

Diverging Yield Paths: Fed Rate Cut Bets VS Growth Concerns Amid Indonesia's Resilient Momentum

7 August 2025

Economist / Fikri C Permana

EXECUTIVE SUMMARY

- The global bond market is witnessing diverging yield movements across maturities and geographies. In the U.S., expectations of a September Fed rate cut have gained significant traction, triggering a sharp decline in short-term U.S. Treasury yields.
- Market participants are increasingly pricing in a more dovish trajectory for the Federal Reserve, especially in light of accumulating signs of labor market weakness and softer macroeconomic momentum.
- However, long-term U.S. yields have remained relatively stable—if not slightly higher—reflecting concerns over the long-run impact of weakening economic fundamentals.
- The potential return of Trump-era tariffs, should former President Trump regain office, has also added an inflationary bias to longer-term expectations, limiting the downside for long-dated yields.
- Domestically, Indonesia's Jul '25 economy showed moderate inflation, solid trade performance, and stronger-than-expected growth. Jul '25 CPI rose 0.30% MoM and 2.37% YoY, mainly driven by the new academic year cycle and volatile food prices.
- At the same time, the Jun '25 trade surplus reached USD4.11 bn, marking the 62nd consecutive month of surplus.
- In parallel, 2Q25 GDP posted an upside surprise, expanding 4.04% QoQ and 5.12% YoY.



Source: livemint.com (2025), link: <https://www.livemint.com/economy/us-job-data-economy-cranks-out-employment-at-brisk-clip-in-december-wages-rise-11704503895962.html>



TABLE OF CONTENTS :

3 Global Economy

8 Domestic Economy

17 Economic Calendar

US ECONOMIC DATA

US ECONOMIC INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Fed Rate	%	Jun '25	4,50	4,50
Economic Growth	%, yoy	1Q25	2.0	2.5
Inflation Rate	%, yoy	Jun '25	2,7	2,4
Unemployment Rate	%	Jul '25	4.2	4.1

Sources : various sources, KBVS Research (2025)

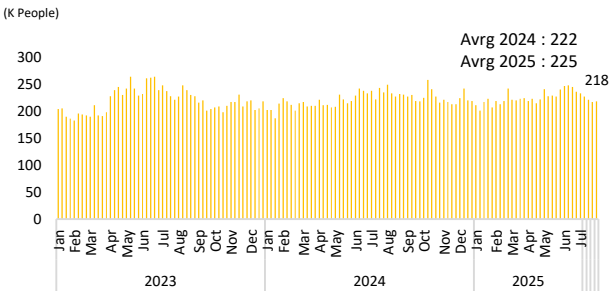
The data releases that influenced yield movements in the week of 31 Jul - 6 Aug '25 are as follows:

- The number of people claiming unemployment benefits on the period ending July 25th, '25 in the US increased by 1K to 218K (Cons: 222K, Prev: 217K).
- Core PCE Price Index in Jun '25 increased to 0.30% MoM (Cons: 0.30% MoM, Prev: 0.20% MoM).
- Chicago PMI in Jul '25 increased to 47.10 (Cons: 41.90, Prev: 40.40).
- Average Hourly Earnings in Jul '25 increased to 0.30% MoM (Cons: 0.30% MoM, Prev: 0.20% MoM).
- Nonfarm Payrolls in Jul '25 increased to 73K (Cons: 106K, Prev: 14K).
- Unemployment Rate in Jul '25 increased to 4.20% (Cons: 4.20%, Prev: 4.10%).
- S&P Global Manufacturing PMI in Jul '25 decreased to 49.80 (Cons: 49.50, Prev: 52.90).
- ISM Manufacturing PMI in Jul '25 decreased to 48.00 (Cons: 49.50, Prev: 49.00).
- ISM Manufacturing Prices in Jul '25 decreased to 64.80 (Cons: 69.90, Prev: 69.70).
- S&P Global Services PMI in Jul '25 increased to 55.70 (Cons: 55.20, Prev: 52.90).
- ISM Non-Manufacturing PMI in Jul '25 decreased to 50.10 (Cons: 51.50, Prev: 50.80).
- ISM Non-Manufacturing Prices in Jul '25 increased to 69.90 (Cons: 66.50, Prev: 67.50).

ECONOMIC CALENDAR				
(31 JUL - 6 AUG '25)				
Event	Actual	Forecast	Previous	
Thursday, 31 Jul '25				
US FOMC Statement				
US Fed Interest Rate Decision	4,50%	4,50%	4,50%	
US FOMC Press Conference				
US Core PCE Price Index (MoM) (Jun)	0,30%	0,30%	0,20%	
US Core PCE Price Index (YoY) (Jun)	2,80%	2,70%	2,80%	
US Employment Cost Index (QoQ) (Q2)	0,90%	0,80%	0,90%	
US Continuing Jobless Claims	1,946K	1,960K	1,946K	
US Initial Jobless Claims	218K	222K	217K	
US PCE Price Index (YoY) (Jun)	2,60%	2,50%	2,40%	
US PCE Price Index (MoM) (Jun)	0,30%	0,30%	0,20%	
US Personal Spending (MoM) (Jun)	0,30%	0,40%	0,00%	
US Chicago PMI (Jul)	47,10	41,90	40,40	
Friday, 1 Aug '25				
US Fed's Balance Sheet	6,643B		6,658B	
US Average Hourly Earnings (YoY) (Jul)	3,90%	3,80%	3,80%	
US Average Hourly Earnings (MoM) (Jul)	0,30%	0,30%	0,20%	
US Nonfarm Payrolls (Jul)	73K	106K	14K	
US Participation Rate (Jul)	62,20%		62,30%	
US Private Nonfarm Payrolls (Jul)	83K	100K	3K	
US U6 Unemployment Rate (Jul)	7,90%		7,70%	
US Unemployment Rate (Jul)	4,20%	4,20%	4,10%	
US S&P Global Manufacturing PMI (Jul)	49,80	49,50	52,90	
US Construction Spending (MoM) (Jun)	-0,40%	0,00%	-0,40%	
US ISM Manufacturing Employment (Jul)	43,40	46,8	45,00	
US ISM Manufacturing PMI (Jul)	48,00	49,50	49,00	
US ISM Manufacturing Prices (Jul)	64,80	69,90	69,70	
US Michigan 1-Year Inflation Expectations (Jul)	4,50%	4,40%	5,00%	
US Michigan 5-Year Inflation Expectations (Jul)	3,40%	3,60%	4,00%	
US Michigan Consumer Expectations (Jul)	57,70	58,60	58,10	
US Michigan Consumer Sentiment (Jul)	61,70	61,80	60,70	
Monday, 4 Aug '25				
US Factory Orders (MoM) (Jun)	-4,80%	-4,90%	8,30%	
Monday, 5 Aug '25				
US President Trump Speaks				
US Exports (Jun)	277.30B		278.60B	
US Imports (Jun)	337.50B		350.30B	
US Trade Balance (Jun)	-60.20B	-62.60B	-71.70B	
US S&P Global Composite PMI (Jul)	55,10	54,60	52,90	
US S&P Global Services PMI (Jul)	55,70	55,20	52,90	
US ISM Non-Manufacturing Employment (Jul)	46,40		47,20	
US ISM Non-Manufacturing PMI (Jul)	50,10	51,50	50,80	
US ISM Non-Manufacturing Prices (Jul)	69,90	66,50	67,50	
Monday, 6 Aug '25				
US 3-Year Note Auction	3,67%		3,89%	
US API Weekly Crude Oil Stock	-4.200M	-1.800M	1.539M	
US Crude Oil Inventories			7.698M	
US Cushing Crude Oil Inventories			0.690M	
US FOMC Member Daly Speaks				

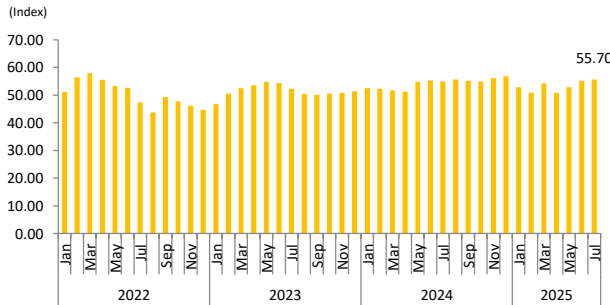
Sources : investing, KBVS Research (2025)

WEEKLY INITIAL JOBLESS CLAIMS



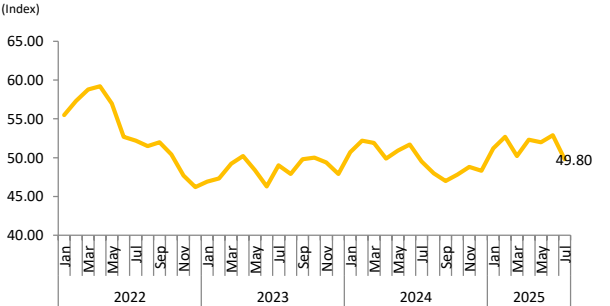
Sources : US DoL, KBVS Research (2025)

S&P GLOBAL SERVICES PMI



Sources : S&P Global, KBVS Research (2025)

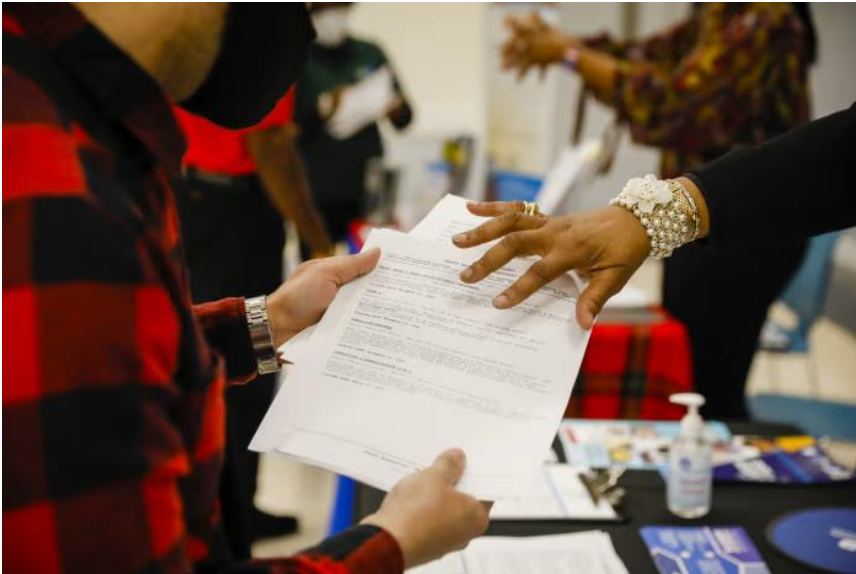
S&P GLOBAL MANUFACTURING PMI



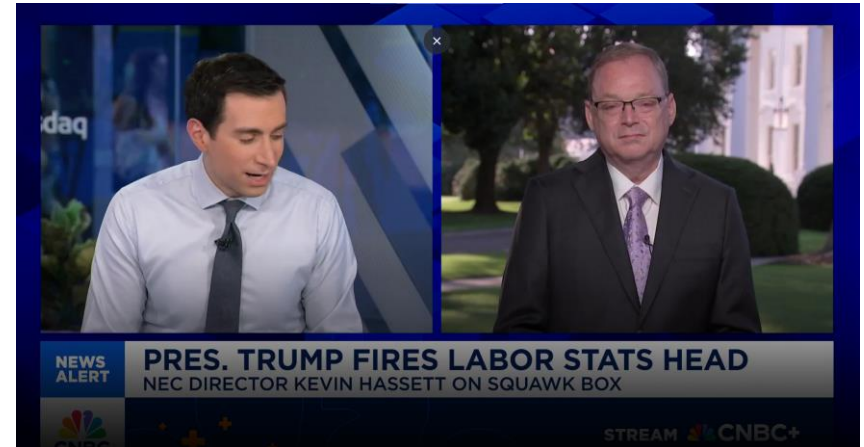
Sources : S&P Global, KBVS Research (2025)

US Labor Market Hits a Will

- Job gains collapse as revisions worsen the picture with nonfarm payrolls rising just 73,000 in Jul'25, far below expectations, while downward revisions erased 258,000 jobs from May and June, leaving the three-month average of just 35,000, marking a year-on-year slowdown.
- US long-term unemployment rose 27+ weeks despite no surge in layoffs, jumping 11% yoy to 1.8 million, highlighting a stagnant labor market.
- Despite health care and social assistance adding 73,300 jobs, manufacturing lost 11,000 jobs following a multi-month decline. Manufacturing employment is at 173,000 below its Feb'23 peak, pressured by tariffs and rising input costs.



Source: Wall Street Journal (2025)



Source: CNBC (2025)

- With tariff and policy uncertainty, business plans remain frozen. The Fed and private sector commentators, Beige Book, Beth Hammack, and Laura Ullrich confirmed that tariff uncertainty and new legislation caused companies to pause hiring and capital investments in cyclical sectors
- President Trump fired the head of the Bureau of Labor Statistics, Erika McEntarfer, after calling the data “FAKED” and “RIGGED” on Truth Social, undermining public trust in statistical integrity and politicizing neutral government data
- Recession risks rise as Fed cuts, with Goldman Sachs and PNC see growth slow to ~1% in 2H25 during weak job and income growth, fading consumer spending, and higher tariffs. Market pricing for a Fed rate cut in September jumped nearly to 90%, expecting further economic deterioration

FED PROBABILITIES

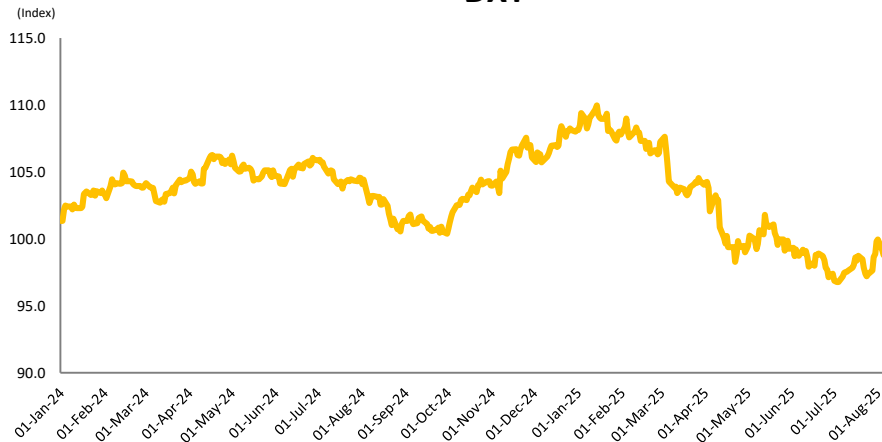
FED PROBABILITIES, as of 6 Aug '25

MEETING DATE	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
17-Sep-25	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	1,4%	87,5%	12,5%
29-Oct-25	0,0%	0,0%	0,0%	0,0%	0,0%	0,7%	54,2%	41,0%	4,8%
10-Dec-25	0,0%	0,0%	0,0%	0,0%	0,5%	42,1%	44,0%	12,9%	1,1%
28-Jan-26	0,0%	0,0%	0,0%	0,2%	19,1%	42,9%	29,9%	7,5%	0,6%
18-Mar-26	0,0%	0,0%	0,0%	9,7%	31,3%	36,3%	18,5%	4,0%	0,3%
29-Apr-26	0,0%	0,0%	2,9%	16,2%	32,8%	30,9%	14,1%	2,9%	0,2%
17-Jun-26	0,0%	1,7%	10,6%	25,8%	31,7%	21,2%	7,6%	1,3%	0,1%
29-Jul-26	0,6%	4,6%	15,6%	27,7%	28,2%	16,7%	5,5%	0,9%	0,1%

Sources : CME Group, and KBVS Research (2025)

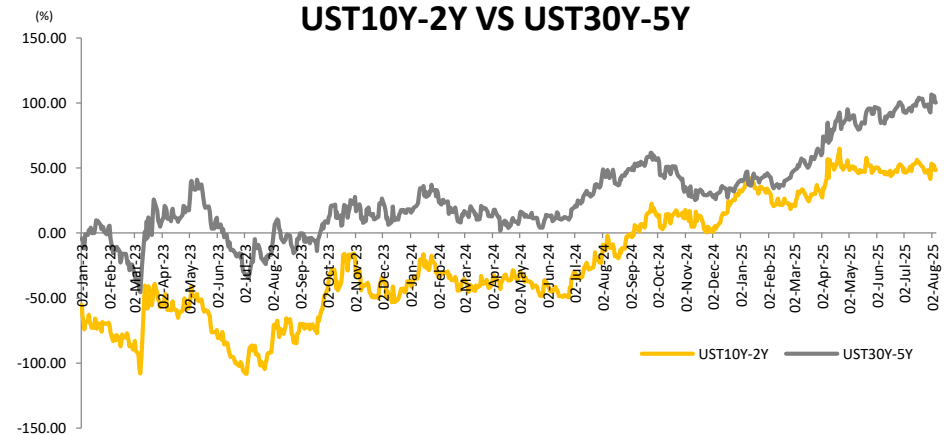
- Markets now assign a 90% chance of a September rate cut, sharply higher after July's weak jobs data and downward revisions to prior months.
- Meanwhile, the push for a Fed rate cut echoed by Trump—alongside dissenting opinions from Michelle Bowman and Christopher Waller, as well as a statement from Mary Daly expressing hope for a rate reduction—has been met with growing expectations of economic weakness, driven by deteriorating labor market data. This dynamic has led to a divergent movement in the U.S. Treasury yield curve, characterized by a downward trend in short-term yields and an upward trend in long-term yields.

DXY



Sources : Bloomberg, and KBVS Research (2025)

YIELD SPREAD UST10Y-2Y VS UST30Y-5Y



Sources : Bloomberg, and KBVS Research (2025)

THE MOVEMENT OF UST YIELDS

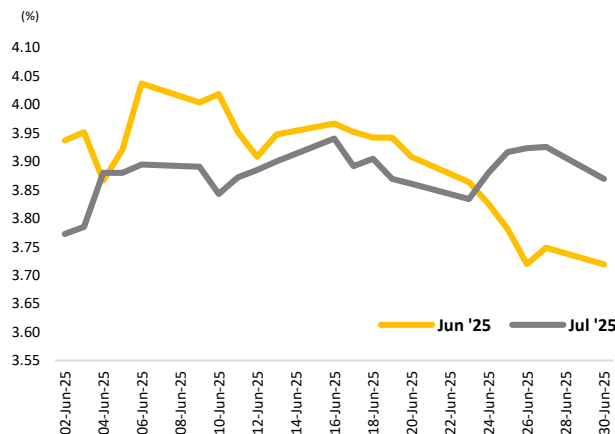
US FISCAL INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Govt Debt	USD Tn	Nov' 24	36.08	35.95
Govt Debt to GDP	%	4Q24	124.35	122.3
Govt Budget	USD Bn	Nov '24	-367.30	-257.00
S&P Credit Rating	Rating	27-Mar-24	AA+	AA+

Sources : US Treasury, KBVS Research (2025)

Over the past week, UST yields moved tends to decrease:

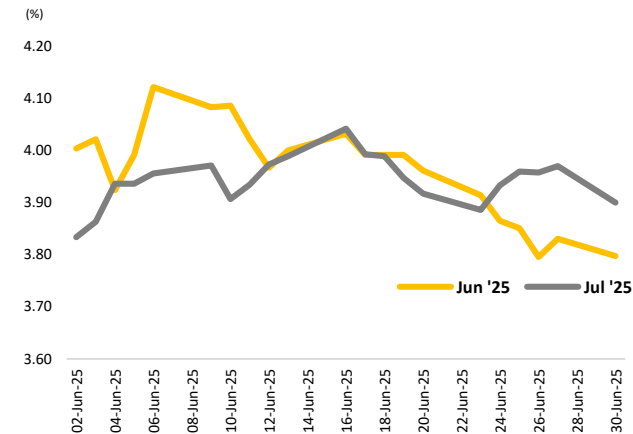
- Yield UST6M
 - -15.85 bps (WoW)
 - -15.32 bps (YtD, as of Aug 6,'25)
- Yield UST1Y
 - -21.62 bps (WoW)
 - -24.02 bps (YtD, as of Aug 6,'25)
- Yield UST2Y
 - -21.64 bps (WoW)
 - -51.74 bps (YtD, as of Aug 6,'25)
- Yield UST5Y
 - -18.59 bps (WoW)
 - -60.43 bps (YtD, as of Aug 6,'25)
- Yield UST10Y
 - -16.00 bps (WoW)
 - -35.90 bps (YtD, as of Aug 6,'25)
- Yield UST30Y
 - -11.87 bps (WoW)
 - -0.10 bps (YtD, as of Aug 6,'25)

YIELD UST2Y



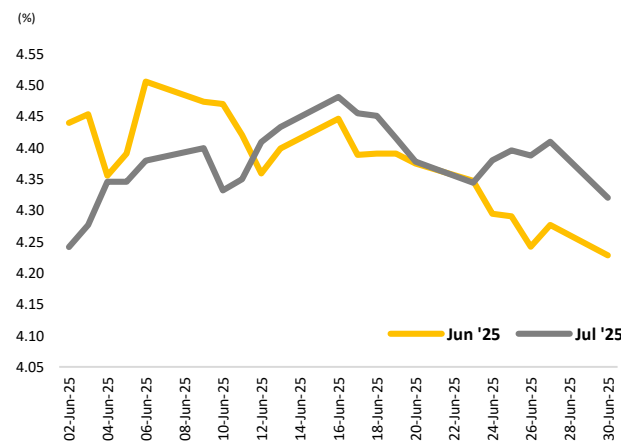
Sources : Bloomberg, KBVS Research (2025)

YIELD UST5Y



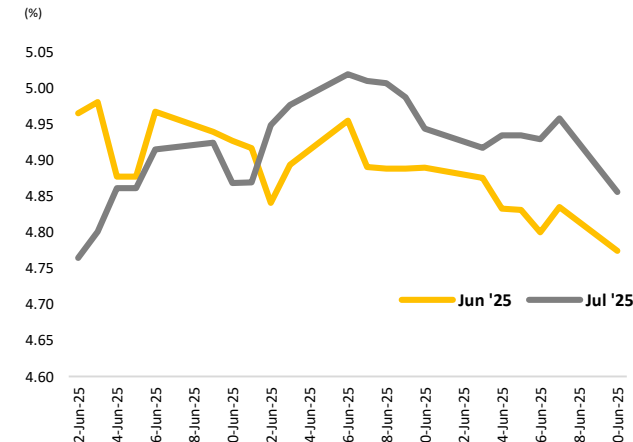
Sources : Bloomberg, KBVS Research (2025)

YIELD UST10Y



Sources : US Treasury, KBVS Research (2025)

YIELD UST30Y



Sources : US Treasury, KBVS Research (2025)



TABLE OF CONTENTS :

3 Global Economy

8 Domestic Economy

17 Economic Calendar

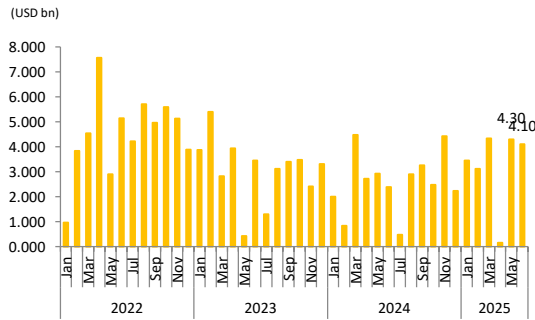
INDONESIA ECONOMIC DATA

INDICATORS OVERVIEW

Economic Indicators	Unit	Latest Period	Data	
			Latest	Previous
Policy Interest Rate	%	18 Jul '25	5.25	5.50
Economic Growth	%, yoy	2Q25	5.12	4.87
Inflation Rate	%, yoy	Jul '25	2.37	1.87
Unemployment Rate	%	Feb '25	4.76	4.91
S&P Credit Rating	Rating	17 July '24	BBB	BBB

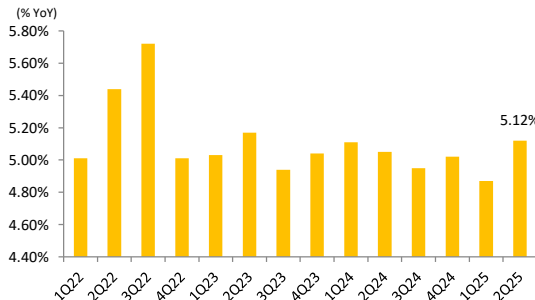
Sources : various sources, KBVS Research (2025)

TRADE BALANCE



Sources : BPS, KBVS Research (2025)

GDP



Sources : BPS, KBVS Research (2025)

ECONOMIC CALENDAR

(31 JUL – 6 AUG '25)

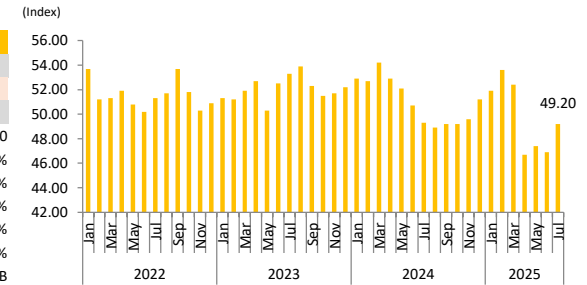
Event	Actual	Forecast	Previous
Thursday, 31 Jul '25			
Friday, 1 Aug '25			
ID S&P Global Manufacturing PMI (Jul)	49,20		46,90
ID Core Inflation (YoY) (Jul)	2,32%	2,37%	2,37%
ID Inflation (YoY) (Jul)	2,37%	2,24%	1,87%
ID Inflation (MoM) (Jul)	0,30%	0,21%	0,19%
ID Export Growth (YoY) (Jun)	11,29%	12,20%	9,68%
ID Import Growth (YoY) (Jun)	4,28%	6,50%	4,14%
ID Trade Balance (Jun)	4.11B	3.55B	4.30B
Monday, 4 Aug '25			
Tuesday, 5 Aug '25			
ID GDP (QoQ) (Q2)	4,04%	3,70%	-0,98%
ID GDP (YoY) (Q2)	5,12%	4,80%	4,87%
Wednesday, 6 Aug '25			

Sources : Investing, KBVS Research (2025)

The data release that influenced yield movements in the week of 31 Jul – 6 Aug '25 are as follows:

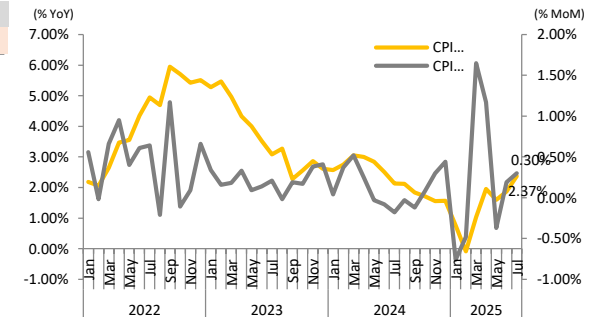
- S&P Global Manufacturing PMI in Jul '25 increased to 49.20 (Prev: 46.90).
- As projected by KBVS, Indonesia's Consumer Price Index (CPI) inflation in Jul '25 rose to 0.30% MoM or 2.37% YoY (Cons: 0.23% MoM or 2.26% YoY; KBVS forecast: 0.24% MoM or 2.31% YoY; Prev: 0.19% MoM or 1.87% YoY).
- Indonesia maintained its trade surplus streak for the 62nd consecutive month in Jun '25, booking a surplus of USD4.11 bn (Cons: USD3.45 bn; Prev: USD4.30 bn), remained in line with KBVS projection (USD4.04 bn).
- Indonesia's economy recorded a surprisingly strong performance in the 2Q25, growing by 4.04% QoQ and 5.12% YoY, significantly outperforming both market expectations (Cons: 3.69% QoQ, 4.80% YoY; KBVS: 3.63% QoQ, 4.71% YoY; Prev: -0.98% QoQ, 4.87% YoY).

S&P MANUFACTURING PMI



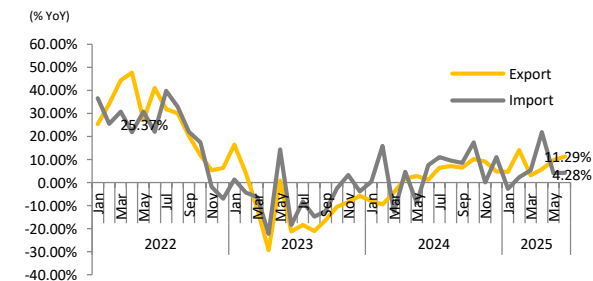
Sources : S&P Global, KBVS Research (2025)

INFLATION



Sources : BPS, KBVS Research (2025)

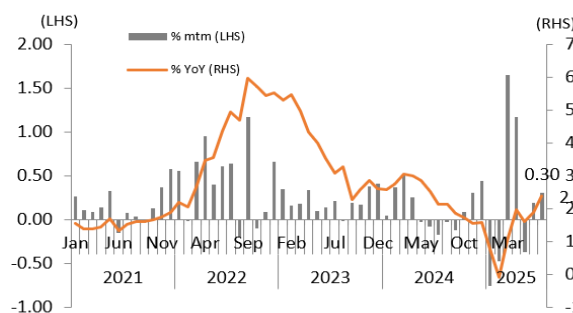
EXPORT - IMPORT



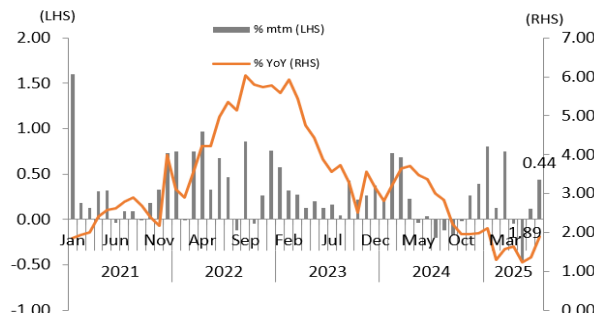
Sources : BKPM, KBVS Research (2025)

INFLATION

CPI INFLATION



WPI INFLATION



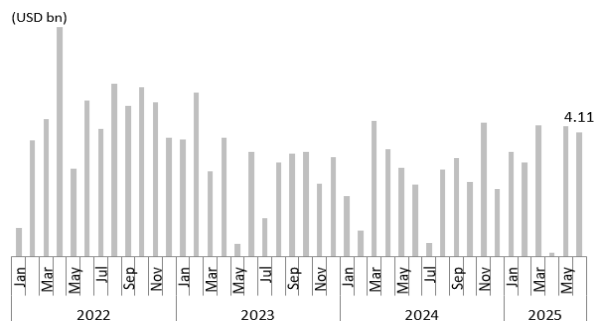
Indicators	Index		Inflation	
	Latest	M-1	MoM	YoY
Consumer Price Index (CPI)	108.60	108.27	0.30%	2.37%
Food, Beverages, and Tobacco	113.33	112.50	0.74%	3.75%
Clothing and Footwear	104.10	104.00	0.10%	1.00%
Housing, Water, Electricity, and Household Fuels	104.09	103.98	0.11%	0.67%
Equipment, Tools, and Routine Household Maintenance	104.13	104.06	0.07%	0.52%
Health	105.86	105.68	0.17%	1.94%
Transport	109.97	109.97	0.00%	0.12%
Info, Comm. and Financial Services	99.25	99.29	-0.04%	-0.31%
Recreation, Sport and Culture	105.07	104.96	0.10%	1.05%
Education Services	105.89	105.03	0.82%	1.95%
Food and Beverages Services/Restaurants	107.73	107.65	0.07%	1.86%
Personal Care and Other Services	120.10	120.01	0.07%	9.00%
Core inflation	106.80	106.66	0.13%	2.32%
Administered Price	110.13	110.03	0.09%	1.32%
Volatile Food	114.17	112.76	1.25%	3.82%
Wholesale Price Index (WPI)	105.19	104.73	0.44%	1.89%
Agriculture	108.15	106.60	1.45%	4.10%
Mining and Quarrying	100.14	100.00	0.14%	-1.35%
Manufacturing	107.32	107.04	0.26%	1.37%
Farmer Exchange Rate	121.87	121.72	0.12%	1.89%
Farmers Price Received Index	150.93	150.88	0.03%	4.37%
Farmers Price Paid Index	124.01	123.96	0.04%	2.56%

Sources : BPS and KBVS Research (2025)

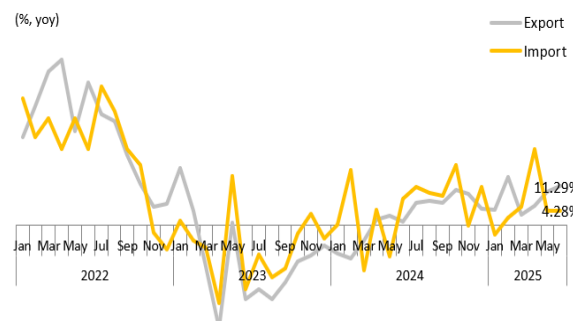
- As projected by KBVS, Indonesia's Consumer Price Index (CPI) inflation in Jul '25 rose to 0.30% MoM or 2.37% YoY.
- This increase was primarily driven by the new academic year cycle that typically occurs in June and July, resulting in a 0.05% MoM rise in the education expenditure group. The increase was particularly notable across various subgroups, ranging from higher education (1.35% MoM) to early childhood and primary education (3.12% MoM). Additionally, tuition fees for elementary, junior high, and senior high schools, as well as tutoring services, also contributed to this upward trend. Consequently, core inflation rose to 0.08% MoM or 2.32% YoY.
- Moreover, the Jul '25 inflation was also driven by an increase in the volatile food component, which rose by 0.20% MoM or 3.82% YoY. This was primarily due to price increases in the food, beverages, and tobacco group, which recorded inflation of 0.22% MoM or 3.75% YoY. Key food commodities contributing to inflation during the month included rice (0.06% MoM), tomatoes and shallots (each contributing 0.05% MoM), bird's eye chili (0.04% MoM), chicken eggs (0.02% MoM), and several other items—broiler chicken meat, jengkol, fresh fish, and machine-rolled clove cigarettes (SKM)—each contributing 0.01% MoM.
- Looking ahead to Aug '25, the impact of PDAM water price adjustments in those 18 regions, potential extreme weather, and the depreciation of the Rupiah in the final week of July may also lead to increased inflation. Nonetheless, with the end of the holiday season and academic year-related price pressures, coupled with a potential easing of geopolitical risks and global oil prices, we expect to support further declines in the annual education cycle and transportation costs.

TRADE BALANCE

TRADE BALANCE



EXPORT – IMPORT GROWTH



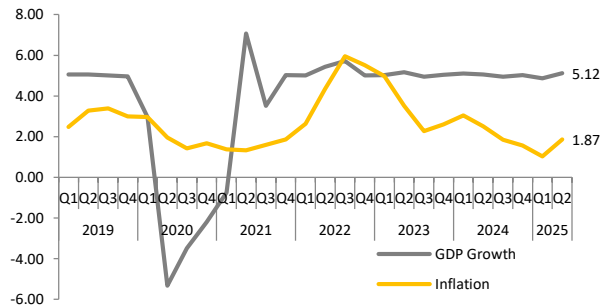
Indicators	Value		Growth	
	(USD bn)		(%)	
	Latest	M-1	MoM	YoY
Total Export (FOB)	23.44	24.61	-4.78	11.29
Oil and Gas	1.11	1.11	-0.09	-9.85
- Crude Oil	0.12	0.09	34.00	-45.67
- Processed Oil	0.36	0.39	-8.21	116.34
- Gas	0.63	0.63	0.16	-25.53
Non-Oil and Gas	22.33	23.50	-51.81	12.61
- Agriculture, Forestry, and Fisheries	0.59	0.63	-7.47	49.55
- Manufacturing	19.00	19.76	-3.82	16.75
- Mining & Others	2.74	3.11	-12.01	-13.36
Total Import (CIF)	19.33	20.31	-4.82	4.28
Oil and Gas	2.22	2.64	-15.96	-32.07
- Crude Oil	0.58	0.73	-20.53	-48.27
- Processing Oil	1.64	1.91	-14.20	-23.56
- Gas	0.00	0.00	0.00	0.00
Non-Oil and Gas	17.11	17.67	-3.15	12.07
Import Based on the Goods Usage Classification				
Consumption Goods	1.80	1.83	-1.49	1.18
Raw/Auxiliary Materials	13.35	14.05	-4.94	-2.74
Capital Goods	4.18	4.44	-5.81	37.89
Trade Balance	4.10	4.30	-4.60%	40.05%
Oil and Gas Trade Balance	-1.11	-1.53	-27.46%	-16.41%
Non-Oil and Gas Trade Balance	5.22	5.83	-199.15%	-235.79%

Sources : BPS and KBVS Research (2025)

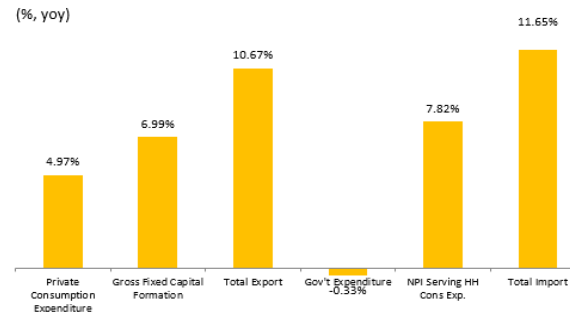
- Indonesia maintained its trade surplus streak for the 62nd consecutive month in Jun '25, booking a surplus of USD4.11 bn (Cons: USD3.45 bn; Prev: USD4.30 bn), remained in line with KBVS projection (USD4.04 bn).
- Exports in Jun '25 stood at USD23.44 bn, down -4.78% MoM. Export growth was primarily driven by a sharp increase in animal/vegetable fats and oils (HS15), which surged 27.03% MoM, followed by Chemical Products (HS38) with a gain of 9.37% MoM. On the other hand, significant declines came from Iron and Steel (HS72), which dropped -22.23% MoM; and Mineral Fuels (HS27), down -17.15% MoM.
- Meanwhile, imports declined -4.82% MoM to USD19.33 bn. The main contributors to monthly import growth were Mineral Fuels (HS27), which rose sharply by +44.09% MoM, followed by Articles of Iron and Steel (HS73), up +19.08% MoM. In contrast, the biggest monthly declines were seen in Optical, Photographic, Cinematographic, and Medical Instruments (HS90) - 37.08% MoM; and Crude Oil -20.54% MoM.
- We anticipate the trade surplus will continue, potentially ranging between USD3.3 bn and USD4.3 bn in the coming month. This projection is supported by several key factors. First, the presence of opportunistic behavior by global traders ahead of the U.S. import tariff implementation in early Aug '25; Second, a noticeable decline in global shipping costs Third, India's policy to cut import duties on CPO from 20% to 10%, effective 31 May. Finally, the relatively stable trajectory of the Rupiah has helped to maintain price competitiveness for exports while mitigating imported inflationary pressures. But, risks remain. The full impact of the U.S. tariff measure; and the potential increase in import flows into Indonesia.

GDP

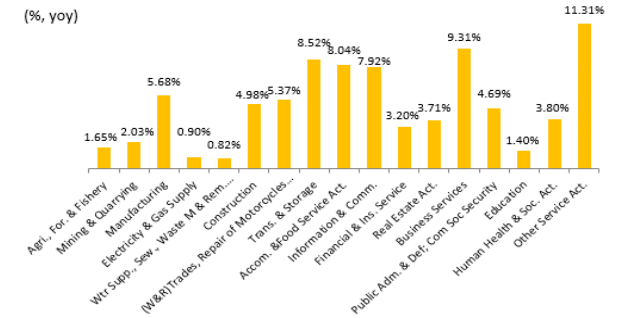
ECONOMIC GROWTH & INFLATION



GDP BASED ON EXPENDITURE



GDP BASED ON INDUSTRIAL ORIGIN

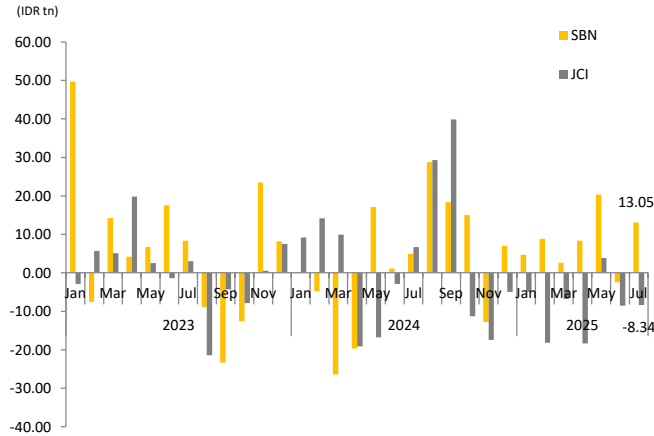


Types	2Q24	Current Price 1Q25	2Q25	Constant Price (2010) 2Q24	1Q25	2Q25
Based On Expenditure						
Private Consumption Expenditure	3,019.10	3,091.10	3,226.10	1,711.70	1,742.10	1,796.80
Gross Fixed Capital Formation	1,544.10	1,588.30	1,654.90	958.2	979.30	1,019.40
Total Export	1,184.80	1,258.90	1,325.10	735.6	775.90	813.50
Total Import	1,100.50	1,122.20	12,288.00	617	622.30	683.90
Based On Industrial Origin						
Manufacturing	1,025.10	1,090.50	1,110.30	640.5	667.70	676.90
Agri., For. & Fishery	762.6	717.30	822.60	403.7	361.50	410.40
(W&R)Trades, Repair of Motorcycles & MC	719.4	749.00	774.30	418.8	428.00	441.40
Mining & Quarrying	485.9	509.20	510.90	229.1	231.30	233.80
Construction	533.3	557.30	563.70	301.9	313.80	316.90
Transportation & Storage	345.6	344.80	369.10	152	154.70	164.90
Information & Comm.	239.8	251.50	260.70	216.7	227.30	233.90
Financial & Ins. Service	235	240.70	247.10	132.2	134.40	136.40
Education	157.9	158.20	163.40	94.3	92.80	95.60
Public Adm. & Def; Com Soc Security	179.2	190.40	191.20	106.1	111.10	111.10
Accom. & Food Service Act.	145.9	150.20	160.60	104	105.50	112.30
Real Estate Act.	128.9	121.10	135.90	87.3	89.70	90.60
Other Service Act.	113.1	119.60	128.10	66.2	70.10	73.70
Business Services	106.7	112.10	135.90	63.1	89.70	90.60
Human Health & Soc. Act.	69.2	69.90	73.20	45.4	45.30	47.10
Electricity & Gas Supply	56	58.50	57.40	33.1	34.30	33.40
Wtr Supp., Sew., Waste M & Rem. Activities	3.6	3.70	3.70	2.7	2.70	2.70
Indonesia's GDP	5,536.50	5,665.90	5,947.00	3,231.00	3,264.50	3,396.30

- Indonesia's economy recorded a surprisingly strong performance in the 2Q25, growing by 4.04% QoQ and 5.12% YoY.
- This result is particularly encouraging given that several key leading indicators for 2Q25 had previously suggested a weaker outlook. Household consumption remained resilient, rising by 3.14% QoQ and 4.97% YoY; as well as the Gross Fixed Capital Formation, a proxy for investment, surged by 4.10% QoQ and 6.99% YoY; and the external sector also provided a strong boost, with Indonesia's trade surplus increasing to USD9.39 bn during the quarter.
- On the production side, several key sectors showed encouraging growth. Agriculture, Forestry, and Fisheries expanded by 13.53% QoQ and 1.65% YoY; Transportation and Warehousing rose by 6.58% QoQ and 8.52% YoY; then Accommodation and Food & Beverage services grew by 6.43% QoQ and 8.04% YoY. These improvements were likely supported by a sharp rise in mobility throughout 2Q25.
- Looking ahead, several factors are expected to play a pivotal role in shaping the economic trajectory. The continued positive momentum in investment, coupled with the gradual easing of fiscal tightening. These dynamics may be further reinforced by the transmission effect of Bank Indonesia's policy rate cuts in May and Jul, each by 25 bps. Moreover, the decline in cross-border distribution costs. Nonetheless, some downside risks remain.

DEVELOPMENT OF TRADABLE SBN

CAPITAL FLOW IN SBN&JCI



Sources : Bloomberg, KBVS Research (2025)

Between 31 July – 6 August '25, non-residents conducted:

- A net buy of tradeable SBN, amounting IDR2.19 tn.
- A net sell of JCI, amounting IDR1.25 tn.

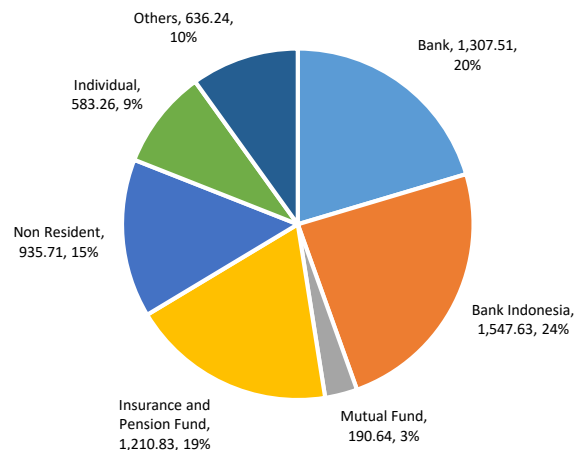
SUN LATEST AUCTION

29 Jul '25									
Instruments	SPN12251030	SPN12260730	FR0104	FR0108	FR0106	FR0107	FR0102	FR0105	Total
Incoming Bids (IDR tn)	0.50	5.18	28.45	46.47	8.99	6.89	4.75	5.30	106.53
Bid to Cover Ratio	-	2.59	4.38	4.34	1.42	3.83	6.33	1.36	3.33
Weighted Average Yields Awarded	-	5.548%	6.096%	6.547%	6.830%	6.920%	6.960%	7.000%	
15 Jul '25									
Instruments	SPN03251015	SPN12260702	FR0104	FR0103	FR0106	FR0107	FR0102	FR0105	Total
Incoming Bids (IDR tn)	1.00	5.81	37.47	32.47	12.60	9.97	5.34	4.35	109.01
Bid to Cover Ratio	-	2.90	6.30	4.48	2.62	2.46	1.26	1.18	3.41
Weighted Average Yields Awarded	-	5.820%	6.150%	6.570%	6.890%	6.996%	7.020%	7.050%	

Sources : DJPPR, KBVS Research (2025)

OWNERSHIP of IDR TRADABLE SBN

(IDR tn,
% of total tradable SBN)



Sources : DJPPR, and KBVS Research (2025)

As of 4 August '25, the largest ownership of tradable SBN is as follows:

- Bank Indonesia : IDR1,547.63 tn (+IDR4.46 tn, WoW),
- Banks : IDR1,307.51 tn (+IDR9.95 tn, WoW), and
- Insurance & Pension Funds: IDR1,210.83 tn (+IDR3.87 tn, WoW)

SBSN LATEST AUCTION

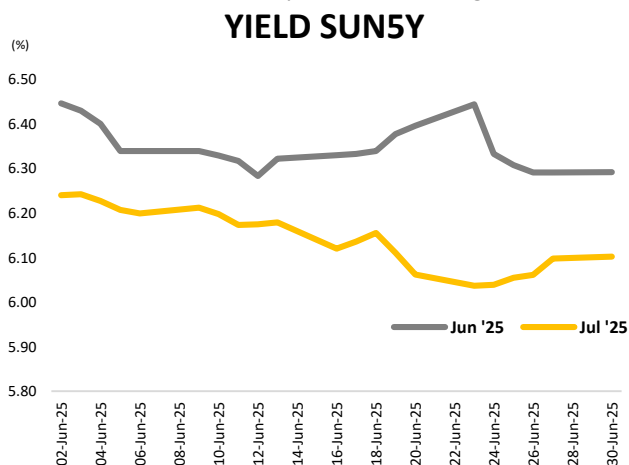
5 Aug '25								
Instruments	SPNS10022026	SPNS04052026	PBS003	PBS030	PBSG001	PBS034	PBS038	Total
Incoming Bids (IDR tn)	1,04	4,89	7,78	8,48	5,66	7,70	7,48	43,02
Bid to Cover Ratio	-	4,89	5,99	4,47	3,33	1,56	6,50	3,58
Weighted Average Yields Awarded	-	5,520%	5,671%	5,832%	6,051%	6,736%	6,940%	
22 Jul '25								
Instruments	SPNS12012026	SPNS06042026	PBS003	PBS030	PBS034	PBS039	PBS038	Total
Incoming Bids (IDR tn)	2,79	7,95	13,93	14,31	2,62	0,90	7,77	50,26
Bid to Cover Ratio	6,98	19,87	13,26	3,11	3,08	5,97	1,71	4,19
Weighted Average Yields Awarded	5,460%	5,510%	5,700%	5,877%	6,759%	6,854%	6,950%	

Sources : DJPPR, KBVS Research (2025)

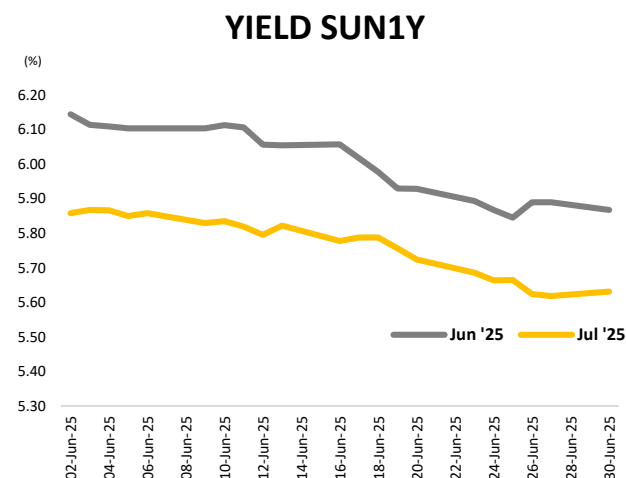
THE MOVEMENT OF SUN YIELDS

Over the past week, SUN yields moved tends to have a mixed movement:

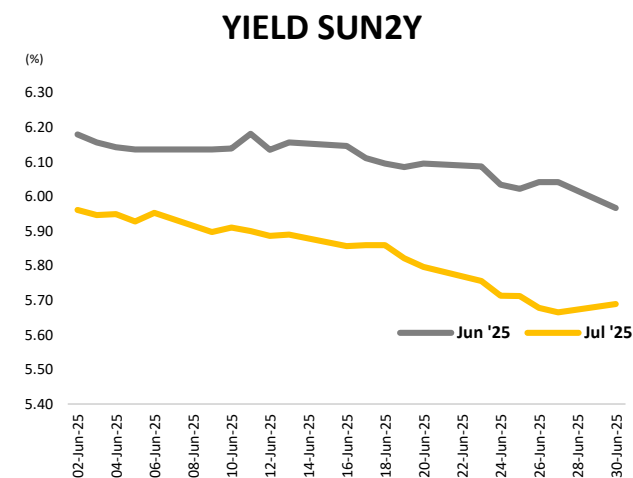
- Yield SUN1Y
 - +1.30 bps (WoW)
 - -105.60 bps (YtD, as of Aug 6, '25)
- Yield SUN2Y
 - +1.00 bps (WoW)
 - -120.90 bps (YtD, as of Aug 6, '25)
- Yield SUN5Y
 - -3.80 bps (WoW)
 - -92.40 bps (YtD, as of Aug 6, '25)
- Yield SUN10Y
 - -7.40 bps (WoW)
 - -50.00 bps (YtD, as of Aug 6, '25)
- Yield SUN30Y
 - -3.90 bps (WoW)
 - -16.00 bps (YtD, as of Aug 6, '25)



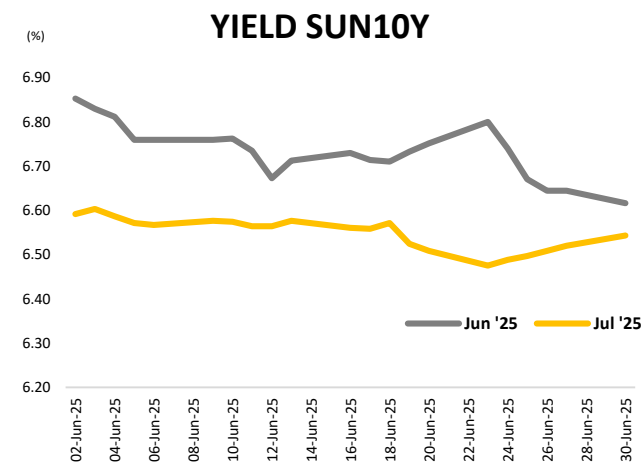
Sources : Bloomberg, KBVS Research (2025)



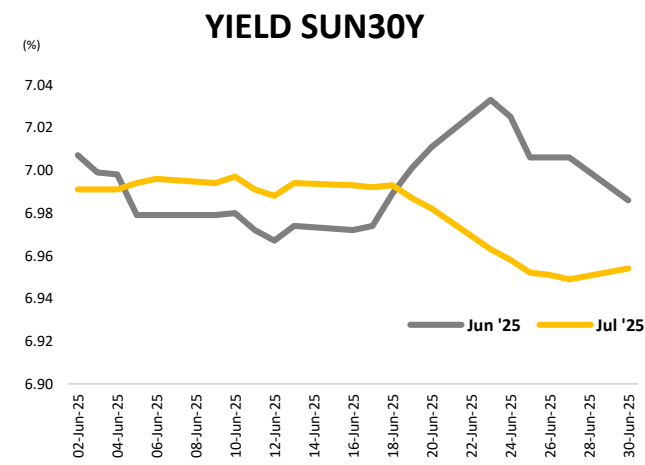
Sources : Bloomberg, KBVS Research (2025)



Sources : Bloomberg, KBVS Research (2025)



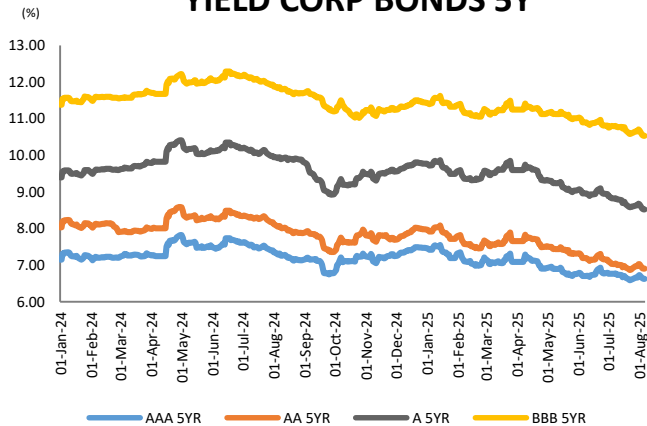
Sources : Bloomberg, KBVS Research (2025)



Sources : Bloomberg, KBVS Research (2025)

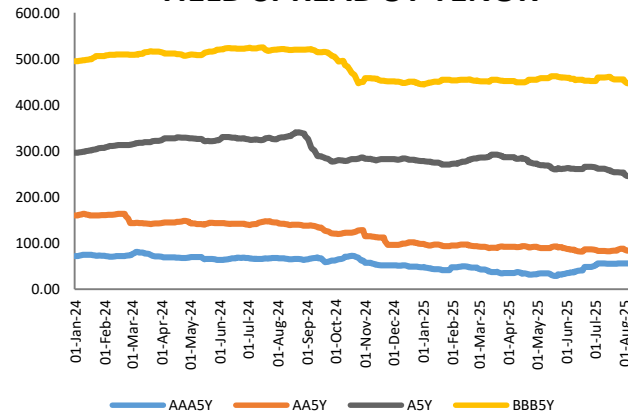
THE MOVEMENT OF CORPORATE BOND YIELD

YIELD CORP BONDS 5Y



Sources : Bloomberg, KBVS Research (2025)

YIELD SPREAD 5Y TENOR

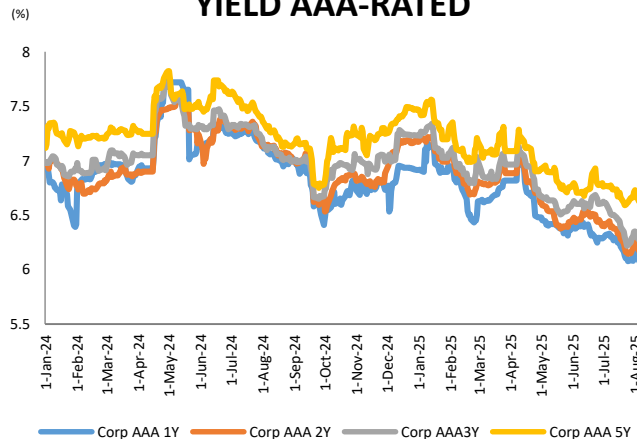


Sources : Bloomberg, KBVS Research (2025)

Corporate bond yields showed a decline movement on most of the tenors last week, as follows:

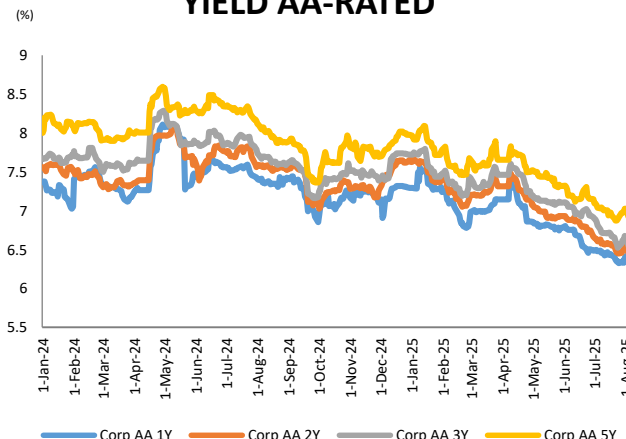
- AAA-rated
 - Tenor 1Y : -0.94 bps (WoW)
 - Tenor 2Y : +0.12 bps (WoW)
 - Tenor 5Y : -3.85 bps (WoW)
- AA-rated
 - Tenor 1Y : -2.06 bps (WoW)
 - Tenor 2Y : -4.89 bps (WoW)
 - Tenor 5Y : -7.66 bps (WoW)
- A-rated
 - Tenor 1Y : -3.83 bps (WoW)
 - Tenor 2Y : -2.99 bps (WoW), and
 - Tenor 5Y : -11.26 bps (WoW)

YIELD AAA-RATED



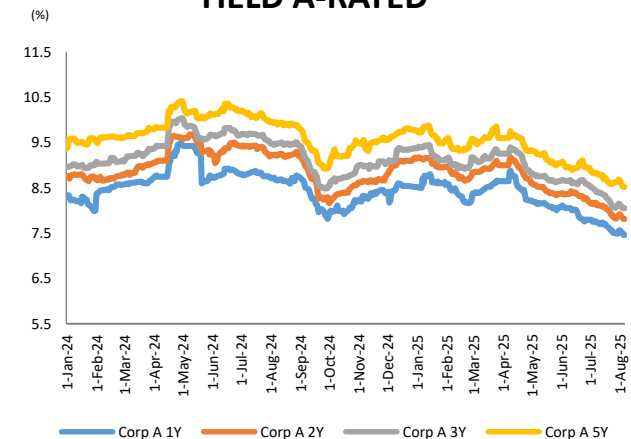
Sources : Bloomberg, KBVS Research (2025)

YIELD AA-RATED



Sources : Bloomberg, KBVS Research (2025)

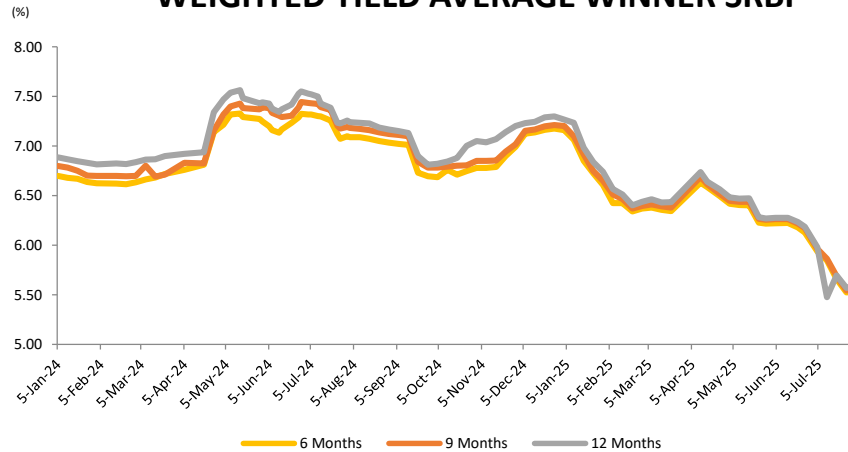
YIELD A-RATED



Sources : Bloomberg, KBVS Research (2025)

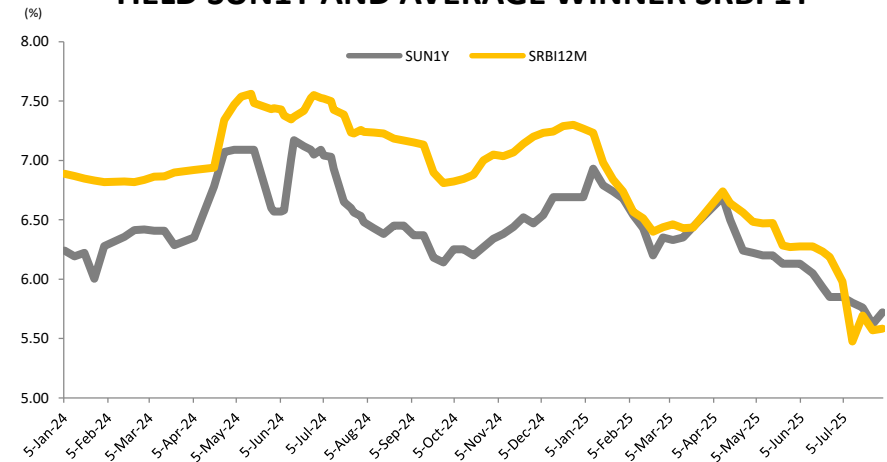
BI'S MONETARY OPERATION

WEIGHTED YIELD AVERAGE WINNER SRBI



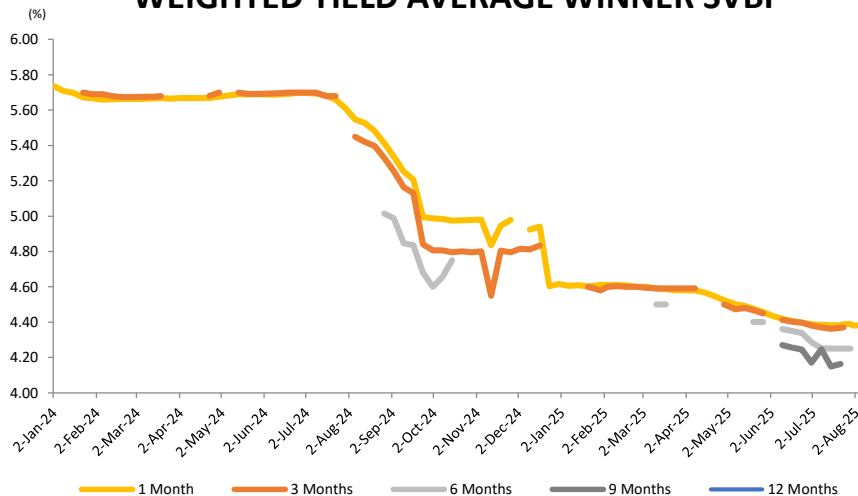
Sources : BI, KBVS Research (2025)

YIELD SUN1Y AND AVERAGE WINNER SRBI 1Y



Sources : BI, KBVS Research (2025)

WEIGHTED YIELD AVERAGE WINNER SVBI



Sources : BI, KBVS Research (2025)

- Incoming bids in the SRBI auction on 1 Aug '25, recorded a decline, decline from IDR72.02 tn to IDR23.07 tn.
- This was also accompanied by an increased movement in the weighted average yield in most of the respective tenors as follows:
 - 6 month : -2.177 bps
 - 9 month : +2.279 bps
 - 12 month : +2.279 bps
- On the other hand, Incoming bids in the SVBI auction on 5 Aug '25, rose to USD344.00 mn (Prev: USD238.00 mn).
- Yields also rose on 1 month tenor, with the following results:
 - 1 month: +0.124 bps



TABLE OF CONTENTS :

3 Global Economy

8 Domestic Economy

17 Economic Calendar

NEXT WEEK ECONOMIC CALENDAR

ECONOMIC CALENDAR

(7-13 AUG 2025)

Event	Forecast	Previous	Event	Forecast	Previous	Event	Forecast	Previous
Thursday, Aug 7, 2025			Friday, Aug 8, 2025			Monday, Aug 11, 2025		
US 10-Year Note Auction		4,36%	US 30-Year Bond Auction		4,89%			
US FOMC Member Daly Speaks			US Consumer Credit (Jun)	7.20B	5.10B			
ID Fx Reserves (USD) (Jul)		152.60B	US Fed's Balance Sheet		6,643B			
CN Imports (YoY) (Jul)		1,10%	JP Household Spending (MoM) (Jun)	-3,00%	4,60%	Tuesday, Aug 12, 2025		
CN Exports (YoY) (Jul)		5,80%	JP Household Spending (YoY) (Jun)	2,80%	4,70%	GB BRC Retail Sales Monitor (YoY) (Jul)		2,70%
CN Trade Balance (USD) (Jul)	107.90B	114.77B	JP Adjusted Current Account (Jun)	2.76T	2.82T	GB Average Earnings Index + Bonus (Jun)		5,00%
GB Halifax House Price Index (YoY) (Jul)		2,50%	JP Current Account n.s.a. (Jun)	1.480T	3.436T	GB Claimant Count Change (Jul)		25.90K
GB Halifax House Price Index (MoM) (Jul)		0,00%	ID Consumer Confidence (Jul)		117,80	GB Employment Change 3M/3M (MoM) (Jun)		134K
GE Industrial Production (MoM) (Jun)	-0,60%	1,20%	ID Retail Sales (YoY) (Jul)		1,90%	GB Unemployment Rate (Jun)		4,70%
GE Trade Balance (Jun)	18.30B	18.40B	ID Car Sales (YoY) (Jul)		-22,60%	GE ZEW Current Conditions (Aug)		-59,50
EU ECB Economic Bulletin			GB BoE MPC Member Pill Speaks			GE ZEW Economic Sentiment (Aug)		52,70
GB BoE MPC Vote Cut (Aug)	8,00	3,00				EU ZEW Economic Sentiment (Aug)		36,10
GB BoE MPC Vote Hike (Aug)	0,00	0,00				US OPEC Monthly Report		
GB BoE MPC Vote Unchanged (Aug)	1,00	6,00				US Core CPI (MoM) (Jul)		0,20%
GB BoE Interest Rate Decision (Aug)	4,00%	4,25%				US Core CPI (YoY) (Jul)		2,90%
GB BoE MPC Meeting Minutes						US CPI (MoM) (Jul)		0,30%
GB BoE Inflation Letter						US CPI (YoY) (Jul)		2,70%
US Continuing Jobless Claims		1,964K				Wednesday, Aug 13, 2025		
US Initial Jobless Claims	221K	218K				US Fed Budget Balance (Jul)		27.00B
US Nonfarm Productivity (QoQ) (Q2)	1,90%	-1,50%				GE CPI (YoY) (Jul)		2,00%
US Unit Labor Costs (QoQ) (Q2)	1,40%	6,60%				GE CPI (MoM) (Jul)		0,30%
GB BoE Gov Bailey Speaks								
US FOMC Member Bostic Speaks								
US NY Fed 1-Year Consumer Inflation Expectations (Jul)		3,00%						



KBVS's 2H25 ECONOMIC ASSUMPTIONS

Year		Fed Rate (%)			Yield US10Y (%)			BI Rate (%)			GDP Growth (% yoy)			Inflation (% YoY)			Rupiah ER (Rp per USD)			Yield SUN10Y (%)		
		Worst	Base	Best	Worst	Base	Best	Worst	Base	Best	Worst	Base	Best	Worst	Base	Best	Worst	Base	Best	Worst	Base	Best
2024	End of Year	4.50			4.53			6.00			5.02			1.57			16,143			6.97		
	Average	5.27			4.20			6.10			5.03			2.29			15,847			6.78		
2025	End of Year	4.25	4.00	3.75	4.08	3.78	3.48	5.25	5.00	4.50	4.42	4.72	5.02	1.85	1.55	1.25	17,355	16,295	15,236	6.55	6.25	5.85
	Average	4.31	4.06	3.81	4.38	4.08	3.78	5.63	5.38	4.98	4.50	4.80	5.10	1.83	1.53	1.23	17,169	16,121	15,073	6.78	6.38	5.98
2026	End of Year	3.50	3.00	2.50	3.69	3.19	2.69	4.50	4.25	4.00	4.78	5.03	5.28	2.08	1.83	1.58	17,617	16,357	15,098	5.91	5.51	5.11
	Average	3.88	3.38	2.88	3.99	3.49	2.99	4.88	4.63	4.38	4.69	4.94	5.19	1.98	1.74	1.50	17,607	16,348	15,090	6.22	5.72	5.22

Source: KBVS Research – Juli (2025)

- Overall, not much has changed from our assumptions back in Mar '25.
- The Fed Rate remains largely unchanged; however, with the introduction of the Trump Tariff and its implications on U.S. inflation and growth, we have slightly raised our 2025 US10Y yield assumption by +24.0 bps.
- Conversely, we have trimmed our BI Rate assumption by -25 bps to -50 bps for end-2025, reflecting Bank Indonesia's increasingly pro-growth stance amid weak domestic demand and global monetary easing.
- We've also lowered our 2025–2026 inflation outlook by -0.01% to -0.75%, supported by improving domestic supply-demand dynamics and subdued consumption under persistent risk-off sentiment.
- Accordingly, we now expect the SUN10Y yield to end 2025 lower by -9 bps and decline a further -59 bps by end-2026, in line with dovish signals from global and domestic central banks.
- Looking forward, structural shifts—particularly the Trump Tariff, geopolitical tensions, and Indonesia's fiscal realignments—will shape the economic trajectory into 2026.
- **Despite the potential for strong momentum (like coasting downhill), lingering “speed bumps” remain key hurdles to a faster recovery.**