

Amid Tariffs, Interest Rates, and the Decline in Domestic FDI

31 July 2025

Economist / Fikri C Permana

EXECUTIVE SUMMARY

- The United States and European Union have reached a trade agreement worth USD1.35 tn, covering tariff reductions, digital trade, and regulatory alignment. The deal strengthens transatlantic economic ties while maintaining U.S. tariffs on strategic sectors such as automotive, metals, and pharmaceuticals.
- Meanwhile, U.S.-China trade talks concluded without an extension of the tariff truce, which is set to expire on 12 Aug. Key unresolved issues include reforms on rare earths and state-owned enterprises. The decision to resume tariffs on USD370 bn in Chinese goods now rests with President Trump.
- The Federal Reserve kept its benchmark interest rate steady at 4.25%–4.50%, offering no clear guidance on a potential rate cut in Sep '25. However, pressure from President Trump on Fed Chair Jerome Powell has intensified, amid growing internal divisions within the central bank.
- On the domestic front, Indonesia's foreign direct investment (FDI)—excluding the financial and oil & gas sectors—fell by -6.95% YoY to IDR202.2 tn (USD12.3 bn) in 2Q25. This marks the first contraction since 3Q21 and the steepest drop in five years, driven by global trade uncertainty and weakening domestic purchasing power.
- Key sectors attracting FDI included base metals, mining, services, transportation, warehousing, and telecommunications. The top sources of FDI were Singapore (USD4.2 bn), Hong Kong (USD2.3 bn), and China (USD1.8 bn). Despite the FDI decline, total investment—combining both foreign and domestic capital—rose by 11.5% YoY to IDR477.7 tn, creating 665,764 new jobs.



Source: Chinausfocus.com (2025), link: <https://www.chinausfocus.com/finance-economy/us-hooked-on-china-drip-by-drip>



TABLE OF CONTENTS :

3 Global Economy

9 Domestic Economy

16 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	%	Jun '25	4,1	4,2

Sources : various sources, KBVS Research (2025)

The data releases that influenced yield movements in the week of 24-30 Jul '25 are as follows:

- The number of people claiming unemployment benefits on the period ending July 18th, '25 in the US decreased by 4K to 217K (Cons: 227K, Prev: 221K).
- S&P Global Manufacturing PMI in Jul '25 decreased to 49.50 (Cons: 52.70, Prev: 52.90).
- S&P Global Services PMI in Jul '25 decreased to 55.20 (Cons: 53.00, Prev: 52.90).
- New Home Sales in Jun '25 decreased to 627K (Cons: 649K, Prev: 623K).
- Durable Goods Orders in Jun '25 decreased to -9.30% MoM (Cons: -10.40% MoM, Prev: 16.50% MoM).
- CB Consumer Confidence in Jul '25 increased to 97.20 (Cons: 95.90, Prev: 95.20).
- JOLTs Job Openings in Jun '25 decreased to 7.437M (Cons: 7.510M, Prev: 7.712M).

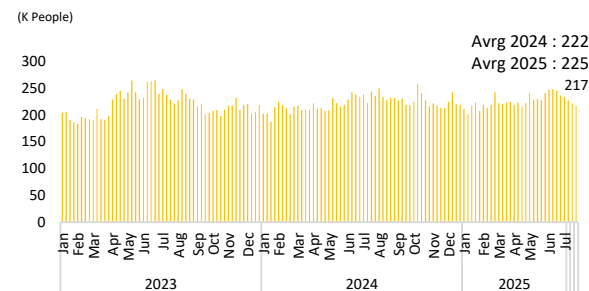
ECONOMIC CALENDAR

(24-30 JUL '25)

Event	Actual	Forecast	Previous
Thursday, 24 Jul '25			
US 20-Year Bond Auction	4.94%		4.94%
US Building Permits (Jun)	1.393M	1.397M	1.394M
US Continuing Jobless Claims	1,955K	1,960K	1,951K
US Initial Jobless Claims	217K	227K	221K
US S&P Global Manufacturing PMI (Jul)	49.50	52.70	52.90
US S&P Global Composite PMI (Jul)	54.60		52.90
US S&P Global Services PMI (Jul)	55.20	53.00	52.90
US New Home Sales (Jun)	627K	649K	623K
US New Home Sales (MoM) (Jun)	0.60%		-11.60%
Friday, 25 Jul '25			
US 10-Year TIPS Auction	1.99%		2.22%
US Fed's Balance Sheet	6,658B		6,659B
US Core Durable Goods Orders (MoM) (Jun)	0.20%	0.10%	0.60%
US Durable Goods Orders (MoM) (Jun)	-9.30%	-10.40%	16.50%
US Atlanta Fed GDP Now (Q2)	2.40%	2.40%	2.40%
Monday, 28 Jul '25			
US 2-Year Note Auction	3.92%		3.79%
Tuesday, 29 Jul '25			
US 5-Year Note Auction	3.98%		3.88%
US Goods Trade Balance (Jun)	-85.99B	-98.30B	-96.59B
US Retail Inventories Ex Auto (Jun)	0.00%		0.10%
US S&P/CS HPI Composite - 20 n.s.a. (YoY) (May)	2.80%	2.90%	3.40%
US S&P/CS HPI Composite - 20 n.s.a. (MoM) (May)	0.40%		0.80%
US CB Consumer Confidence (Jul)	97.20	95.90	95.20
US JOLTs Job Openings (Jun)	7.437M	7.510M	7.712M
Wednesday, 30 Jul '25			
US 7-Year Note Auction	4.09%		4.02%
US API Weekly Crude Oil Stock	1.539M	-2.500M	-0.577M
US ADP Nonfarm Employment Change (Jul)		77K	-33K
US Core PCE Prices (Q2)		2.40%	3.50%
US GDP (QoQ) (Q2)		2.50%	-0.50%
US GDP Price Index (QoQ) (Q2)		2.20%	3.80%
US Pending Home Sales (MoM) (Jun)		0.20%	1.80%
US Crude Oil Inventories		-2.300M	-3.169M
US Cushing Crude Oil Inventories			0.455M

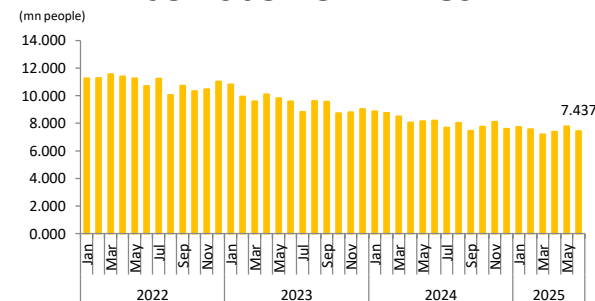
Sources : investing, KBVS Research (2025)

WEEKLY INITIAL JOBLESS CLAIMS



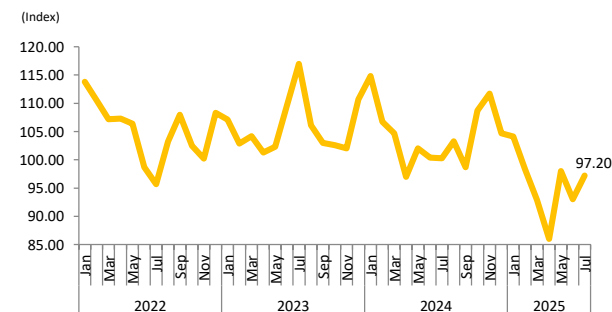
Sources : US DoL, KBVS Research (2025)

JOLTS JOB OPENINGS



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

CB CONSUMER CONFIDENCE



Sources : US Conference Board, KBVS Research (2025)

UPDATE TARIFF TRUMP



Source: Al Jazeera (2025)

- The U.S. and EU reached a major deal agreement on July 28 where the EU will commit USD750 bn in U.S. energy purchases and a further USD600 bn in investments by 2028, to deepen transatlantic ties
- The U.S. will impose a 15% blanket tariff on most EU imports, primarily on auto, pharmaceuticals, and semiconductor imports, while keeping the 50% tariffs on steel, aluminum, and copper. In return, the EU has agreed to eliminate all tariffs on U.S. Industrial goods and streamlined barriers in agriculture and manufacturing
- The agreement also ensures zero customs duties on digital goods and electronics transmission, with the EU agreeing not to impose network usage fees, joining the U.S. in addressing digital trade barriers. Strong rules of origin are also established to prevent trade diversion by third countries
- The deal also streamlines non-tariff barriers, simplifying regulations for U.S. industrial goods, easing sanitary certifications for pork and dairy, expanding quotas on U.S. products, and increasing purchases of American military equipment

- Meanwhile, the U.S.-China trade talks stay in limbo with negotiations in Stockholm concluding on July 29 without finalizing an extension of the 90-day tariff truce, expiring on August 12.
- Discussions focused on China's control of rare earth exports, access to sensitive dual-use technologies, and structural reforms in state-owned enterprises.
- With the decisions in President Trump's hands, any truce extension depends on his approval. Without his sign-off, tariffs on USD370 bn worth of Chinese goods could snap back, potentially reigniting another trade escalation.



Source: CNBC (2025)

FOMC DECISION

FEDERAL RESERVE press release



For release at 2:00 p.m. EDT

July 30, 2025

Although swings in net exports continue to affect the data, recent indicators suggest that growth of economic activity moderated in the first half of the year. The unemployment rate remains low, and labor market conditions remain solid. Inflation remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate.

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Source: Al Jazeera (2025)

At the FOMC meeting on 30 Jul '25, in addition to keeping the federal funds rate unchanged at 4.25%–4.50%, the Federal Reserve announced several key decisions:

- The Board of Governors unanimously voted to maintain the interest rate on reserve balances at 4.4%, effective 31 Jul '25.
- The FOMC also instructed the Open Market Desk at the Federal Reserve Bank of New York to conduct the following operations, effective 31 Jul '25, until further notice:
 - Conduct standing overnight repurchase agreement (repo) operations with a minimum bid rate of 4.5% and a total operation limit of USD500 bn.
 - Conduct standing overnight reverse repurchase agreement (reverse repo) operations at an offering rate of 4.25%, with a per-counterparty limit of USD160 bn per day.
 - Roll over at auction all principal payments from maturing Treasury securities that exceed a monthly cap of USD5 bn.
 - Treasury coupon securities will be redeemed up to this cap, and Treasury bills will be redeemed only if coupon payments fall short of the cap.
 - Reinvest principal payments from agency debt and mortgage-backed securities (MBS) that exceed a USD35 bn monthly cap into Treasury securities, aiming to closely match the maturity profile of the outstanding Treasury portfolio. Allow for minor operational deviations from the stated reinvestment amounts if necessary.
 - Separately, the Board of Governors also unanimously voted to maintain the primary credit rate at 4.5%.

FED PROBABILITIES

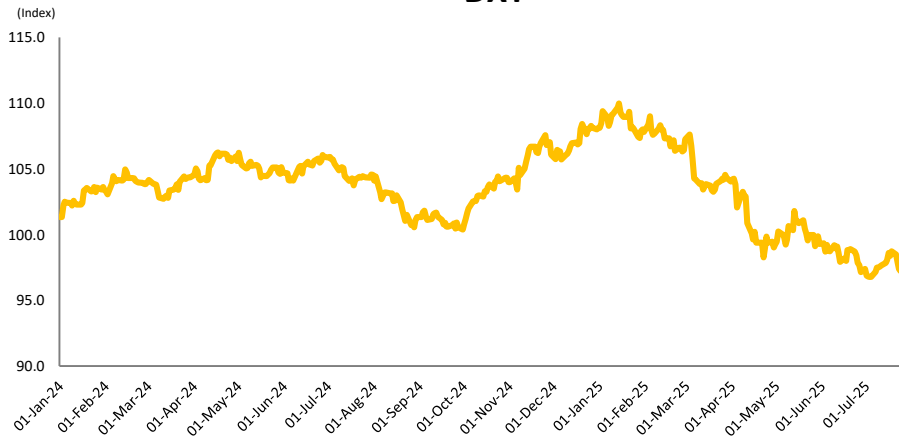
FED PROBABILITIES, as of 30 Jul '25

MEETING DATE	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
30-Jul-25	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.1%	97.9%
17-Sep-25	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	64.7%	34.0%
29-Oct-25	0.0%	0.0%	0.0%	0.0%	0.7%	32.5%	49.6%	17.3%
10-Dec-25	0.0%	0.0%	0.0%	0.5%	22.5%	44.2%	27.5%	5.4%
28-Jan-26	0.0%	0.0%	0.2%	8.5%	30.4%	38.1%	19.4%	3.5%
18-Mar-26	0.0%	0.1%	4.5%	19.9%	34.4%	28.4%	11.1%	1.7%
29-Apr-26	0.1%	1.4%	9.0%	24.1%	32.6%	23.4%	8.4%	1.2%
17-Jun-26	0.8%	5.5%	17.2%	28.8%	27.6%	15.2%	4.4%	0.5%

Sources : CME Group, and KBVS Research (2025)

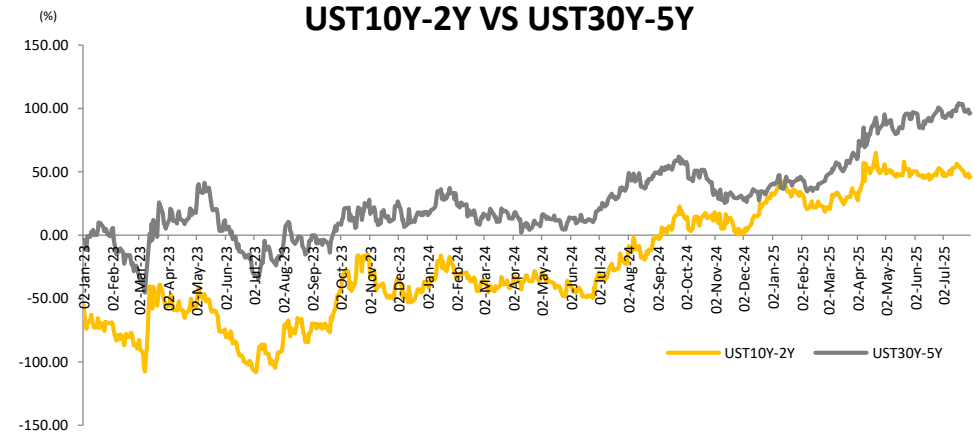
- The Fed expects to keep the federal funds rate unchanged at 4.25%-4/50% at its July meeting, with markets widely anticipating no cuts this week, and focus shifting to potential action in September
- President Trump has been publicly pushing for rate cuts, threatening Powell while two Trump-appointed Fed governors are preparing to dissent, underlining growing political tensions and internal divisions within the Fed
- With no moves expected this week, attention turns to Powell's tone, seeking clarity whether cuts are likely in fall, especially as core PCE inflation remains above the 2% target

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

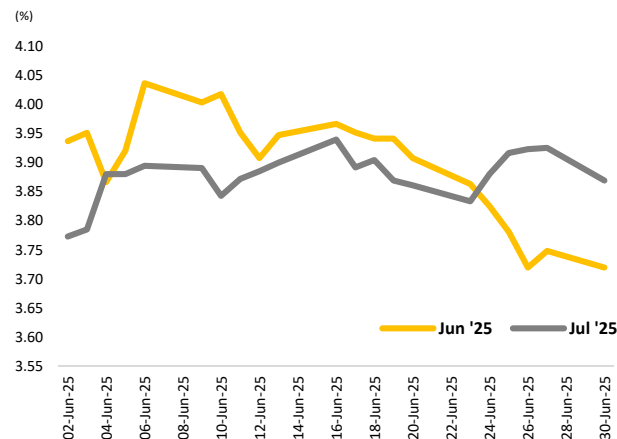
US FISCAL INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Govt Debt	USD Tn	Nov' 24	36.08	35.95
Govt Debt to GDP	%	4Q24	124.35	122.3
Govt Budget	USD Bn	Nov '24	-367.30	-257.00
S&P Credit Rating	Rating	27-Mar-24	AA+	AA+

Sources : US Treasury, KBVS Research (2025)

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

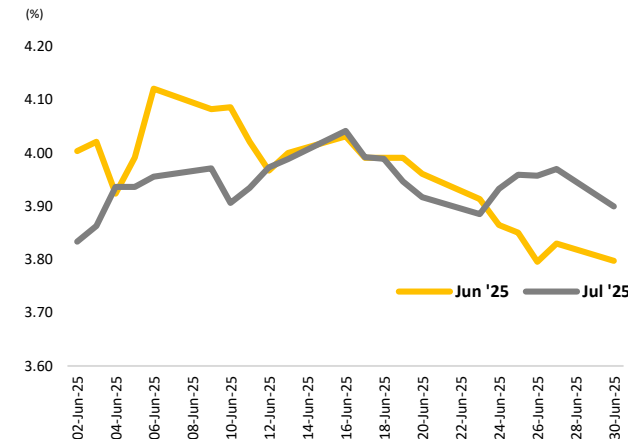
- Yield UST6M
 - -3.17 bps (WoW)
 - -3.44 bps (YtD, as of Jul 30,'25)
- Yield UST1Y
 - -1.84 bps (WoW)
 - -8.57 bps (YtD, as of Jul 30,'25)
- Yield UST2Y
 - -1.11 bps (WoW)
 - -37.27 bps (YtD, as of Jul 30,'25)
- Yield UST5Y
 - -2.63 bps (WoW)
 - -47.58 bps (YtD, as of Jul 30,'25)
- Yield UST10Y
 - -4.75 bps (WoW)
 - -23.67 bps (YtD, as of Jul 30,'25)
- Yield UST30Y
 - -6.12 bps (WoW)
 - +9.23 bps (YtD, as of Jul 30,'25)

YIELD UST2Y



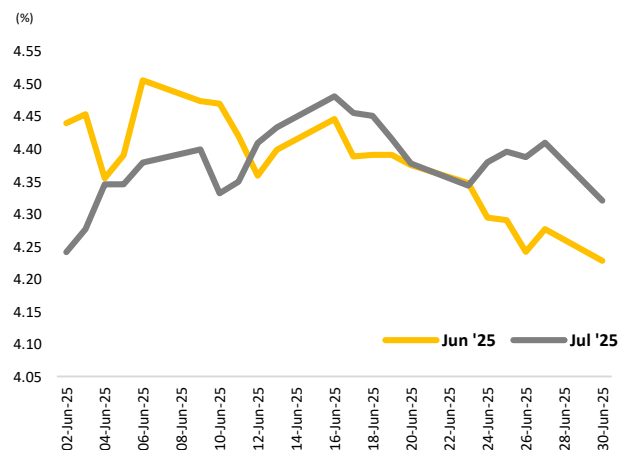
Sources : Bloomberg, KBVS Research (2025)

YIELD UST5Y



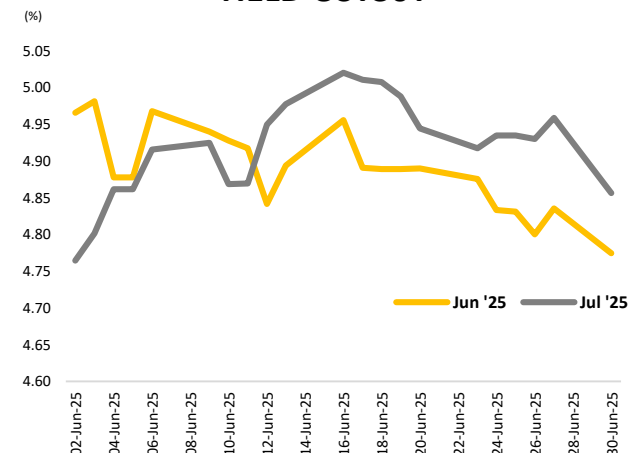
Sources : Bloomberg, KBVS Research (2025)

YIELD UST10Y



Sources : US Treasury, KBVS Research (2025)

YIELD UST30Y



Sources : US Treasury, KBVS Research (2025)



TABLE OF CONTENTS :

3 Global Economy

9 Domestic Economy

16 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	1Q25	4.87	5.02
Inflation Rate	%, yoy	Jun '25	1.87	1.60
Unemployment Rate	%	Feb '25	4.76	4.91
S&P Credit Rating	Rating	17 July '24	BBB	BBB

Sources : various sources, KBVS Research (2025)

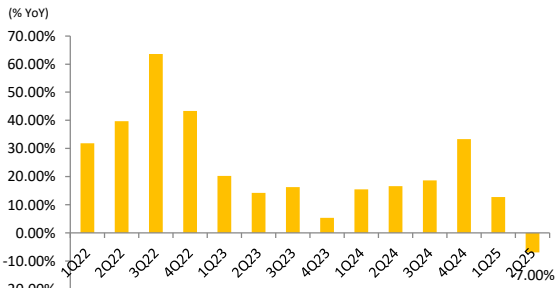
ECONOMIC CALENDAR

(24-30 JUL '25)

Event	Actual	Forecast	Previous
Thursday, 24 Jul '25			
Friday, 25 Jul '25			
Monday, 28 Jul '25			
Tuesday, 29 Jul '25			
ID Foreign Direct Investment (YoY) (Q2)	-7.00%		12.70%
Wednesday, 30 Jul '25			

Sources : Investing, KBVS Research (2025)

FOREIGN DIRECT INVESTMENT



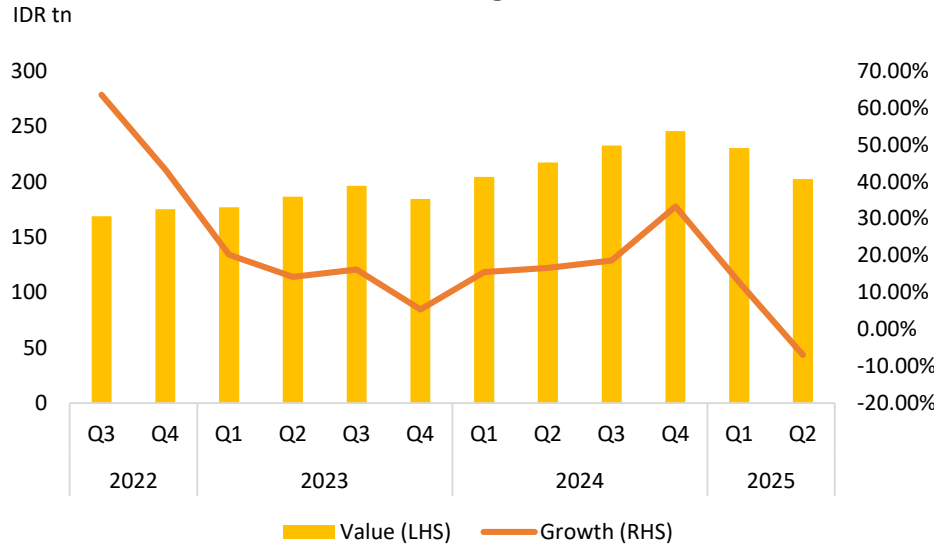
Sources : BKPM, KBVS Research (2025)

The data release that influenced yield movements in the week of 24-30 Jul '25 are as follows:

- Foreign Direct Investment in 2Q25 decreased to -7.00% YoY (Prev: 12.70% YoY).

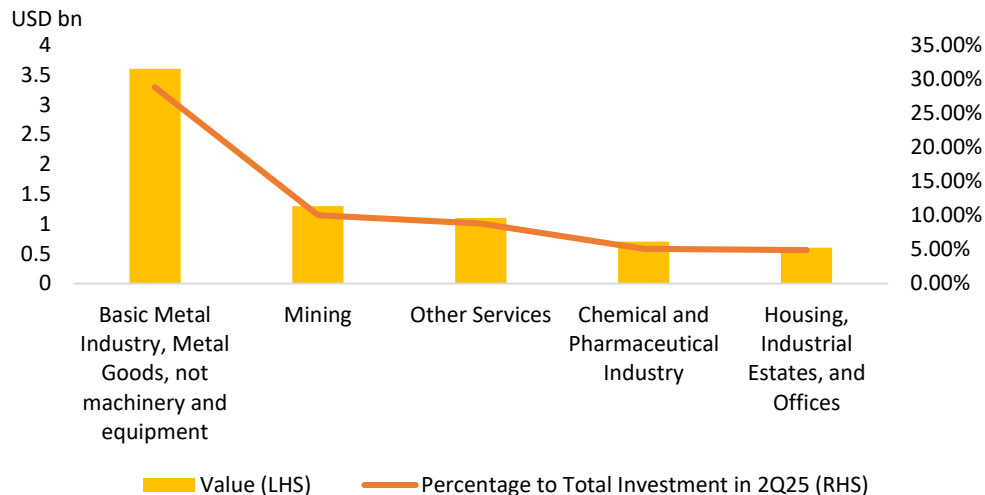
FDI

FDI FLOW

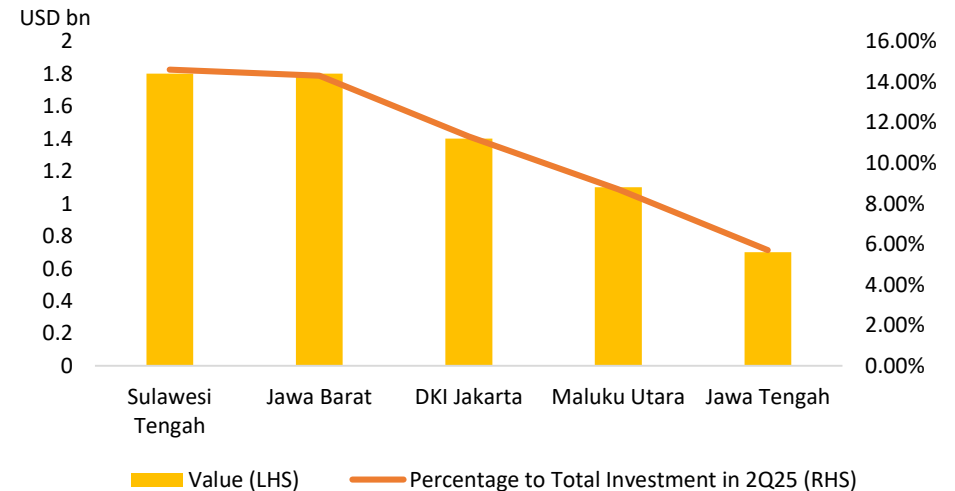


- Foreign direct investment (FDI) into Indonesia, excluding investments in the financial and oil & gas sectors, dropped by 6.95% yoy to IDR 202.2 trillion (USD 12.3 billion) in the 2Q25, sharply reversing a 12.7% rise in the previous quarter.
- This marked the first decline in foreign direct investment since 3Q21 and the steepest fall in five years, amid uncertainty surrounding US tariff policy and weakening domestic purchasing power.
- Some of the largest recipients of FDI in the April–June period were the base metal, mining, services, transportation, warehousing, and telecommunication industries.
- Singapore remained the largest source of FDI (USD 4.2 billion), followed by Hong Kong (USD 2.3 billion) and China (USD 1.8 billion).
- Meanwhile, total direct investment, including domestic sources, reached IDR 477.7 trillion, up 11.5% year-on-year, creating more than 665,764 jobs.

INVESTMENT REALIZATION PER SECTOR



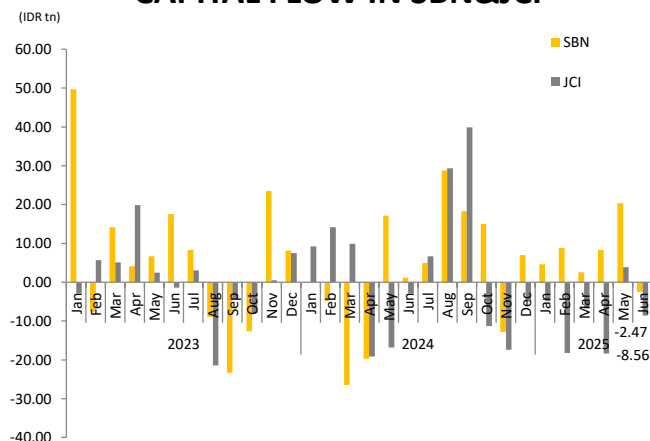
INVESTMENT REALIZATION PER PROVINCE



Sources : BKPM and KBVS Research (2025)

DEVELOPMENT OF TRADABLE SBN

CAPITAL FLOW IN SBN&JCI



Sources : Bloomberg, KBVS Research (2025)

Between 24-30 July '25, non-residents conducted:

- A net buy of tradeable SBN, amounting IDR1.72 tn.
- A net sell of JCI, amounting IDR0.85 tn.

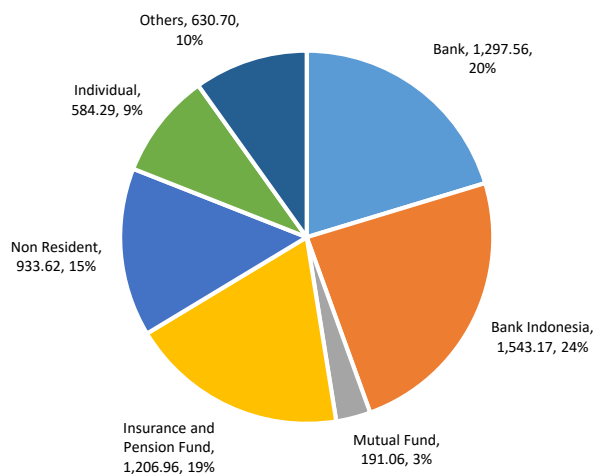
SUN LATEST AUCTION

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 28 July '25, the largest ownership of tradable SBN is as follows:

- Bank Indonesia : IDR1,555.90 tn (+IDR19.12 tn, WoW),
- Banks : IDR1,276.11 tn (+IDR0.66 tn, WoW), and
- Insurance & Pension Funds: IDR1,206.51 tn (+IDR8.62 tn, WoW)

SBSN LATEST AUCTION

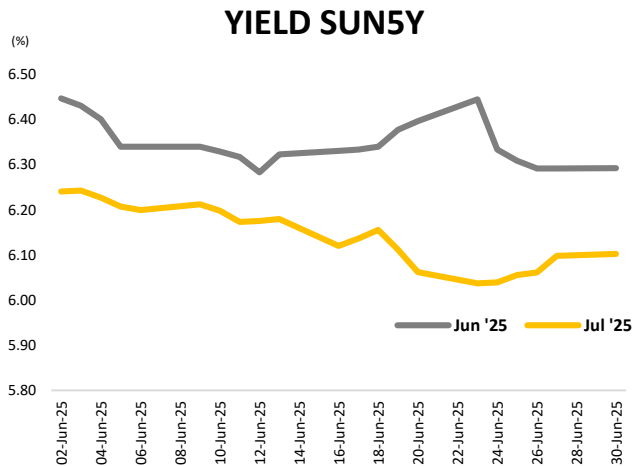
22 Jul '25								
Instruments	SPNS12012026	SPNS06042026	PBS003	PBS030	PBS034	PBS039	PBS038	Total
Incoming Bids (IDR tn)	2.79	7.95	13.93	14.31	2.62	0.90	7.77	50.26
Bid to Cover Ratio	6.98	19.87	13.26	3.11	3.08	5.97	1.71	4.19
Weighted Average Yields Awarded	5.460%	5.510%	5.700%	5.877%	6.759%	6.854%	6.950%	
8 Jul '25								
Instruments	SPNS12012026	SPNS06042026	PBS003	PBS030	PBSG001	PBS034	PBS038	Total
Incoming Bids (IDR tn)	1.04	4.90	8.58	13.35	3.15	2.05	7.77	40.83
Bid to Cover Ratio	-	2.45	5.36	3.38	1.97	2.93	3.61	3.40
Weighted Average Yields Awarded	-	5.842%	5.982%	6.111%	6.230%	6.829%	6.969%	

Sources : DJPPR, KBVS Research (2025)

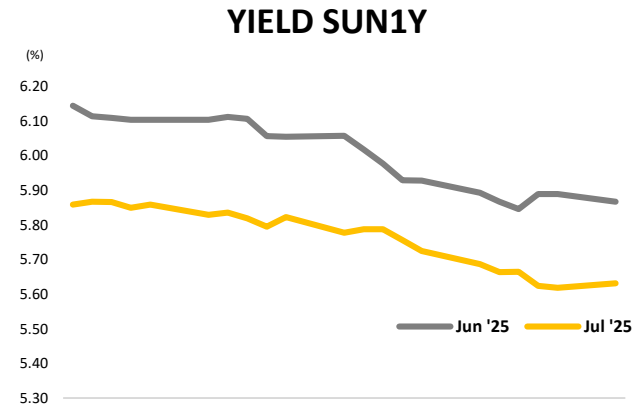
THE MOVEMENT OF SUN YIELDS

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

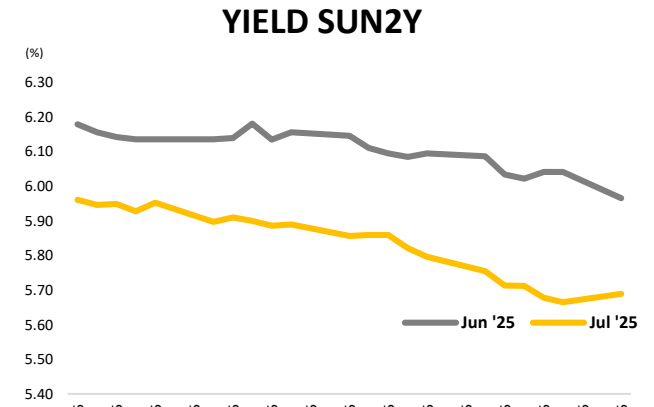
- Yield SUN1Y
 - -6.10 bps (WoW)
 - -108.60 bps (YtD, as of Jul 30, '25)
- Yield SUN2Y
 - -2.00 bps (WoW)
 - -121.10 bps (YtD, as of Jul 30, '25)
- Yield SUN5Y
 - +6.40 bps (WoW)
 - -88.50 bps (YtD, as of Jul 30, '25)
- Yield SUN10Y
 - +5.10 bps (WoW)
 - -42.90 bps (YtD, as of Jul 30, '25)
- Yield SUN30Y
 - -1.10 bps (WoW)
 - -12.80 bps (YtD, as of Jul 30, '25)



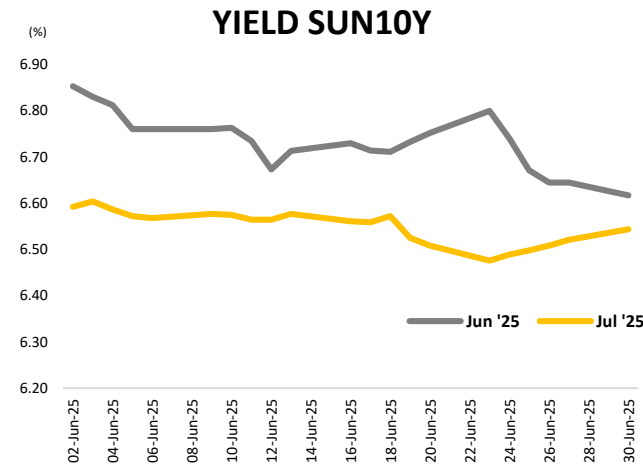
Sources : Bloomberg, KBVS Research (2025)



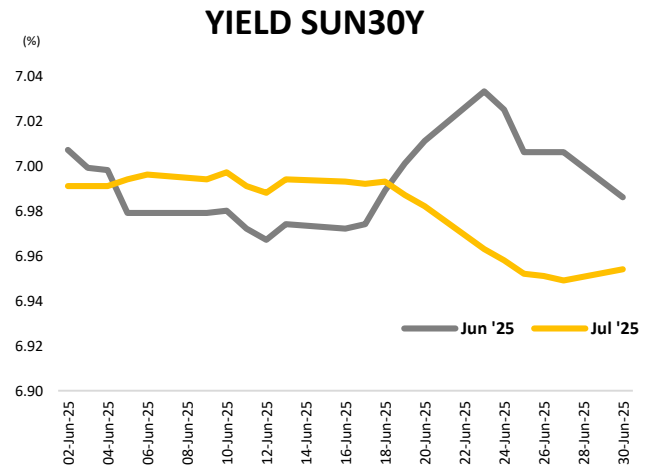
Sources : Bloomberg, KBVS Research (2025)



Sources : Bloomberg, KBVS Research (2025)



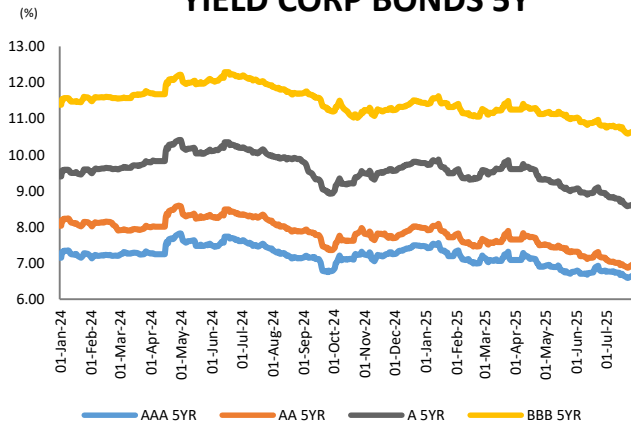
Sources : Bloomberg, KBVS Research (2025)



Sources : Bloomberg, KBVS Research (2025)

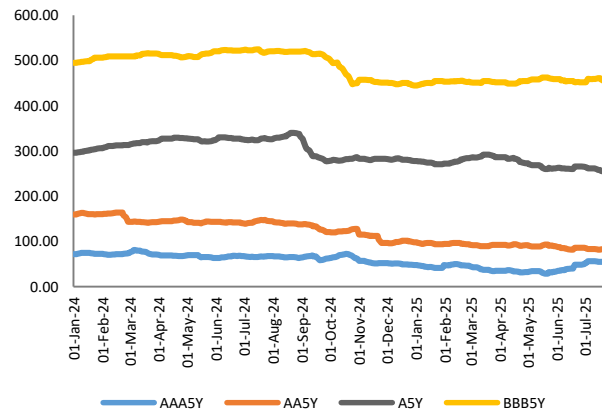
THE MOVEMENT OF CORPORATE BOND YIELD

YIELD CORP BONDS 5Y



Sources : Bloomberg, KBVS Research (2025)

YIELD SPREAD 5Y TENOR

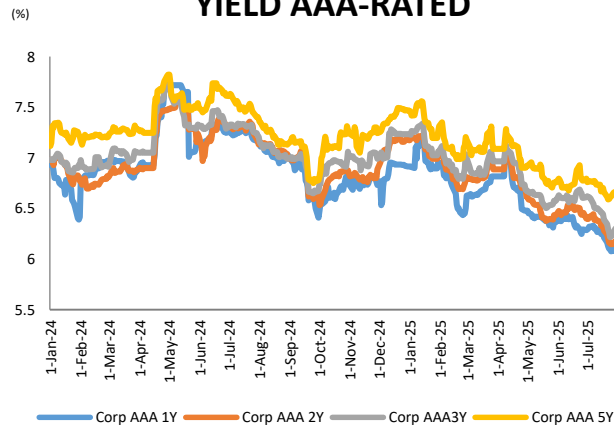


Sources : Bloomberg, KBVS Research (2025)

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

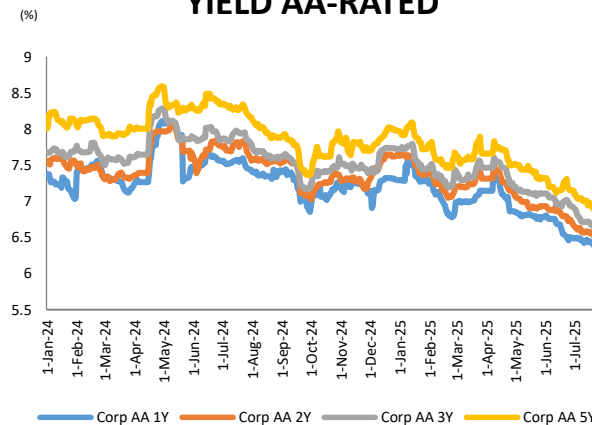
- AAA-rated
 - Tenor 1Y : -3.50 bps (WoW)
 - Tenor 2Y : +1.76 bps (WoW)
 - Tenor 5Y : +7.01 bps (WoW)
- AA-rated
 - Tenor 1Y : -2.77 bps (WoW)
 - Tenor 2Y : +2.60 bps (WoW)
 - Tenor 5Y : +10.43 bps (WoW)
- A-rated
 - Tenor 1Y : -7.75 bps (WoW)
 - Tenor 2Y : -6.50 bps (WoW), and
 - Tenor 5Y : +5.27 bps (WoW)

YIELD AAA-RATED



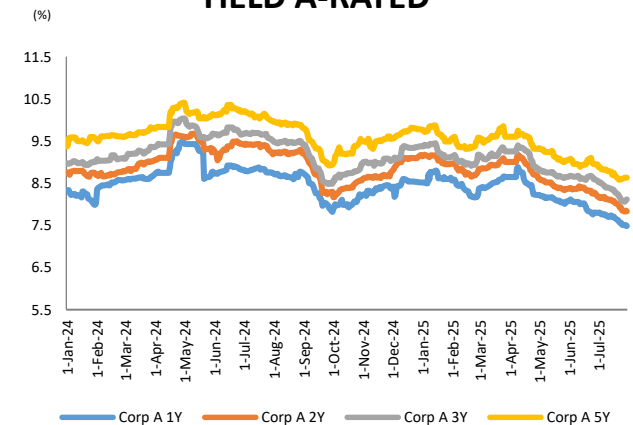
Sources : Bloomberg, KBVS Research (2025)

YIELD AA-RATED



Sources : Bloomberg, KBVS Research (2025)

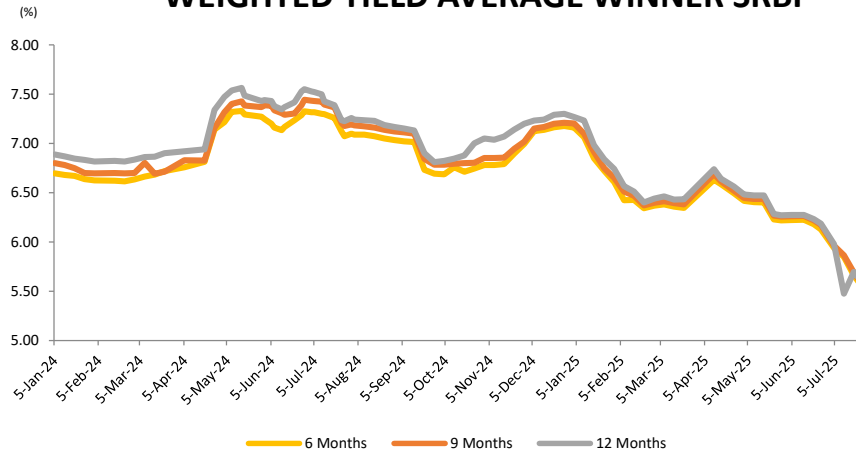
YIELD A-RATED



Sources : Bloomberg, KBVS Research (2025)

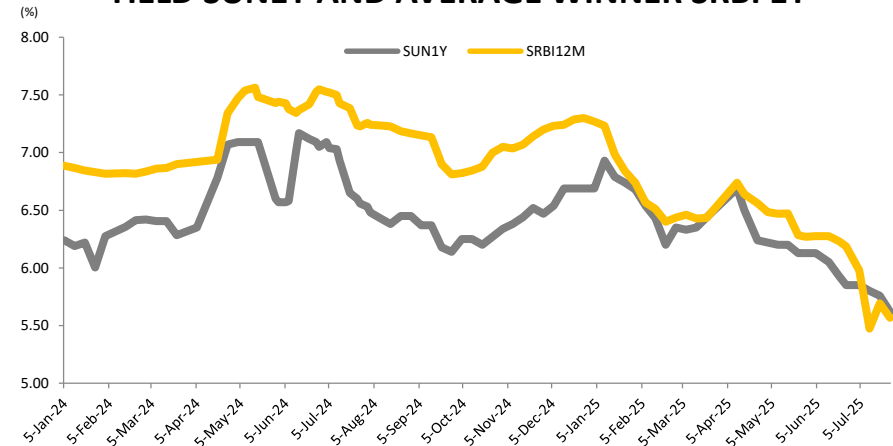
BI'S MONETARY OPERATION

WEIGHTED YIELD AVERAGE WINNER SRBI



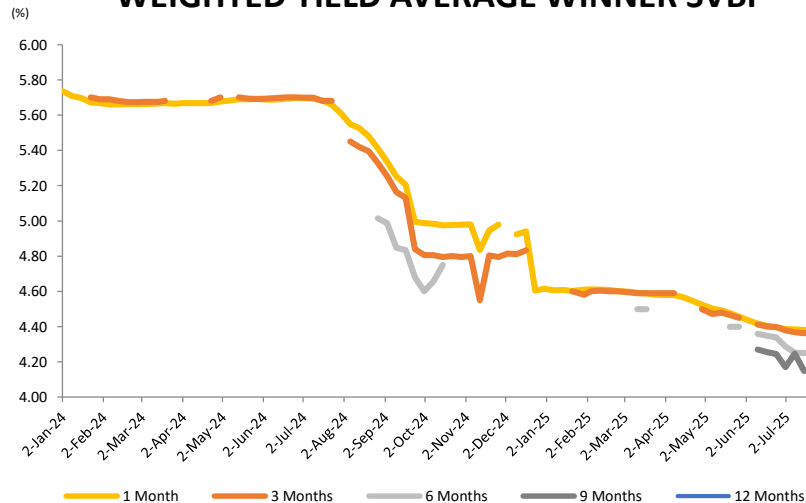
Sources : BI, KBVS Research (2025)

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 25 Jul '25, recorded a decline, decline from IDR75.98 tn to IDR72.02 tn.
- This was also accompanied by a decline movement in the weighted average yield across the respective tenors as follows:
 - 6 month : -10.969 bps
 - 9 month :- 12.378bps
 - 12 month : -13.196 bps
- On the other hand, Incoming bids in the SVBI auction on 29 Jul '25, decline to USD275.00 mn (Prev: USD490.00 mn).
- Yields mixed across tenors, with the following results::
 - 1 month: - 0.01 bps
 - 6 month: +0.00 bps



TABLE OF CONTENTS :

3 Global Economy

9 Domestic Economy

16 Economic Calendar

(31 JUL-6 AUG 2025)

KB Valbury Sekuritas



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.**