

Market Movement – Summary

The JCI closed higher last week, rising 1.93% WoW to 6,526. Gains were led by the basic materials (IDXBASIC +3.67%), energy (IDXENERGY +2.94%), and infrastructure (IDXINFRA +2.73%) sectors. Foreign investors recorded a net inflow of USD126mn into the equity market during the week, narrowing the year-to-date (YTD) foreign net outflow to USD4.08bn.

In the bond market, the 10-year US Treasury yield rose 4 bps to 4.73%. In contrast, the 10-year Indonesian government bond (SUN) yield fell sharply by 26 bps to 6.95%. Foreign investors recorded a net inflow of USD683.2mn into government bonds during the week, bringing YTD foreign net inflows to USD1.65bn, while foreign ownership remained relatively stable at 12.97%.

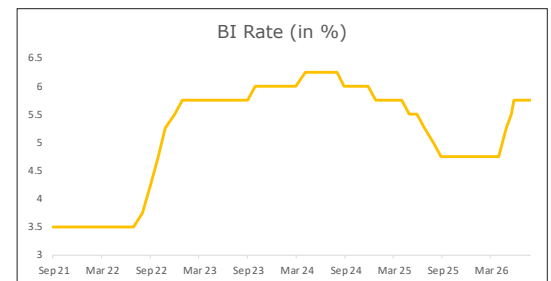
On the monetary front, Bank Indonesia did not conduct an SRBI issuance last week, following the adjustment of the SRBI auction frequency to once every two weeks through 23 September 2026. The next SRBI auction is scheduled for 28 August 2026. The lower issuance frequency should reduce liquidity absorption by Bank Indonesia. Against this backdrop, the domestic bond market is expected to remain supported in the near term, benefiting from more accommodative liquidity conditions and reduced supply pressure from monetary instruments.

What Happened

Bank Indonesia Interest Rate



Bank Indonesia (BI) maintained its policy rate at 5.75% at its August meeting, the first policy meeting under the leadership of Destry Damayanti as Acting Governor of BI. The decision was in line with market expectations, amid the rupiah's appreciation to below Rp17,800/USD and inflation remaining within BI's target range. Market attention, however, remains focused on BI's independence following the leadership transition.



Source: Bloomberg

RAPBN 2027 Agreement



The President and the House of Representatives (DPR) have agreed on the 2027 draft state budget (RAPBN) as the basis for next year's budget preparation, with core macroeconomic assumptions including economic growth of 6.0% (up from the 2026 state budget target of 5.4%), inflation of 2.5%, and a rupiah exchange rate of Rp17,500/USD. The ratio of state revenue to GDP is projected to reach 12.25%, with the government debt ratio kept within safe limits.

In line with these assumptions, state revenue is targeted to reach Rp3,426.0 trillion, growing 6.8% from the previous year, while state spending is planned at Rp4,097.2 trillion, up 3.9% from the 2026 budget (Rp3,842.7 trillion). On the priority spending side, the education budget remains fixed at 20% of the state budget, while the Free Nutritious Meals Program (MBG) budget has been cut to Rp240.2 trillion, down from Rp268 trillion in 2026, with the number of beneficiaries shrinking to 72.1 million people.

MSCI August 2026 Index Review



MSCI maintained Indonesia's status as an emerging market in the results of the August 2026 Index Review (announced August 12–13, 2026), although restrictions on Indonesian stocks remain in place. On the constituent side, MSCI removed GOTO from the Global Standard Index, downgraded CPIN to the Global Small Cap Indexes, and removed nine other stocks from the Global Small Cap Indexes (ARTO, BUKA, ESSA, FILM, HEAL, KPIG, RATU, SMGR, TCPI), with all changes taking effect after the close of trading on August 31, 2026.

FTSE Russell Semi Annual Review



FTSE Russell deferred the full re-ranking of Indonesian stocks, free float increases, and new constituent additions (including IPOs) until at least the December 2026 review, extending its observation period on Indonesia's capital market transparency and governance reforms.

In the review results announced on August 21, 2026, there were no additions to Indonesia's index weighting, but deletions and cap-tier downgrades continued: 29 stocks were removed from the FTSE global index, BSDE was downgraded from Mid Cap to Micro Cap, and SILO was removed from the Small Cap category. The results remain open for revision until September 4, 2026, will be finalized on September 7, 2026, and will take effect at the market open on September 21, 2026.

Escalation of the US-Iran Geopolitical Conflict



US-Iran tensions escalated again after the deadline for a peace agreement expired in late August 2026, with President Trump threatening a "crushing economic operation" against Iran and countries doing business with it. Talks to reopen the Strait of Hormuz remain deadlocked, with Iran refusing to fully reopen the strait as long as the US naval blockade continues. As a result, oil prices rose for a second consecutive week: Brent around USD 94/barrel (+6% WoW) and WTI around USD 87/barrel (+5% WoW), though there was a positive signal after Iran's President indicated Tehran wants the war to end soon.

China Industrial Production



China's industrial production growth slowed to 4.5% YoY in July 2026 (Jun'26: 5.3% YoY), below the market expectation of 5% YoY, weighed down by weaker domestic demand even as exports remained a key support. On a cumulative basis, industrial output grew 5.3% YoY over January–July 2026. The data was released alongside other indicators pointing to broader economic softening in China, including near-stagnant retail sales and an urban unemployment rate that rose to 5.2% (Jun'26: 5%).



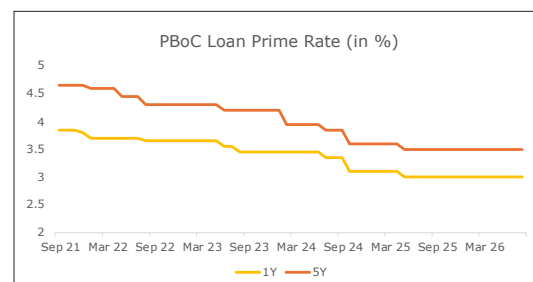
Source: Bloomberg

China Loan Prime Rate



The People's Bank of China (PBoC) kept its Loan Prime Rate (LPR) unchanged for the 15th consecutive month in August 2026, in line with

market expectations, with the 1-year LPR held at 3.00% and the 5-year LPR at 3.50%. The decision came despite July data showing broad-based softness in industrial production, retail sales, and credit issuance. Markets view Chinese authorities as favoring accelerated fiscal stimulus over additional monetary easing.



Source: Bloomberg

What to Watch

26 August 2026



US Core PCE Price Index MoM in July - Consensus expects 0.2% (Jun'26: 0.1%).



US Personal Income MoM in July - Consensus expects 0.3% (Jun'26: 0.2%).



US Durable Goods Orders MoM in July - Consensus expects 0.7% (Jun'26: 0.3%).



US Personal Spending MoM in July - Consensus expects 0.2% (Jun'26: 0.3%).



US GDP Growth Rate QoQ 2nd Estimate in Q2 - Consensus expects 1.5% (Previous estimate: 2.1%).

Key Takeaways

US Treasury yields remain under pressure as persistent inflation, large fiscal deficits, and rising demand for capital push long-term borrowing costs to multi-decade highs. Treasury Secretary Scott Bessent's decision to expand long-end Treasury buybacks while shifting issuance toward shorter maturities, dubbed a "Treasury twist," signals policymakers' growing discomfort with elevated yields but does little to address the underlying fiscal challenges. This quasi-easing approach could reinforce the debasement trade, providing further support for gold and other scarce real assets while strengthening the broader commodity-upcycle thesis.

This week, markets will focus on three key catalysts: Kevin Warsh's Jackson Hole speech for signals on the Fed's policy path, Nvidia's earnings as a key test of the sustainability of the AI-driven rally, and Bessent's fiscal consolidation plan to assess whether the government can credibly address rising deficits and debt rather than relying primarily on bond-market intervention.

On the domestic front, the backdrop for Indonesia's bond market has improved significantly, with the 10-year government bond yield falling 26 bps to 6.95% last week. The rally was likely supported by several positive developments, including expectations of a more prudent 2027 budget and fiscal deficit, a stronger rupiah, renewed foreign inflows, and less frequent SRBI auctions. The lower frequency of SRBI issuance should reduce liquidity absorption by Bank Indonesia and improve liquidity conditions in the domestic financial system. Overall, the combination of improving fiscal sentiment, stronger external flows, and better liquidity conditions should remain supportive for Indonesian government bonds in the near term.

Weekly Update

17-21 August 2026



	Global Indices	21-Aug-26	1W (%)	1M (%)	YTD (%)
	Nikkei 225 - Japan	66,016	-3.93	2.17	31.14
	Kospi - Korea	6,913	-0.93	3.32	64.04
	Hang Seng - Hongkong	26,009	3.55	4.19	0.60
	SH Comp - China	3,905	-0.56	2.39	-1.51
	Nifty 50 - India	24,252	-0.47	2.04	-6.50
	Strait Times - Singapore	5,689	-0.95	1.80	22.20
	SET - Thailand	1,614	0.29	-1.86	28.11
	FTSE - Malaysia	1,736	0.53	2.08	3.08
	PSEi - Philippines	6,238	-0.93	-0.68	3.07
	S&P500 - US	7,674	-1.43	3.54	11.28
	DAX - Germany	26,137	-1.15	4.13	6.72
	MSCI ex. Japan	1,140	1.03	5.84	24.97

	Indonesia	21-Aug-26	1W (%)	1M (%)	YTD (%)
	JCI Index	6,526	1.93	5.31	-24.53
	LQ-45	645	1.95	4.85	-23.86
	JII	392	2.64	5.31	-32.29
	IDX Sector Energy	3,232	2.94	7.74	-27.42
	IDX Sector Basic Industry	1,808	3.67	11.59	-12.16
	IDX Sector Industrials	1,584	1.75	-2.04	-26.50
	IDX Sector Consumers Non-cyclical	714	2.28	5.99	-10.67
	IDX Sector Consumers Cyclical	954	1.24	4.59	-22.22
	IDX Sector Healthcare	1,528	-0.55	8.34	-25.99
	IDX Sector Financial	1,370	1.00	2.31	-11.61
	IDX Sector Properties & Real Estate	839	2.65	3.72	-28.49
	IDX Sector Technology	6,984	0.75	2.05	-26.71
	IDX Sector Infrastructures	1,918	2.73	6.03	-28.18
	IDX Sector Transportations & Logistic	1,804	1.38	9.51	-8.26

	Foreign Flow	as of	WTD	MTD	YTD
	Equity (million USD)	21-Aug-26	126.0	76.8	-4,082.8
	Bonds (million USD)	20-Aug-26	683.2	931.7	1650.10



	Bonds (price)		21-Aug-26	1W (%)	1M (%)	YTD (%)
	FR0109	5th	96.47	0.52	2.17	-5.21
	FR0108	10th	96.98	0.94	2.82	-5.70
	FR0106	15th	100.48	0.95	2.50	1.15
	FR0107	20th	100.48	0.99	2.38	1.48
	US Treasury	5th	99.10	0.05	0.26	1.35
	US Treasury	10th	85.73	-0.24	0.21	-1.87



	Commodity (USD)		21-Aug-26	1W (%)	1M (%)	YTD (%)
	Oil - WTI		87	5.66	-2.52	50.23
	Coal		132	1.74	0.69	23.30
	CPO		4,791	5.81	4.36	18.97
	Nickel		17,058	1.45	-1.85	1.37
	Gold		4,603	5.18	13.58	6.07



	Currency/Rates		21-Aug-26	1W (%)	1M (%)	YTD (%)
	USD/IDR		17,693	-0.74	-1.39	5.51
	USD/JPY		158.95	-0.23	-2.98	1.62
	USD/EUR		0.86	-0.93	-2.64	0.60
	USD/CNY		6.72	-0.34	-0.75	-3.92
	7DRRR (%)		5.75	0.00	0.00	1.00
	Fed rate (%)		3.75	0.00	0.00	0.00



	Calendar 17-21 August 2026	Results
	Bank Indonesia Interest Rate Decision in August	5.75%
	China Industrial Production YoY in July	4.5%
	China Loan Prime Rate 1Y in August	3%
	China Loan Prime Rate 5Y in August	3.5%

Positive Movement Negative Movement

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