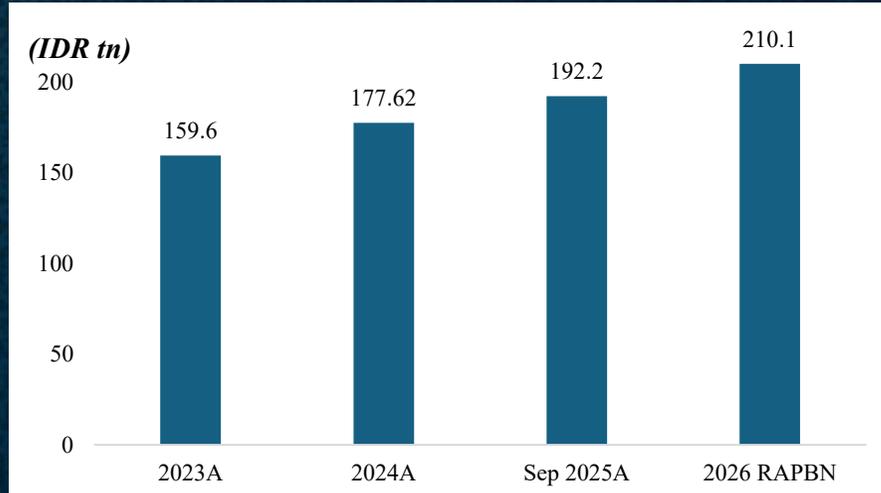
Prabowo with BRICS+ Nations



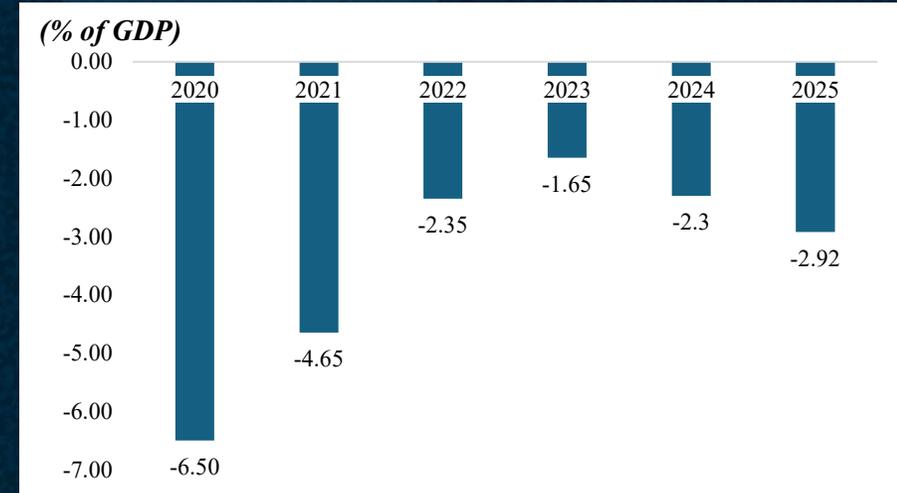
Prabowo with BOP Members

- **Member of both factions.** Prabowo has signed Indonesia to join BRICS+ (alongside our neighbors Malaysia and Thailand), and the Trump administration newly established Board of Peace. We are the only country from South East Asia that is an official member
- **Temporary Suspension Over Iran and Local Backlash.** Domestic criticism from religious groups have pressured President Prabowo to halt on-going participation within the Board of Peace. But we view that the discussions will resume once US-Iran conflict is resolved.

Subsidies Pushed Up, APBN Overstretched



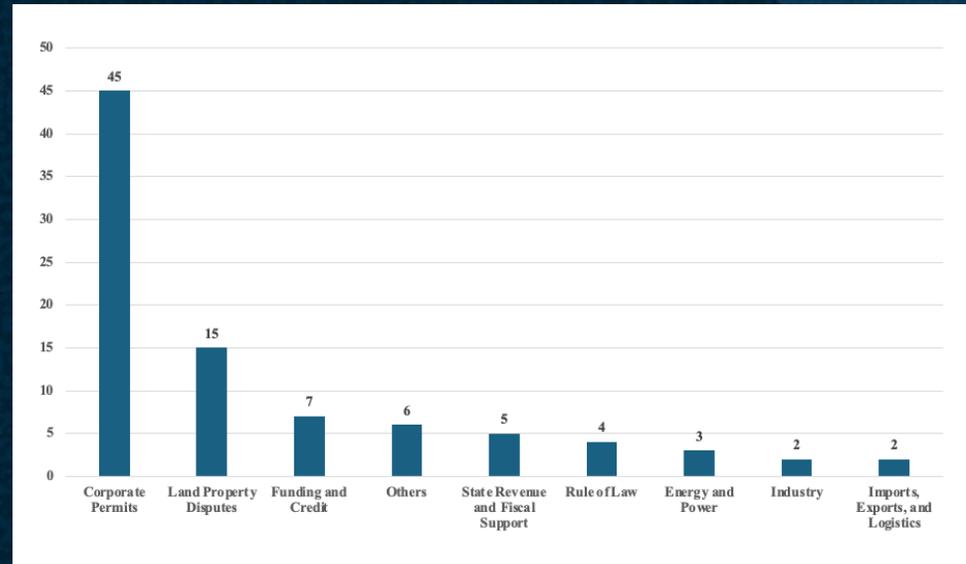
APBN Energy Subsidies, 2023—2026 RAPBN



APBN Deficit, 2020-2025

- **Energy Subsidies Bolstered, Spending Outpaces Revenue.** Energy subsidies for 2026 State Budget Plans (APBN) increased 14.19% YoY to IDR 210.1 tn. By Jan-2026, State revenue achieved a 9.5% YoY growth to IDR 172.7 tn while spending jumped 25.7% YoY. The State Budget also has plans to distribute *THR* to 10.5 million recipients including police, military, civil servants, pensioners totaling in the tune of IDR 55 tn.
- **APBN Risking To Step Over 3%.** Minister of Finance Purbaya Yudha has raised the concern of the Budget Deficit to GDP overstepping the critical line of 3% to ~3.6% if oil prices reach above USD 92 / barrel. Currently, ICE Brent Crude oil prices have risen above USD 110 / barrel from US-Iran geopolitical tension.

MoF Strives For De-Bottlenecking Initiatives



Complaints Placed to MoF As Per Feb-2026

- **Processing Complaints.** As per Feb-2026, there have been 89 complaints that was placed in the MoF's office. 45 of which were related to the processing of business permits.
- **Decluttering The Pipelines.** The Ministry of Finance's task force of accelerating strategic government programs (*Satgas P2SP*) has already processed 46 complaints such as Pertamina's Bioethanol Factory Permit; Benowo's Waste To Energy Electricity Project; Apothecary Business Permit; Funding Textile Industry; Taxation of Ships; and HS Import codes.

IDX Reforms

Pillar	Action Plan	Description
Liquidity	New Free Float Policy	Increase the minimum free float requirement for listed companies to 15% in line with global standards. Applies to new IPOs, while existing companies are given a transition period for adjustment.
Transparency	Transparency of Ultimate Beneficial Owner (UBO)	Strengthen disclosure of UBO and controlling shareholders to improve transparency and investor confidence. Reinforce supervision and enforcement on ownership transparency and shareholder affiliations.
Transparency	Strengthening Share Ownership Data	KSEI to enhance more granular and reliable share ownership data, adopt best practices globally, and strengthen disclosure rules for listed companies.
Governance & Enforcement	Demutualization of the Stock Exchange	Strengthen governance and mitigate conflicts of interest through the demutualization of the exchange, coordinated with the government.
Governance & Enforcement	Strengthening Regulations and Sanctions	Strengthen enforcement against market manipulation and misleading information through stricter regulations and sanctions.
Governance & Enforcement	Issuer Governance	Require continuous education for directors and commissioners and mandate that financial statements be prepared by Certified Accountants (CA).
Synergy	Integrated Market Deepening	Encourage financial market deepening across demand, supply, and infrastructure through integration among stakeholders.
Synergy	Collaboration with Stakeholders	Strengthen collaboration between government, regulators, and other strategic stakeholders to support ongoing structural capital market reforms.

OJK's 8 Action Plans to Accelerate the Integrity Reform

- **These measures were introduced in response to feedback from global index providers such as MSCI, while ensuring that Indonesia's capital market remains credible and competitive internationally.**
- **Key initiatives** include expanding the investor classification system to 28 subcategories, strengthening ownership transparency through mandatory disclosure of Ultimate Beneficial Owners (UBO) and shareholdings above 1%, and gradually increasing the minimum free float requirement from 7.5% to 15% by March 2026.
- **The reforms are part of eight broader action plans**, which also cover strengthening share ownership data, exchange demutualization, enhanced enforcement, and closer collaboration with stakeholders. To support implementation, OJK has established a Capital Market Integrity Reform Task Force, with the overall goal of meeting global index provider standards and maintaining Indonesia's emerging market status.

Danantara's Investing Spree

<i>Item</i>	<i>Amount</i>
Danantara Investment Allocation (2026)	IDR 235.48 trillion (≈ USD 14 bn)
Allocation to equity market	50%
Funds allocated to equity market	IDR 117.74 trillion (≈ USD 7 bn)
Funds Allocated to Phase I downstreaming (2026)	≈ USD 7 bn

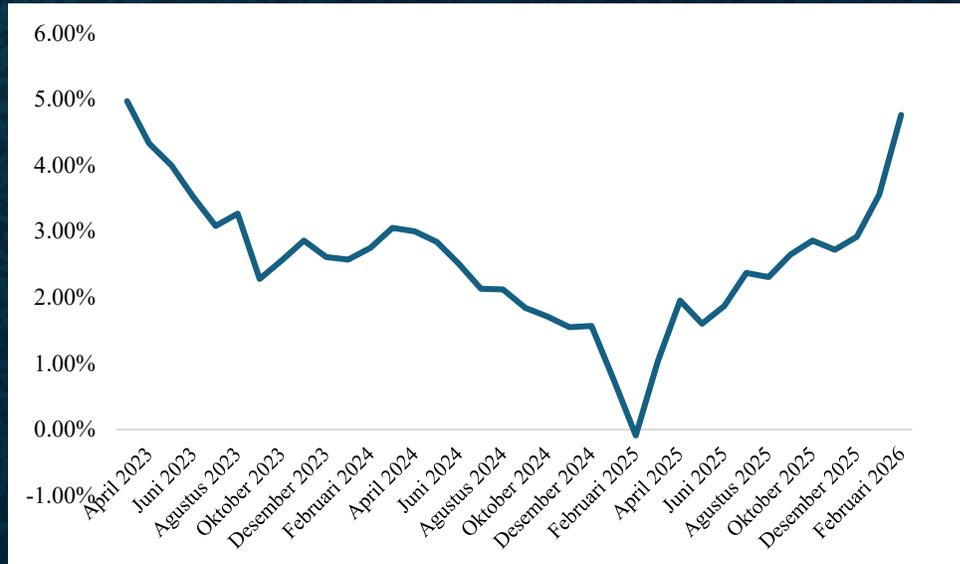
Danantara Investment Allocation 2026

- **Investable USD 31 bn.** While holding an AUM of USD 900 bn, Danantara has a committed an allocation of USD 14 bn in 2026. As of Mar-2026, it has utilized 100% of its investable funds.
- **50% to Capital Market.** Danantara has stated its commitment to place half its investable funds this year into pumping up liquidity in the market.
- **Downstreaming Agriculture and Supporting MBG.** Danantara has 18 downstreaming projects, consisting of 8 mining and mineral (minerba) projects, 3 agricultural downstreaming projects, 3 marine and fisheries downstreaming projects, 2 energy security projects, and 2 energy transition projects. Phase 1 downstreaming launched on February 2026.

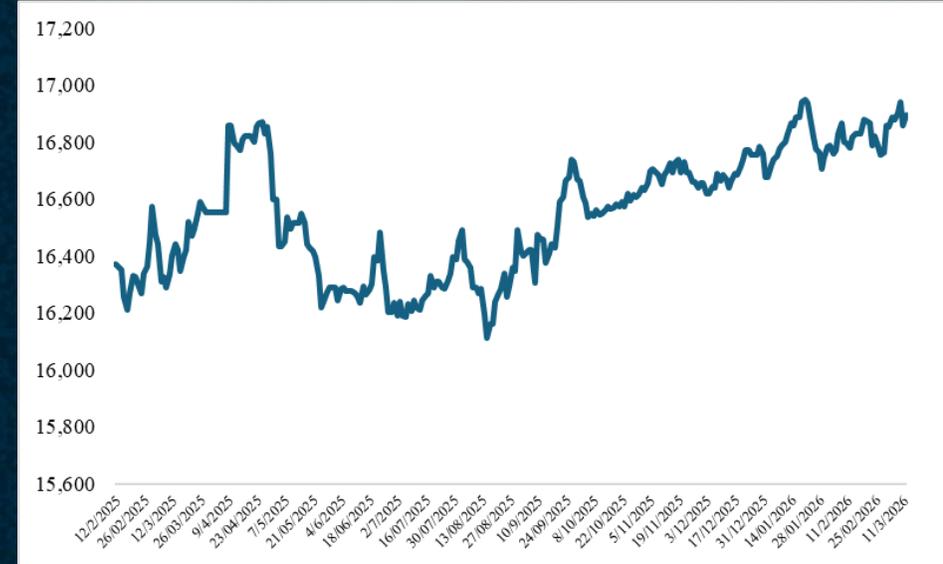
PHASE 1 DOWNSTREAMING (≈ USD 7 bn)		
No	Nama Proyek	Lokasi
1	Smelter aluminium dari alumina	Mempawah, Kalimantan Barat
2	Smelter grade alumina dari bauksit (SGAR)	Mempawah, Kalimantan Barat
3	Fasilitas produksi bioavtur	Cilacap, Jawa Tengah
4	Fasilitas produksi bioetanol	Banyuwangi, Jawa Timur
5	Proyek hilirisasi kelapa terintegrasi	Morowali, Sulawesi Tengah
6	Budidaya unggas	5 fasilitas dari 12 titik lokasi
7	Proyek waste-to-energy (WtE) / PSEL	Bekasi, Bogor Raya, Bali, Yogyakarta
8	Proyek Kampung Haji	Makkah, Arab Saudi

Danantara Phase 1 Groundbreaking Projects

Domestic Inflation From Commodity Price Rise



Indonesia Inflation



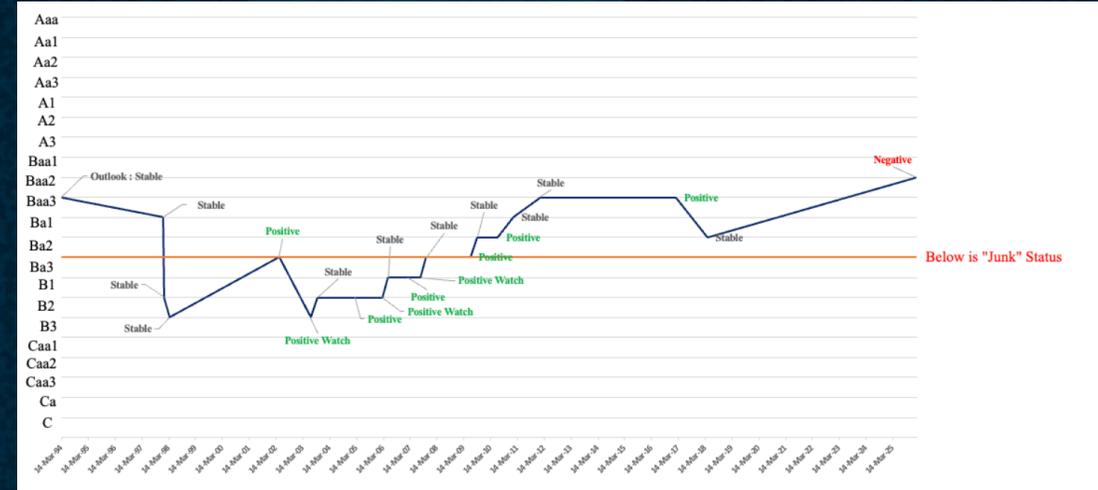
USD/IDR in the Last 1 Year

- **Headline Inflation Rolling Up.** Indonesia's annual inflation rose to 4.76% in February 2026 from 3.55% in January, the highest since March 2023, exceeded Bank Indonesia's 1.5%–3.5% target range. Core inflation also increased to 2.63%, the highest since May 2023. On a monthly basis, inflation reached 0.68%, rebounding from -0.15% in January and marking the fastest monthly increase in ten months.
- **Rupiah Depreciation, Dollar As Safe Haven.** While the U.S. Dollar is gaining renewed traction with a hawkish foreign policy and potential "hawk-ish" new Fed Chairman, DXY has yet to break the 100 mark since the current trickling Fed Rate policy is in effect with upcoming uncertainty of a Warsh monetary policy. We view DXY will unwind to the 90-95 zone which will relieve mild pressure to IDR.

MSCI and FTSE Delays



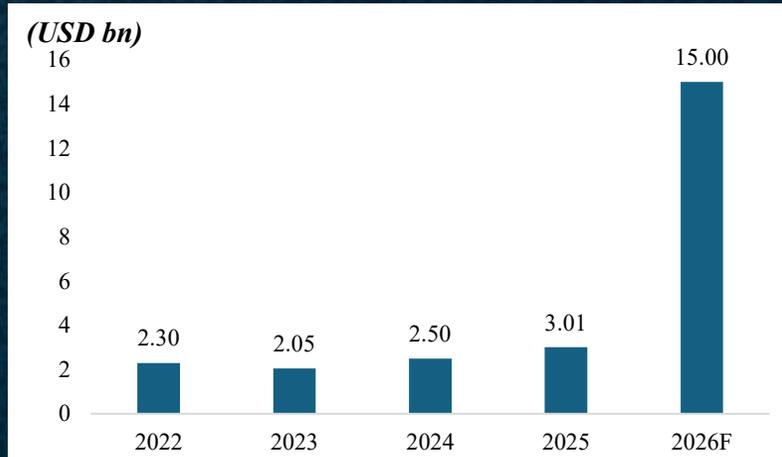
Hashim Discussing MSCI Decision



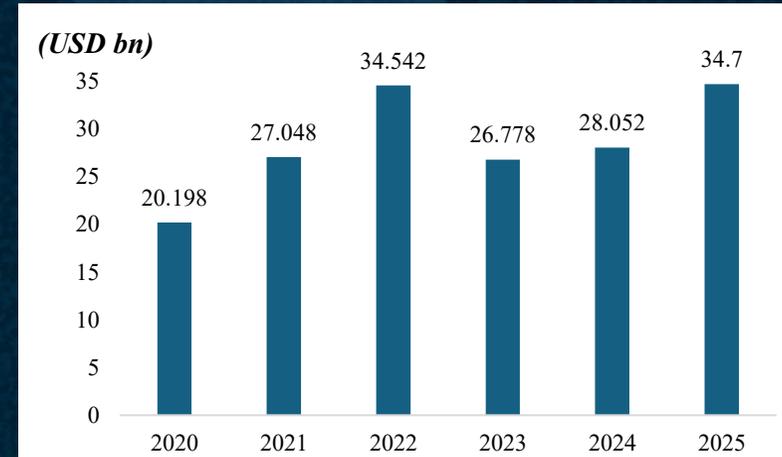
Moody's Rating On Indonesian Bonds And Its Outlook, 1994—2025

- International Indices Not Liking No Progress.** MSCI has raised issues of illiquidity amongst Indonesian stocks due to abuse of ‘frying’ methodology to pump-up market cap. The New-York-based index and ETF investment product company has been claimed by the President’s brother Hashim to have sent 4 warning letters. Government officials has applauded MSCI’s action and declared to correct the system.
- Credit Ratings Agency A Separate But Similar Issue.** For the first time in history, Moody’s has placed a negative outlook on Indonesia, and it was highly anticipated for Fitch and S&P to do the same. The outlook downgrade was spurred by unclear investment plans by Danantara and imprudent posturing from the current government via its social programs labelled as “wasteful”.

Dependency On The U.S.



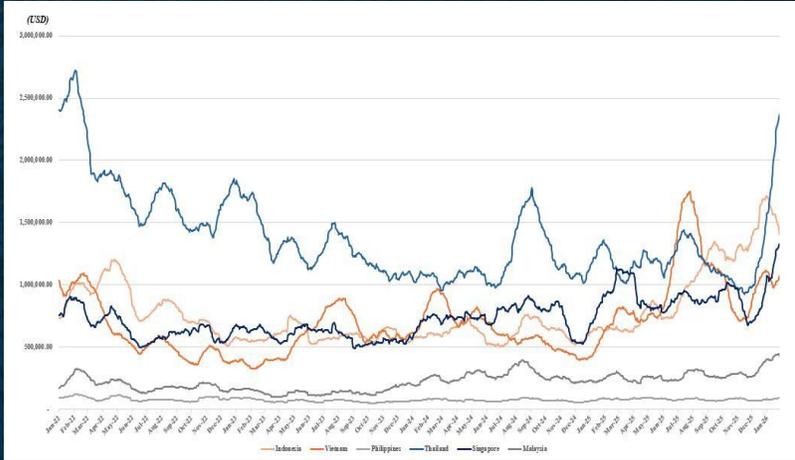
Oil Imports From US, 2022—2026F



US imports, 2020—2025

- **Switching from ME to USA.** ESDM Minister Bahlil Lahadalia has announced Pertamina will switching a majority of its imports from the Middle East to the United States. He cites the current uncertainty of war to be the main reason. We view the choice will push Indonesia to be more energy dependent to the United States. This will cause Indonesia to lean more towards Washington than Beijing which may cause a period of economic re-adjustment.
- **US Products To Be More Competitive.** The US-Indonesia trade deal has left American companies able to pass through stringent red tape that Indonesian products are subjected. We view this leaves domestic innovation slower to respond to US imports, so our stance is that the liberalization for imported products may drive production in the US or force of de-bureaucratization for the Indonesian industry landscape.

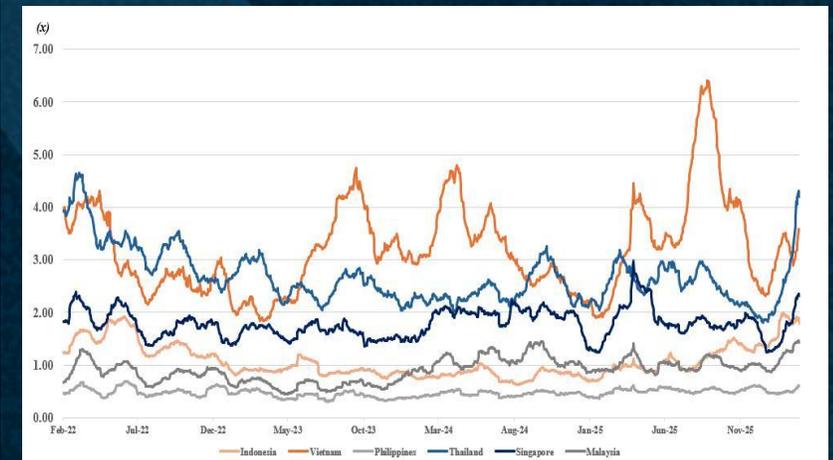
Indonesia In The Scope of Its SEA Peers



30D Moving Avg. of SEA Index Traded Value



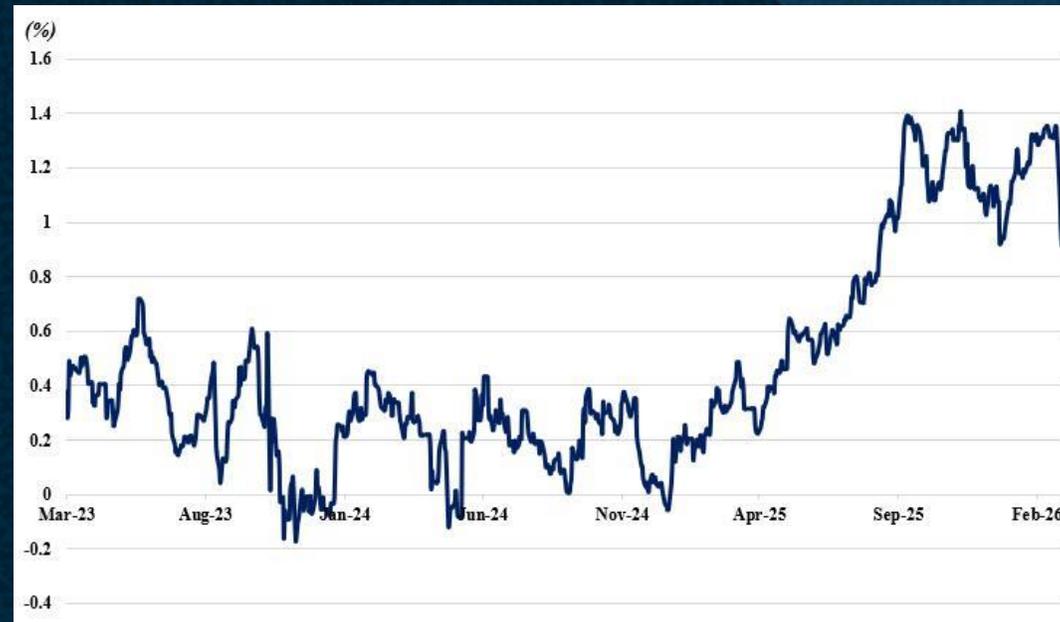
SEA Major Index Performance



Major SEA Index Traded Value-to-Market Cap

- **JCI Snapping Back Beside Regional Peers In 2022–2026**, Singapore’s benchmark Strait Times Index (STI) has overperformed all major indices with Indonesian ranking second and Vietnam at a close third. However since Indonesia’s MSCI debacle and US-Iran war, Indonesia and Vietnam has drastically free fallen to currently be at the same level as Malaysia’s KL Composite Index.
- **Thailand Liquidity Galloping Since Nov-2025**. Thailand’s stock market recorded a significant push-up of liquidity with the 30-Day moving daily trading value reaching above USD 2.3 mn. Alongside Thailand’s benchmark STE index underperforming, Thailand’s 30D Average Trading Value to Market Cap has achieved the top spot with over 4.0x. Indonesia sits at fourth place with approximately 1.8x 30D Average Trading Value to Market Cap

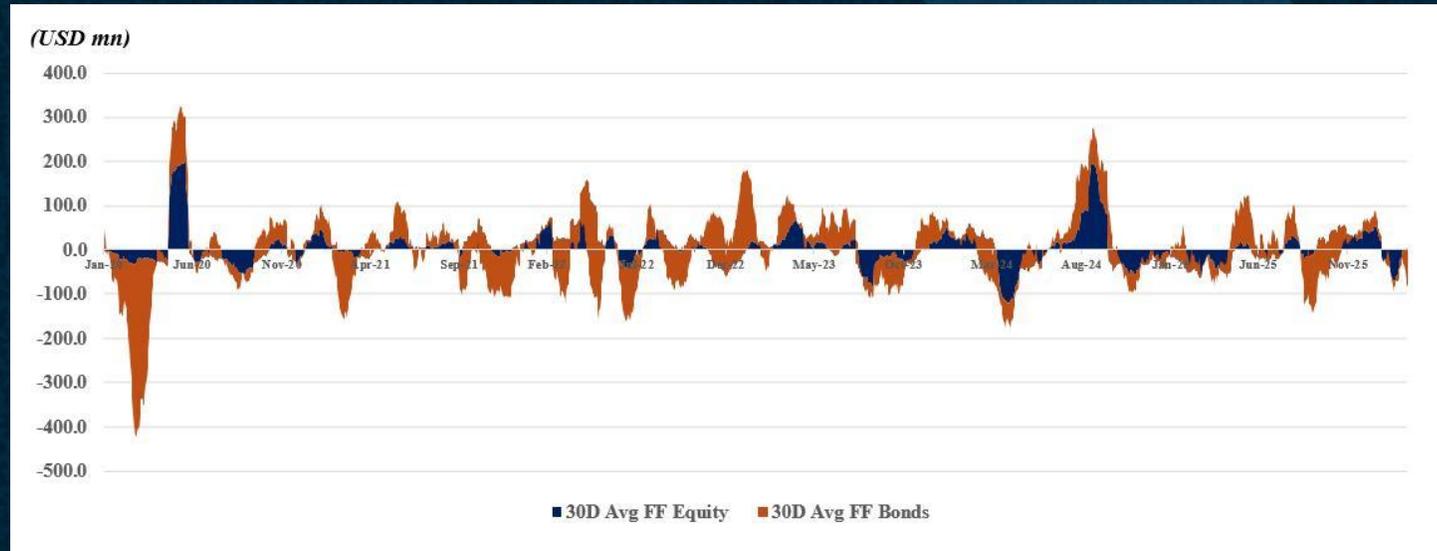
Yield Curve Show Signs of Slowdown



10Y Yield - 2Y Yield ID Bonds

- **Flattening After Bearish Steepening-** The 10Y yield - 2Y yield curve spread experienced a 46 bps slump to 95 bps. This indicates the yield curve spread is on a flattening trend which incoming economic contraction.

Outflows Persist at Manageable Levels



30D Average Foreign Flow of Indonesia Equity and Bonds

- Indonesia has experienced continued net foreign outflows in both equities and bonds since November 2025, largely driven by heightened geopolitical tensions, rising global uncertainty, and concerns raised by several global index providers.
- Net outflows remain below the levels seen during the COVID-19 shock and the Q2–Q3 2024 sell-off, suggesting that current market pressure is still manageable. The 2024 outflows were mainly driven by fiscal sustainability concerns, strong corporate FX demand, and uncertainty over the global interest rate outlook.

Summary

- **Indonesia Between BRICS and BOP**
- **Subsidies Pulled, APBN Overstretched**
- **MoF Strives For De-Bottlenecking Initiatives**
- **IDX Reforms**
- **Danantara's Investing Spree**
- **Domestic Inflation From Commodity Price Rise**
- **MSCI and FTSE Delays**
- **Dependency On The U.S.**
- **Indonesia In The Scope of Its SEA Peers**
- **Yield Curve Show Signs of Slowdown**
- **Outflows Persist at Manageable Levels**

XA Foresight



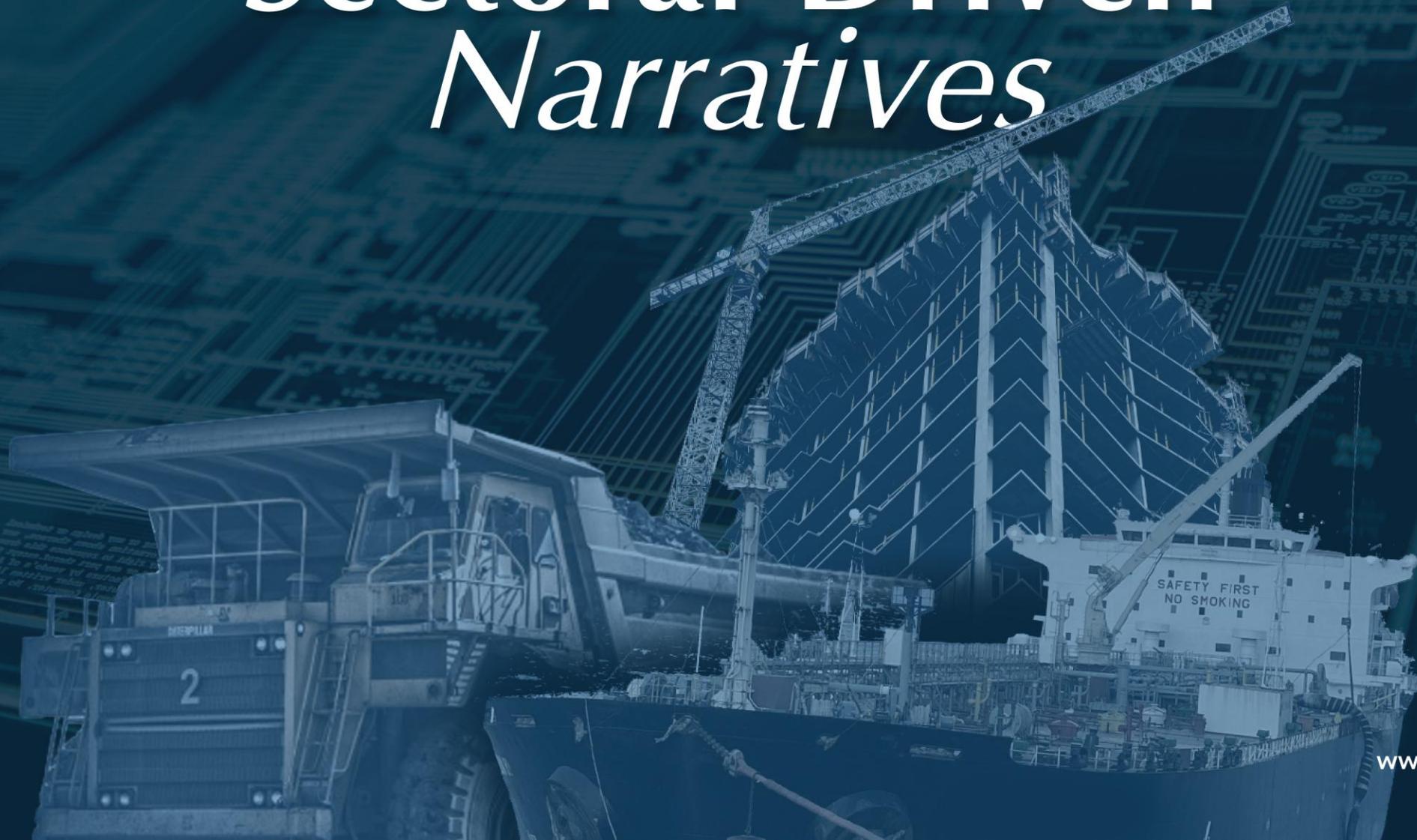
Following From Its Logical Conclusion...

- US Dollar Continues Dominance, BRICS Currency Already An Afterthought.
- Government enacts stringent efficiency measures to prevent deficit breaking over 3% limit threshold.
- Legislature Drafts Omnibus Law To Liberalize Indonesian Market To Compete With US imports.
- ESDM cancels RKAB production cuts, raises export tariffs in order to reach government revenue targets.
- IDX and OJK reforms should renew confidence in system integrity from the eyes of foreign investors, May-2026 rebalancing will be the pivotal point that greenlights foreign re-entry to the market.
- As Trump favors an aggressive dovish policies and will pick loyalists who executes his vision, Bank Indonesia (BI) will follow in kind—possibly squeezing the bps spread to its maximum. This may cause the Rupiah to stay above the IDR 17,000 rate.
- China's dominance may begin to be whittled away as manufacturing and capital migrates to its proxy countries.
- Indonesia head to its inflection point as spillover foreign capital begins to boost economic production.
- Cuba and Colombia do not have strategic importance to prioritize regime change. We view Greenland to be prioritized.

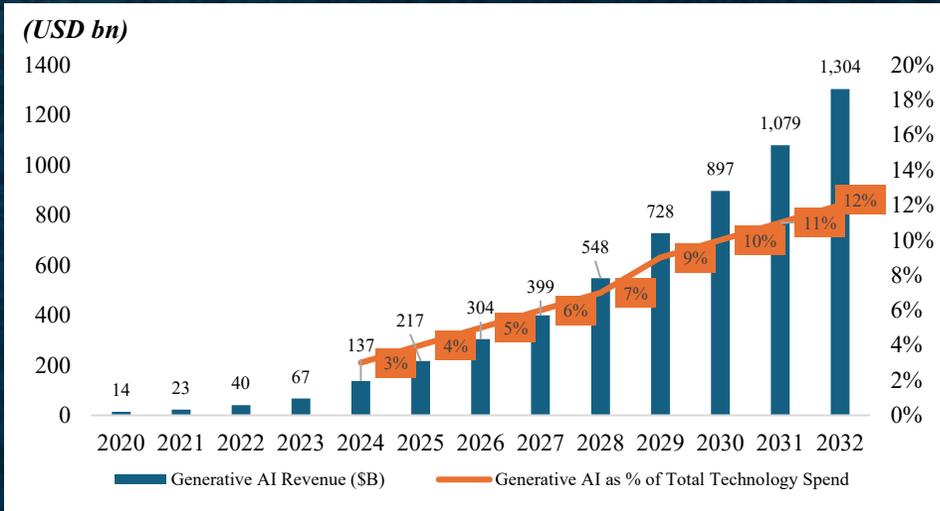
Landmines and Timebombs

Landmines	Timebombs
US-Cuba Conflict	US Midterms
US-Colombia Conflict	BI Successive Rate Cuts
China Invasion in Taiwan	Fed Rate Cuts
Credit Ratings Downgrade	BoJ Rate Hike [Zapping Away Yen-Carry Trades]
MSCI Downgrade To Frontiers Market	Indonesian Ministerial Cabinet Reshuffle
APBN Revenue Shortfall	
Danantara Over-invested Funds	

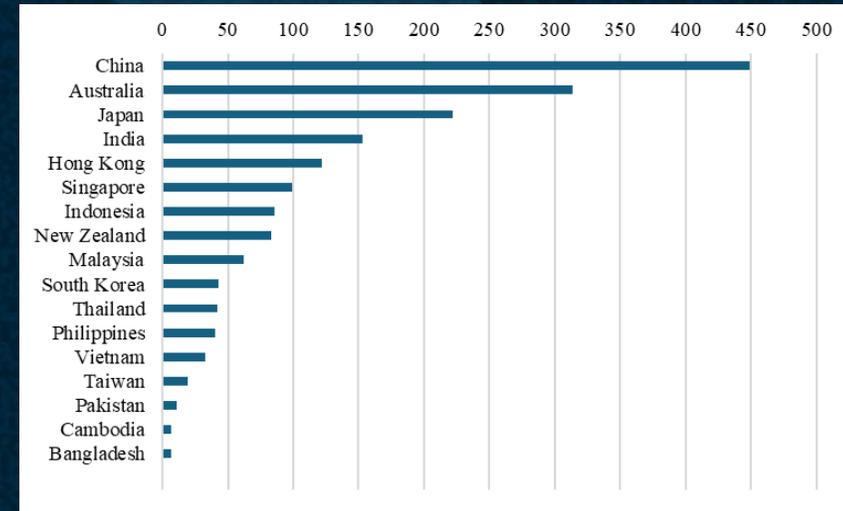
Sectoral-Driven *Narratives*



Data Center Expansion



Generative AI Revenue



Numbers of Data Center APAC, as of October 2025

- **Rapid Adoption Of Digitalization.** The fast pace of digital adoption across industries continues to drive demand for technology infrastructure and digital services.
- **High Demand In A.I.** The rising use of artificial intelligence is driving a greater need for computing power and data center capacity.
- **Spillover From SG.** With limited space and higher costs in Singapore, some data center investments are naturally expanding into nearby markets, other countries in SEA, including Indonesia.

Data Center

Rating : Overweight

- Hyper-scaling Demand For Data Centers As A.I. Industry Gains Steam Domestically.

OUR COVERAGE



TP : 2,200

TRIN



NOT RATED

GPRA



NOT RATED

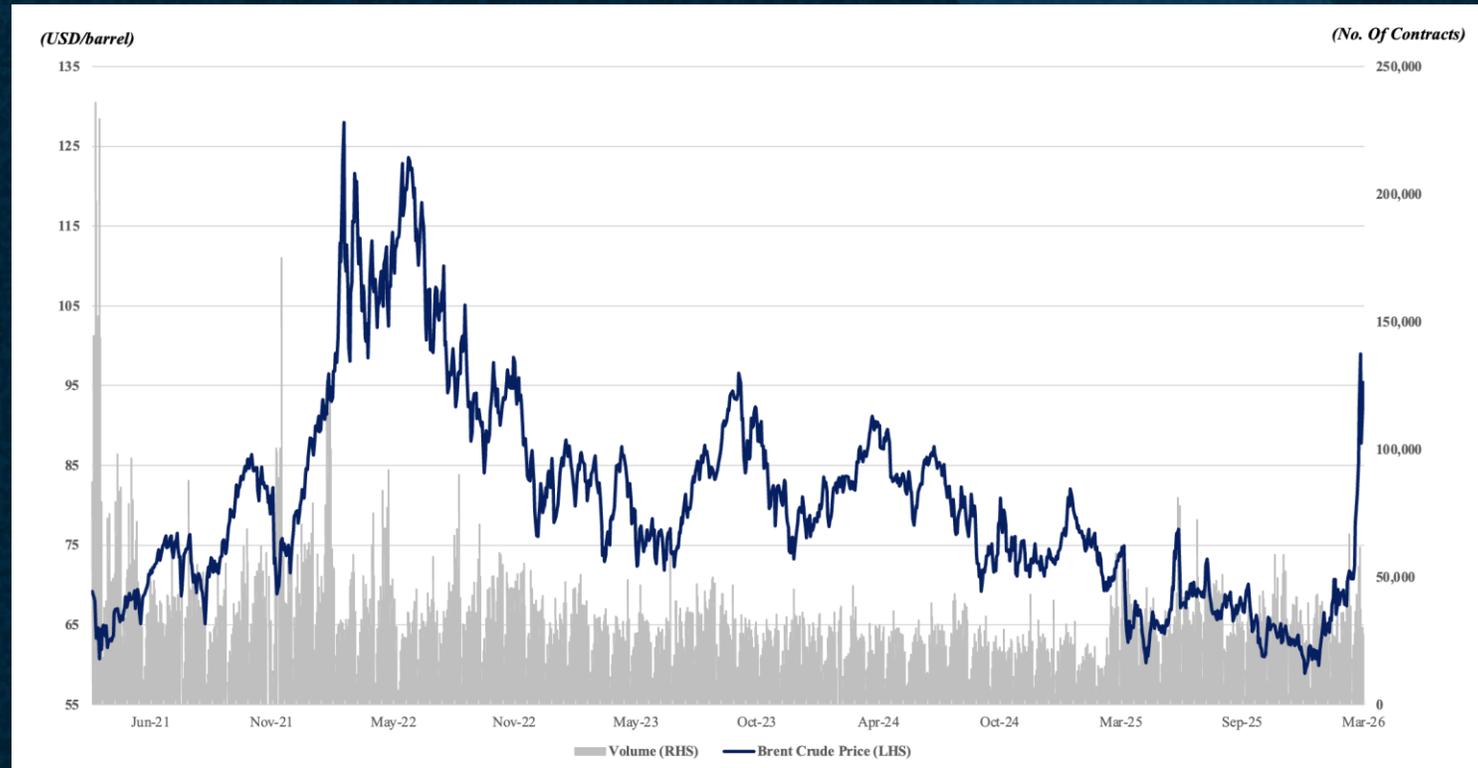
TOTL



TP : 1,470

CYBR

Oil and Gas Pumped-Up



Brent Crude Prices (USD/barrel), 2022—2026

- **Oil Prices Climbing Up From The Bottom.** While there are signs of economic slow downs, oil prices have risen above USD 95 / barrel following the Iran-US war.

Oil and Gas

Rating : Neutral

- Geopolitical Tensions Of Oil-Rich Countries Venezuela and Iran Capitulate Higher Demand.
- OPEC+ announced higher production rate following Iran strike to neighboring Middle Eastern countries.
- Critical fossil fuel chokepoint Strait of Hormuz still contested.

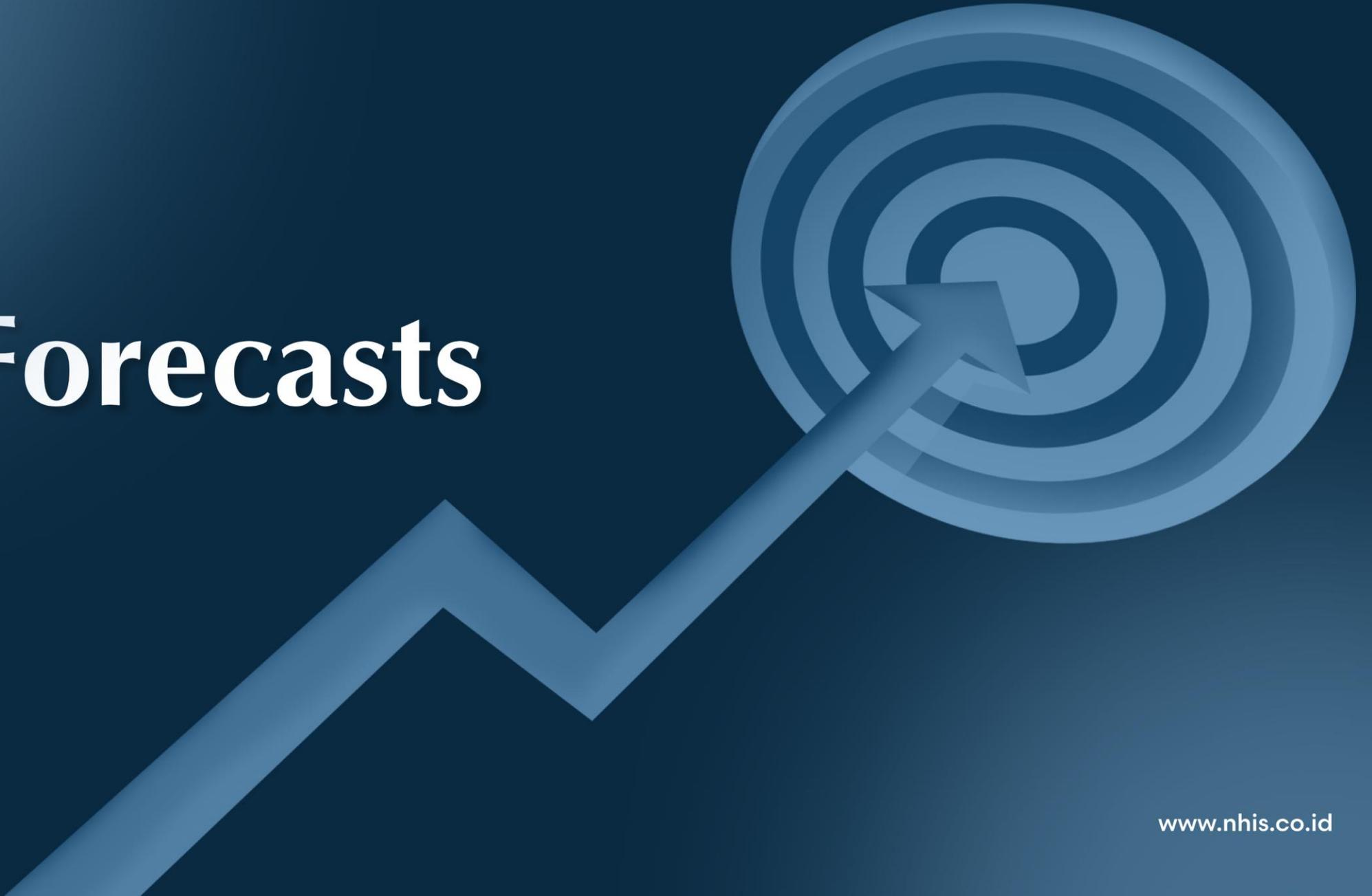
OUR COVERAGE



TP : 1,500

MEDC

XA Forecasts



NHKSI Economic Data Targets For 2025F & 2026F

Our Forecasts	2025	2026F
GDP Growth	5.00%	5.25-5.35%
Inflation	2.92%	2.75-2.80%
BI Rate	4.75%	3.25-3.50%
USD/IDR Ex. Rate	16,715	16,800-17,250
EPS	15.0-15.5%	16.0-16.5%

- **2025 Targets Provide Stepping Stone To Attain Gradual 8%.** While we have upgraded our forecasts from earlier this year, we are conscious that the government may be able to incrementally drudge up GDP growth with the cost of hiked inflation. There is risk next year of a over-heated economy.

XA Economic Outlook

	2025		2026F	
	APBN	Realization	APBN	Realization/Outlook
GDP Growth (% YoY)	5.2	5.11 4Q25 : 5.39	5.4	1Q26 : 5.5
Inflation (% YoY)	2.5	2.92	2.5	3.55
USD/IDR Exch.	16,000	16,475	16,500	16,925 (eop) 16,894 (ytd)
10-Year SBN Yield (%)	7.0	6.01 eop 6.71 ytd	6.9	6.39 (eop) 6.78 (ytd)
Indonesia Crude Oil Price (USD/barrel)	82	67.38	70	64.41
Lifting Oil ('000 barrels per day)	605	605.61 582.10	610	-
Lifting Gas ('000 barrels equivalent / day)	1,005	943.65 970.72	984	-

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END OF PRESENTATION

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