

# Entering a Hawkish Phase Amid Mounting Macro Risks

21 May 2026

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# EXECUTIVE SUMMARY

- Trump paused the resumed strikes after Iran submitted a new proposal, while the US signaled a softer stance through discussions on releasing part of Iran’s frozen funds and allowing more flexibility for IAEA-supervised enrichment. However, Iran maintained demands for reparations and US troop withdrawal, while Israel reportedly prepared potential strikes on Iranian nuclear facilities.
- The US–China summit showed limited alignment. Both agreed Iran must not obtain nuclear weapons and stressed the importance of keeping the Strait of Hormuz open, although broader geopolitical differences remain.
- Markets remain hawkish, with Fed Funds Futures implying a 96.7% probability of a rate hold at 350–375 bps at the Jun ‘26 FOMC meeting, while rate cut expectations remain deferred throughout 2026.
- Domestically, Bank Indonesia raised the BI Rate by 50 bps to 5.25%, which in our view signals central bank independence amid Rupiah pressure and weakening market confidence. The Rupiah has depreciated 5.6% YtD to IDR17,692/USD as of 19 May ‘26.
- Although the fiscal deficit remained manageable at 0.64% of GDP through Apr ‘26, fiscal pressure continued to rise as expenditure surged 34.3% YoY due to MBG, social assistance, and energy subsidies, while interest payments jumped 26% YoY.
- Indonesia’s external debt reached USD433.4 bn (29.5% of GDP), with 81.7% denominated in foreign currency, increasing vulnerability to Rupiah depreciation. Meanwhile, lower private external borrowing may shift refinancing demand to the domestic market and intensify competition with government SUN issuance.
- President Prabowo also established PT Danantara Sumber Daya Indonesia, requiring coal, CPO, and ferro-alloy exports to pass through SOE exporters with DHE proceeds retained domestically. While aimed at strengthening FX stability, the policy may pressure private sector margins and carries elevated execution risks.



Sources : Fajar (2026); link: <https://sulsel.fajar.co.id/2026/05/19/ruiah-terus-tertekan-bisa-tembus-rp20-ribu-per-dolar-as-utang-luar-negeri-tutupi-stabilitas-semu/>



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# US ECONOMIC DATA

US ECONOMIC INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Fed Rate	%	Apr '26	3,75	3,75
Economic Growth	%, yoy	1Q26	2,7	2
Inflation Rate	%, yoy	Apr '26	3,8	3,3
Unemployment Rate	%	Apr '26	4,3	4,3

Sources : various sources, KBVS Research (2026)

The data releases that influenced yield movements in the week of 14-20 May '26 are as follows:

- US Initial Jobless Claims increased to 211K (Cons: 205K, Prev: 199K).
- US Retail Sales in Mar '26 decreased to 0.50% MoM (Cons: 0.50% MoM, Prev: 1.60% MoM).
- US Core Retail Sales in Apr '26 decreased to 0.70% MoM (Cons: 0.70% MoM, Prev: 1.90% MoM).
- US Retail Control in Apr '26 decreased to 0.50% MoM (Cons: 0.40% MoM, Prev: 0.80% MoM).
- US Business Inventories in Apr '26 increased to 0.90% MoM (Cons: 0.80% MoM, Prev: 0.40% MoM).
- US Industrial Production in Apr '26 increased to 0.70% MoM (Cons: 0.30% MoM, Prev: -0.30% MoM).
- US ADP Employment Change Weekly increased to 42.25K (Prev: 33.00K).
- US Pending Home Sales in Apr '26 decreased to 1.40% MoM (Cons: 1.00% MoM, Prev: 1.70% MoM).
- US API Weekly Crude Oil Stock decreased to -9.100M (Cons: -3.400M, Prev: -2.188M).

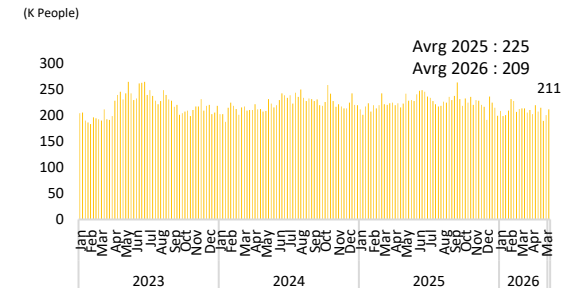
## ECONOMIC CALENDAR

(14-20 MAY '26)

Event	Actual	Forecast	Previous
<b>Thursday, 14 May '26</b>			
US 30-Year Bond Auction	5,05%		4,88%
US FOMC member Kashkari Speaks			
US Retail Sales (MoM) (Apr)	0,50%	0,50%	1,60%
US Core Retail Sales (MoM) (Apr)	0,70%	0,70%	1,90%
US Retail Control (MoM) (Apr)	0,50%	0,40%	0,80%
US Export Price Index (MoM) (Apr)	3,30%	1,10%	1,50%
US Import Price Index (MoM) (Apr)	1,90%	1,00%	0,90%
US Initial Jobless Claims	211K	205K	199K
US Continuing Jobless Claims	1,782K	1,790K	1,758K
US Business Inventories (MoM) (Mar)	0,90%	0,80%	0,40%
US Retail Inventories Ex Auto (Mar)	0,40%	0,50%	0,50%
<b>Friday, 15 May '26</b>			
US FOMC Member Bowman Speaks			
US Fed's Balance Sheet	6,729B		6,710B
US Fed Vice Chair for Supervision Barr Speaks			
US FOMC Member Willimas speaks			
US NY Empire State Manufacturing Index (May)	19,60	7,30	11,00
US Industrial Production (YoY) (Apr)	1,35%		0,76%
US Industrial Production (MoM) (Apr)	0,70%	0,30%	-0,30%
<b>Monday, 18 May '26</b>			
<b>Tuesday, 19 May '26</b>			
US TIC Net Long-term Transactions (Mar)	81.30B	87.20B	57.00B
US Fed Waller Speaks			
US ADP Employment Change Weekly	42.25K		33.00K
US Pending Home Sales (MoM) (Apr)	1,40%	1,00%	1,70%
<b>Wednesday, 20 May '26</b>			
US API Weekly Crude Oil Stock	-9.100M	-3.400M	-2.188M
US Fed Vice Chair for Supervision Barr Speaks			
US Crude Oil Inventories			-4.306M
US Cushing Crude Oil Inventories			-1.702M

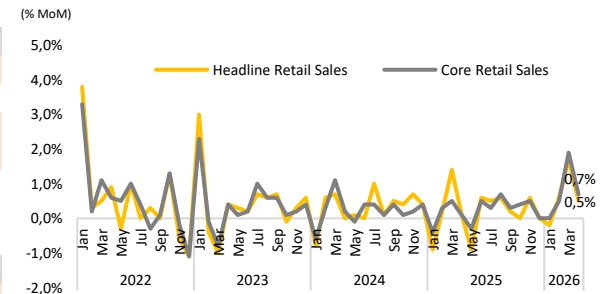
Sources : investing, KBVS Research (2026)

## WEEKLY INITIAL JOBLESS CLAIMS



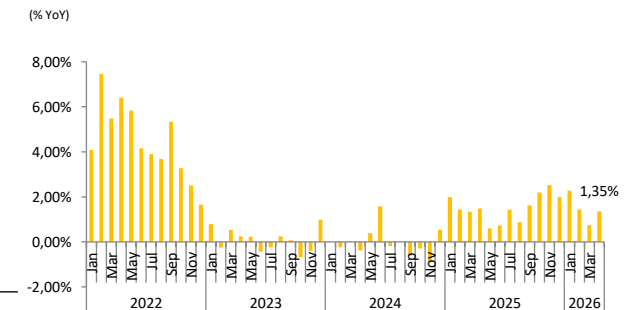
Sources : US DoL, KBVS Research (2026)

## RETAIL SALES



Sources : US Census Bureau, KBVS Research (2026)

## INDUSTRIAL PRODUCTION



Sources : US The Fed, KBVS Research (2026)

# US - IRAN PEACE PROPOSAL & XI JINPING - TRUMP BEIJING SUMMIT

## US – IRAN PEACE PROPOSAL TIMELINE

### Apr '25 – Mar '26 : Indirect Talks & Military Escalation

- **Pre-War Diplomacy (Apr 2025–Jan 2026):** US and Iran held constructive, Oman-mediated backchannel (Muscat & Rome) to defuse nuclear tensions.
- **The Escalation (Feb 28, 2026):** US-Israel launched massive joint airstrikes destroying Iran's nuclear infrastructure and killing Khamenei.
- **The Retaliation & Crisis (March 2026):** Iran retaliated with missile strikes and closed the Strait of Hormuz, choking global energy supplies and forcing emergency peace talks.

### 25 Mar '26: US 15 Points Proposal (via Pakistan) & Iran's Counter

- **US Core Demands (15 Points):** Insisted on a 30-day ceasefire, total dismantling of Iran's nuclear program, ballistic missile limits, halting proxy support, and reopening the Strait of Hormuz.
- **Tehran's Rejection:** Iran officially rejected the US ultimatum, labeling it a "military dictate" designed to force unconditional surrender following the February airstrikes.
- **Iran's 5-Point Counter:** Demanded a permanent multi-front ceasefire, international recognition of its sovereignty over Hormuz, and full war reparations before altering its defense posture.

### 7 – 8 Apr '26: Ceasefire Agreement

- **The Joint-Broke Truce:** Trump agreed to a 2-week emergency ceasefire brokered by a Pakistan-China 5-point initiative, prompting Iran to reopen the Strait of Hormuz provisionally.
- **Clashing Narratives:** Tehran claimed a diplomatic victory based on its own 10-point plan, while the White House accepted the text only as a "workable basis," with JD Vance warning it was a "fragile truce."

### 2 May '26: Iran's 14 Points Proposal

- **The 14-Point Mandate:** Iran proposed a permanent regional ceasefire, war reparations, and capped its uranium enrichment at 5%–20%, while firmly refusing to export its nuclear stockpile.
- **Trump's Rejection:** President Trump openly rejected the plan as "not good enough," citing the lack of ballistic missile limits and Iran's insistence on a \$2 million Strait of Hormuz transit fee.

### 7 – 16 May '26: US 14 Points & Iran's Counter

- **US Core Demands (14 Points):** a 12-year ban on all uranium enrichment, the handover of 440kg of ~60% enriched uranium, and a full reopening of the Strait of Hormuz within 30 days.
- **Iran's Counter-Proposal:** Tehran rejected the terms and countered by demanding an end to all regional hostilities (including Lebanon), the withdrawal of US troops, full war reparations, and the release of frozen assets.
- **The Final Deadlock:** Trump openly rejected Iran's counter-proposal as "totally unacceptable," shutting down the diplomatic window and hardening the naval standoff.

### 19 - 20 May '26: Stalemate – Talks Ongoing

- Trump pauses resumed strikes after Iran's new proposal; calls 'very good chance' of deal. US softening: quarter of frozen funds release, flexible IAEA-supervised enrichment. Iran unchanged on reparations & troop withdrawal. Israel reportedly prepares strikes on Iranian nuclear sites.

## XI JINPING – TRUMP BEIJING SUMMIT | 14 – 15 May '26

### CHINA AS IRAN WEAPONS SUPPLIER — BACKDROP

**Intelligence:** Chinese firms plotted covert arms sales to Iran, including man-portable air-defense systems (MANPADS) & drone components (dual-use materials for Shahed drones & ballistic missiles), routed via third countries.

#### Sanctions (8 May):

US Treasury sanctioned 10 individuals & companies in China/HK for aiding Iran's weapons procurement — announced days before Trump's Beijing visit.

#### China's denial:

MFA called allegations 'groundless smears.' Analysts note Beijing unlikely to take immediate moves ahead of summit to avoid spoiling momentum.

### SUMMIT OUTCOMES — IRAN FILE

#### ✓ No nuclear Iran:

White House: 'Both countries agreed Iran can never have a nuclear weapon.' Xi Jinping's MFA omitted this language, stating that conflict instead has no reason to continue.'

#### ✓ No weapons to Iran:

Trump: Xi ruled out sending military equipment to Iran — a 'big statement.' Xi Jinping also confirmed readiness to assist peace negotiations and endorsed the reopening of Hormuz Strait.

#### ✓ Strait of Hormuz:

Joint agreement: 'Strait must remain open to support the free flow of energy.' The US allowed 3 Chinese oil tankers through the Strait of Hormuz as a goodwill gesture pre-summit.

#### △ Divergent framing:

The US touted 'historic' trade deals (200 Boeing jets); China focused on Taiwan red lines. No concrete agreement announced on the Iran peace roadmap or weapons transfer halt mechanism.

### KEY MARKET IMPLICATIONS

- **Oil Market Relief but High Volatility:** The provisional reopening of Hormuz lowers the geopolitical risk premium, but oil prices will remain highly volatile as the US-Iran stalemate persists.
- **Geopolitical Tail Risks:** While Trump's recent softening ("very good chance" of a deal) boosts market optimism, severe tail risks remain due to reported Israeli preparations for independent strikes on Iran's nuclear sites.
- **US Aerospace Stock Boost:** The summit's announcement of a historic trade deal involving 200 Boeing jets provides a massive positive catalyst for the US aerospace and commercial trade sectors.
- **Stabilized Sino-US Tech Supply Chains:** Despite US sanctions on 10 Chinese/HK entities for aiding Iran, Beijing's pragmatic approach ensures that global tech supply chains and broader trade momentum are preserved.

# FED PROBABILITIES

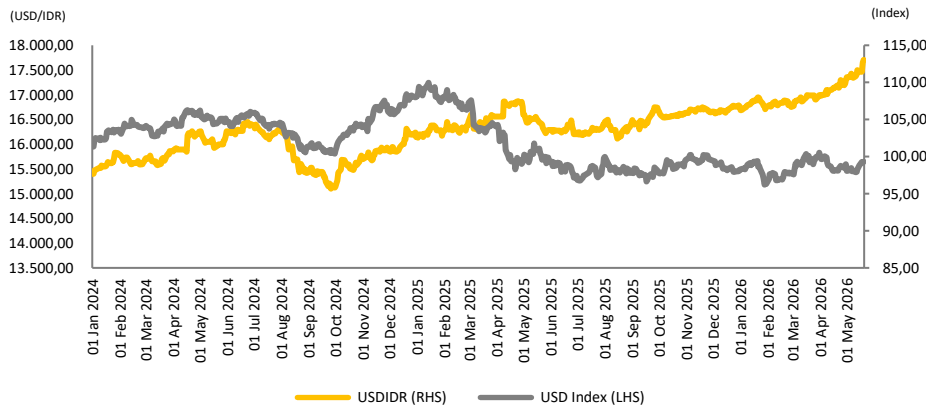
## FED PROBABILITIES, as of 20 May '26

MEETING DATE	325-350	350-375	375-400	400-425	425-450	450-475	475-500
17-Jun-26	3,3%	96,7%	0,0%	0,0%	0,0%	0,0%	0,0%
29-Jul-26	2,9%	84,7%	12,4%	0,0%	0,0%	0,0%	0,0%
16-Sep-26	2,4%	71,3%	24,3%	2,0%	0,0%	0,0%	0,0%
28-Oct-26	2,0%	59,9%	32,1%	5,7%	0,3%	0,0%	0,0%
09-Dec-26	1,4%	43,0%	40,2%	13,4%	1,9%	0,1%	0,0%
27-Jan-27	1,1%	33,9%	40,8%	19,2%	4,4%	0,5%	0,0%
17-Mar-27	0,8%	24,8%	38,9%	25,2%	8,5%	1,6%	0,2%
28-Apr-27	0,7%	20,7%	36,5%	27,6%	11,4%	2,8%	0,4%

Sources : CME Group, and KBVS Research (2026)

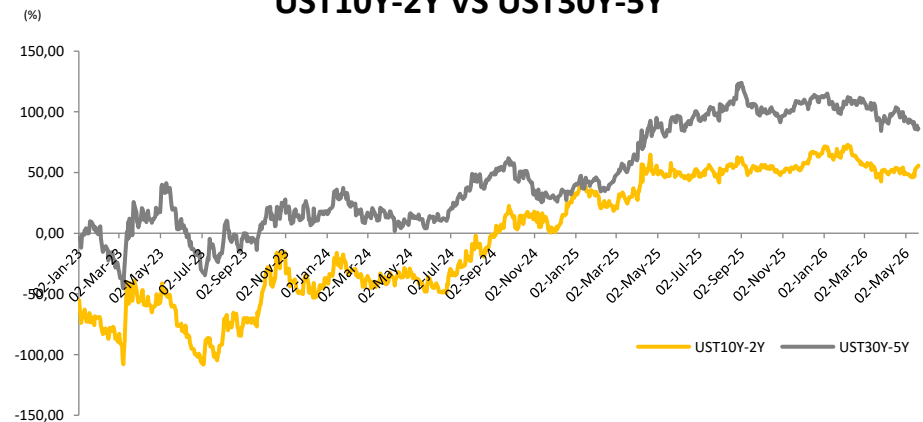
- Fed probabilities as of 20 May '26 show the market still maintaining a hawkish stance, with a 96.7% probability of a rate hold at 350–375 bps at the June '26 FOMC. Rate reduction expectations remain broadly deferred, with futures indicating the target rate will likely hold steady through the entirety of 2026.
- Although the DXY Index has pulled back slightly to 99.33, the USD/IDR remains under intense depreciation pressure as it hovers around the Rp17,705 threshold. This divergence reinforces how the Fed's prolonged hawkish outlook continues to weigh heavily on emerging markets, with the Rupiah bearing a disproportionate share of the global tightening burden.
- The U.S. Treasury yield curve continues to steepen, with the 10Y-2Y spread at 55.73 bps and the 30Y-5Y spread expanding to 86.27 bps. This divergence indicates that long-end yields are being driven primarily by a fiscal risk premium regarding the U.S. deficit trajectory, while the short end remains anchored by the Fed's firm hold stance.

## DXY INDEX - USDIDR



Sources : Bloomberg, and KBVS Research (2026)

## YIELD SPREAD UST10Y-2Y VS UST30Y-5Y



Sources : Bloomberg, and KBVS Research (2026)

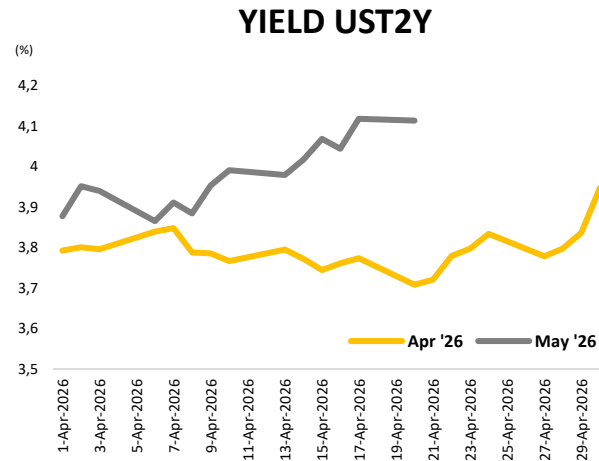
# THE MOVEMENT OF UST YIELDS

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+

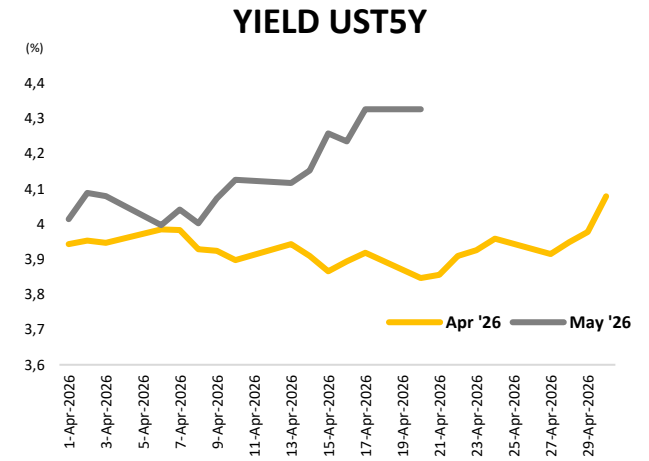
Sources : US Treasury, KBVS Research (2026)

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

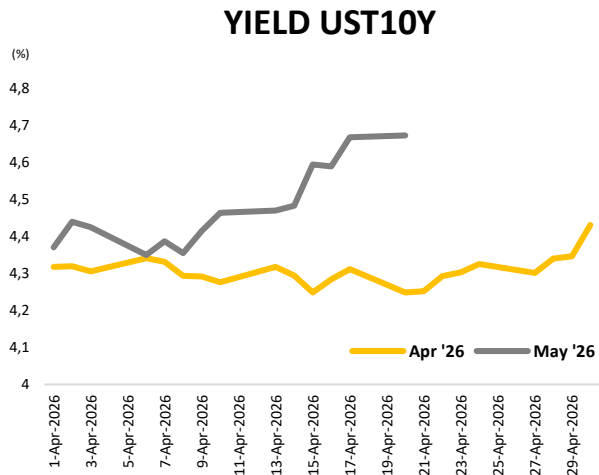
- Yield UST6M
  - -0.53 bps (WoW)
  - +11.69 bps (YtD, as of May 20,'26)
- Yield UST1Y
  - +1.78 bps (WoW)
  - +32.65 bps (YtD, as of May 20,'26)
- Yield UST2Y
  - +11.20 bps (WoW)
  - +61.81 bps (YtD, as of May 20,'26)
- Yield UST5Y
  - +17.90 bps (WoW)
  - +57.09 bps (YtD, as of May 20,'26)
- Yield UST10Y
  - +17.25 bps (WoW)
  - +47.43 bps (YtD, as of May 20,'26)
- Yield UST30Y
  - +13.42 bps (WoW)
  - +32.43 bps (YtD, as of Apr 20,'26)



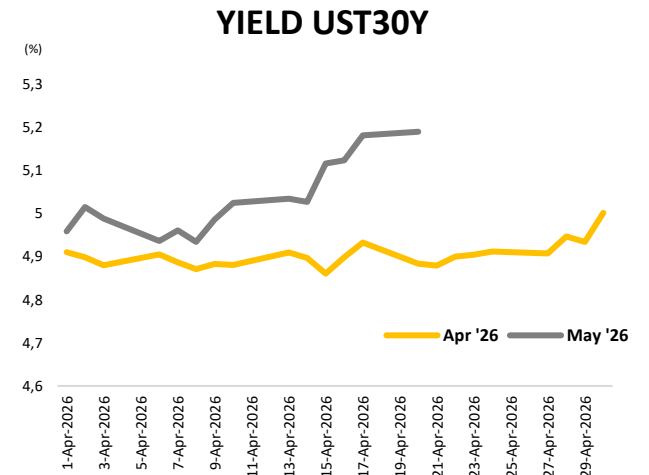
Sources : Bloomberg, KBVS Research (2026)



Sources : Bloomberg, KBVS Research (2026)



Sources : US Treasury, KBVS Research (2026)



Sources : US Treasury, KBVS Research (2026)



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# INDONESIA ECONOMIC DATA

## INDICATORS OVERVIEW

Economic Indicators	Unit	Latest Period	Data	
			Latest	Previous
Policy Interest Rate	%	20 May '26	5.25	4.75
Economic Growth	%, yoy	1Q26	5,61	5,39
Inflation Rate	%, yoy	Apr '26	2,42	3,48
Unemployment Rate	%	Mar '26	4,68	4,85
S&P Credit Rating	Rating	17 July '24	BBB	BBB

Sources : various sources, KBVS Research (2026)

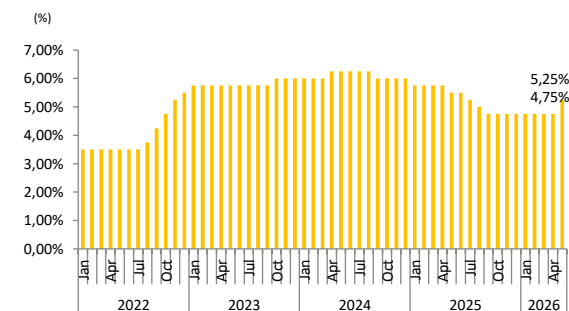
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(14-20 MAY '26)

Event	Actual	Forecast	Previous
<b>Thursday, 14 May '26</b>			
<b>Friday, 15 May '26</b>			
<b>Monday, 18 May '26</b>			
<b>Tuesday, 19 May '26</b>			
<b>Wednesday, 20 May '26</b>			
ID Interest Rate Decision	5.25%	5,00%	4,75%
ID Deposit Facility Rate (May)	4.25%	4,00%	3,75%
ID Lending Facility Rate (May)	6.00%	5,75%	5,50%
ID Loans (YoY) (Apr)	9.98%		9,49%

Sources : Investing, KBVS Research (2026)

## BI RATE

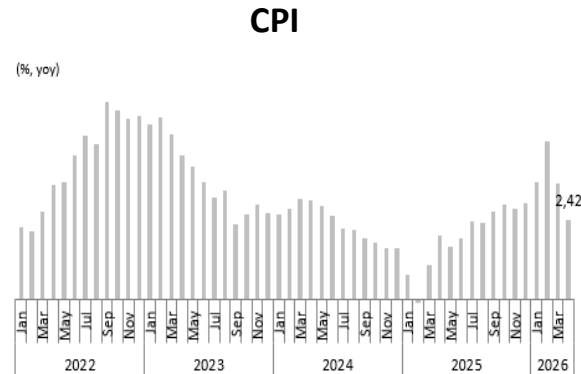
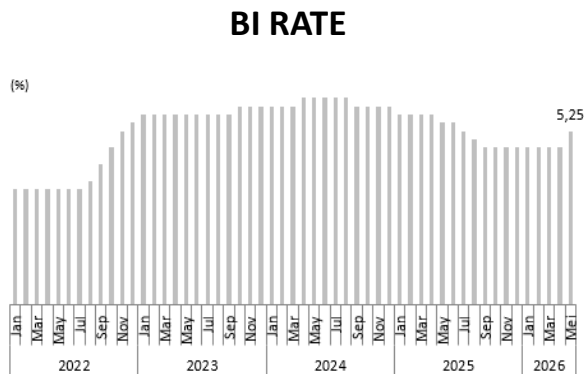


Sources : BI, KBVS Research (2026)

The data releases that influenced yield movements in the week of 14-20 May '26 are as follows:

- **BI raised the BI Rate 50 bps to 5.25%**, signaling a stronger shift toward a pro-stability policy stance amid mounting pressure on the Rupiah. The Rupiah spot exchange rate has depreciated by 5.6% Ytd to IDR17,692/USD as of 19 May '26. The move highlights BI's commitment to preserving currency stability, maintaining investor confidence, and reinforcing the central bank's policy independence. In the near term, the rate hike is expected to drive higher short-term money market rates, alongside an increase in government bond yields and coupon rates. However, over the medium term, we believe the tighter monetary stance could enhance the attractiveness of domestic portfolio assets, potentially supporting a gradual return of capital inflows into Indonesia's financial markets.

# BI RATE



Indicators	20-May-26		Monthly Changes (in bps)	Ytd Changes (in bps)
	Latest	M-1		
<b>Policy Rate (in %)</b>				
United States	3,75	3,75	0,0	(175,0)
European Union	2,15	2,15	0,0	(235,0)
United Kingdom	3,75	3,75	0,0	(150,0)
Japan	0,75	0,75	0,0	85,0
China	3,00	3,00	0,0	(45,0)
India	5,25	5,25	0,0	(125,0)
Thailand	1,00	1,00	0,0	(150,0)
Philippines	4,50	4,25	25,0	(200,0)
Indonesia	5,25	4,75	50,0	(75,0)
<b>Global Monetary Policy Change (in number of countries)</b>				
Easing	3	1		
Unchanged	15	22		
Tightening	5	1		

- Bank Indonesia (BI) decided to raise the BI Rate by 50 basis points to 5.25% (Cons: 5.00%, KBVS: 5.00%, Prev: 4.75%), delivering a hawkish surprise that signals a decisive shift toward a pro-stability monetary policy. The primary trigger for this rate hike is a materially deteriorated external environment combined with peak seasonal domestic FX demand.
- Despite these severe headwinds, BI's aggressive market defence has already proven effective in reversing capital outflows through high-yielding instruments.
- While current inflation remains low, the 50 bps hike serves as a pre-emptive strike against forward-looking imported inflation risks.
- Beyond the macroeconomic rationale, this larger-than-expected hike delivers a crucial "credibility premium" by asserting BI's strict institutional independence. Governor Perry Warjiyo's recent meeting with President Prabowo Subianto had previously sparked market anxieties regarding potential political pressure toward premature monetary easing to boost short-term growth.
- Looking ahead, BI has effectively completed its heavy lifting, and the strategic outlook for 3Q26 hinges on three domestic and global triggers. Further rate hikes are not included in BI's current base case, making the current 5.25% rate likely the peak of this cycle.

# INDONESIA'S APBN REALIZATION & EXTERNAL DEBT

## APBN

### State Revenue

**IDR 918.4 Tn**

**13.3% (YoY)**

Through 30 April 26'

**29.1% of FY Target**

### State Expenditure

**IDR 1082.8 Tn**

**34.3% (YoY)**

Through 30 April 26'

**28.2% of FY Target**

### Budget Deficit

**IDR 918.4 Tn**

**0.64% of GDP**

Primary Balance: +IDR 28.0 tn

**29.1% of FY Target**

## REALISASI APBN 31 MARET vs 30 APRIL 2026

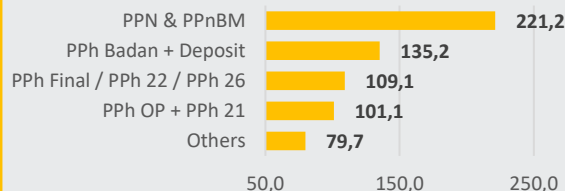
Keseimbangan primer kembali positif, defisit termoderasi

Uraian (triliun rupiah)	2026						
	APBN	Real s.d. 31 Mar	% thd APBN	Growth (%)	Real s.d. 30 Apr	% thd APBN	Growth (%)
<b>A. PENDAPATAN NEGARA</b>	<b>3.153,6</b>	<b>574,9</b>	<b>18,2</b>	<b>10,5</b>	<b>918,4</b>	<b>29,1</b>	<b>13,3</b>
I. Penerimaan Perpajakan	2.693,7	462,7	17,2	14,3	746,9	27,7	13,7
1. Penerimaan Pajak	2.357,7	394,8	16,7	20,7	646,3	27,4	16,1
2. Kepabeanan & Cukai	336,0	67,9	20,2	(12,6)	100,6	29,9	0,6
II. PNBP	459,2	112,1	24,4	(3,0)	171,3	37,3	11,6
III. Penerimaan Hibah	0,7	0,1	17,2	2,8	0,3	41,1	28,8
<b>B. BELANJA NEGARA</b>	<b>3.842,7</b>	<b>815,0</b>	<b>21,2</b>	<b>31,4</b>	<b>1.082,8</b>	<b>28,2</b>	<b>34,3</b>
I. Belanja Pemerintah Pusat	3.149,7	610,3	19,4	47,7	826,0	26,2	51,1
1. Belanja K/L	1.510,5	281,2	18,6	43,4	400,5	26,5	57,9
2. Belanja non-K/L	1.639,2	329,1	20,1	51,5	425,5	26,0	45,2
II. Transfer Ke Daerah	693,0	204,8	29,5	(1,1)	256,8	37,1	(1,0)
<b>C. KESEIMBANGAN PRIMER</b>	<b>(69,7)</b>	<b>(95,9)</b>	<b>106,8</b>	<b>(537,7)</b>	<b>28,0</b>	<b>(31,2)</b>	<b>(83,9)</b>
<b>D. SURPLUS/(DEFISIT)</b>	<b>(689,1)</b>	<b>(240,1)</b>	<b>34,8</b>	<b>140,5</b>	<b>(105,4)</b>	<b>23,9</b>	<b>(3.888,9)</b>
<b>% thd PDB</b>	<b>(2,68)</b>	<b>(0,93)</b>			<b>(0,64)</b>		
<b>E. PEMBIAYAAN ANGGARAN</b>	<b>689,1</b>	<b>257,4</b>	<b>37,3</b>	<b>1,9</b>	<b>298,5</b>	<b>43,3</b>	<b>6,2</b>

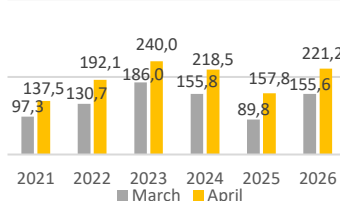
Revenue +13.3% YoY (Rp918.4T), expenditure +34.3% (Rp1,082.8T) led by MBG (Rp75T), Bansos & energy subsidy/compensation (Rp153.1T)

Deficit 0.64% GDP (Rp164.4T), well within 2.68% ceiling, primary balance back to positive (+Rp28.0T) as of April

## Realization up to Apr 2026



## PPn & PPnBM



- PPN & PPnBM +40.2% (Rp221.2T) — dominant driver, fueled by BBM wholesale, e-commerce & Coretax improvements, Q1 YoY (+73.3%) partly optical from Q1 '25 electricity discount base effect
- PPh OP + PPh 21 +25.1% (Rp101.1T) — reflects wage growth, 355k new ASN & THR payments, household income remains solid
- PPh Badan +5.1% (Rp135.2T) — CPO & mining recovery visible but not yet broad-based, Q2 corporate deposits key to H2 outlook
- Others -12.0% (Rp79.7T) — sole declining component; drag contained, offset by gains across major categories

## EXTERNAL DEBT

### Total Debt

**USD 433.4B**

### QoQ Growth

**+0.8%**

### DEBT/GDP

**29.5%**

### Gov. Debt

**USD 214.7B**

**+3.8%**

**99.99%**

### Private Debt

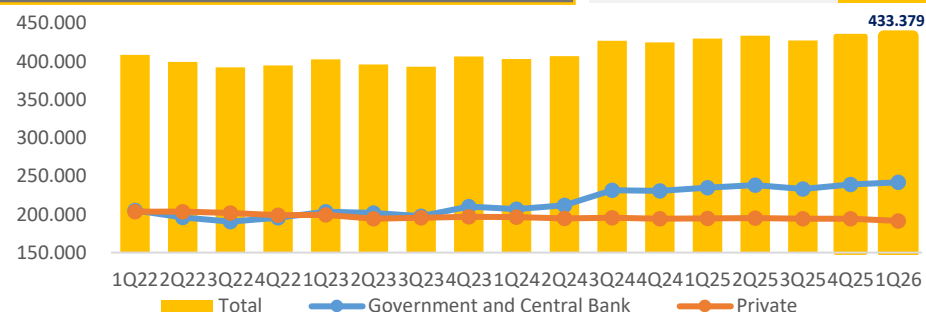
**USD 191.4B**

**-1.8%**

**76.6%**

### Component

Component	4Q25	1Q26
Total	433.2B	433.4B
Gov	238.9B	241.9B
Private	194.2B	191.4B
Debt/GDP	30.0%	29.5%



## Currency Composition

81.7% of total ULN is in foreign currency (USD 354.1B) — making the debt stock directly sensitive to Rupiah movements. With the IDR at **17,725/USD**, any sustained depreciation inflates the effective IDR cost of the debt stock and amplifies APBN financing pressure simultaneously.

Currency	Value	USD
USD	267.9B	61.8%
IDR	79.3B	18.3%
EUR	39.7B	9.2%
JPY	18.0B	4.1%
Others		

## MARKET & MACRO IMPLICATIONS

- Debt service costs are rising faster than debt growth. Interest payments hit IDR 144.3T in Q1-2026 (+26% YoY) and DSR Tier-1 surged to 17.27% — tightening APBN fiscal space as global shocks persist.
- 81.7% foreign-currency exposure makes the IDR the key risk variable. With the IDR at **17,725/USD**, sustained depreciation directly inflates the effective cost of USD 354.1B in foreign-currency ULN and APBN subsidy spending simultaneously.
- Private ULN contraction (-1.8% QoQ) risks shifting refinancing pressure onshore. +new Financial corporations pulled back USD 2.8B in external borrowing — if sustained, domestic credit demand rises and competes directly with APBN SUN issuance.

# GOVERNMENT REGULATION ON NATURAL RESOURCES COMMODITY EXPORTS

All export transactions in coal, CPO & ferro-alloys to be channelled exclusively through state-designated BUMN Ekspor from Sep '26

## Policy Basis

UUD 1945 Pasal 33 — natural resources to be state-controlled for public welfare. Formalised via BUMN Law UU 19/2003 (amended by UU 16/2025).

## Covered Commodities (Phase 1)

Coal, Crude Palm Oil/CPO, Ferro-Alloys.  
Further commodities addable via Ministerial Coordination decree.

## Core Problem Targeted

Trade mis-invoicing, forex (DHE) underreporting, minimal value-add on raw commodity exports, and weak state revenue capture.

PHASE 1 (Starts June 1 <sup>st</sup> to 31 August)			PHASE 2 (Starting September 1 <sup>st</sup> 2026)		
PRE-CLEARANCE		CLEARANCE		POST-CLEARANCE	
Legal & Permit	Contract & Payment	Cargo Preparation	Export Document & Customs	Loading & Delivery	Payment and DHE
<ul style="list-style-type: none"> <li>NPWP, NIB fulfillment</li> <li>Docs: SP8, COO</li> <li>Permits: ET, PE, LS</li> </ul>	<ul style="list-style-type: none"> <li>Sales Contract (goods, price, qty)</li> <li>Payment method: L/C/TT, agree Incoterms</li> <li>L/C: Importer opens via Exporter's Bank</li> </ul>	<ul style="list-style-type: none"> <li>Packing &amp; labeling</li> <li>Packing List + Commercial Invoice</li> <li>Book cargo space → Forwarder confirmation</li> </ul>	<ul style="list-style-type: none"> <li>Submit PEB electronically to BC system</li> <li>Pay Bea Keluar (CPO) to Bank</li> <li>BC issues NPE → goods cleared for loading</li> </ul>	<ul style="list-style-type: none"> <li>Warehouse → Port</li> <li>Load to vessel, enter Cargo Manifest</li> <li>Shipping Agent issues Bill of Lading (B/L)</li> <li>B/L = ownership proof &amp; shipping contract</li> </ul>	<ul style="list-style-type: none"> <li>Exporter sends B/L, Invoice, PL, COO via Bank</li> <li>Importer releases payment through Bank on receipt</li> <li>Phase II: DHE wajib parkir di sistem perbankan domestik [1 Sep '26]</li> </ul>

## Implications

### Forex & Rupiah Stability

Centralised DHE receipts close mis-invoicing leakage; supports IDR stability. Near-term disruption risk if transition is abrupt. Watch USD/IDR & BI reserve data.

### Coal & CPO Sector Risk

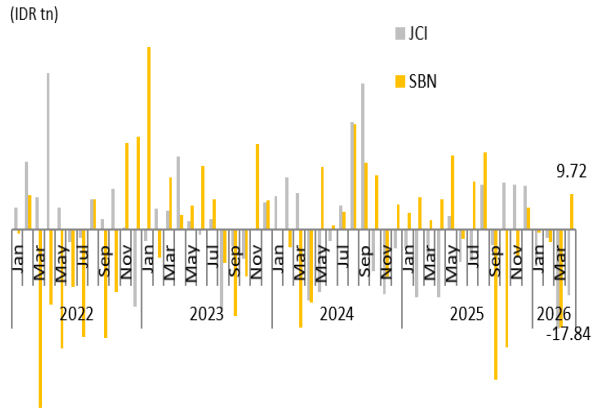
Private miners/planters lose direct buyer relationships & pricing autonomy. Margins under pressure from BUMN intermediation.

### Macro & Fiscal Impact

Improves trade data accuracy and tax capture. Elevates Indonesia's commodity pricing leverage. High execution risk — adds near-term EPU to business climate.

# DEVELOPMENT OF TRADABLE SBN

## CAPITAL FLOW IN SBN&JCI



Sources : Bloomberg, KBVS Research (2026)

Between 14-20 May '26, non-residents conducted:

- A net sell of tradeable SBN, amounting IDR1.52 tn.
- A net sell of JCI, amounting IDR3.00 tn.

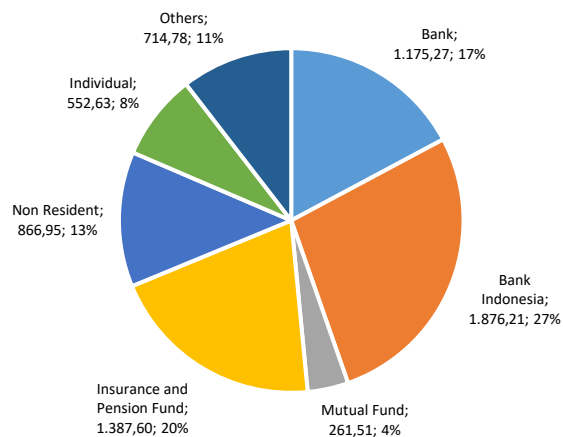
## SUN LATEST AUCTION

12 May '26										
Instruments	SPN01260617	SPN12260813	SPN12270517	FR0109	FR0108	FR0106	FR0107	FR0102	FR0105	Total
Incoming Bids (IDR tn)	4,20	1,65	4,26	14,98	7,48	4,89	5,18	4,72	4,05	51,40
Bid to Cover Ratio	1,09	1,00	4,26	4,47	1,78	1,10	1,18	1,10	1,31	1,70
Weighted Average Yields Awarded	5,250%	5,900%	6,15%	6,679%	6,730%	6,840%	6,830%	6,919%	6,930%	
28 Apr '26										
Instruments	SPN01260530	SPN12260730	SPN12270429	FR0109	FR0108	FR0106	FR0107	FR0102	FR0105	Total
Incoming Bids (IDR tn)	3,44	3,19	4,56	34,74	9,22	4,69	7,05	4,20	3,85	74,95
Bid to Cover Ratio	3,44	1,33	1,04	2,21	2,84	1,74	1,37	1,17	2,20	1,87
Weighted Average Yields Awarded	4,890%	5,400%	5,500%	6,635%	6,810%	6,818%	6,750%	6,865%	6,880%	

Sources : DJPPR, KBVS Research (2026)

## OWNERSHIP of IDR TRADABLE SBN

(IDR tn, % of total tradable SBN)



Sources : DJPPR, and KBVS Research (2026)

As of 18 May '26, the largest ownership of tradable SBN is as follows:

- Bank Indonesia : IDR1,876.21 tn (+IDR80.96 tn, WoW),
- Banks : IDR1,175.27 tn (-IDR65.71 tn, WoW), and
- Insurance & Pension Funds: IDR1,387.60 tn (+IDR12.28 tn, WoW)

## SBSN LATEST AUCTION

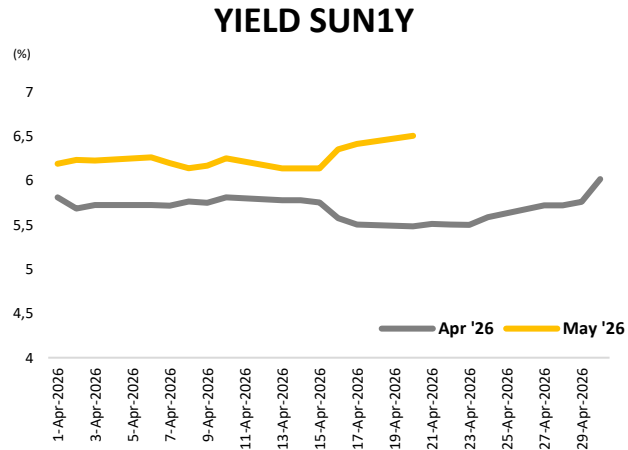
19 May '26									
Instruments	SPNS13072026	SPNS23112026	SPNS03022027	PBS030	PBS040	PBSG002	PBS034	PBS038	Total
Incoming Bids (IDR tn)	0,93	1,59	4,50	3,66	1,18	1,59	0,64	4,70	18,80
Bid to Cover Ratio	1,86	1,06	1,84	2,93	2,37	2,12	1,07	1,06	1,57
Weighted Average Yields Awarded	5,750%	5,850%	6,100%	6,540%	2,370%	6,749%	6,810%	6,870%	
5 May '26									
Instruments	SPNS01062026	SPNS12102026	SPNS03022027	PBS030	PBS040	PBS034	PBS005	PBS038	Total
Incoming Bids (IDR tn)	2,82	1,33	4,21	2,62	1,26	1,93	2,76	4,27	21,20
Bid to Cover Ratio	3,14	-	1,87	2,18	2,52	1,04	1,31	1,34	1,77
Weighted Average Yields Awarded	5,500%	-	6,089%	6,418%	6,478%	6,722%	6,754%	6,810%	

Sources : DJPPR, KBVS Research (2026)

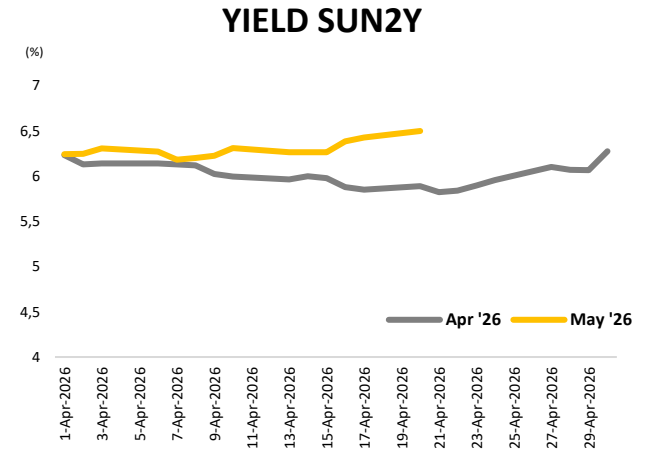
# THE MOVEMENT OF SUN YIELDS

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

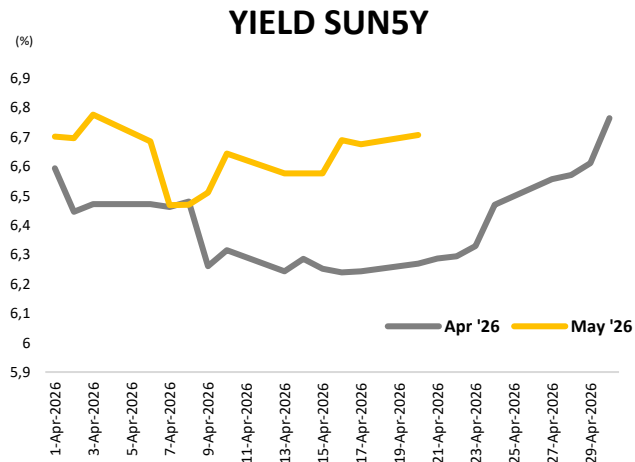
- Yield SUN1Y
  - +42.80 bps (WoW)
  - +192.80 bps (YtD, as of May 20, '26)
- Yield SUN2Y
  - +27.20 bps (WoW)
  - +164.10 bps (YtD, as of May 20, '26)
- Yield SUN5Y
  - +15.10 bps (WoW)
  - +121.10 bps (YtD, as of May 20, '26)
- Yield SUN10Y
  - +12.20 bps (WoW)
  - +74.90 bps (YtD, as of May 20, '26)
- Yield SUN30Y
  - +3.30 bps (WoW)
  - +23.30 bps (YtD, as of May 20, '26)



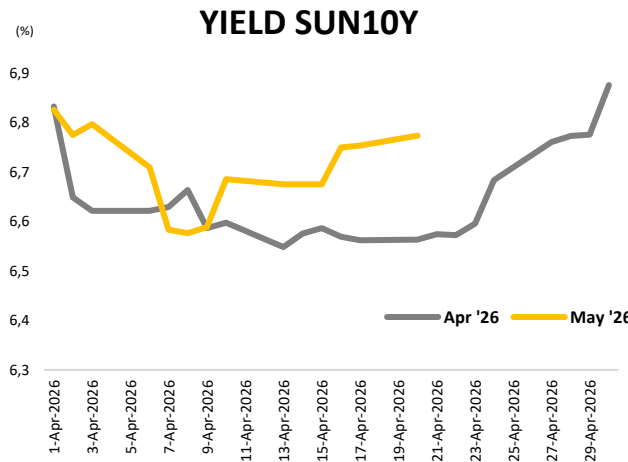
Sources : Bloomberg, KBVS Research (2026)



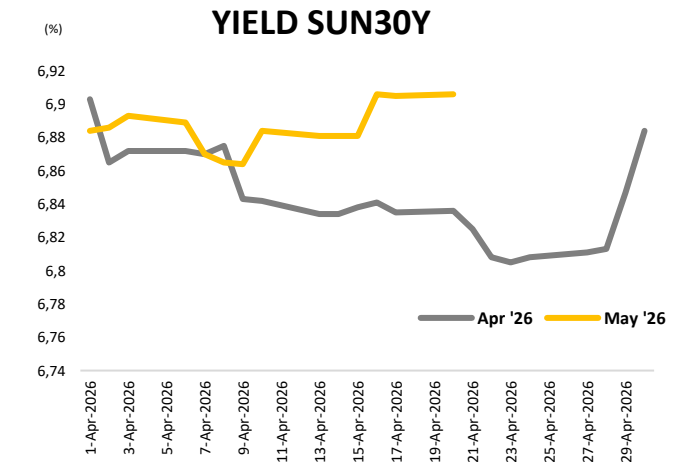
Sources : Bloomberg, KBVS Research (2026)



Sources : Bloomberg, KBVS Research (2026)



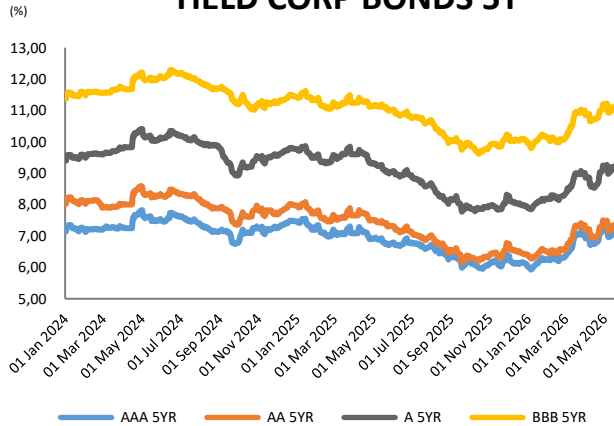
Sources : Bloomberg, KBVS Research (2026)



Sources : Bloomberg, KBVS Research (2026)

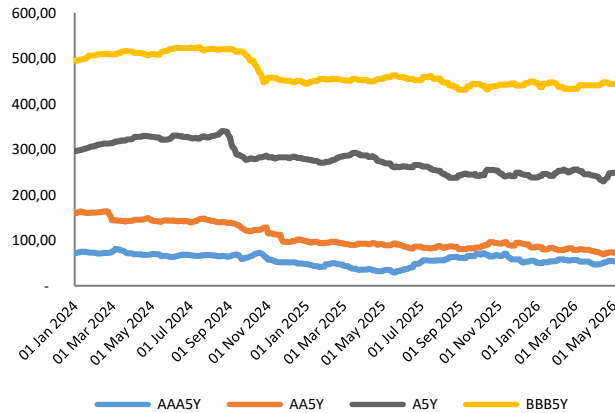
# THE MOVEMENT OF CORPORATE BOND YIELD

## YIELD CORP BONDS 5Y



Sources : Bloomberg, KBVS Research (2026)

## YIELD SPREAD 5Y TENOR

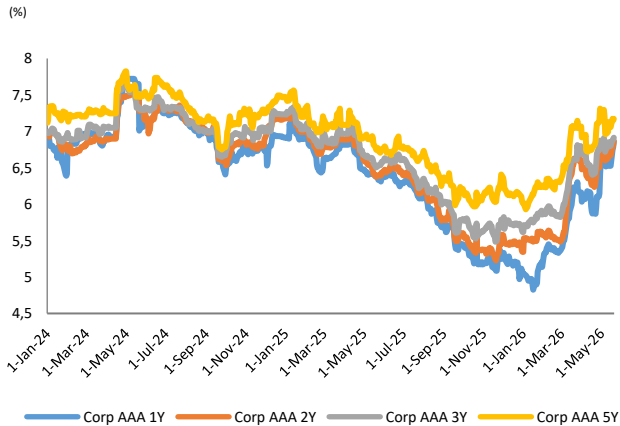


Sources : Bloomberg, KBVS Research (2026)

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

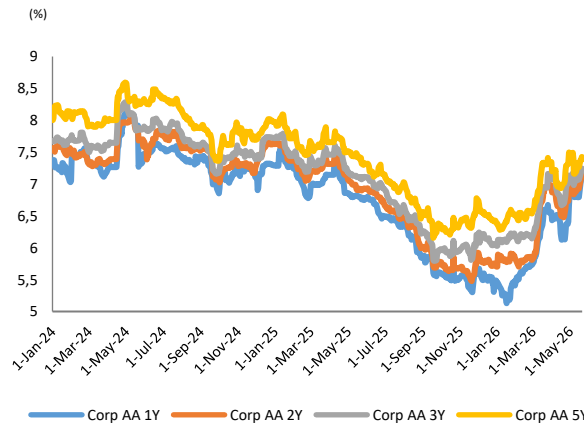
- AAA-rated
  - Tenor 1Y : -39.83 bps (WoW)
  - Tenor 2Y : -23.75 bps (WoW)
  - Tenor 5Y : -13.37 bps (WoW)
- AA-rated
  - Tenor 1Y : -44.15 bps (WoW)
  - Tenor 2Y : -28.30 bps (WoW)
  - Tenor 5Y : -18.20 bps (WoW)
- A-rated
  - Tenor 1Y : -35.94 bps (WoW)
  - Tenor 2Y : -28.00 bps (WoW), and
  - Tenor 5Y : -15.90 bps (WoW)

## YIELD AAA-RATED



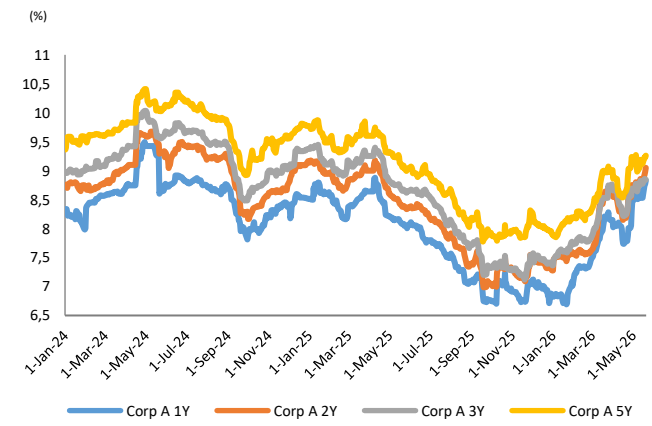
Sources : Bloomberg, KBVS Research (2026)

## YIELD AA-RATED



Sources : Bloomberg, KBVS Research (2026)

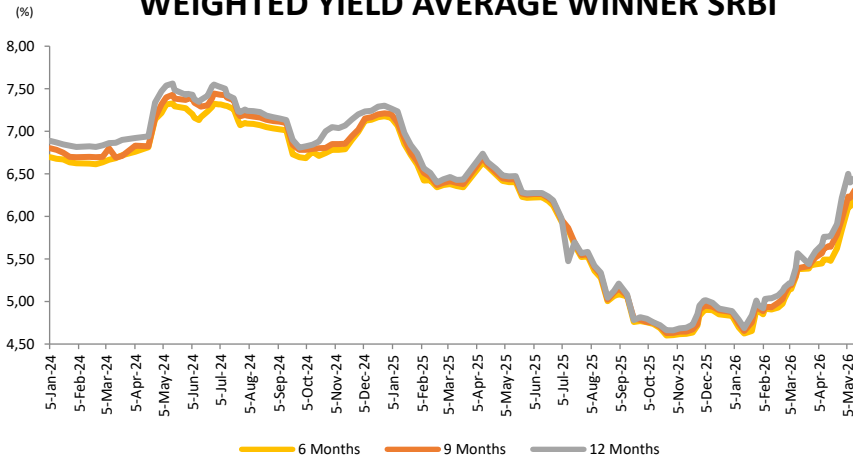
## YIELD A-RATED



Sources : Bloomberg, KBVS Research (2026)

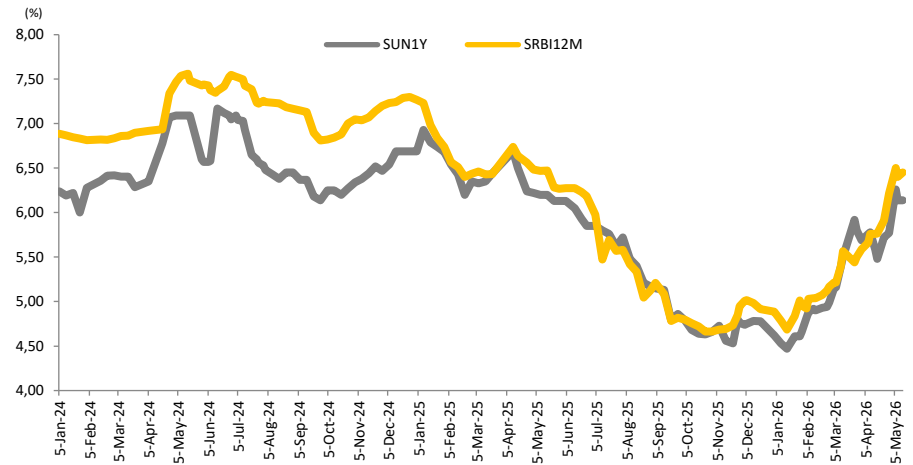
# BI'S MONETARY OPERATION

## WEIGHTED YIELD AVERAGE WINNER SRBI



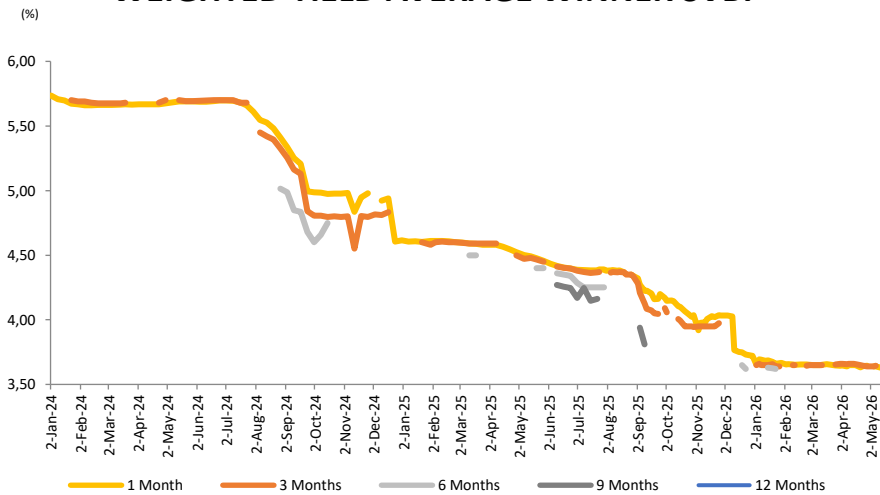
Sources : BI, KBVS Research (2026)

## YIELD SUN1Y AND AVERAGE WINNER SRBI 1Y



Sources : BI, KBVS Research (2026)

## WEIGHTED YIELD AVERAGE WINNER SVBI



Sources : BI, KBVS Research (2026)

- The SRBI Weighted Average Yield of Winning Bids can be seen in the table below.

Yield (%)	8 May '26	13 May '26
6 Month	6.11623%	6.21325%
9 Month	6.21871%	6.30850%
12 Month	6.40002%	6.45005%

- Meanwhile, the latest SUVBI auction saw the profit sharing rate was at:
  - 1 month: 3,592%
  - 3 month: 3,635%
  - 6 month: 3,688%
  - 9 month: 3,753%
  - 12 month: 3,819%

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*Thank  
you!*