FOMC:

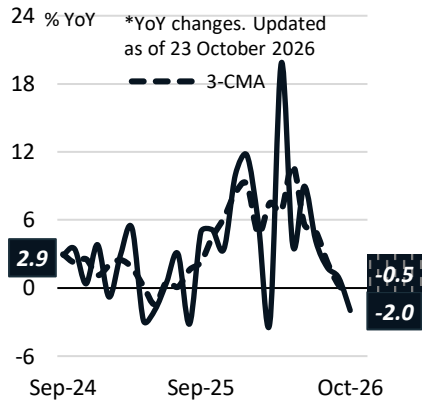
Warsh's Trick, a Treat for Us

29 October 2026

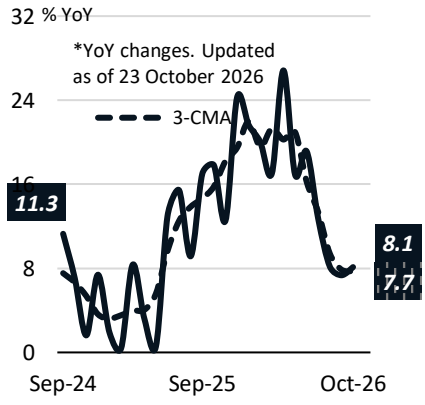
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BCA Consumer Spending Index*

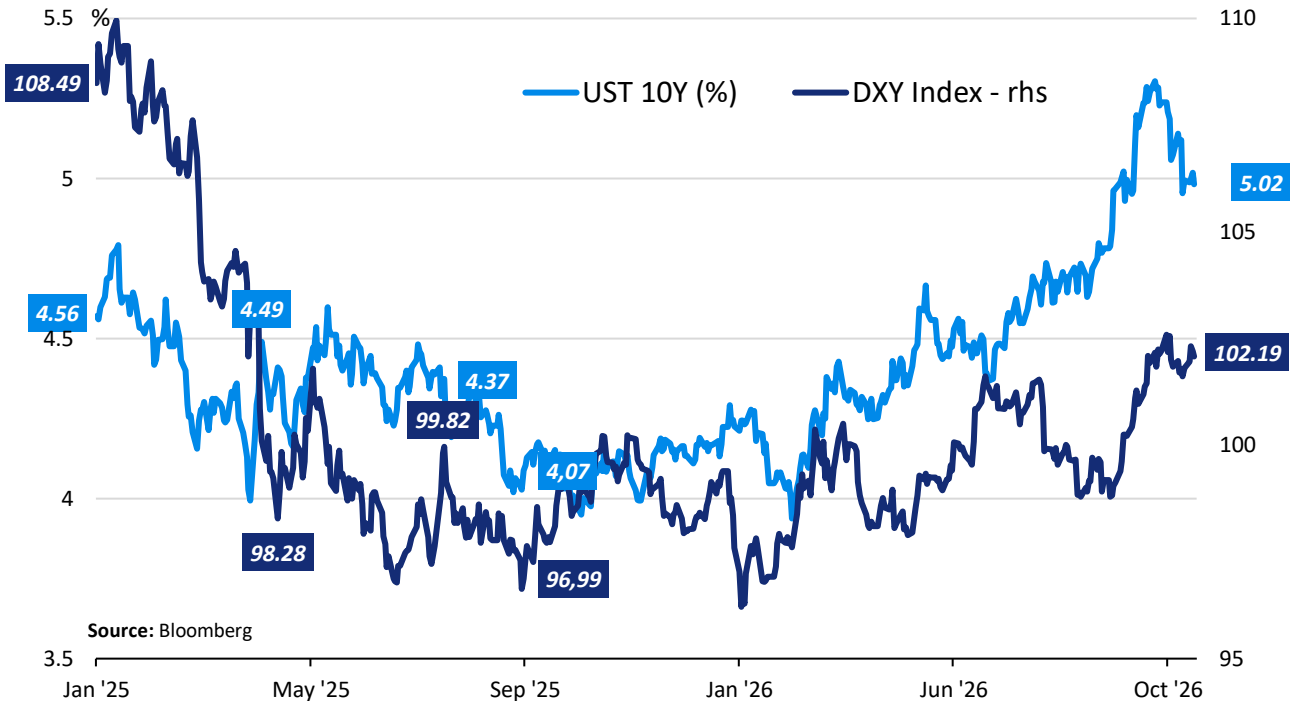


BCA Business Transaction Index*

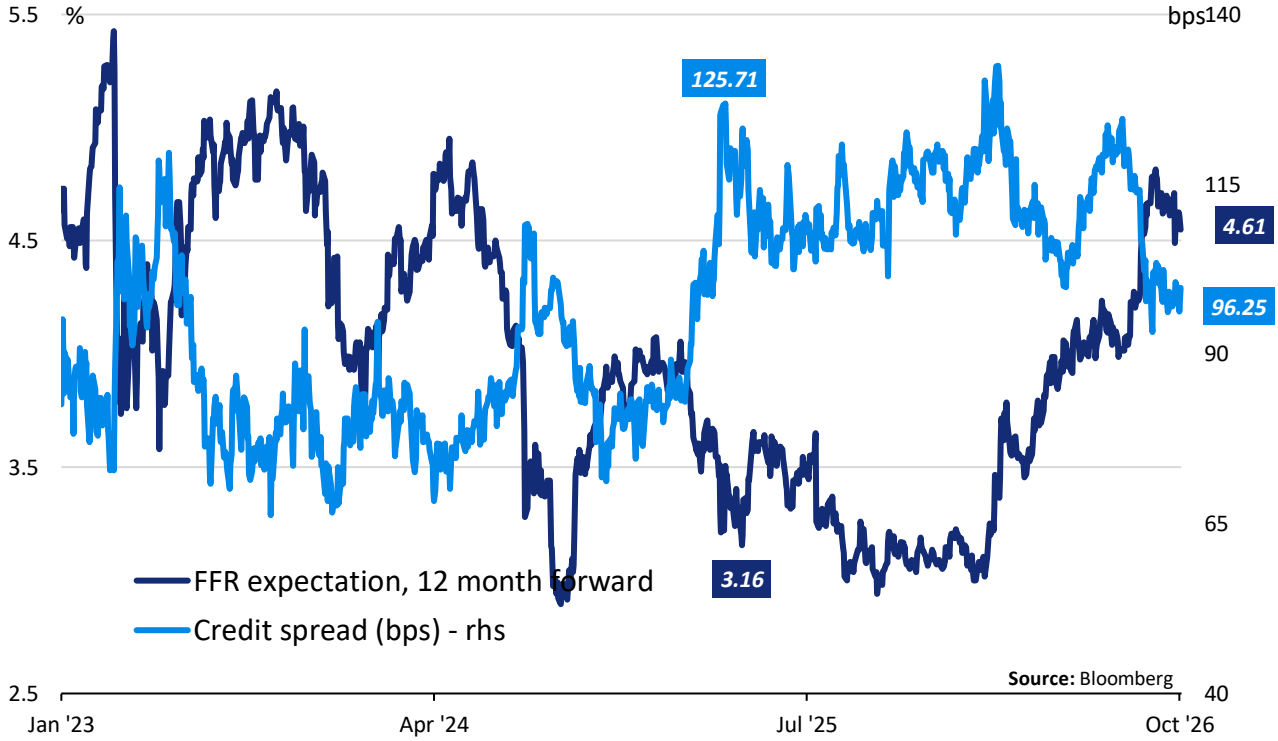


- **The Fed held its policy rate at 3.75% - 4.00%, as expected**, with the upcoming midterm elections seen as a key reason for maintaining rates ahead of polling day. There were two dissenters, Hammack and Cook, with the former having also dissented against July's hold decision. Warsh gave no explicit signal on the rate path, though his upbeat assessment of the economy led some to expect another hike.
- One notable development is the planned change to next year's FOMC meetings. The Fed usually holds eight meetings per year, but Warsh mentioned that **one of them will become purely a strategy meeting where no vote will take place** – expanding to two such meetings in 2028. This reflects Warsh's ongoing strategy to reduce excess communication. There is also historical precedent: in 2014, the Warsh Review recommended that the Bank of England hold fewer meetings and institute a multi-year delay for releasing transcripts, which the BoE subsequently implemented.
- As the Fed indicated that it will take time before adjusting rates again, **markets also adopted a wait-and-see stance**. This muted reaction was reflected in minor changes across Treasury yields and the dollar index. Markets still expect a December rate hike, as post-election pressures ease and elevated inflation, oil prices above $100/bbl, and continued economic growth make another hike plausible.
- There have been few updates on Warsh's Five Task Forces, with only a single hearing scheduled for mid-November by the productivity and jobs task force. In addition, **while the Fed's balance sheet has not yet been reduced, it has stopped expanding**.
- The muted market reaction should provide Indonesia with temporary breathing room amid ongoing pressure on the rupiah – which has breached 18,100 – and SBN yields, with the 10-year yield exceeding 7.6%. Nonetheless, the period after the November midterm elections will be the moment of truth, as the outcome could influence the US's direction on the war, tariffs, and AI. In the short term, however, **elevated global energy inflation leaves open the possibility of at least one more BI rate hike**.

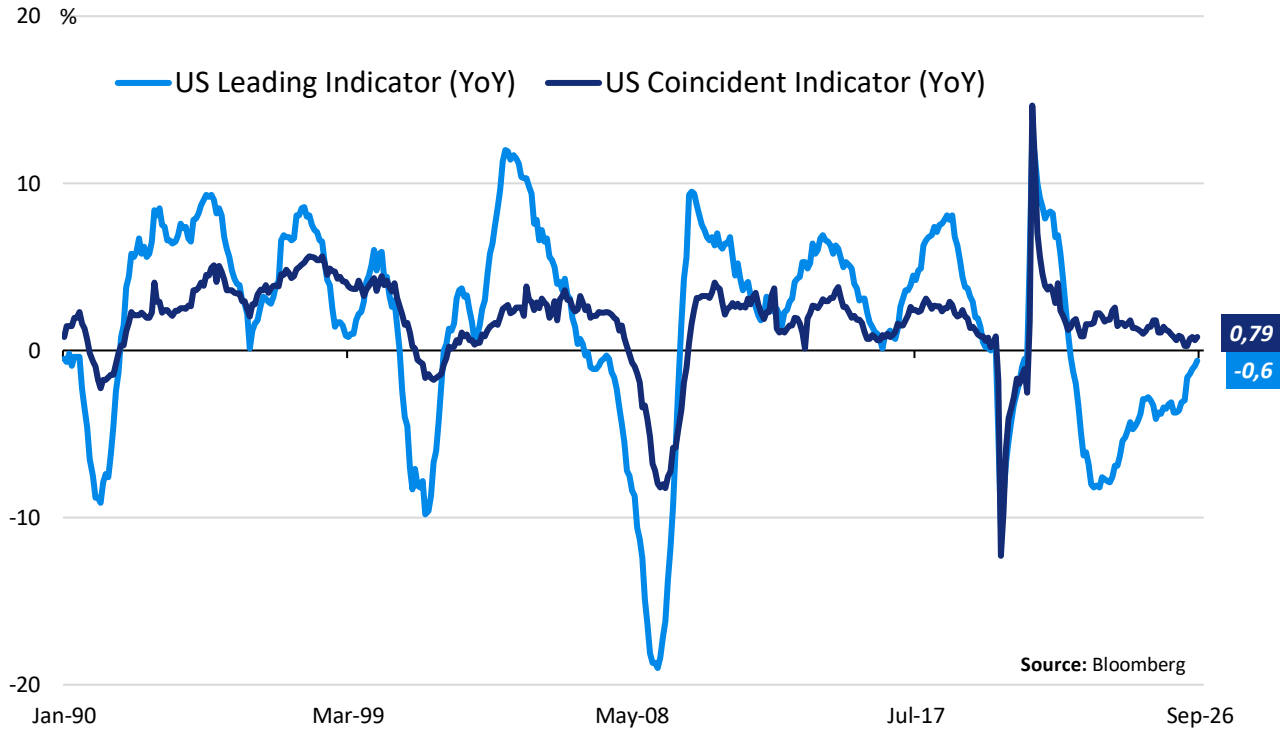
1 **Market reaction remains muted** following the meeting.



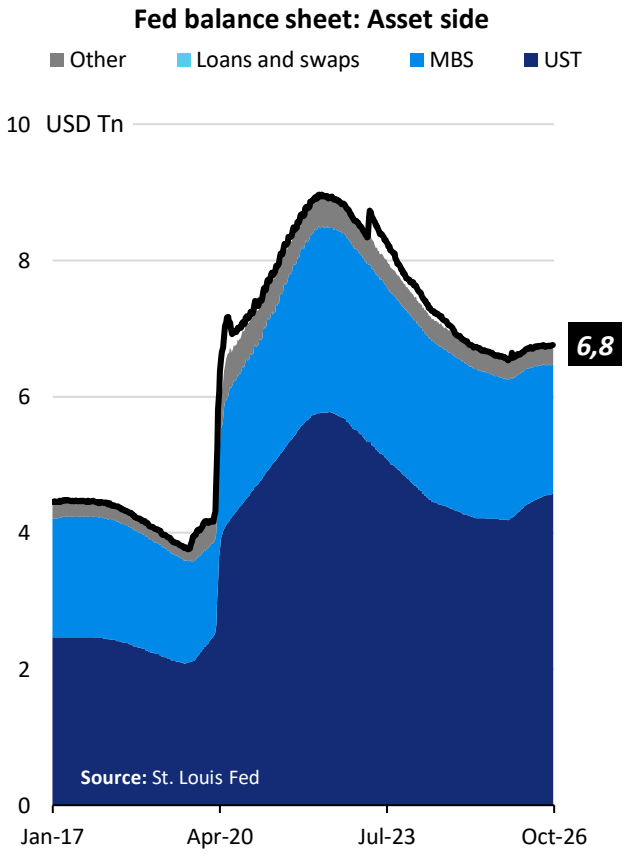
2 **Markets took a softer stance** on next year's rate expectations.

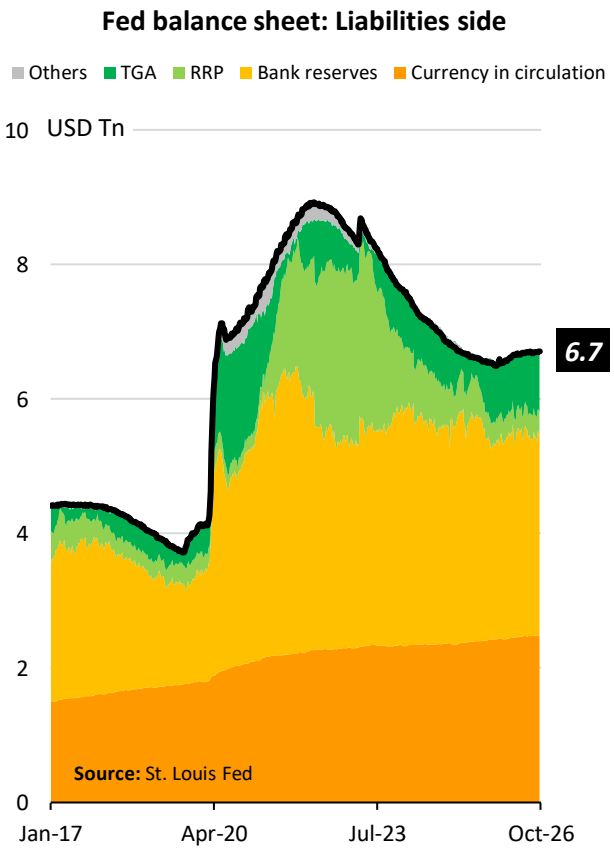


3 A strong economy could justify another rate hike this year.

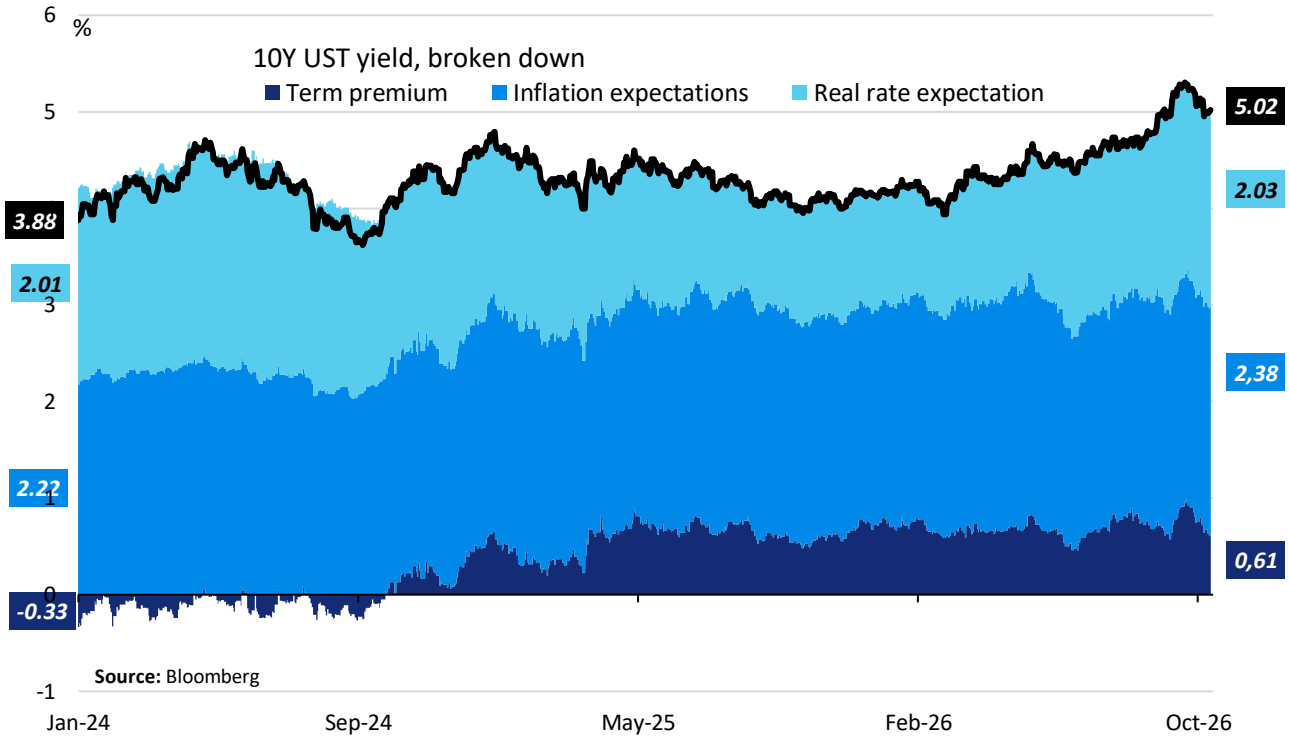


4 **The Fed's balance sheet has stopped expanding** after months of growth.

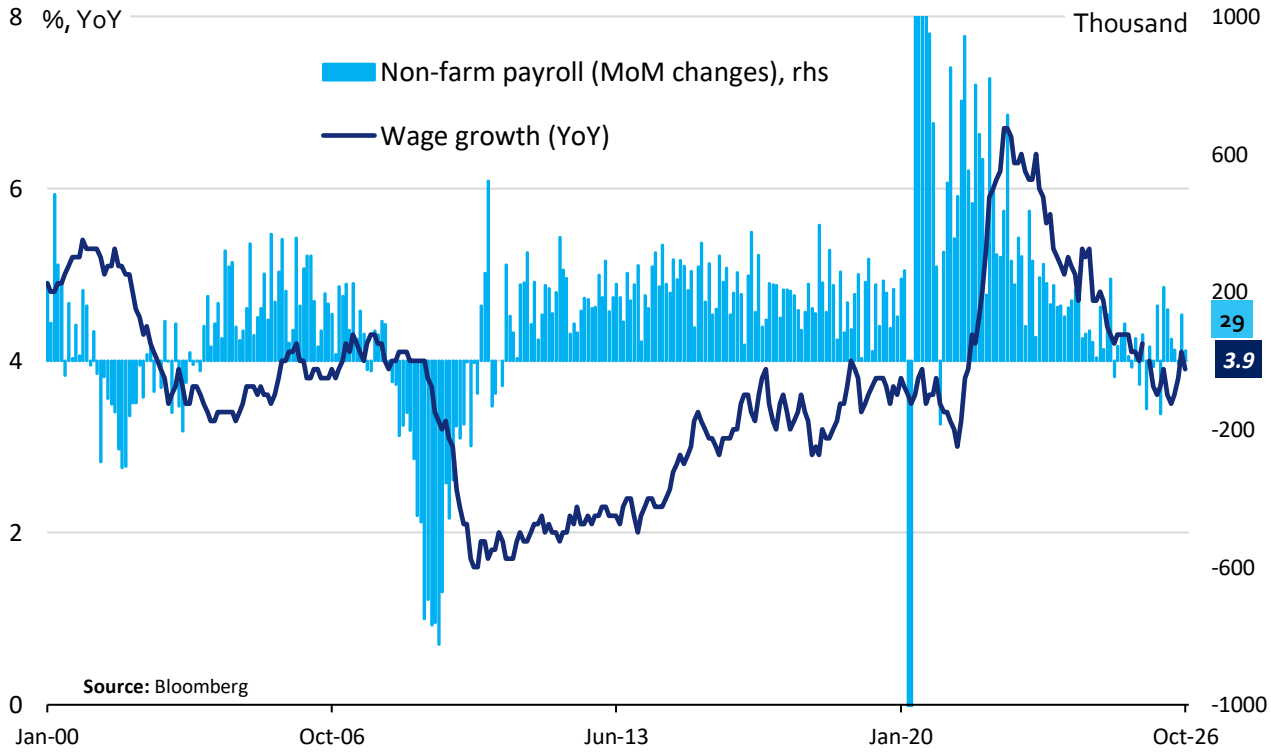




5 **Lower rate expectations** may be the US government's only option to reduce borrowing costs.



6 **A stabilizing labor market** gives the Fed room to maintain a hawkish stance.



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)
US	4.00	Sep-26	0.30
UK	3.75	Dec-25	0.25
EU	2.65	Sep-26	-1.15
Japan	1.25	Sep-26	-0.85
China (lending)	2.00	Sep-24	3.45
Korea	3.00	Aug-26	0.10
India	5.50	Oct-26	-0.04
Indonesia	5.75	Jun-26	2.47

Money Mkt Rates	28-Oct	-1 mth	Chg (bps)
SPN (1Y)	6.05	6.52	-46.9
SUN (10Y)	7.47	7.08	38.7
INDONIA (O/N, Rp)	5.12	5.91	-79.4
JIBOR 1M (Rp)	5.03	5.03	0.0

Bank Rates (Rp)	Aug	Jul	Chg (bps)
Lending (WC)	8.17	8.14	3.00
Deposit 1M	5.45	5.35	10.00
Savings	0.75	0.68	7.00

Currency/USD	28-Oct	-1 mth	Chg (%)
UK Pound	0.750	0.755	0.71
Euro	0.895	0.878	-1.93
Japanese Yen	157.7	157.3	-0.27
Chinese RMB	6.668	6.713	0.67
Indonesia Rupiah	18,125	17,893	-1.28

Capital Mkt	28-Oct	-1 mth	Chg (%)
JCI	5,401.4	6,241.9	-13.46
DJIA	52,361.6	51,828.6	1.03
FTSE	10,767.3	10,695.3	0.67
Nikkei 225	63,381.3	66,364.2	-4.49
Hang Seng	23,205.4	24,510.1	-5.32

Foreign portfolio ownership (Rp Tn)	Sep	Aug	Chg (Rp Tn)
Stock	2,723.2	2,949.5	-226.26
Govt. Bond	907.5	907.8	-0.34
Corp. Bond	4.3	4.8	-0.53

Trade & Commodities	28-Oct	-1 mth	Chg (%)
Baltic Dry Index	2,628.0	3,426.0	-23.3
S&P GSCI Index	757.6	737.7	2.7
Oil (Brent, $/brl)	114.7	104.3	9.9
Coal ($/MT)	155.9	148.2	5.2
Gas ($/MMBtu)	2.72	3.24	-16.1
Gold ($/oz.)	4,010.5	4,284.8	-6.4
Copper ($/MT)	14,514.7	14,728.4	-1.5
Nickel ($/MT)	15,372.6	16,150.1	-4.8
CPO ($/MT)	1,090.2	1,097.7	-0.7
Rubber ($/kg)	2.54	2.55	-0.4

External Sector	Aug	Jul	Chg (%)
Export ($ bn)	26.61	26.22	1.51
Import ($ bn)	23.06	26.09	-11.63
Trade bal. ($ bn)	3.55	0.12	2,814.03
Central bank reserves ($ bn)*	146.5	145.3	0.80

Prompt Indicators	Sep	Aug	Jul
Consumer confidence index (CCI)	118.1	118.5	116.8
Car sales (%YoY)	28.1	32.4	33.3
Motorcycle sales (%YoY)	15.4	3.2	8.3

Manufacturing PMI	Sep	Aug	Chg (bps)
USA	55.9	53.9	200
Eurozone	52.9	52.7	20
Japan	54.1	54.9	-80
China	52.1	51.5	60
Korea	53.9	52.3	160
Indonesia	52.4	49.8	260

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

	2020	2021	2022	2023	2024	2025	2026E
Real GDP growth (% YoY)	-2.1	3.7	5.3	5.0	5.0	5.1	5.3
Nominal GDP growth (% YoY)	-2.5	9.9	15.4	6.7	6.0	7.6	9.1
GDP per capita (USD)	3912	4350	4784	4920	4960	5083	5126
CPI inflation (% YoY)	1.7	1.9	5.5	2.6	1.6	2.9	3.2
BI Rate (%)	3.75	3.50	5.50	6.00	6.00	4.75	6.00
SBN 10Y yield (%)	5.86	6.36	6.92	6.45	6.97	6.05	7.31
USD/IDR exchange rate (average)	14,529	14,297	14,874	15,248	15,841	16,468	17,621
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690	18,238
Trade balance (USD Bn)	21.7	35.3	54.5	37.0	31.0	41.1	19.2
Current account balance (% of GDP)	-0.4	0.3	1.0	-0.1	-0.6	-0.1	-1.3

Notes:

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

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