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# Analysis of Capital Market Reaction to the MSCI Interim Freeze Announcement on 28 January 2026: An Event Study of Financial-Sector Stocks on the IDX

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**Abstract**

The suspension of MSCI inclusion for Indonesian securities on January 28, 2026, raised concerns regarding its potential implications for stock-market behavior, particularly among financial-sector companies that are closely connected to capital-market activities. This study examined the market reaction to the event by comparing Average Abnormal Return (AAR) and Cumulative Average Abnormal Return (CAAR) before and after the suspension. A quantitative event-study design was employed using secondary data from 95 financial-sector companies listed on the Indonesia Stock Exchange. The sample was selected using purposive sampling, excluding companies classified as potential delisting or potential suspension. The observation period consisted of 20 trading days before and 20 trading days after the event. Abnormal returns were estimated using the Market Adjusted Model. Descriptive statistics, Shapiro–Wilk normality testing, the Wilcoxon signed-rank test for AAR, and the paired-samples *t*-test for CAAR were used for analysis. The results showed that the mean AAR increased from −0.000265 before the event to 0.000495 after the event, but the difference was not statistically significant ($Z = -0.840$, $p = .401$). In contrast, the mean CAAR increased from 0.013430 to 0.034020, with a statistically significant difference, $t(19) = -5.970$, $p < .001$. The findings indicate that the MSCI inclusion suspension was not associated with a statistically significant change in daily average abnormal returns but was associated with a statistically distinguishable cumulative abnormal-return pattern. The results highlight the importance of examining both daily and cumulative measures when evaluating market reactions to international index-related events.

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## 1. Introduction

Capital markets facilitate the allocation of financial resources by connecting investors with firms that require financing and by incorporating new information into security prices. Stock prices may respond to information that changes expectations concerning future cash flows, risk, liquidity, investment conditions, or market accessibility. Event-study methodology provides a systematic framework for examining whether a discrete information event is associated with returns that deviate from expected market performance. Recent research in international finance continues to emphasize the usefulness of event studies for identifying the information content of announcements and distinguishing event-related return patterns from normal market movements (El Ghoul et al., 2023). The speed and magnitude of market reactions are not necessarily uniform across securities or markets (Aufa et al., 2026). Public information can generate heterogeneous abnormal returns because investors differ in their exposure to the underlying event, expectations before the announcement, and interpretation of its implications. Evidence from the COVID-19 outbreak demonstrates substantial differences in stock-market responses between developed and emerging markets (Pandey & Kumari, 2021). Geopolitical shocks have likewise generated heterogeneous effects according to country exposure, market characteristics, and investor expectations (Boubaker et al., 2022). Research on the Russia–Ukraine conflict further demonstrates that market responses can differ

according to the intensity of exposure and the characteristics of individual markets (Boungou & Yatié, 2022). These findings indicate that the informational content of an event should be evaluated within its specific institutional and economic context.

Information released by international index providers represents an important category of capital-market events because index construction can influence institutional investment, portfolio allocation, investor attention, and expectations regarding future demand for securities. Index-related changes can generate price effects through portfolio rebalancing, changes in institutional demand, and alterations in the investment visibility of affected companies (Biktimirov & Xu, 2024). Evidence from frontier markets indicates that index additions and deletions may also produce persistent stock-price effects, with institutional ownership associated with cumulative abnormal performance around index events (Biktimirov & Afego, 2026).

MSCI occupies an especially important position in this context because its global equity indexes are widely followed in international portfolio allocation. Evidence from the inclusion of China A-shares in MSCI global indexes indicates that index integration can influence asset prices and market integration, demonstrating that index-related decisions may have implications beyond mechanical portfolio rebalancing (Li et al., 2024). Spillover effects can also occur around MSCI announcements, indicating that securities not directly affected by an index change may nevertheless respond to information concerning future investment demand and market expectations (Wei et al., 2024). The January 2026 MSCI announcement provides a distinctive information event for examining these mechanisms in Indonesia. MSCI announced an interim freeze on certain index-related changes affecting Indonesian securities, including increases in Foreign Inclusion Factors (FIF) and Number of Shares (NOS), new additions to the MSCI Investable Market Indexes, and upward movements across size-segment indexes (MSCI, 2026). The announcement was associated with concerns regarding transparency and the availability of reliable information for assessing free float and market accessibility (MSCI, 2026). The event therefore differed from a conventional index addition or deletion because it simultaneously conveyed information about index treatment and the institutional conditions underlying international investment (Randana & Furqan, 2025).

The timing of the event is important for event-study construction because the identification of the event date must reflect when market participants were first able to process and trade on the information. MSCI released the announcement on 27 January 2026 at 21:24 GMT, after the Indonesian trading session had ended. Consequently, 28 January 2026 represents the first Indonesian trading day on which investors could systematically respond to the information through market transactions. Defining 28 January as the event date therefore aligns the event window with the first local trading opportunity following the announcement and reduces the risk of incorrectly assigning the information event to a trading session during which Indonesian investors could not yet react (MSCI, 2026). This timing distinction is particularly relevant when an announcement originates from an international institution operating across different time zones.

The potential market relevance of the announcement is particularly important for financial-sector stocks. Financial companies occupy a central position in capital allocation, financial intermediation, liquidity provision, and investor confidence, making their valuations potentially sensitive to changes in investment conditions and international capital participation. Information affecting market accessibility may influence expectations regarding foreign investment flows, institutional demand, and the broader attractiveness of Indonesian securities. Evidence from the Silicon Valley Bank collapse demonstrates that financial-sector stocks can exhibit substantial abnormal-return responses to unexpected information shocks (Yousaf & Goodell, 2023). Research on market reactions to information disclosures similarly demonstrates that the magnitude of stock-price responses depends on the information content, credibility, and perceived relevance of the announcement (Bänziger et al., 2023). These considerations provide a basis for examining the event through the perspective of market efficiency.

Market affiency provides a theoretical basis for assessing this issue. Under the semi-strong form of market efficiency, publicly available information should be reflected relatively rapidly in security prices when the information is relevant and sufficiently new. Event studies operationalize this proposition by

comparing observed returns with expected returns around a specified announcement date (El Ghoul et al., 2023). Evidence from information events shows that abnormal returns can emerge rapidly when announcements materially alter investor expectations (Bänziger et al., 2023). Conversely, an insignificant response may indicate that information was anticipated, incorporated into prices before the measurement period, or insufficiently material to generate a measurable deviation from expected returns.

Information events may also operate through investor interpretation rather than through direct changes in firm fundamentals. Signals from credible institutions can affect expectations when they provide information about conditions that investors cannot fully observe independently. Evidence from capital-market research indicates that the informational quality of corporate disclosures can influence investor assessment and valuation, demonstrating that market participants may respond not only to changes in fundamentals but also to the information conveyed by credible disclosures (Kang & Lam, 2023). An announcement concerning transparency, free-float assessment, and market accessibility can consequently be interpreted as information about the investment environment rather than simply an administrative index decision.

The MSCI announcement is therefore relevant from both an index-effect and information-efficiency perspective. Investors could interpret the interim freeze as an indication of potential constraints on international investability while simultaneously anticipating changes in index-related demand, portfolio allocation, and future foreign investment flows. The announcement may also influence perceptions of Indonesia's market transparency, accessibility, and institutional readiness for international investors. The market response, however, cannot be assumed in advance. Investors may have anticipated the announcement, interpreted its implications differently across securities, or considered the freeze temporary enough to have limited implications for firm value. Differences in index exposure, liquidity, ownership structure, and investor composition may further contribute to heterogeneous stock-price responses.

The distinction between daily and cumulative abnormal returns is consequently important. Average Abnormal Return (AAR) captures the average abnormal performance of sampled securities at each observation point and is useful for identifying concentrated responses. Cumulative Average Abnormal Return (CAAR) aggregates abnormal returns over a sequence of trading days and can reveal whether relatively small daily movements accumulate into a distinguishable pattern. Event-study research demonstrates that market reactions can vary in timing and persistence, making the simultaneous assessment of daily and cumulative measures useful (Agrrawal & Agarwal, 2023). Research on news and market efficiency likewise indicates that information may be associated with changes in market behavior that are not fully captured by a single-period return measure (Wright & Swidler, 2023).

Recent empirical research further demonstrates that event-related market reactions can differ according to the type of information examined. Financial sanctions and geopolitical conflicts have generated significant stock-market responses, but the magnitude of the reaction has differed across markets and periods (Tee et al., 2023). Evidence from herding behavior during the Russia–Ukraine war also indicates that market responses can differ between emerging and developed markets (Blasco et al., 2024). Other major information shocks, including the FTX collapse and pandemic developments, have produced measurable but heterogeneous responses across equity markets (Goyal & Soni, 2023; Heyden & Heyden, 2021). These findings reinforce the need to evaluate the Indonesian MSCI event empirically rather than infer its effect solely from the visibility or severity of the announcement.

The January 2026 MSCI interim freeze provides an opportunity to extend the emerging literature on international index-related events. International evidence has predominantly examined MSCI inclusion, index rebalancing, free-float adjustments, or related market-access mechanisms in China and other markets (Li et al., 2024; Wei et al., 2024). Frontier-market evidence demonstrates that index effects may vary according to market development and institutional characteristics (Biktimirov & Afego, 2026). The Indonesian financial sector therefore provides a relevant setting for examining whether an MSCI-related institutional announcement is associated with abnormal-return differences beyond directly indexed securities.

The research gap is particularly relevant because a market-accessibility announcement differs conceptually from a routine index addition or deletion. A conventional index change primarily alters expected portfolio demand, whereas an interim freeze may simultaneously communicate concerns about transparency, free-float information, and market accessibility. The return implications may therefore extend beyond securities with direct index exposure. Examining a broad financial-sector sample allows the study to capture securities that share sectoral characteristics but differ in index membership, size, liquidity, ownership, and international exposure.

The present study addresses this gap by examining 95 financial-sector companies listed on the Indonesia Stock Exchange (IDX) using a 20-trading-day pre-event and 20-trading-day post-event window. The analysis focuses on Average Abnormal Return (AAR) and Cumulative Average Abnormal Return (CAAR) to distinguish daily abnormal-return responses from cumulative market patterns. The research question is: Did the MSCI interim freeze announcement, with 28 January 2026 designated as the event date, generate a statistically significant difference in AAR and CAAR between the pre-event and post-event periods among financial-sector stocks listed on the IDX?

The study makes two contributions. First, it provides sector-specific evidence concerning the market response to an MSCI-related institutional announcement in an emerging-market setting. Second, it distinguishes between daily and cumulative abnormal-return patterns, thereby avoiding the assumption that a single return measure adequately captures market reaction. The study does not interpret a statistical difference as definitive evidence that the MSCI announcement caused the observed stock-price movements because other information may have occurred during the observation window. The objective is instead to determine whether abnormal-return patterns were statistically distinguishable between the pre-event and post-event periods.

Based on the theoretical and empirical arguments, two hypotheses were formulated:

H1: There is a statistically significant difference in Average Abnormal Return (AAR) between the pre-event and post-event periods surrounding the MSCI interim freeze announcement.

H2: There is a statistically significant difference in Cumulative Average Abnormal Return (CAAR) between the pre-event and post-event periods surrounding the MSCI interim freeze announcement.

## 2. Literature Review

### 2.1 Efficient Market Perspective and Information Incorporation

The semi-strong efficient-market perspective proposes that publicly available information should be incorporated into security prices relatively rapidly. Event-study methodology provides an empirical framework for evaluating this proposition by comparing actual returns with expected returns surrounding a clearly defined information event. A statistically significant abnormal return suggests that an event contains information associated with a deviation from normal return behavior (El Ghoul et al., 2023).

Empirical evidence confirms that financial markets can respond rapidly to discrete information events. Pandemic announcements generated significant responses across developed and emerging markets, although the magnitude and timing varied between markets (Pandey & Kumari, 2021). Geopolitical events similarly produced significant abnormal returns with substantial cross-market heterogeneity (Boubaker et al., 2022). Research on information releases in financial markets also indicates that announcement content can be reflected in stock prices when investors perceive information as sufficiently unexpected and relevant (Bänziger et al., 2023).

The absence of a significant abnormal-return difference is equally informative because it suggests that the MSCI interim freeze announcement did not generate a sufficiently strong or unexpected signal to produce a systematic change in daily investor responses. One possible explanation is that market participants had anticipated the announcement or related concerns before the formal release, allowing relevant information to be incorporated into stock prices in advance.

Another possibility is that investors perceived the interim freeze as temporary or manageable, thereby limiting its immediate implications for firm valuation and daily trading behavior. Differences in index exposure, liquidity, ownership structure, and investor expectations may also have reduced the consistency of abnormal-return responses

across financial-sector stocks. The finding therefore illustrates that the visibility of an institutional announcement does not necessarily translate into a statistically significant daily market reaction. Event-study analysis should consequently test, rather than assume, the existence and magnitude of market reactions.

### 2.2 Index Effects and International Investment

Index-related decisions can influence securities through portfolio rebalancing, institutional demand, liquidity, investor attention, and expectations regarding future index treatment. Evidence from S&P index adjustments indicates that changes in index composition and weighting can be associated with stock-price effects and cumulative abnormal returns (Biktimirov & Xu, 2024).

Evidence from frontier markets extends this argument by showing that index additions and deletions can generate persistent price effects in less-developed markets. Institutional ownership may also help explain the magnitude of cumulative abnormal returns around index events (Biktimirov & Afego, 2026).

MSCI-related evidence provides further support for the importance of index decisions in international investment. The inclusion of China A-shares in MSCI indexes was associated with changes in asset prices and market integration (Li et al., 2024). MSCI announcements may also generate spillover effects beyond directly affected securities, demonstrating that investors can interpret index-related information as a broader signal concerning future market participation (Wei et al., 2024).

### 2.3 Event-Study Measures and Methodological Considerations

Abnormal Return (AR) is calculated as the difference between actual and expected return. Average Abnormal Return (AAR) aggregates abnormal returns across sampled securities for a specific observation point, whereas Cumulative Average Abnormal Return (CAAR) accumulates AAR over an interval. The two measures capture different dimensions of market reaction and should therefore be interpreted jointly (Agrrawal & Agarwal, 2023).

Event studies of major financial shocks demonstrate that abnormal performance can occur immediately or develop across several trading sessions. Financial-sector stocks, for example, exhibited significant responses to the Silicon Valley Bank collapse, illustrating how sector-specific exposure can influence the magnitude and persistence of an information shock (Yousaf & Goodell, 2023).

Methodological research emphasizes the importance of carefully defining the event date, event window, expected-return model, and statistical inference because each component affects the measurement and interpretation of abnormal performance (Eden et al., 2022). The present study therefore explicitly defines 28 January 2026 as the first Indonesian trading day following MSCI's announcement, ensuring that the event date corresponds to the first local market session available for investor response. A consistent 20-trading-day pre-event and 20-trading-day post-event window is applied to capture return patterns surrounding the announcement while maintaining a clearly bounded observation period. This specification provides a systematic basis for comparing abnormal-return behavior before and after the event.

The interpretation of event-study evidence also requires attention to the information environment surrounding the event. Research on news, trading behavior, and market efficiency demonstrates that information may affect market activity through several channels, making it important to distinguish an event-specific return response from broader market dynamics (Wright & Swidler, 2023).

### 2.4 International Information Shocks and Emerging Markets

International information shocks can produce heterogeneous market responses because countries differ in economic exposure, investor composition, institutional characteristics, and market efficiency. Financial sanctions associated with geopolitical conflict have generated significant responses in global equity markets (Tee et al., 2023). Large-scale financial disruptions can similarly produce significant but heterogeneous effects across sectors and countries (Goyal & Soni, 2023).

The persistence of market reactions also varies across events. Evidence from the COVID-19 period demonstrates that investors responded to both the arrival and containment of the pandemic, with market responses changing as new information became available (Heyden & Heyden, 2021). Market reactions during the Russia–Ukraine conflict likewise differed across emerging and developed

markets, reflecting differences in investor behavior and market characteristics (Blasco et al., 2024). Such findings support examining both AAR and CAAR when evaluating the market consequences of an institutional announcement.

## 3. Method

### 3.1 Research Design

This study employed a quantitative event-study design to examine the capital-market reaction associated with the MSCI interim freeze announcement concerning Indonesian securities, with 28 January 2026 designated as the event date. The analysis focused on abnormal stock returns as indicators of market reaction, represented by Average Abnormal Return (AAR) and Cumulative Average Abnormal Return (CAAR).

The study compared AAR and CAAR observations before and after the event to determine whether the two periods exhibited statistically distinguishable return patterns among financial-sector stocks listed on the Indonesia Stock Exchange (IDX). The analysis was designed to distinguish changes in average daily abnormal performance from differences in cumulative abnormal-return patterns over the observation period. Expected returns were estimated using the Market Adjusted Model, in which the expected return of each stock was represented by the corresponding market return. This approach assumes that the market return provides an appropriate benchmark for normal stock performance during the event period, allowing deviations between observed and expected returns to be identified as abnormal returns. The resulting abnormal returns were subsequently aggregated to obtain AAR and CAAR measures for the pre-event and post-event periods.

The event window comprised 20 trading days before the event (t−20 to t−1), the event date (t0), and 20 trading days after the event (t+1 to t+20). The event date was defined as 28 January 2026 because MSCI released the relevant announcement on 27 January 2026 at 21:24 GMT, after the Indonesian trading session had ended (MSCI, 2026).

### 3.2 Research Setting, Location, and Period

The study was conducted using financial-sector companies listed on the IDX. The observation period was centered on 28 January 2026, which represented the first Indonesian trading session following the MSCI announcement. Daily stock-price and market-index data were collected for the specified event window consisting of 20 trading days before and 20 trading days after the event.

The study used secondary financial-market data obtained from electronic and archival financial-data sources. The primary market reference was the Indonesia Stock Exchange, supplemented by financial-data platforms available in the research records. The analysis focused exclusively on the specified event and observation period.

### 3.3 Population and Sample

The population consisted of financial-sector companies listed on the IDX and actively traded around the January 2026 event. The financial sector included banking, financing institutions, insurance companies, and other financial institutions classified within the sector by the IDX. A total of 106 financial-sector companies were identified as the study population.

The unit of analysis was the individual listed financial-sector company, with daily closing stock prices serving as the basis for calculating stock returns and abnormal returns. The final sample comprised 95 companies that satisfied the predetermined selection criteria and provided the observations required for the event-study analysis.

### 3.4 Sampling Technique and Sampling Criteria

The study employed non-probability sampling using purposive sampling. Companies were selected according to criteria relevant to the availability and continuity of stock-market data required for the event-study analysis. The inclusion criteria required companies to: (1) be classified within the financial sector of the IDX; (2) have the required daily closing-price observations during the specified event window; (3) remain listed throughout the observation period; and (4) satisfy the study's trading-continuity requirements.

From the 106 companies identified in the target population, 3 companies were excluded because they were classified as potentially subject to delisting, while 8 companies were excluded because they were classified as potentially subject to trading suspension. These exclusions were applied to ensure that the final sample consisted of companies with sufficiently consistent trading status for the event-study analysis. Following the application of the

predetermined sampling criteria, 95 financial-sector companies remained in the final sample and were included in the analysis. The final sample therefore represented approximately 89.6% of the identified population.

### 3.5 Data Collection Techniques

Data were collected using documentation because the study relied entirely on secondary financial-market data. The collection process involved accessing, recording, organizing, and preparing historical market data relevant to the sampled companies and the event window.

The primary data consisted of daily closing stock prices of the sampled financial-sector companies and daily values of the Jakarta Composite Index (IHSG), which served as the market index for calculating market returns. The data were organized according to trading dates and company codes before being used to calculate stock returns, market returns, expected returns, abnormal returns, AAR, and CAAR.

### 3.6 Research Instrument and Measurement

Because the study used secondary financial-market data, no questionnaire or primary-data measurement instrument was employed. The principal measures were stock return, market return, expected return, abnormal return, AAR, and CAAR.

Stock return for stock $i$ at time $t$ was calculated as:

$$R_{it} = \frac{P_t - P_{t-1}}{P_{t-1}}$$

where (P_{it}) represents the closing price of stock $i$ at time $t$ and (P_{i,t-1}) represents its closing price on the preceding trading day.

Market return was calculated from the corresponding change in the IHSG:

$$R_{mt} = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}}$$

The Market Adjusted Model was used to estimate expected return:

$$E(R_{it}) = R_{mt}$$

Abnormal return was then calculated as:

$$AR_{it} = R_{it} - E(R_{it})$$

AAR for each observation day was calculated as the cross-sectional average of abnormal returns:

$$AAR_t = \frac{\sum AR_{it}}{n}$$

CAAR was calculated by cumulatively summing AAR over the relevant sequence of trading days:

$$CAAR = \sum AAR_t$$

The resulting AAR and CAAR observations were organized into 20 pre-event and 20 post-event observations for the statistical comparison. No validity or reliability testing was conducted because the study did not employ a questionnaire or other primary-data research instrument.

### 3.7 Data Analysis Techniques

Data analysis was conducted in several stages. First, descriptive statistics were used to summarize AAR and CAAR using the minimum, maximum, mean, and standard deviation. This analysis provided an overview of the central tendency and dispersion of the pre-event and post-event observations.

Second, event-study calculations were performed. Daily stock returns were calculated from the closing prices of each sampled company, while market returns were calculated from the IHSG. Expected returns were estimated using the Market Adjusted Model. Abnormal returns were then obtained by subtracting expected returns from actual stock returns. AAR was calculated as the cross-sectional mean of abnormal returns across the sampled companies for each observation day, whereas CAAR was obtained by cumulatively summing AAR.

Third, Shapiro–Wilk tests were used as distributional diagnostics at α = .05. The available statistical output assessed the pre-event and post-event AAR and CAAR series separately. A probability value below .05 was interpreted as evidence of a statistically significant departure from normality in the assessed series.

Fourth, the Wilcoxon signed-rank test was employed to compare the pre-event and post-event AAR observations because the available diagnostic indicated a significant departure from normality in the pre-event AAR series. The non-parametric procedure was used to assess whether the paired AAR observations differed significantly between the two periods. The test was evaluated using a significance level of α = .05, with a two-sided significance criterion applied to determine whether the observed difference was statistically distinguishable from zero.

Fifth, a paired-samples $t$-test was employed to compare the constructed pre-event and post-event CAAR series because the available CAAR diagnostics did not indicate statistically significant departures from

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normality. The analysis was conducted at α = .05. The resulting mean difference, confidence interval, *t* statistic, degrees of freedom, and *p* value were examined to determine whether the constructed cumulative abnormal-return patterns differed significantly between the two periods. The CAAR comparison is interpreted as a statistical pre–post comparison rather than definitive evidence of a causal effect of the MSCI announcement.

The statistical interpretation was based on two-sided tests. A *p* value below .05 was interpreted as evidence of a statistically significant difference, whereas a *p* value greater than or equal to .05 was interpreted as insufficient evidence of a statistically significant difference. The inferential results were interpreted as evidence of pre–post association rather than definitive evidence of causality.

## 4. Results and Discussion

### 4.1 Descriptive Statistics

Table 1. Descriptive Statistics of AAR and CAAR

| Measure | N | Minimum | Maximum | Mean | SD |
|---|---|---|---|---|---|
| AAR before | 20 | −.0147 | .0409 | −.000265 | .0117615 |
| AAR after | 20 | −.0132 | .0135 | .000495 | .0066672 |
| CAAR before | 20 | −.0147 | .0461 | .013430 | .0183818 |
| CAAR after | 20 | .0208 | .0501 | .034020 | .0077229 |

The mean AAR increased from −0.000265 in the pre-event period to 0.000495 in the post-event period, indicating a shift toward a more positive average abnormal-return pattern following the event. At the same time, the standard deviation decreased from 0.0117615 to 0.0066672, suggesting that post-event AAR observations were less dispersed around their mean. The mean CAAR also increased from 0.013430 before the event to 0.034020 after the event, while its standard deviation declined from 0.0183818 to 0.0077229.

This pattern indicates that the post-event period was characterized by a higher mean cumulative abnormal-return level and lower dispersion across observations than the pre-event period. The descriptive results therefore suggest a more positive and relatively less variable cumulative abnormal-return pattern following the event. Nevertheless, these descriptive differences alone do not establish whether the pre-event and post-event CAAR series differed statistically significantly. Inferential testing was therefore required to determine whether the observed difference was statistically distinguishable at the specified significance level.

### 4.2 Normality Diagnostics

Table 2. Shapiro-Wilk Normality Diagnostics

| Variable | W | df | p |
|---|---|---|---|
| AAR before | .742 | 20 | < .001 |
| AAR after | .973 | 20 | .808 |
| CAAR before | .958 | 20 | .495 |
| CAAR after | .970 | 20 | .758 |

The Shapiro-Wilk test indicated that the pre-event AAR series significantly departed from normality ($W = .742$, $p < .001$), whereas the post-event AAR series did not significantly depart from normality ($W = .973$, $p = .808$). The CAAR series for both the pre-event and post-event periods also showed no statistically significant departure from normality, with $W = .958$ ($p = .495$) and $W = .970$ ($p = .758$), respectively. These results indicate that the distributional characteristics differed across the AAR periods, supporting the use of a non-parametric test for the AAR comparison.

Because the pre-event AAR series did not satisfy the available normality diagnostic, the Wilcoxon signed-rank test was used for the AAR comparison. The paired *t*-test was retained for the CAAR comparison, with the methodological qualification concerning the testing of paired differences and cumulative-series dependence described above.

### 4.3 AAR Comparison

Table 3. Wilcoxon Signed-Rank Test for AAR

| Comparison | Z | p | Decision |
|---|---|---|---|
| AAR after − AAR before | −.840 | .401 | H1 not supported |

The Wilcoxon signed-rank test produced $Z = -0.840$ with a two-sided *p* value of .401. Because the *p* value exceeded the .05 significance level, the difference between pre-event and post-event AAR was not statistically significant. Although the mean AAR increased after the event, the inferential result indicates that this descriptive change was insufficient to demonstrate a statistically distinguishable difference between the two periods. Therefore, H1 was not supported, indicating no significant change in AAR following the MSCI interim freeze announcement.

H1 was therefore not supported. The increase in mean AAR from −0.000265 to 0.000495 did not represent a statistically distinguishable change in the paired AAR observations.

The result indicates that the MSCI interim

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freeze announcement was not associated with a sufficiently consistent change in daily average abnormal returns across the financial-sector sample. The absence of statistical significance should not be interpreted as evidence that investors did not respond to the announcement. Rather, it indicates that the available AAR evidence was insufficient to demonstrate a statistically significant pre–post difference at the specified significance level. Individual stocks may have responded differently to the information, while heterogeneous firm characteristics and investor expectations may have reduced the consistency of abnormal-return responses across the sample.

Such a result is consistent with the possibility that investors had partially anticipated the information, rapidly incorporated it into prices, or differed in their assessment of the consequences of the interim freeze. Event-study research shows that market reactions depend on the novelty and informational content of announcements rather than merely on the visibility of the event (Bänziger et al., 2023).

### 4.4 CAAR Comparison

Table 4. Paired-Samples t-Test for CAAR

| Comparison | Mean Difference | SD | SE | 95% CI Lower | 95% CI Upper | t | df | p |
|---|---|---|---|---|---|---|---|---|
| CAAR before – CAAR after | −.0205900 | .0154248 | .0034491 | −.0278090 | −.0133710 | −5.970 | 19 | < .001 |

The paired-samples *t*-test produced a mean difference of −0.0205900, with a standard deviation of 0.0154248 and a 95% confidence interval ranging from −0.0278090 to −0.0133710. The test yielded $t(19) = -5.970$, $p < .001$, indicating a statistically significant difference between the pre-event and post-event CAAR series. Because the paired difference was calculated as pre-event CAAR minus post-event CAAR, the negative mean difference indicates that the post-event CAAR was, on average, 0.0205900 higher than the pre-event CAAR.

H2 was therefore supported. The result indicates a statistically significant difference between the constructed pre-event and post-event CAAR series. Because the comparison was calculated as CAAR before minus CAAR after, the negative mean difference indicates that the post-event mean CAAR was higher than the pre-event mean CAAR by approximately 0.020590.

The result differs from the AAR finding. Relatively small daily abnormal-return movements may accumulate into a statistically distinguishable cumulative pattern even when the average daily difference is not statistically significant. Cumulative measures can therefore provide information that is not apparent from daily observations alone (Agrrawal & Agarwal, 2023).

The result should nevertheless be interpreted carefully. The CAAR observations represent a running cumulative sequence and are therefore mechanically related. The significant *t*-test demonstrates a statistical difference in the constructed pre–post CAAR series, but it should not be interpreted as definitive evidence that the MSCI announcement caused the cumulative return pattern.

### 4.5 Interpretation of Daily Abnormal Returns

The absence of a significant difference in AAR indicates that the financial-sector stocks did not exhibit a statistically consistent shift in daily average abnormal returns between the pre-event and post-event periods. This finding is notable because the MSCI announcement contained information concerning both index treatment and market accessibility.

One possible interpretation is that investors incorporated the information without generating a sufficiently uniform abnormal-return response across the financial sector. Financial-sector companies differ in their exposure to international investors, index membership, foreign ownership, liquidity, and market visibility. Such heterogeneity can reduce the statistical significance of sector-wide average abnormal returns even when individual securities respond differently.

The result is consistent with evidence showing that market reactions to information events are heterogeneous across markets and securities. Geopolitical and financial shocks have generated different magnitudes of abnormal returns depending on the characteristics of the affected market and the nature of investor exposure (Boubaker et al.,

2022; Blasco et al., 2024). Evidence from international information shocks similarly demonstrates that a common event does not necessarily generate a uniform response across markets (Tee et al., 2023).

The finding also illustrates the distinction between an institutional information event and a direct corporate announcement. The MSCI interim freeze did not directly alter the operating cash flows of individual financial-sector companies. Its potential effects operated through expectations concerning market accessibility, international investment, and index-related demand. These indirect mechanisms may generate less uniform daily reactions than announcements directly affecting corporate earnings or financial conditions.

### 4.6 Interpretation of the Cumulative Abnormal-Return Pattern

The statistically significant difference in CAAR indicates that the cumulative pattern of abnormal returns differed between the two periods. This result is consistent with the possibility that information can be associated with market-performance differences over several trading sessions even when individual daily abnormal-return differences are not statistically significant.

International index-related evidence supports the relevance of cumulative effects. Index adjustments can influence institutional ownership, expected demand, and cumulative abnormal returns over time (Biktimirov & Xu, 2024). Evidence from MSCI-related announcements also indicates that index information may generate spillover effects because investors can interpret changes in index treatment as signals concerning future investment conditions (Wei et al., 2024).

The finding should not, however, be equated with a direct causal effect. The event window covers 20 trading days before and 20 trading days after the announcement. A relatively long event window increases the possibility that other macroeconomic, political, firm-specific, or market-wide information affected stock returns during the observation period. Event-study methodology therefore requires particular caution when the event window contains potentially confounding information (Eden et al., 2022).

### 4.7 Interpretation of the MSCI Information Event

The MSCI interim freeze was distinctive because it combined index-related implications with information concerning the institutional environment for international investment. MSCI's announcement referred to concerns surrounding transparency and free-float assessment and indicated the possibility of further reassessment if sufficient progress was not achieved (MSCI, 2026).

Such information can influence investor expectations even when the immediate daily return response is not statistically significant. Investors may adjust their expectations as they evaluate the implications for international capital flows, index treatment, and the future accessibility of Indonesian securities. The significant CAAR difference is therefore compatible with an interpretation in which cumulative market adjustment was more visible than the average daily response.

Evidence from China shows that MSCI-related index integration can affect asset prices and market integration (Li et al., 2024). Frontier-market evidence similarly demonstrates that index effects can persist beyond the immediate announcement period (Biktimirov & Afego, 2026). The present findings extend this perspective by examining an MSCI-related restriction rather than a conventional inclusion event.

The institutional character of the announcement also differentiates it from conventional corporate disclosures. Information-disclosure research indicates that market participants evaluate announcements according to their informational relevance and credibility (Chen et al., 2024). The MSCI announcement therefore potentially conveyed information about both future index treatment and the perceived quality of Indonesia's market-accessibility framework.

### 4.8 Implications for Financial-Sector Stocks

The financial sector is particularly relevant because financial companies are closely connected to capital-market activity, financial intermediation, and investor confidence. The sector may therefore be sensitive to information that changes expectations concerning market accessibility and international participation.

Evidence from the Silicon Valley Bank collapse demonstrates that financial-sector stocks can respond strongly to unexpected

institutional and financial information (Yousaf & Goodell, 2023). The present findings indicate a more differentiated pattern: the financial sector did not show a statistically significant daily AAR difference, but its cumulative abnormal-return pattern differed significantly between the two periods.

The difference may reflect heterogeneous exposure to foreign investment and index-related demand. Financial institutions vary in size, liquidity, ownership composition, and international visibility. A sector-wide sample therefore provides a broader perspective than a sample restricted exclusively to MSCI constituents.

The findings also have implications for investors and market participants. An absence of a significant AAR difference suggests that the announcement did not produce a uniform daily response across the sector. The significant CAAR difference indicates that the broader cumulative pattern deserves attention when evaluating the market implications of institutional announcements. Such evidence is particularly relevant for investors whose decisions are influenced by international index treatment and changes in market accessibility.

### 4.9 Theoretical Implications

The findings provide partial evidence relevant to an information-incorporation perspective. The absence of a significant AAR difference suggests that the announcement did not generate a sufficiently uniform daily abnormal-return response. The significant CAAR difference indicates, however, that the broader cumulative return pattern was statistically distinguishable between the two periods.

This combination illustrates why market reaction should not be evaluated using a single metric. Information may be incorporated rapidly at the daily level while the cumulative return pattern develops differently over a longer sequence of trading sessions. Event-study research emphasizes the importance of matching the statistical design to the temporal characteristics of the event (El Ghoul et al., 2023).

The results also support an index-effect interpretation. The MSCI announcement contained potential implications for future index treatment and international investment demand. Previous research demonstrates that index changes can influence prices through institutional demand and ownership mechanisms (Biktimirov & Xu, 2024). The present evidence suggests that a restriction on index-related changes may also be associated with distinguishable cumulative market behavior.

The findings should nevertheless not be interpreted as evidence that the semi-strong form of market efficiency was rejected. The study does not establish whether prices were inefficient or whether the observed cumulative difference was exclusively attributable to the MSCI announcement. A longer event window, potential confounding information, and the dependence of the CAAR observations constrain the strength of such an inference.

### 4.10 Limitations and Future Research

Several limitations should be considered when interpreting the findings. First, the study examines a single institutional event. The results therefore cannot automatically be generalized to other MSCI announcements, other sectors, or other emerging markets.

Second, the sample is restricted to financial-sector companies. Other sectors may respond differently to an announcement concerning market accessibility and international investment.

Third, the 20-day event window is relatively broad. Although the window captures both immediate and short-term adjustment, it also increases exposure to potentially confounding information. Future studies could compare shorter windows, such as [−1,+1], [−3,+3], or [−5,+5], with the broader window used in this study.

Fourth, the available Shapiro–Wilk output assessed the pre-event and post-event distributions separately rather than directly testing the paired difference scores. Consequently, the normality assumption for the paired *t*-test was not directly established from the available output.

Fifth, the CAAR observations are cumulative and mechanically dependent. Treating 20 running CAAR observations as independent paired observations can affect the strength of conventional *t*-test inference. The CAAR result should therefore be viewed as supplementary evidence of a pre–post difference rather than definitive causal evidence.

Future studies should address these limitations through conventional event-study inference based on pre-specified CAR windows, direct tests of abnormal returns against zero,

cross-sectional inference, and robust variance procedures where appropriate. Alternative expected-return models could also be employed to examine whether the results are sensitive to model specification. Additional analysis could incorporate trading volume, volatility, liquidity, foreign investor flows, and direct MSCI exposure to provide a more comprehensive assessment of market responses.

## 5. Conclusion

This study examined the market reaction to the suspension of MSCI inclusion on January 28, 2026, among financial-sector companies listed on the Indonesia Stock Exchange. The findings provide different results for daily and cumulative abnormal-return measures. The comparison of AAR before and after the event did not produce a statistically significant difference, indicating that the suspension was not associated with a sufficiently consistent change in daily average abnormal returns across the sampled companies. The CAAR analysis, in contrast, revealed a statistically significant difference between the pre-event and post-event periods. The findings therefore indicate that the market reaction was more distinguishable when abnormal returns were evaluated cumulatively rather than through the average daily measure.

The study contributes to the event-study literature by providing evidence concerning an MSCI-related market event in Indonesia's financial sector. The findings also demonstrate the importance of considering different temporal measures when evaluating stock-market reactions to internationally relevant information events. The results should nevertheless be interpreted within the limitations of the research design. The study examined a single event, focused only on financial-sector companies, and did not fully isolate other information that may have occurred during the event window. Future research should examine other sectors, alternative event windows and expected-return models, and additional market indicators such as trading volume, volatility, liquidity, and foreign investor flows to provide a more comprehensive assessment of market reactions to MSCI-related events.

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