

## Market Movement – Summary

Last week, the JCI experienced another sharp decline of -8.35% WoW to 6,162. The weakness occurred across all sectors, with the deepest declines seen in transportations (IDXTRANS -19.18%), basic materials (IDXBASIC -16.31%), and industrials (IDXINDUST -13.68%). In line with this, the domestic equity market also recorded foreign capital outflows of -USD45.7 million.

In the bond market, the yield on the 10-year US Treasury declined by 4 bps to 4.56%. Meanwhile, the yield on Indonesia’s 10-year government bond benchmark FR0108 rose by 3 bps to 6.74%. As of 19 May, foreign investors still recorded a net inflow of USD73.5 million into the government bond market, with foreign ownership standing at 12.69%.

Meanwhile, Bank Indonesia conducted another SRBI auction on May 22, 2026, with total issuance reaching IDR18 trillion, lower than the previous week’s issuance of IDR22trillion. SRBI yields in the latest auction rose sharply across all tenors as part of efforts to maintain rupiah stability. **Going forward, rupiah movements are expected to remain the key factor influencing the direction of Bank Indonesia’s SRBI yields.**

Tenor	6 May 2026	8 May 2026	13 May 2026	22 May 2026
6 Months	6.11%	6.11%	6.21%	6.53%
9 Months	6.24%	6.22%	6.31%	6.67%
12 Months	6.50%	6.40%	6.45%	6.76%

Source: Bank Indonesia

## What Happened

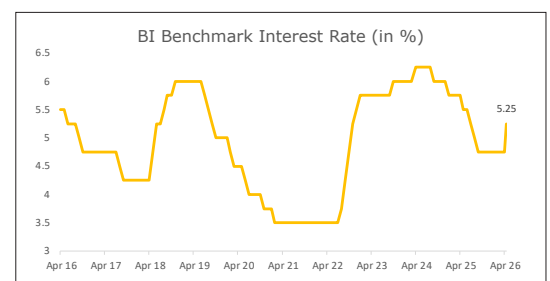
### Bank Indonesia’s Interest Rate



Bank Indonesia (BI) raised its benchmark interest rate (BI Rate) by 50 bps to 5.25% at the May 2026 Board of Governors' Meeting (RDG), exceeding market expectations of a 25 bps hike. The Deposit Facility and Lending Facility rates were adjusted in tandem to 4.25% and 6.00%, respectively.

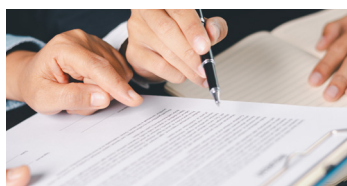
The aggressive move was primarily aimed at stabilizing the rupiah, which touched its weakest level at Rp17,745/USD on the morning of May 20, down nearly 6% YTD amid global volatility arising from the Middle East tensions. The hike also serves as a pre-emptive measure to keep 2026–2027 inflation within the 2.5±1% target. Following the announcement, the rupiah strengthened and closed at Rp17,685/USD.

Despite the tightening, BI maintained its 2026 GDP growth outlook at 4.9–5.7%, with macroprudential policy remaining oriented toward pro-growth.



Source: Bloomberg

## Indonesia's Natural Resource Commodity Export Policy



The government issued a new regulation on the Governance of Natural Resource Commodity Exports, requiring exports of three strategic commodities (crude palm oil, coal, and ferroalloys) to be conducted through PT Danantara Sumber Daya Indonesia (DSI), the state-owned enterprise designated as the sole exporter. The policy aims to eradicate under-invoicing and transfer pricing practices that have long been deemed detrimental to state revenues, while also strengthening Indonesia's bargaining position in global commodity markets. The implementation is expected to begin gradually in June 2026, with a transition period until the end of the year.

In response, S&P Global Ratings highlighted significant execution risks stemming from the abrupt announcement and short transition period. S&P warned that if investors view Indonesia's policymaking as increasingly unpredictable, capital outflows could rise and weigh on economic growth, potentially creating downside risks to Indonesia's BBB/Stable rating. Nevertheless, S&P acknowledged that if successful, the policy could improve the government's revenue base, which has long been a structural weakness in Indonesia's sovereign credit profile.

## US-Iran Peace Negotiations



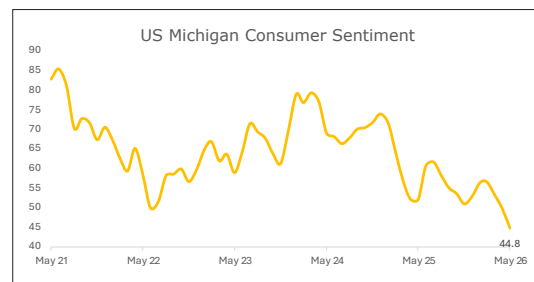
US-Iran peace negotiations continue to show positive progress. Trump stated that a deal has been largely agreed upon and that the Strait of Hormuz will be reopened, while Iran's Foreign Ministry spokesperson confirmed that both sides are in the final stages of drafting a MoU, with positions drawing closer.

The MoU under negotiation is a 14-point document covering Iran's commitment to temporarily halt its nuclear enrichment program, the lifting of US sanctions, the release of frozen Iranian assets, and the reopening of the Strait of Hormuz. Nevertheless, Iran continues to demand supervisory rights over the Strait of Hormuz and the lifting of sanctions that have long blocked its oil exports, while US Secretary of State Marco Rubio reaffirmed that Iran must never possess nuclear weapons and that the Strait of Hormuz must be opened unconditionally.

## US Michigan Consumer Sentiment



The US Consumer Sentiment Index released by the University of Michigan fell to 44.8 in May 2026 (Apr'26: 49.8), marking three consecutive months of decline, as supply disruptions in the Strait of Hormuz continued to push gasoline prices higher. 57% of consumers cited the high cost of living as the biggest strain on their personal finances, with the steepest declines recorded among lower-income groups who have the least financial flexibility when prices rise. Consumers are increasingly expecting inflation to spread beyond the energy sector, with one-year ahead inflation expectations edging up to 4.8% from 4.7%, while long-run expectations climbed more significantly to 3.9% from 3.5%.



Source: Bloomberg

## China's Retail Sales



China's retail sales rose only 0.2% YoY in April 2026 (Mar'26: 1.7% YoY), below market expectations of 2.0%. This marked the weakest growth since December 2022, amid the impact of the US-Iran conflict weighing on consumer demand. The weakness was broad-based, particularly in big-ticket purchases, although the decline was partly cushioned by higher sales in several consumer staple categories.

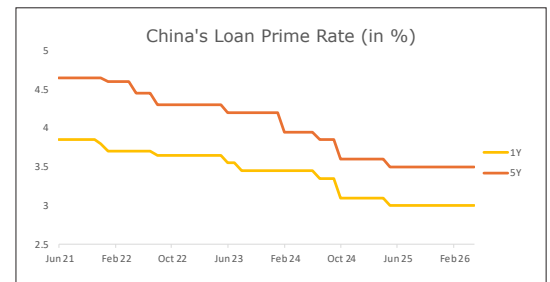
Category	Apr'26	Mar'26
Gold, Silver, and Jewelry	-21.3%	11.7%
Motor vehicles	-15.3%	-11.8%
Household appliances	-15.1%	-5.0%
Building and decoration materials	-13.8%	-9.0%
Furniture	-10.4%	-8.7%
Tabacco and liquor	11.7%	7.7%
Telecommunication equipment	6.2%	27.3%
Cosmetics	4.7%	8.3%
Grain, oil, and food	4.1%	9.5%
Beverages	3.6%	8.2%

Source: NBS China

## China's Loan Prime Rate



The People's Bank of China (PBoC) once again kept its benchmark lending rates unchanged in May 2026, in line with market expectations. The one-year Loan Prime Rate (LPR) remained at 3.0%, while the five-year LPR was maintained at 3.5%. The decision reflected the central bank's cautious stance amid the impact of the Middle East conflict, slowing economic growth, and rising inflationary pressures driven by higher energy prices and supply chain disruptions. Nevertheless, the PBoC continued to maintain a supportive monetary policy to preserve stability and support economic growth.



Source: Bloomberg

## What to Watch

28 May 2026



**US Core PCE Price Index MoM in April** - Consensus expects 0.3% (Mar'26: 0.3%).



**US Personal Income MoM in April** - Consensus expects 0.4% (Mar'26: 0.6%).



**US Durable Goods Orders MoM in April** - Consensus expects 3.9% (Mar'26: 0.8%).



**US Personal Spending MoM in April** - Consensus expects 0.5% (Mar'26: 0.9%).



**US GDP Growth Rate 2nd Estimate in Q1** - Consensus expects 2% (Q4'25: 0.5%).

## Key Takeaways

Oil prices fell sharply after the US and Iran moved closer toward a potential agreement to reopen the Strait of Hormuz, easing fears of a prolonged disruption to global energy supply. Brent crude slipped back below USD100/bbl, while WTI declined toward USD92/bbl, as markets began unwinding part of the geopolitical risk premium accumulated during the conflict.

Despite this, markets remain cautious about declaring a full de-escalation. President Donald Trump stated that the US blockade on the Strait of Hormuz would remain in place until a final agreement is formally reached, while Iran warned that unresolved disputes over sanctions relief and frozen assets could still derail negotiations. As such, investors continue to treat the latest developments as a temporary easing in tensions rather than a durable resolution.

Domestically, Bank Indonesia delivered a hawkish surprise by raising its policy rate by 50bps to 5.25%, exceeding market expectations and reinforcing the central bank's growing focus on rupiah stability amid heightened global uncertainty and elevated commodity prices. The move reflects mounting pressure on the rupiah from a combination of structural external factors including higher US interest rates, a stronger US dollar, geopolitical tensions and alongside seasonal demand for foreign exchange linked to dividend repatriation (Hajj-related transactions and external debt repayments).

Looking ahead, SRBI is expected to remain at the core of Bank Indonesia's liquidity and currency stabilisation framework. This suggests SRBI yields are likely to stay elevated in the near term as policymakers seek to preserve the attractiveness of local assets and sustain foreign inflows.

# Weekly Update

18-22 May 2026



Global Indices	22-May-26	1W (%)	1M (%)	YTD (%)
Nikkei 225 - Japan	63,339	3.14	6.07	25.82
Kospi - Korea	7,848	4.73	21.19	86.22
Hang Seng - Hongkong	25,606	-1.37	-1.43	-0.96
SH Comp - China	4,113	-0.54	0.81	3.73
Nifty 50 - India	23,719	0.32	-0.75	-8.56
Strait Times - Singapore	5,068	1.58	2.95	8.87
SET - Thailand	1,539	1.36	5.67	22.15
FTSE - Malaysia	1,713	-1.58	-0.45	1.67
PSEI - Philippines	5,961	-0.26	0.30	-1.51
S&P500 - US	7,473	0.88	4.30	8.37
DAX - Germany	24,889	3.92	3.15	1.63
MSCI ex. Japan	1,116	1.14	6.36	22.27

Indonesia	22-May-26	1W (%)	1M (%)	YTD (%)
JCI Index	6,162	-8.35	-13.57	-28.74
LQ-45	620	-5.69	-10.18	-26.71
JII	387	-11.64	-19.80	-33.12
IDX Sector Energy	2,946	-13.68	-23.31	-33.84
IDX Sector Basic Industry	1,645	-16.31	-26.27	-20.09
IDX Sector Industrials	1,692	-11.70	-19.25	-21.47
IDX Sector Consumers Non-cyclical	688	-5.37	-7.07	-14.03
IDX Sector Consumers Cyclical	931	-10.20	-13.64	-24.11
IDX Sector Healthcare	1,564	-2.41	-10.38	-24.23
IDX Sector Financial	1,301	-4.11	-4.00	-16.04
IDX Sector Properties & Real Estate	820	-8.42	-11.93	-30.09
IDX Sector Technology	7,021	-5.07	-9.38	-26.32
IDX Sector Infrastructures	1,839	-10.80	-10.70	-31.16
IDX Sector Transportations & Logistic	1,731	-19.18	-21.66	-11.94

Foreign Flow	as of	WTD	MTD	YTD
Equity (million USD)	22-May-26	-45.7	476.7	-2,460.9
Bonds (million USD)	19-May-26	73.5	796.4	-686.90



Bonds (price)		22-May-26	1W (%)	1M (%)	YTD (%)
FR0109	5th	96.76	-0.39	-0.44	-4.95
FR0108	10th	98.45	-0.29	0.32	-4.45
FR0106	15th	102.53	-0.11	-0.69	3.10
FR0107	20th	103.03	-0.21	-1.78	3.89
US Treasury	5th	98.52	0.04	0.13	0.75
US Treasury	10th	85.81	0.10	-1.42	-1.78



Commodity (USD)		22-May-26	1W (%)	1M (%)	YTD (%)
Oil - WTI		97	-8.37	2.33	66.70
Coal		132	0.27	-1.23	23.82
CPO		4,430	1.14	-1.93	10.01
Nickel		18,913	2.25	-0.54	12.39
Gold		4,509	-0.68	-4.25	3.92



Currency/Rates		22-May-26	1W (%)	1M (%)	YTD (%)
USD/IDR		17,709	1.40	2.93	5.61
USD/JPY		159.18	0.28	-0.13	1.77
USD/EUR		0.86	0.19	1.02	1.25
USD/CNY		6.80	-0.22	-0.51	-2.84
7DRRR (%)		5.25	0.50	0.50	0.50
Fed rate (%)		3.75	0.00	0.00	0.00



Calendar 18-22 May 2026	Results
China Retail Sales YoY in April	0.2%
China Loan Prime Rate 1Y in May	3%
China Loan Prime Rate 5Y in May	3.5%
Indonesia Interest Rate Decision in May	5.25%
US Michigan Consumer Sentiment Final in May	49.8

■ Positive Movement ■ Negative Movement

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