Fed Faces Service Inflation Hurdles, Domestic Bonds Gain

14 August 2025

Economist / Fikri C Permana

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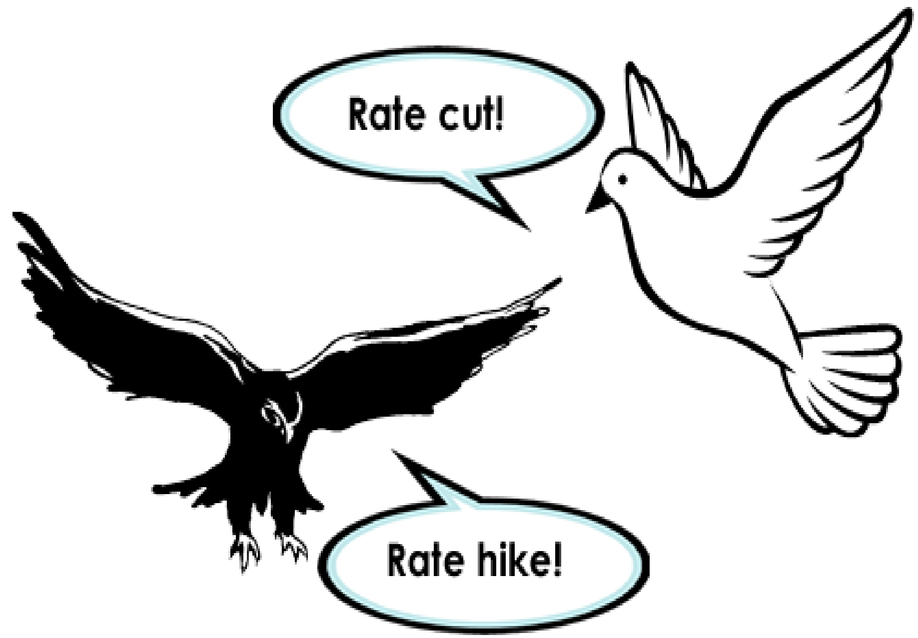
EXECUTIVE SUMMARY

- The persistent decline in service-sector inflation remains the primary challenge for the Federal Reserve in bringing overall inflation down to its optimal target of 2%.
- At the same time, the intensifying deflationary pressures in the energy sector are viewed as a positive factor in containing further increases in service inflation.
- However, they also raise concerns over weakening energy demand from the manufacturing sector.
- As such, U.S. manufacturing labor market data will be key to assessing the sector's health, output developments, and broader economic growth—factors that the Fed closely monitors when determining its Fed Funds Rate policy.
- In line with this, several Fed officials have reiterated the need for clearer data before making any decisions on future rate cuts.

- Domestically, the IDR 162 trillion in incoming bids at the Tuesday (August 12) auction marked a positive momentum, reflecting optimistic expectations for the domestic fixed-income market outlook.
- This aligns with market hopes for a Fed rate cut in the upcoming FOMC meeting and a BI Rate reduction in the next Board of Governors Meeting.



Source: babypips,com (2025), link: https://www.babypips.com/learn/forex/hawkish-dovish-central-banks

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US ECONOMIC DATA

US ECONOMIC INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Fed Rate	%	Jul '25	4.50	4.50
Economic Growth	%, yoy	2Q25	2.0	2.1
Inflation Rate	%, yoy	Jul '25	2.7	2.7
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 7-13 Aug '25 are as follows:

- The number of people claiming unemployment benefits on the period ending August 1st, '25 in the US increased by 8K to 226K (Cons: 221K, Prev: 219K).
- 10-Year Note Auction decreased to 4.26% (Prev: 4.36%).
- 30-Year Bond Auction decreased to 4.81% (Prev: 4.89%).
- Core CPI in Jul '25 increased to 0.30% MoM (Cons: 0.30% MoM, Prev: 0.20% MoM).
- CPI in Jul '25 decreased to 0.20% MoM (Cons: 0.20% MoM, Prev: 0.30% MoM).

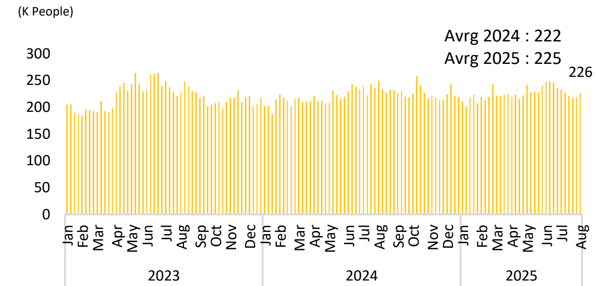
ECONOMIC CALENDAR

(7-13 AUG '25)

Event	Actual	Forecast	Previous
Thursday, 7 Aug '25			
US 10-Year Note Auction	4.26%		4.36%
US FOMC Member Daly Speaks			
US Continuing Jobless Claims	1,974K	1,950K	1,936K
US Initial Jobless Claims	226K	221K	219K
US Nonfarm Productivity (QoQ) (Q2)	2.40%	1.90%	-1.80%
US Unit Labor Costs (QoQ) (Q2)	1.60%	1.60%	6.90%
US FOMC Member Bostic Speaks			
US NY Fed 1-Year Consumer Inflation Expectations (Jul)	3.10%		3.00%
Friday, 8 Aug '25			
US 30-Year Bond Auction	4.81%		4.89%
US Consumer Credit (Jun)	7.37B	7.40B	5.13B
US President Trump Speaks			
US Fed's Balance Sheet	6,641B		6,643B
Monday, 11 Aug '25			
Tuesday, 12 Aug '25			
US OPEC Monthly Report			
US Core CPI (MoM) (Jul)	0.30%	0.30%	0.20%
US Core CPI (YoY) (Jul)	3.10%	3.00%	2.90%
US CPI (MoM) (Jul)	0.20%	0.20%	0.30%
US CPI (YoY) (Jul)	2.70%	2.80%	2.70%
US EIA Short-Term Energy Outlook			
US WASDE Report			
Wednesday, 13 Aug '25			
US Fed Budget Balance (Jul)	-291.0B	-206.70B	27.00B
US API Weekly Crude Oil Stock	1.500M	-0.800M	-4.200M
US EIA Monthly Report			
US Crude Oil Inventories			-3.029M
US Cushing Crude Oil Inventories			0.453M

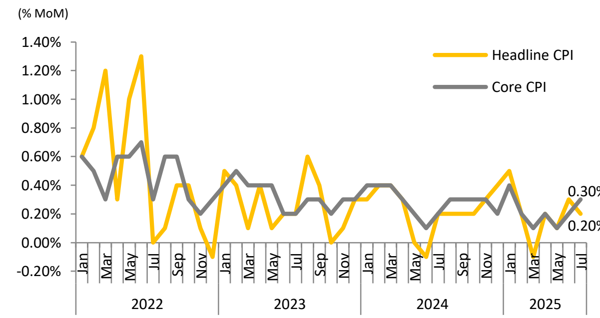
Sources : investing, KBVS Research (2025)

WEEKLY INITIAL JOBLESS CLAIMS



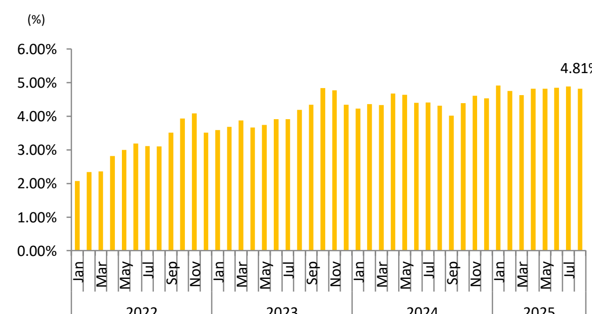
Sources : US DoL, KBVS Research (2025)

CPI



Sources : US Bureau Labor of Statistocs, KBVS Research (2025)

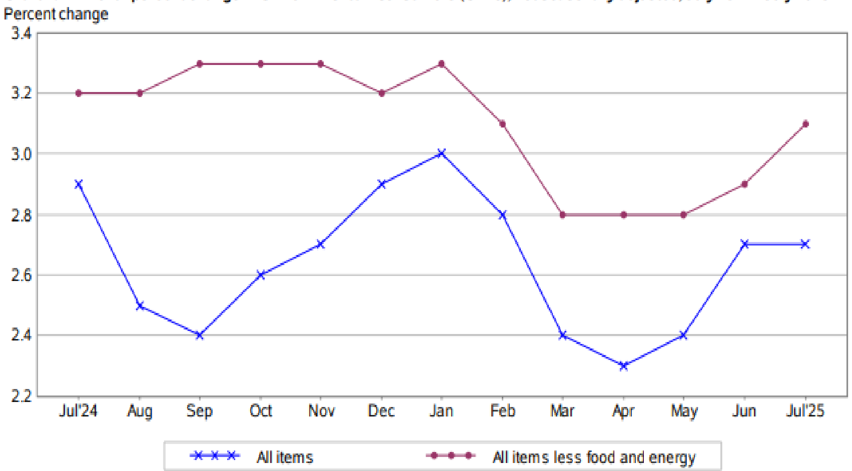
30-YEAR BOND AUCTION



Sources : US Department of Treasury, KBVS Research (2025)

US CPI

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, July 2024 - July 2025



- Service inflation remains a key challenge for the United States in bringing overall inflation down to its optimal target.
- This pressure is largely driven by:
  - Energy Services, with inflation reaching 7.2% YoY in July 2025.
  - Services excluding Energy Services, which also remain elevated at 3.6% YoY in the same period, supported by persistent price increases in:
    - Shelter (3.7% YoY);
    - Medical Care Services (4.3% YoY);
    - Transportation Services (3.5% YoY)
- Meanwhile, falling energy prices have led to significant deflation in the Energy sector overall, at -1.6% YoY in the same period.

Table 1. Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, by expenditure category, July 2025

[1982-84=100, unless otherwise noted]

Expenditure category	Relative importance Jun. 2025	Unadjusted indexes			Unadjusted percent change		Seasonally adjusted percent change		
		Jul. 2024	Jun. 2025	Jul. 2025	Jul. 2024-Jul. 2025	Jun. 2025-Jul. 2025	Apr. 2025-May 2025	May 2025-Jun. 2025	Jun. 2025-Jul. 2025
All items	100.000	314.540	322.561	323.048	2.7	0.2	0.1	0.3	0.2
Food	13.634	330.561	339.498	340.036	2.9	0.2	0.3	0.3	0.0
Food at home	7.988	306.643	313.028	313.263	2.2	0.1	0.3	0.3	-0.1
Cereals and bakery products	1.097	356.525	360.040	360.048	1.0	0.0	1.1	-0.2	-0.2
Meats, poultry, fish, and eggs	1.626	327.013	342.058	344.155	5.2	0.6	-0.4	-0.1	0.2
Dairy and related products[1]	0.723	268.653	270.626	272.586	1.5	0.7	-0.1	-0.3	0.7
Fruits and vegetables	1.299	350.962	351.414	351.764	0.2	0.1	0.3	0.9	0.0
Nonalcoholic beverages and beverage materials	0.911	220.129	229.103	228.011	3.6	-0.5	-0.3	1.4	-0.5
Other food at home	2.332	273.643	277.737	277.002	1.2	-0.3	0.7	0.2	-0.5
Food away from home[1]	5.646	369.383	382.750	383.808	3.9	0.3	0.3	0.4	0.3
Energy	6.453	287.868	284.307	283.395	-1.6	-0.3	-1.0	0.9	-1.1
Energy commodities	3.182	316.799	289.326	288.425	-9.0	-0.3	-2.4	1.0	-1.9
Fuel oil	0.072	363.140	339.767	352.435	-2.9	3.7	0.9	1.3	1.8
Motor fuel	3.049	311.534	283.750	282.696	-9.3	-0.4	-2.6	1.0	-2.0
Gasoline (all types)	2.968	310.915	282.914	281.490	-9.5	-0.5	-2.6	1.0	-2.2
Energy services	3.271	270.573	291.093	290.131	7.2	-0.3	0.4	0.9	-0.3
Electricity	2.484	283.415	299.728	299.107	5.5	-0.2	0.9	1.0	-0.1
Utility (piped) gas service	0.787	226.593	259.734	257.867	13.8	-0.7	-1.0	0.5	-0.9
All items less food and energy	79.914	319.214	328.364	328.980	3.1	0.2	0.1	0.2	0.3
Commodities less food and energy commodities	19.311	164.836	166.655	166.766	1.2	0.1	0.0	0.2	0.2
Apparel	2.493	129.466	130.844	129.190	-0.2	-1.3	-0.4	0.4	0.1
New vehicles	4.320	177.840	178.443	178.569	0.4	0.1	-0.3	-0.3	0.0
Used cars and trucks	2.421	179.579	186.671	188.183	4.8	0.8	-0.5	-0.7	0.5
Medical care commodities[1]	1.513	417.465	417.575	417.800	0.1	0.1	0.6	0.1	0.1
Alcoholic beverages[1]	0.826	291.088	294.883	295.176	1.4	0.1	-0.1	0.1	0.1
Tobacco and smoking products[1]	0.487	1,543.823	1,638.792	1,643.672	6.5	0.3	0.8	0.5	0.3
Services less energy services	60.602	417.592	431.800	432.778	3.6	0.2	0.2	0.3	0.4
Shelter	35.418	401.545	415.455	416.271	3.7	0.2	0.3	0.2	0.2
Rent of primary residence	7.447	420.577	434.594	435.489	3.5	0.2	0.2	0.2	0.3
Owners' equivalent rent of residences[2]	26.167	411.880	427.470	428.640	4.1	0.3	0.3	0.3	0.3
Medical care services	6.750	611.137	633.659	637.425	4.3	0.6	0.2	0.6	0.8
Physicians' services[1]	1.803	416.312	428.398	429.279	3.1	0.2	-0.3	0.2	0.2
Hospital services[1, 3]	1.965	412.926	435.037	437.053	5.8	0.5	0.4	0.7	0.5
Transportation services	6.277	431.196	447.222	446.417	3.5	-0.2	-0.2	0.2	0.8
Motor vehicle maintenance and repair[1]	1.021	405.109	427.256	431.604	6.5	1.0	-0.1	0.2	1.0
Motor vehicle insurance	2.820	851.007	895.281	896.018	5.3	0.1	0.7	0.1	0.1
Airline fares	0.876	246.222	255.852	247.859	0.7	-3.1	-2.7	-0.1	4.0

[1] Not seasonally adjusted.
[2] Indexes on a December 1982=100 base.
[3] Indexes on a December 1996=100 base.

FED PROBABILITIES

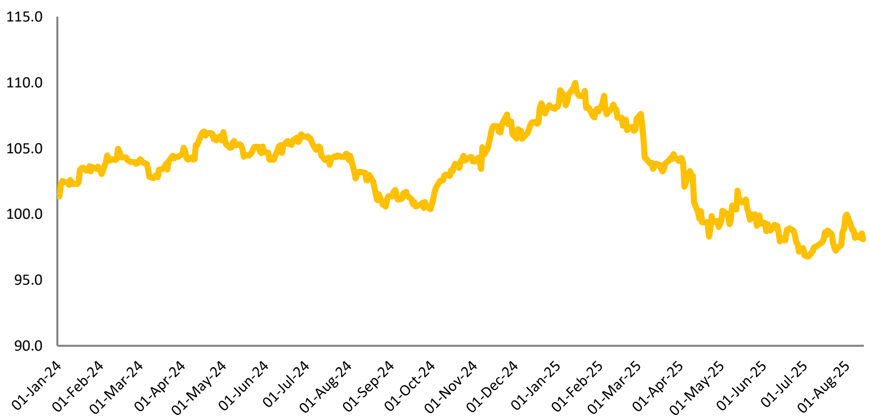
FED PROBABILITIES, as of 13 Aug '25

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%	0.0%	94.2%	5.8%
29-Oct-25	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	62.4%	35.6%	1.9%
10-Dec-25	0.0%	0.0%	0.0%	0.0%	0.5%	50.9%	40.6%	8.2%	0.4%
28-Jan-26	0.0%	0.0%	0.0%	0.0%	23.7%	46.1%	25.5%	4.5%	0.2%
18-Mar-26	0.0%	0.0%	0.0%	12.1%	35.1%	35.6%	14.8%	2.3%	0.1%
29-Apr-26	0.0%	0.0%	3.3%	18.3%	35.2%	30.0%	11.4%	1.7%	0.1%
17-Jun-26	0.0%	1.7%	11.1%	27.0%	32.5%	20.3%	6.4%	0.9%	0.0%
29-Jul-26	0.5%	4.4%	15.7%	28.7%	29.0%	16.3%	4.8%	0.6%	0.0%

Sources : CME Group, and KBVS Research (2025)

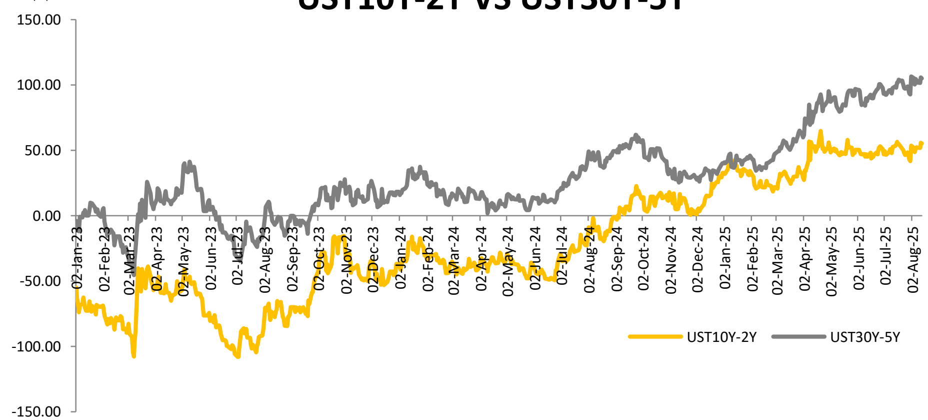
- The growing expectations for a Fed rate cut, fueled by recent remarks from several Federal Reserve officials—most recently Goolsbee—have pushed U.S. Treasury yields to lower levels, despite an uptick in the previous week driven by robust labor market data and firm Services CPI inflation.
- This sentiment has also weighed on the DXY, reflecting an appreciation of various partner currencies against the U.S. dollar.

DXY



Sources : Bloomberg, and KBVS Research (2025)

YIELD SPREAD UST10Y-2Y VS UST30Y-5Y



Sources : Bloomberg, and KBVS Research (2025)

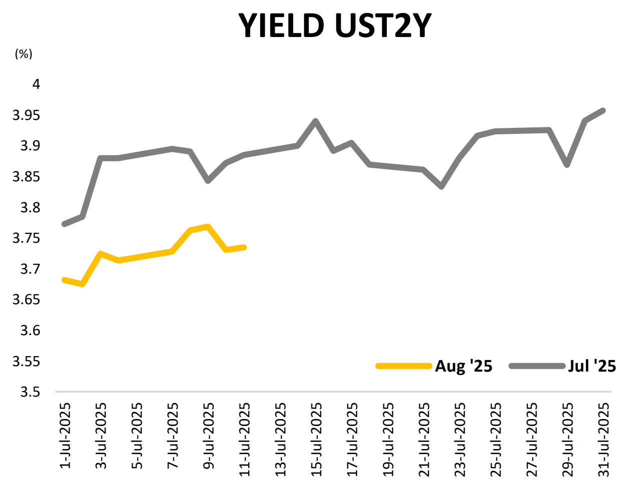
THE MOVEMENT OF UST YIELDS

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+

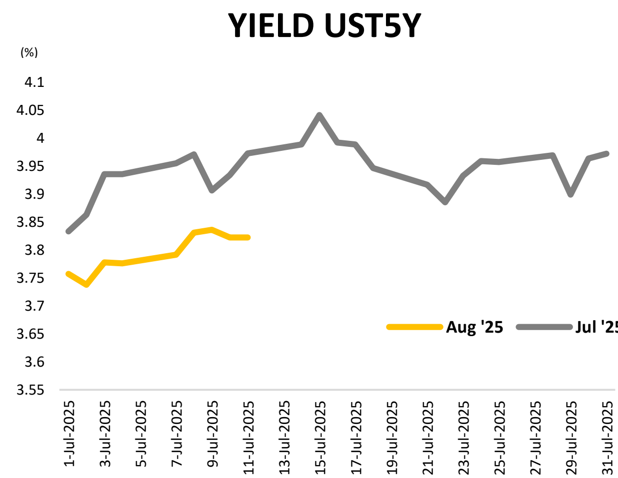
Sources : US Treasury, KBVS Research (2025)

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

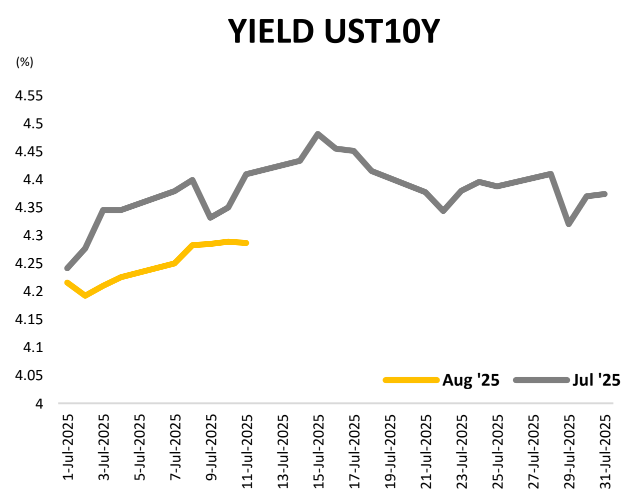
- Yield UST6M
  - -7.34 bps (WoW)
  - -23.24 bps (YtD, as of Aug 13,'25)
- Yield UST1Y
  - -6.63 bps (WoW)
  - -30.39 bps (YtD, as of Aug 13,'25)
- Yield UST2Y
  - -5.76 bps (WoW)
  - -57.13 bps (YtD, as of Aug 13,'25)
- Yield UST5Y
  - -3.86 bps (WoW)
  - -62.91 bps (YtD, as of Aug 13,'25)
- Yield UST10Y
  - -2.51 bps (WoW)
  - -34.41 bps (YtD, as of Aug 13,'25)
- Yield UST30Y
  - -0.88 bps (WoW)
  - +3.61 bps (YtD, as of Aug 13,'25)



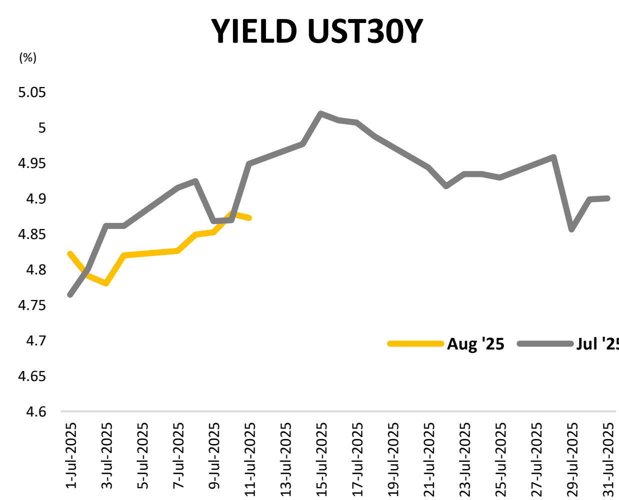
Sources : Bloomberg, KBVS Research (2025)



Sources : Bloomberg, KBVS Research (2025)



Sources : US Treasury, KBVS Research (2025)



Sources : US Treasury, KBVS Research (2025)

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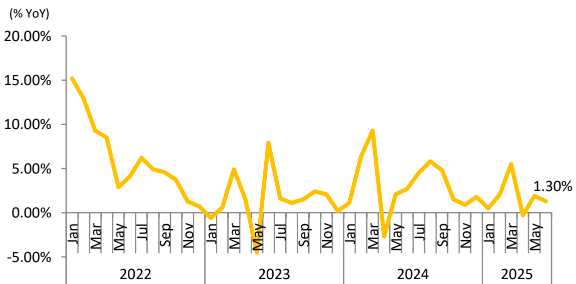
INDONESIA ECONOMIC DATA

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

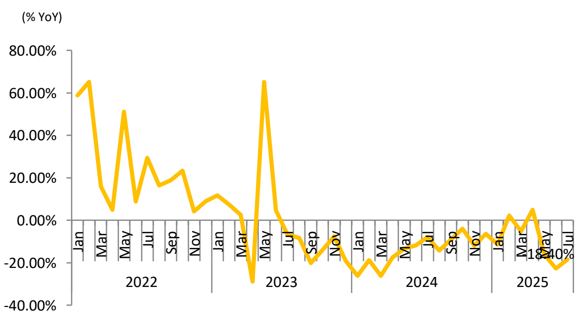
Sources : various sources, KBVS Research (2025)

RETAIL SALES



Sources : BI, KBVS Research (2025)

CAR SALES



Sources : Gaikindo, KBVS Research (2025)

ECONOMIC CALENDAR

(7-13 AUG '25)

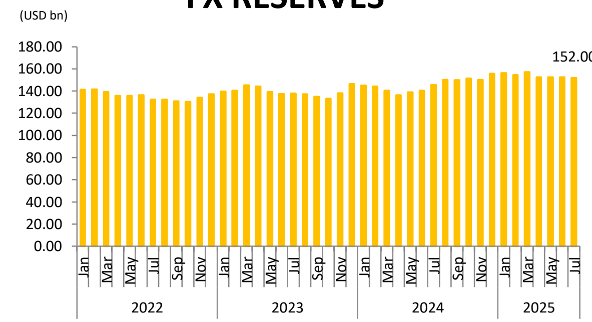
Event	Actual	Forecast	Previous
Thursday, 7 Aug '25			
ID Fx Reserves (USD) (Jul)	152.00B		152.60B
Friday, 8 Aug '25			
ID Motorbike Sales (YoY) (Jul)	-2.00%		-0.30%
ID Consumer Confidence (Jul)	118.10		117.80
Monday, 11 Aug '25			
ID Retail Sales (YoY) (Jul)	1.30%		1.90%
ID Car Sales (YoY) (Jul)	-18.40%		-22.60%
Tuesday, 12 Aug '25			
Wednesday, 13 Aug '25			

Sources : Investing, KBVS Research (2025)

The data release that influenced yield movements in the week of 7-13 Aug '25 are as follows:

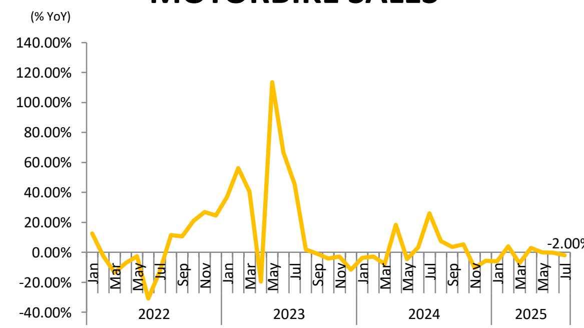
- Fx Reserves in Jul '25 decreased to 152.00B (Prev: 152.60B).
- Motorbike Sales in Jul '25 decreased to -2.00% YoY (Prev: -0.30% YoY).
- Consumer Confidence in Jul '25 increased to 118.10 (Prev: 117.80).
- Retail Sales in Jun '25 decreased to 1.30% YoY (Prev: 1.90% YoY).
- Car Sales in Jul '25 increased to -18.40% YoY (Prev: 22.60% YoY).

FX RESERVES



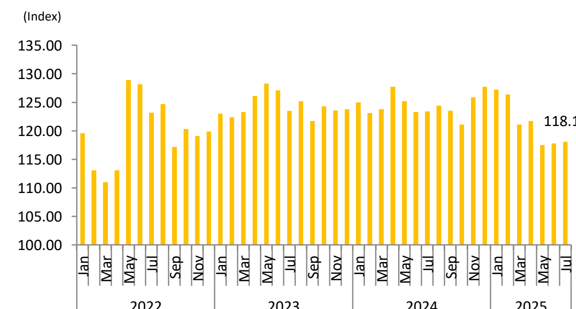
Sources : BI, KBVS Research (2025)

MOTORBIKE SALES



Sources : AISA, KBVS Research (2025)

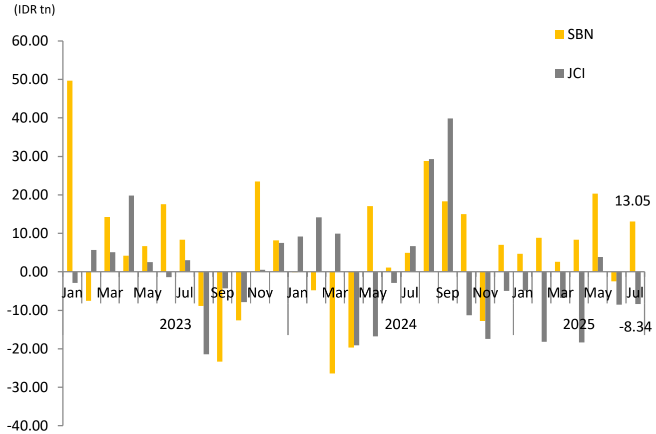
CONSUMER CONFIDENCE



Sources : BI, KBVS Research (2025)

DEVELOPMENT OF TRADABLE SBN

CAPITAL FLOW IN SBN&JCI



Sources : Bloomberg, KBVS Research (2025)

Between 7-13 August '25, non-residents conducted:

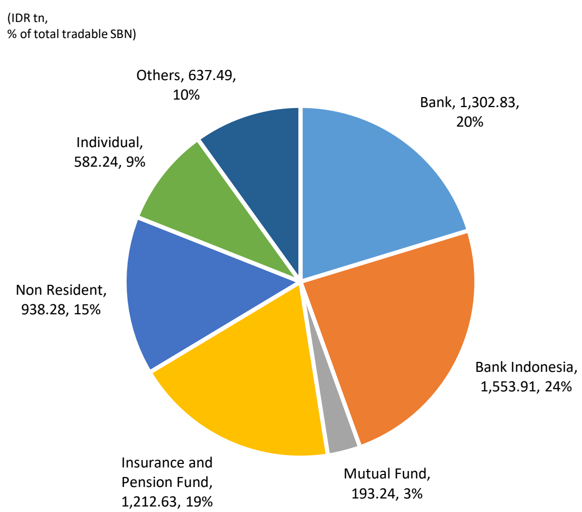
- A net buy of tradeable SBN, amounting IDR4.59 tn.
- A net buy of JCI, amounting IDR5.42 tn.

SUN LATEST AUCTION

12 Aug '25									
Instruments	SPN03251112	SPN12260813	FR0109	FR0108	FR0106	FR0107	FR0102	FR0105	Total
Incoming Bids (IDR tn)	1.52	6.94	88.06	34.04	13.31	7.80	5.08	5.57	162.32
Bid to Cover Ratio	3.03	3.47	8.90	3.85	3.55	2.17	2.61	3.84	5.07
Weighted Average Yields Awarded	5.350%	5.400%	5.948%	6.470%	6.800%	6.850%	6.900%	6.940%	
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%	

Sources : DJPPR, KBVS Research (2025)

OWNERSHIP of IDR TRADABLE SBN



Sources : DJPPR, and KBVS Research (2025)

As of 11 August '25, the largest ownership of tradable SBN is as follows:

- Bank Indonesia : IDR1,553.91 tn (+IDR10.55 tn, WoW),
- Banks : IDR1,302.83 tn (-IDR10.92 tn, WoW), and
- Insurance & Pension Funds: IDR1,212.63 tn (+IDR2.07 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%	

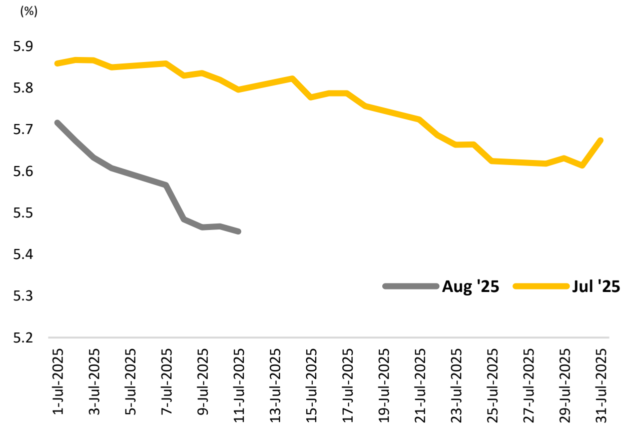
Sources : DJPPR, KBVS Research (2025)

THE MOVEMENT OF SUN YIELDS

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

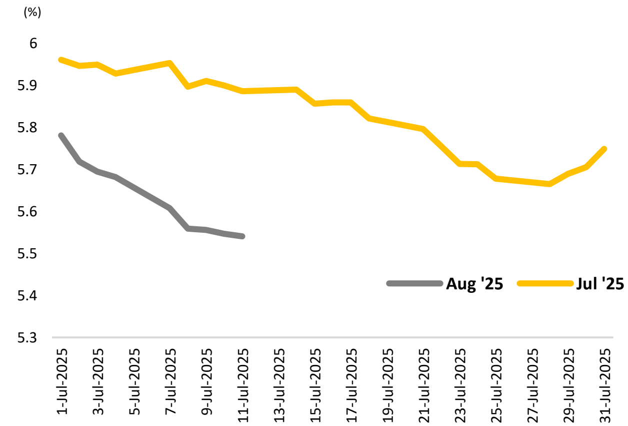
- Yield SUN1Y
  - -17.40 bps (WoW)
  - -129.60 bps (YtD, as of Aug 13,'25)
- Yield SUN2Y
  - -6.20 bps (WoW)
  - -135.80 bps (YtD, as of Aug 13,'25)
- Yield SUN5Y
  - -10.10 bps (WoW)
  - -112.20 bps (YtD, as of Aug 13,'25)
- Yield SUN10Y
  - -6.10 bps (WoW)
  - -58.90 bps (YtD, as of Aug 13,'25)
- Yield SUN30Y
  - -0.40 bps (WoW)
  - -20.10 bps (YtD, as of Aug 13,'25)

YIELD SUN1Y



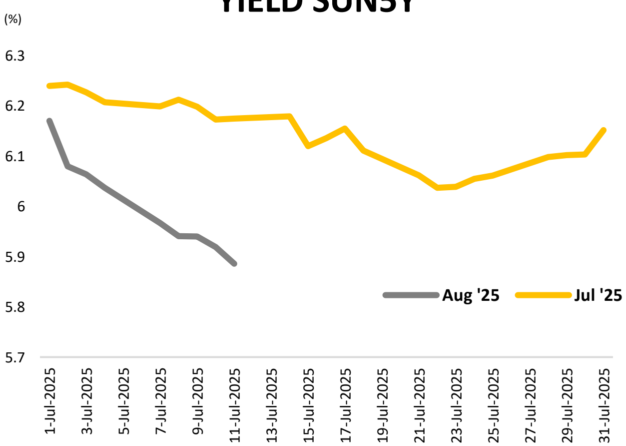
Sources : Bloomberg, KBVS Research (2025)

YIELD SUN2Y



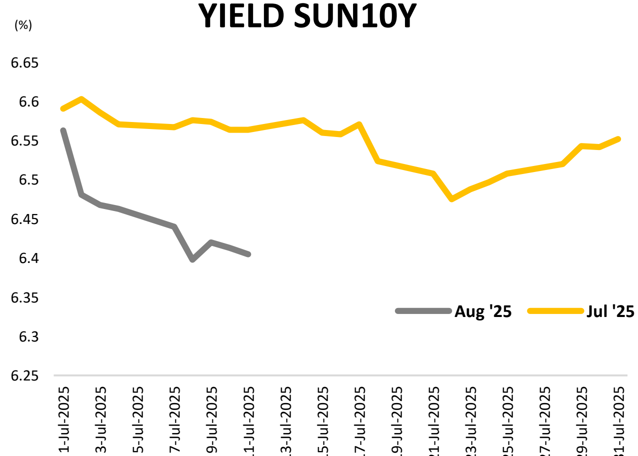
Sources : Bloomberg, KBVS Research (2025)

YIELD SUN5Y



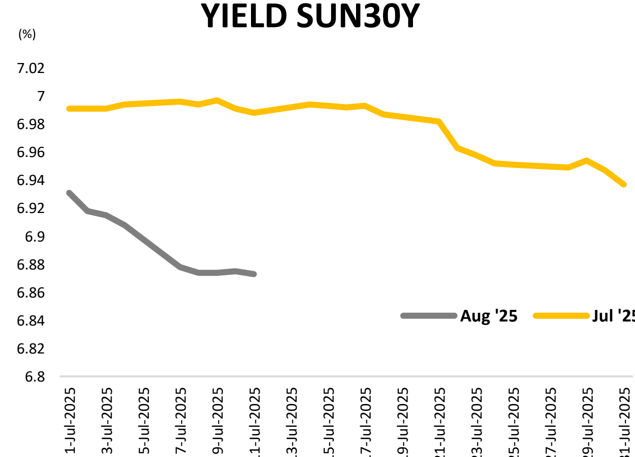
Sources : Bloomberg, KBVS Research (2025)

YIELD SUN10Y



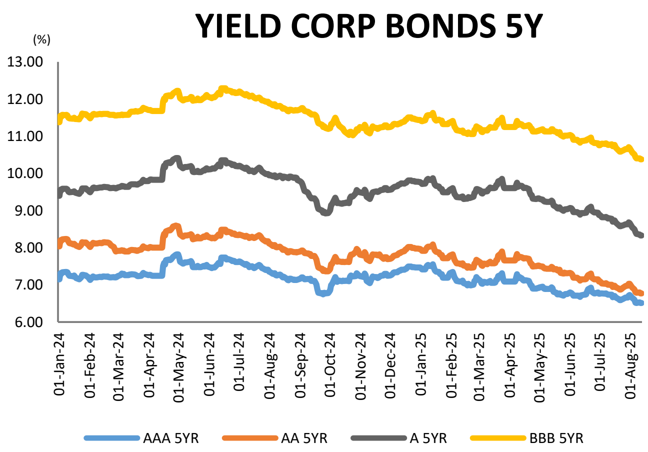
Sources : Bloomberg, KBVS Research (2025)

YIELD SUN30Y

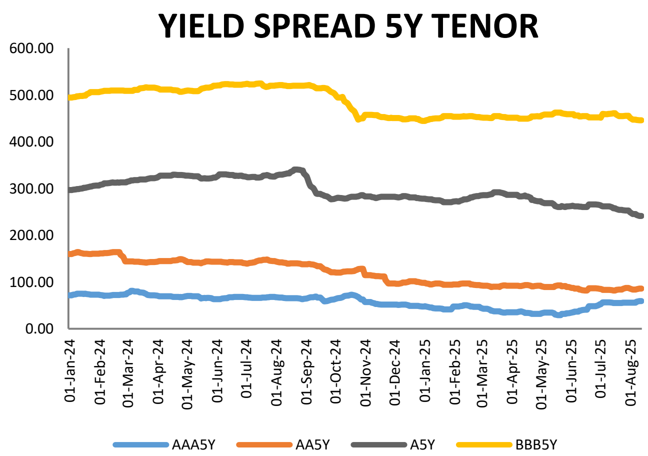


Sources : Bloomberg, KBVS Research (2025)

THE MOVEMENT OF CORPORATE BOND YIELD



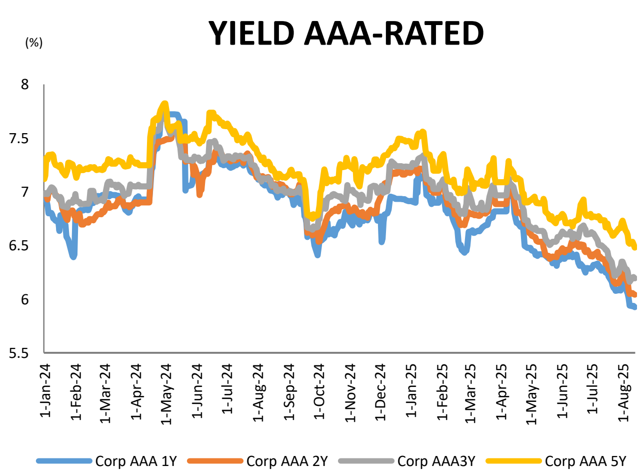
Sources : Bloomberg, KBVS Research (2025)



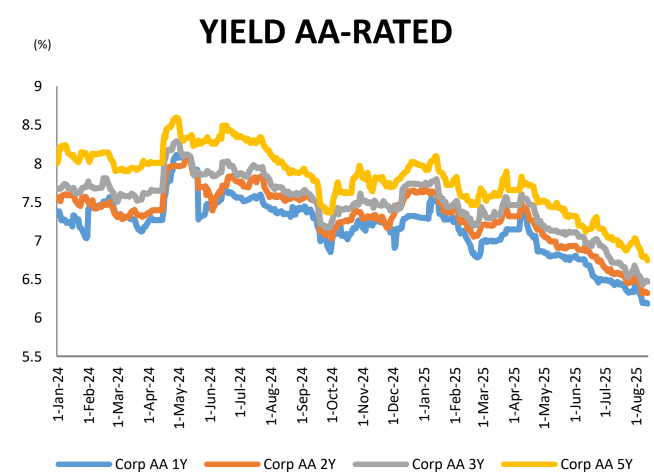
Sources : Bloomberg, KBVS Research (2025)

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

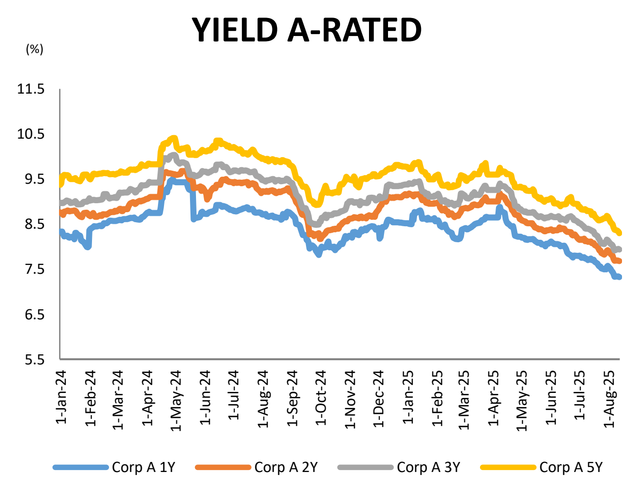
- AAA-rated
  - Tenor 1Y : -18.29 bps (WoW)
  - Tenor 2Y : -11.09 bps (WoW)
  - Tenor 5Y : -14.96 bps (WoW)
- AA-rated
  - Tenor 1Y : -16.63 bps (WoW)
  - Tenor 2Y : -9.06 bps (WoW)
  - Tenor 5Y : -16.44 bps (WoW)
- A-rated
  - Tenor 1Y : -16.49 bps (WoW)
  - Tenor 2Y : -11.63 bps (WoW), and
  - Tenor 5Y : -22.61 bps (WoW)



Sources : Bloomberg, KBVS Research (2025)



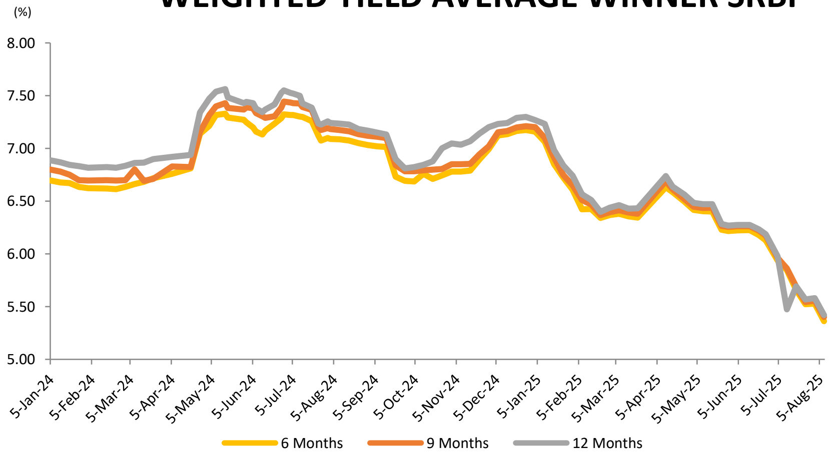
Sources : Bloomberg, KBVS Research (2025)



Sources : Bloomberg, KBVS Research (2025)

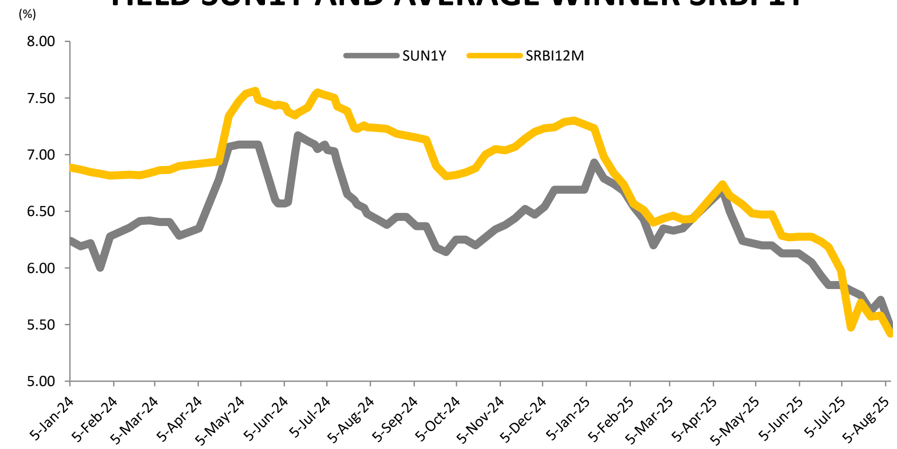
BI'S MONETARY OPERATION

WEIGHTED YIELD AVERAGE WINNER SRBI



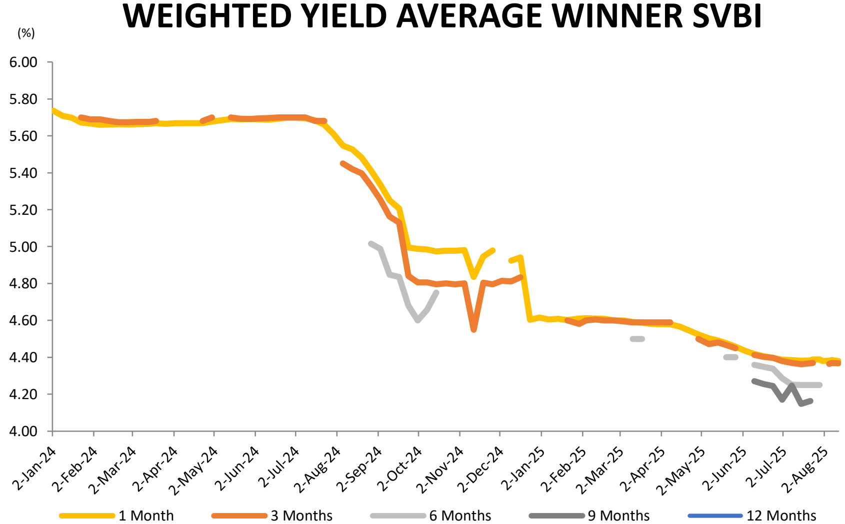
Sources : BI, KBVS Research (2025)

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 8 Aug '25, recorded a positive growth, from IDR23.07 tn to IDR52.97 tn.
- This was also accompanied by an decreased movement in the weighted average yield in most of the respective tenors as follows:
  - 6 month : -16.737 bps
  - 9 month : -15.341 bps
  - 12 month : -16.157 bps

- On the other hand, Incoming bids in the SVBI auction on 12 Aug '25, rose to USD598.00 mn (Prev: USD337.00 mn).
- Yields are declining, with the following results::
  - 1 month: -0.388 bps
  - 3 month: -0.168 bps

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NEXT WEEK ECONOMIC CALENDAR

ECONOMIC CALENDAR

(14-20 AUG 2025)

Country	Event	Forecast	Previous
Thursday, Aug 14, 2025			
US FOMC Member Bostic Speaks			
GB Business Investment (QoQ) (Q2)			3.90%
GB GDP (YoY) (Q2)			1.30%
GB GDP (MoM) (Jun)		0.20%	-0.10%
GB GDP (QoQ) (Q2)			0.70%
GB Industrial Production (MoM) (Jun)		0.40%	-0.90%
GB Manufacturing Production (MoM) (Jun)		0.40%	-1.00%
GB Monthly GDP 3M/3M Change (Jun)			0.50%
GB Trade Balance (Jun)		-21.70B	-21.69B
GB Trade Balance Non-EU (Jun)			-9.32B
GB Labour Productivity (Q1)		-0.50%	-0.50%
CN New Loans (Jul)		300.0B	2,240.0B
EU GDP (YoY) (Q2)		1.40%	1.40%
EU GDP (QoQ) (Q2)		0.10%	0.10%
EU Industrial Production (MoM) (Jun)		-0.90%	1.70%
EU Eurogroup Meetings			
US Continuing Jobless Claims			1,974K
US Initial Jobless Claims		220K	226K
US Core PPI (MoM) (Jul)		0.20%	0.00%
US PPI (MoM) (Jul)		0.20%	0.00%

Country	Event	Forecast	Previous
Friday, Aug 15, 2025			
US Fed's Balance Sheet			6,641B
JP GDP (QoQ) (Q2)		0.10%	0.00%
JP GDP (YoY) (Q2)		0.40%	-0.20%
JP GDP Price Index (YoY) (Q2)		3.10%	3.30%
CN Fixed Asset Investment (YoY) (Jul)		2.70%	2.80%
CN Industrial Production (YoY) (Jul)		6.00%	6.80%
CN Industrial Production Ytd (YoY) (Jul)			6.40%
CN Unemployment Rate (Jul)		5.10%	5.00%
CN NBS Press Conference			
JP Industrial Production (MoM) (Jun)		1.70%	1.70%
GB NIESR Monthly GDP Tracker (Jul)			0.20%
US Core Retail Sales (MoM) (Jul)		0.30%	0.50%
US Export Price Index (MoM) (Jul)			0.50%
US Import Price Index (MoM) (Jul)		0.00%	0.10%
US NY Empire State Manufacturing Index (Aug)		-1.20	5.50
US Retail Control (MoM) (Jul)			0.50%
US Retail Sales (MoM) (Jul)		0.50%	0.60%
US Industrial Production (YoY) (Jul)			0.73%
US Industrial Production (MoM) (Jul)		0.00%	0.30%
US Business Inventories (MoM) (Jun)		0.20%	0.00%
US Michigan 1-Year Inflation Expectations (Aug)			4.50%
US Michigan 5-Year Inflation Expectations (Aug)			3.40%
US Michigan Consumer Expectations (Aug)			57.70
US Michigan Consumer Sentiment (Aug)		62.20	61.70
US Retail Inventories Ex Auto (Jun)		0.00%	0.00%

Country	Event	Forecast	Previous
Monday, Aug 18, 2025			
ID Consumer Confidence (Jul)			117.80
ID Retail Sales (YoY) (Jun)			1.90%
EU Trade Balance (Jun)			16.20B
Tuesday, Aug 19, 2025			
US Building Permits (Jul)			1.393M
US Housing Starts (Jul)			1.321M
US Housing Starts (MoM) (Jul)			4.60%
Wednesday, Aug 20, 2025			
JP Exports (YoY) (Jul)			-0.50%
JP Imports (YoY) (Jul)			0.30%
JP Trade Balance (Jul)			152.10B
CN Loan Prime Rate 5Y (Aug)			3.50%
GB CPI (MoM) (Jul)			0.30%
GB CPI (YoY) (Jul)			3.60%
GE PPI (MoM) (Jul)			0.10%
ID Deposit Facility Rate (Aug)			4.50%
ID Lending Facility Rate (Aug)			6.00%
ID Loans (YoY) (Jul)			7.77%
ID Interest Rate Decision (Aug)			
EU Core CPI (YoY) (Jul)			2.30%
EU CPI (YoY) (Jul)			2.00%
EU CPI (MoM) (Jul)			0.30%

Sources : investing, KBVS Research (2025)


Thank you!

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**.