

UST yield outlook:

Bracing for a Wave of News

30 July 2025

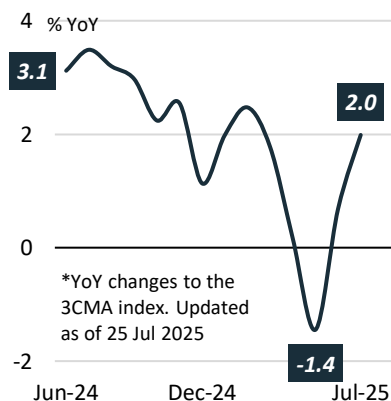
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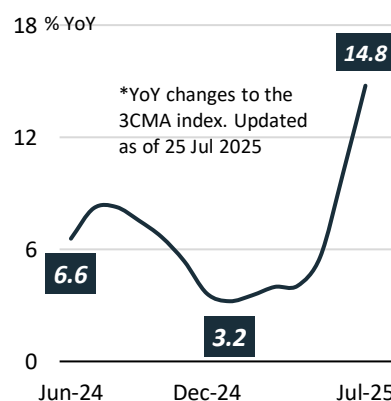
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BCA Consumer Spending Index*



BCA Business Transaction Index*



- The US 10-Year Treasury yield closed at 4.32% on July 29th, marking a quiet session as markets brace for the FOMC, the quarterly Treasury refunding announcements and the August 1st tariff deadline. Looking beyond potential short-term volatility, **we forecast the yield will stabilize within a 4.48%-4.68% range towards the end of the year.**

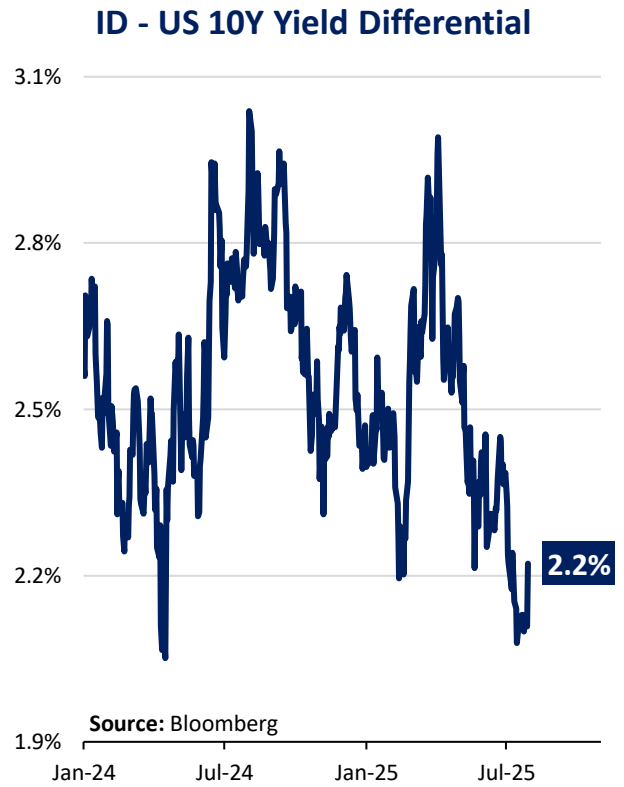
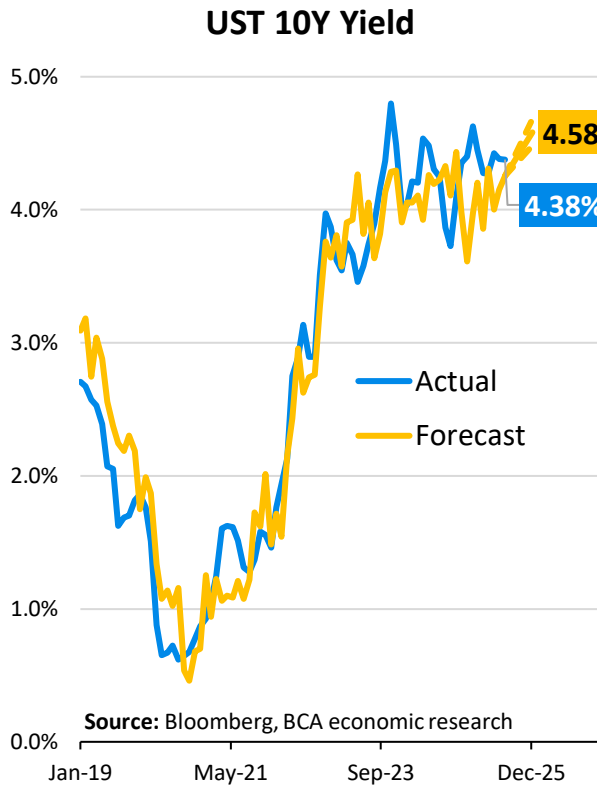
- **The primary upward pressures are expected to stem from several factors: (1) The Fed's quantitative tightening, (2) deteriorating US fiscal outlook, (3) inflationary impact of tariffs and (4) global sovereign yield trends.** One "black swan" event is the potential replacement of Fed Chairman Powell. Such a move would be perceived as a significant threat to the Fed's independence, thereby increasing the risk premium.

- Conversely, the market appears to be pricing in several counter-scenarios, reflected in the recent decline in net short positions in Treasury futures (particularly 5Y and 10Y tenors). **Recent deal-making suggests that the actual implementation of tariffs will be more moderate than initially signaled in April.** In addition, the prospect that tariff-generated revenue could partially mitigate the fiscal deficit from the OBBBA is plausible; however, the calculus is subject to the growth prospect of the US imports itself.

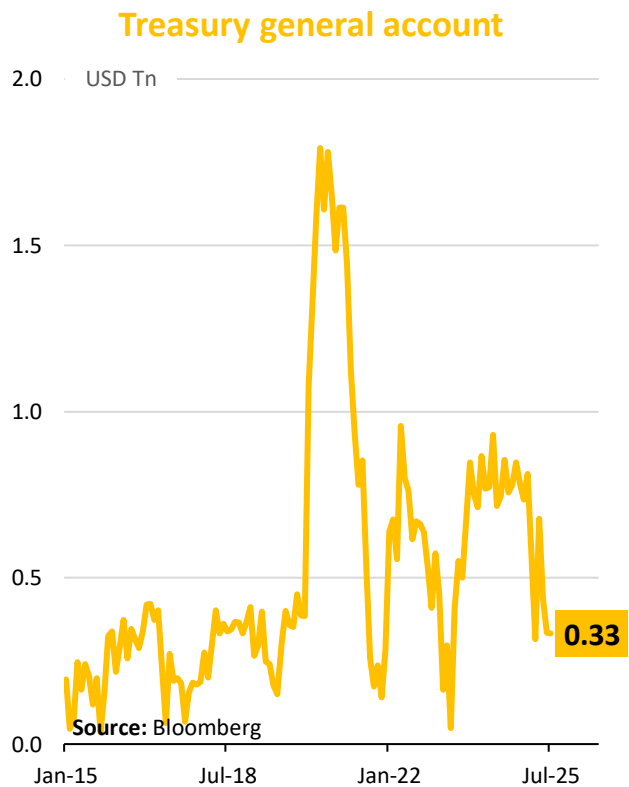
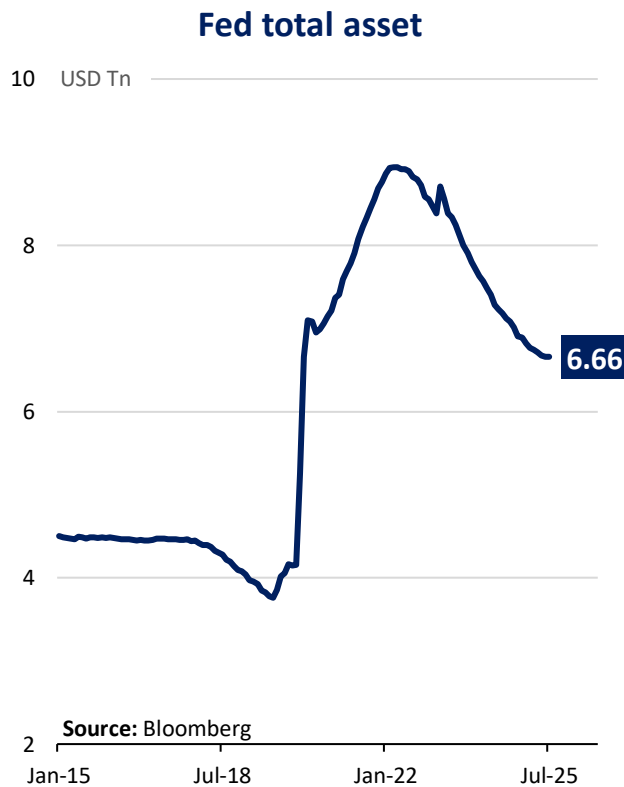
- **Two regulatory factors could introduce additional downward pressure on yields: (1) The GENIUS Act and (2) an adjustment to the Supplementary Leverage Ratio (SLR).** Nevertheless, the timing for these events remains uncertain; the GENIUS Act is scheduled for 2027, while the proposal to relax the SLR was introduced in June 2025.

- For now, the relative stability in US Treasury yields is contributing to stable movements in SBN yields. However, the narrowing yield differential over the past month presents a notable risk. **Given this limited policy space, we believe Bank Indonesia (BI) will only proceed with its easing cycle in the coming two quarters after the Fed has initiated its own.**

1 Yield differential narrows as UST 10Y yield rises



2 Fed QT continues as TGA declines



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	29-Jul	-1 mth	Chg (%)
US	4.50	Dec-24	1.80	Baltic Dry Index	2,109.0	1,521.0	38.7
UK	4.25	May-25	0.65	S&P GSCI Index	557.1	545.7	2.1
EU	2.15	Jun-25	0.15	Oil (Brent, \$/bbl)	72.5	67.8	7.0
Japan	0.50	Jan-25	-2.80	Coal (\$/MT)	123.5	116.8	5.7
China (lending)	2.00	Sep-24	4.25	Gas (\$/MMBtu)	3.08	3.23	-4.6
Korea	2.50	May-25	0.30	Gold (\$/oz.)	3,326.6	3,274.3	1.6
India	5.50	Jun-25	3.40	Copper (\$/MT)	9,746.3	10,118.7	-3.7
Indonesia	5.25	Jul-25	3.38	Nickel (\$/MT)	15,110.4	15,059.7	0.3
Money Mkt Rates	29-Jul	-1 mth	Chg (bps)	CPO (\$/MT)	987.1	935.1	5.6
SPN (1Y)	5.27	5.83	-56.0	Rubber (\$/kg)	1.73	1.66	4.2
SUN (10Y)	6.54	6.64	-10.1	External Sector	May	Apr	Chg (%)
INDONIA (O/N, Rp)	4.75	5.17	-41.6	Export (\$ bn)	24.61	20.74	18.66
JIBOR 1M (Rp)	5.87	6.15	-28.7	Import (\$ bn)	20.31	20.59	-1.32
Bank Rates (Rp)	Apr	Mar	Chg (bps)	Trade bal. (\$ bn)	4.30	0.16	2,608.75
Lending (WC)	8.66	8.66	-0.66	Central bank reserves (\$ bn)*	152.5	152.5	0.01
Deposit 1M	5.02	5.01	0.50	Prompt Indicators	Jun	May	Apr
Savings	0.69	0.68	0.32	Consumer confidence index (CCI)	117.8	117.5	121.7
Currency/USD	29-Jul	-1 mth	Chg (%)	Car sales (%YoY)	-22.6	-15.1	5.0
UK Pound	0.749	0.729	-2.66	Motorcycle sales (%YoY)	-0.3	-0.1	-3.0
Euro	0.866	0.853	-1.46	Manufacturing PMI	Jun	May	Chg (bps)
Japanese Yen	148.5	144.7	-2.57	USA	52.9	52.0	90
Chinese RMB	7.177	7.173	-0.06	Eurozone	49.5	49.4	10
Indonesia Rupiah	16,398	16,205	-1.18	Japan	50.1	49.4	70
Capital Mkt	29-Jul	-1 mth	Chg (%)	China	50.4	48.3	210
JCI	7,617.9	6,897.4	10.45	Korea	48.7	47.7	100
DJIA	44,633.0	43,819.3	1.86	Indonesia	46.9	47.4	-50
FTSE	9,136.3	8,798.9	3.83				
Nikkei 225	40,674.6	40,150.8	1.30				
Hang Seng	25,524.5	24,284.2	5.11				
Foreign portfolio ownership (Rp Tn)	Jun	May	Chg (Rp Tn)				
Stock	3,336.8	3,435.7	-98.91				
Govt. Bond	918.7	995.6	-76.96				
Corp. Bond	4.3	5.2	-0.92				

Source: Bloomberg, BI, BPS

Notes:

*Data from earlier period

For changes in currency: **Black indicates appreciation against USD, **Red** otherwise

***For PMI, **>50** indicates economic expansion, **<50** otherwise



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Indonesia – Economic Indicators Projection

	2019	2020	2021	2022	2023	2024	2025E
Real GDP growth (% YoY)	5.0	-2.1	3.7	5.3	5.0	5.0	4.8
Nominal GDP growth (% YoY)	6.7	-2.5	9.9	15.4	6.7	6.0	6.6
GDP per capita (USD)	4175	3912	4350	4784	4920	4960	4996
CPI inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	1.6	2.0
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	5.00
SBN 10Y yield (%)	7.04	5.86	6.36	6.92	6.45	6.97	7.02
USD/IDR exchange rate (average)	14,141	14,529	14,297	14,874	15,248	15,841	16,350
USD/IDR exchange rate (end of year)	13,866	14,050	14,262	15,568	15,397	16,102	16,625
Trade balance (USD Bn)	-3.2	21.7	35.3	54.5	37.0	31.0	26.0
Current account balance (% of GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.6	-1.0

Notes:

- USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time

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