Macro | FX Research & Strategy

Global

26 August 2025

Global Markets Daily

Threatening Fed Independence

Trump Removes Fed Cook, Threatening Fed Independence

Trump removed Fed Governor Lisa Cook from her post amid allegations of mortgage fraud. Presidents are understood to be typically able to remove a Fed official from their post "for cause", which has historically meant malfeasance or dereliction of duty and the decision to remove Cook could be challenged in the courts. The latest escalation of Trump's challenges on Fed independence is congruent with his aim of pressuring the central bank to cut rates, although threatening Fed independence would almost certainly have other consequences. The USD found some support yesterday (DXY: +0.73%) post-Jackson Hole selloff, but is weaker (DXY: -0.22%) today following the news of Cook's dismissal. We suggest that any further efforts to undermine Fed independence would be negative USD. Fed Williams said that the era of low neutral rates "appears far from over". With Fed officials sounding a bit more dovish, it is maybe a tad surprising that Trump feels the need to continue to pressure the Fed to cut rates. Trump also threatened additional tariffs and tech export controls on countries with digital taxes and did not improve the terms of South Korea's trade deal despite a charm offensive by President Lee.

RBA Minutes Arguably Less Dovish Than Expected

Minutes of the RBA meeting last Tue was released this morning and it is arguably less dovish than expected, spurring some relative gains for the AUD – the RBA expects to ease policy settings further but the pace remains highly dependent on economic data. The key rate at 3.60% is still considered "somewhat restrictive" and inherently implies more room for cuts. That said, there are uncertainties about the neutral rate and private demand is showing signs of recovering. Our view that RBA may only cut once more in this cycle was validated further by solid Jul labour report. In addition, we hold a sanguine outlook for the global economy.

Data/Events We Watch

Aug RBA Minutes, SG/TW Jul IP, HK Jul Trade

FX: Overnight Closing Levels % Change

Majors	Prev Close	% Chg	Asian FX	Prev Close	% Chg
EUR/USD	1.1618	-0.85	USD/SGD	1.2856	0.33
GBP/USD	1.3455	-0.52	EUR/SGD	1.4936	-0.53
AUD/USD	0.6482	-0.12	JPY/SGD	0.8698	-0.26
NZD/USD	0.5848	-0.31	GBP/SGD	1.7295	-0.21
USD/JPY	147.8	0.59	AUD/SGD	0.8333	0.16
EUR/JPY	171.7	-0.28	NZD/SGD	0.7519	0.00
USD/CHF	0.806	0.56	CHF/SGD	1.5951	-0.23
USD/CAD	1.386	0.25	CAD/SGD	0.9276	0.08
USD/MYR	4.207	-0.47	SGD/MYR	3.2786	0.01
USD/THB	32.443	-0.62	SGD/IDR	12675.96	-0.08
USD/IDR	16253	-0.56	SGD/PHP	44.2383	0.16
USD/PHP	56.945	0.00	SGD/CNY	5.564	-0.52

Implied USD/SGD Estimates at, 9.00am

Upper Band Limit	Mid-Point	Lower Band Limit
1.2824	1.3086	1.3348

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G10: Events & Market Closure

Date	Ctry	Event
25 Aug	UK	Market Closure

AXJ: Events & Market Closure

Date	Ctry	Event
25 Aug	PH	Market Closure
27 Aug	IN	Market Closure
28 Aug	**PH, KR**	**Policy Decision**

G10 Currencies

- **DXY Index - *Sideway Trades Continue with the Firing of Cook driving haven demands*.** DXY softened this morning, giving back overnight gains. Last seen at 98.11. Trump removed Fed Governor Cook from her position at the Fed over allegations that she falsified documents on mortgage applications. This would be the first time that a President has fired a Fed Governor in the Reserve bank's 111 year history of existence and contributes to the narrative that Trump is pressuring the central bank to cut rates. While the Justice department has declared intentions to investigate those allegations raised by Federal Housing Finance Director Bill Pulte, Cook has not been charged for any offence (CNN). Separately, Trump also refused to tweak the terms of the trade agreement with South Korea President Lee Jae Myung. Korean Air plans to order more than 100 Boeing jets worth $36.2bn. The DXY index remains stuck within the 97.50-99.00 range for now. Nevertheless, our call for a weaker USD in the medium-term remains intact. As the market moves on from trade/tariff developments, US economic data (especially labour and inflation) could be major drivers for the USD going forward. Week ahead has Philly Fed non-mfg for Aug due today, durable goods orders for Jul and conf. board consumer confidence due today. Thu has 2Q S GDP along with weekly claims, pending home sales. Fri has widely watched personal spending, income and Core PCE price index for Jul.

- **EURUSD - *Consolidative*.** EURUSD was lower at 1.1645 levels as the USD found some support, remaining within the 1.14 to 1.18 range. Pair likely to remain in consolidation with the major theme for now the ongoing discussion on a peace deal over Ukraine, which is a complex and nuanced issue given the multiple parties and multiple interests at stake. The US and EU agreed on the details of a trade deal that would keep tariffs high for now on European vehicles and lower them on computer chips based on a joint statement. With the ECB likely done with its easing cycle and the Eurozone getting a rather competitive tariff deal relative to other trading partners of the US, the EURUSD may continue to remain supported on dips within the 1.1430-1.1830 range.

- **GBPUSD - *Issues Persist*.** GBPUSD was lower at 1.3475 levels after the USD found some support. The BoE-Fed divergence remains supportive of cable but with OIS already suggesting little expectation for any further cut this year by the BoE, focus could be shifting towards the Autumn budget. The Treasury is considering a new tax on the sale of homes worth more than GBP500K as a step towards a radical overhaul of stamp duty and council tax. Rising yields add pressure on Chancellor Rachel Reeves ahead of her autumn budget (normally due late Oct/early Nov). Back on the GBPUSD chart, support is at 1.3424 (100dma) followed by 1.3300 with resistance at 1.3530 and 1.3600.

- **USDCHF - *Sideways*.** USDCHF was last seen higher at 0.8045 levels as the USD found support, still within established range. Earlier released sport event-adjusted GDP expanded +0.1%q/q from previous +0.8%, above the expected -0.1% contraction expected for 2Q. However, the outlook is less certain. Thus far, the Swiss government had failed to get a trade deal with the US government. We see no further cuts from SNB this year unless inflation heads into negative territory, which is a possibility but not our base case. On the USDCHF chart, USDCHF has been consolidating within the 0.8020-0.8160 range. Support is at 0.8000. Very little directional cue for pair, although SNB is likely to be closely watching outsized CHF appreciation.

- **USDJPY - *Lower on Haven Demand*.** Pair was last seen at 147.34, reversing out overnight gains after Trump declared the removal of Fed Governor Cook from her position in the central bank. Focus remained on

US data readings and developments, which looks to have driven up the USDJPY. Stronger than expected US PMI numbers and more hawkish leaning Fed speaks played the major part in pushing up the broad dollar overnight. The readings are well above the BOJ's target level at 2.00% and continues to back tightening. Nonetheless, BOJ moves are still subjected the bond market situation and in essence developments related to the political situation. However, as mentioned focus was on US developments and less on the domestic situation. Back on the chart, USDJPY may remain within the 147-149 range. Breaking out of that could draw focus towards next support levels at 145.00 and 142.00, resistance at 150.00 and 152.00. We continue to see tight swivels, reflecting the tightly balanced mandate of price stability -employment for the Fed. Data-wise, we have Jul jobless rate on Fri along with much awaited **Tokyo CPI for Aug.**

- **AUDUSD – *Two-way Risks*.** AUDUSD was last seen higher at 0.6490 levels, with post-Jackson Hole USD weakness providing some support despite earlier bearish developments. With the channel broken, there is some bearish risks towards 0.6350 but we continue to view pullbacks as opportunities to buy, especially after the last policy meeting earlier in Aug. Last seen at 0.6490. **Minutes of the RBA meeting last Tue was released this morning and it is arguably less dovish than expected, spurring some relative gains for the AUD - the RBA expects to ease policy settings further but the pace remains highly dependent on economic data. The key rate at 3.60% is still considered "somewhat restrictive" and inherently implies more room for cuts. That said, there are uncertainties about the neutral rate and private demand is showing signs of recovering. Our view that RBA may only cut once more in this cycle was validated further by solid Jul labour report. In addition, we hold a sanguine outlook for the global economy.** According to Nikkei, Treasury Secretary Scott Bessent made known that most US trade talks will be largely done by October and that would also signal that much of the US trade conflict should be coming to some form of closure as well. With greater clarity from here, central banks and governments around the world would be able to provide the monetary and fiscal support should their respective economies require. The recovery of the AUDUSD in 2H of 2025 would reflect the global recovery - gradual and cautious. A move towards the 0.67-figure cannot be ruled out. Key Support is seen around 0.6470 (100-dma), tested multiple times and back as a support. Break-out below risk a move towards 0.6350 where the AUDUSD is likely to bottom. Interim resistance is seen around 0.6520. Week ahead has Jul CPI due on Wed. 2Q CAPEX is due on Thu before private sector credit for Jul is out on Fri.

- **NZDUSD – *Slide to Slow*.** NZDUSD was similarly seen higher at 0.5850 following post-Jackson Hole USD weakness and renewed pressure on the USD after Trump fired Fed Governor Cook – she allegedly falsified documents for mortgage applications. Dovish RBNZ cut could continue to weigh. Given that growth recovery is still lacking momentum, inflation potentially easing (including food prices), there is a good chance for RBNZ to cut the OCR another 25bps in Nov. RBNZ has lowered its average OCR projection to 2.55% by 1Q 2026 vs. the trough of 2.85% seen in the May MPS. The "Orr era" of bold decisions still linger given that a 50bps cut was even considered. However, Chief Economist Conway noted that the key rate is "not restrictive" anymore and Hawkesby also cautioned that RBNZ has done enough of rapid policy easing and could "start feeling our way". In addition, Assistant Governor Karen Silk also noted that the central bank is investigating into the slow transmission of the monetary policy easing thus far. This could suggest that the new few cuts may not come in succession and highly dependent on data. RBNZ may want to pause in Oct before another 25bps cut in Nov and then a final one to take it to the trough of 2.50% in Feb. In addition, the statement did see emphasis on the "upside and downside risks to around the central projections being broadly balanced". There is also an alternative scenario that "economic recovery could accelerate as the full effects of interest rate reductions flow through the economy". We think that the pace of easing will be well deliberated given the slowness in the transmission mechanism and there could be a pause for RBNZ to assess the cumulative impact of earlier cuts that could bring the recovery back into traction. Back on the NZDUSD, OIS suggests that the deeper easing cycle of the RBNZ is already priced. The next leg lower for the NZDUSD depends on Powell's speech and NZ data. We suspect a bottom likely to be formed around 0.5700 and recovery to take hold. Prefer to buy dips. AUDNZD had risen to 1.1080, but we continue to see potential for the AUDNZD to fall from here amid peak RBA-RBNZ policy divergence.

- **USDCAD - *Rising Wedge, Bullish Steam Running Out*.** USDCAD hovered around 1.3860 levels on broad USD weakness post-Jackson Hole. Over the weekend, Carney said that Canada would remove many retaliatory tariffs on US. This could be the start to thaw the ice between the two American nations and we may not want to chase this USDCAD much higher. **On the other hand, market implied rates suggest only around 8.5bps cut priced by next month. A rate cut was debated but views were divided.** We have quite a bit of conviction that a rate cut in Sep would happen and that is clearly underpriced by markets. In news, PM Carney said he had a "productive" call with Trump on trade and a new economic and security pact between the two countries. Meanwhile, PM Carney is also planning to visit Mexico on 18 Sep to boost trade and strengthen relations with the country amid US tariffs. Back on the USDCAD, resistance at 1.3900 is broken, extending its uptrend. Next resistance at 1.40. Support at 1.3740. We see a rising wedge forming but the apex is still some distance away and key data releases should gradually nudge markets towards more dovish repricing. However, that seems to be priced into the CAD already vs. overnight index swaps. At this point, two way risks seen for the USDCAD but we shift towards preference to sell on aggressive USDCAD bids.

- **Gold (XAU/USD) - *A Pennant*.** Gold was last seen around 3370 after Jackson Hole. Gold is respecting the diagonal sloped support level that forms the lower bound of the ascending triangle, arguably the pennant. The bullion continues to find its foothold at the 100-dma at 3290, last printed 3340 and some concerns of stagflation in the US economy could be underpinning gold as well. Our medium term remains for a slowdown in the US economy, increasing focus on rate cuts that would potentially some support for gold. We see two-way trades within 3270-3435 in the interim. We see a pennant forming, a continuation pattern typically that could take the bullion well above the 4000.

Asia ex Japan Currencies

SGDNEER trades around +1.83% from the implied mid-point of 1.3086 with the top estimated at 1.2824 and the floor at 1.3348.

- **USDSGD - *Sideways*.** Pair was last seen around 1.2846 as the USD found support. SGDNEER remains well supported at +1.83% above the implied mid-point. MAS should be in a relatively comfortable position (in contrast to the Fed) to maintain current policy stance of slight (0.5% p.a.) appreciation which should provide support for the SGD. Back on the USDSGD chart, support is at 1.2800 and at 1.2700. Resistance at 1.2900 and 1.3000.

- **SGDMYR - *Sideways*.** SGDMYR was last seen higher at 3.2805 levels. SGD and MYR have been the more resilient currencies (thanks to solid fundamentals and increased cooperation between the neighbours e.g. JS-SEZ) in the ASEAN space against the uncertain backdrop. We expect the resilience to continue. Resistance at 3.30, 3.33 and 3.35. Support at 3.27 followed by 3.25.

- **USDMYR - Sideways.** Pair was last seen higher at 4.2148 levels as the USD found some support. External factors remain a major driver of the pairs. Back on the chart, support at 4.2000 and 4.1000. Resistance at 4.3000 and 4.3600. Meanwhile, on economic matters, PM Anwar has said that the government is finalizing the eligibility criteria for the RON95 petrol subsidy program and that it will be determined beyond just considering income data. Ownership of luxury properties and high-end vehicles would also be taken into account. "Information from the Inland Revenue Board (LHDN) and the Household Income Survey (HIS) conducted by the Department of Statistics Malaysia (DOSM)" would all be taken into account according to the PM.

- **1M USDKRW NDF - *Sideways*.** 1M USDKRW NDF was last seen at 1388.65 levels as the USD found some support. President Lee met with Trump, but his charm offensive did not provide South Korea with better terms on the trade deal. We look for USDKRW lower, alongside a broadly weaker USD in the medium-term. At home, BoK said that the economy had rebounded in 2Q but still faces headwinds from US trade talks with major economies. Financial stability risks were also highlighted in light of rising delinquency rates amongst small businesses and regional developers. This was said to the parliamentary committee ahead of the policy decision this week. Back on the chart, resistance is at 1400. Support is at 1350. We see two-way trades.

- **USDCNH - *Sideways*.** USDCNH was last seen around 7.1570. Yuan sentiment is buoyant amid new that China would send key trade negotiator Li Chenggang to the US to meet with USTR Jamieson Greer and Treasury Department officials along with US business figures. This could be seen as a positive single that a summit could be held for President Xi Jinping and Trump later this year. In the meantime, 1-year and 3-month CNH bills were issued this week to mop up a net CNY30bn yuan liquidity form the market. That said, price action remained stuck within 7.15-7.20. with vol suppressed by the daily fix. The USDCNY reference rate is set at 7.1188 vs 7.1161 previously. Key support for the USDCNH remains at 7.1470. Resistance at 7.2220 (100-dma) before the next at 7.2540. The yuan remains an anchor for the region in times of turbulence.

- **USDHKD - *Stabilizing*.** USDHKD was last seen at 7.8095 this morning. Its aggregate balance hovered around HKD53.9 bn at last check. Carry trades are being unwound. 1M Hibor was lower at around 2.72% this morning and the SOFR-Hibor 1M rate differential was last seen wider at around 160bps.

- **USDTWD - *Stabilizing*.** USDTWD was last seen at 30.48, hardly moved and gains were capped by the softer USD this morning, equity inflows seen yesterday. In news, Premier Cho Jung-Tai said that there are three goals in its current tariff negotiations with the US including fairer tariff rates, ensuring a reasonable process and outcome under Section 232 of the Trade Expansion Act of 1962, and preventing overlapping tariffs. He noted that some products including steel, auto parts, pharmaceuticals and semiconductors are already excluded and the exemptions could broadened to include other products as talks continue (Taiwan News). The 30.20 resistance is broken and the next is seen at 30.50 before 31.04. Support to remain around 29.60.

- **1M USDINR NDF- *Sideways*.** 1M USDINR NDF was last seen at 87.84 as the USD found some support. No signs of a trade deal for India yet, with relations with BRICS allies (Brazil, Russia, China) also at stake. Navarro also took aim at India "cozying up to Xi Jinping". China's ambassador Xu Feihong has said that China will firmly stand with India in opposing the 50% tariff on the country. They also firmly stand with India to uphold the multilateral trading system, with the WTO at its core. The uncertainty with the tariff situation is creating upside risks for the USDINR. Back on the chart, resistance at 88.00 and 90.00. Support stands at 87.00 and 86.00. Remaining key data releases include 15 Aug foreign exchange (Fri).

- **1M USDIDR NDF - *Sideways*.** 1M USDIDR NDF was last seen at 16268, sideways as the USD found some support. On the chart, no changes in terms of levels with the resistance at 16400 and 16500. Support at 16100 and 16000. Meanwhile, on the domestic developments, Indonesia cabinet has given its support to President Prabowo to enlist the military more in his social welfare agenda. Also, local media has reported that Deputy Manpower Minister Immanuel Ebenezer has been apprehended by the anti-graft agency. There are no remaining key data releases this week.

- **1M USDPHP NDF - *Bounces*.** Pair was last seen at 56.89 as the USD found some supporte. Speculation of the Philippines bonds inclusion in the JPM GBI EM Global Diversified Index could be lifting sentiment and outweighing some of the negative factors. Back on the chart, support is at 56.50 and 55.50. Resistance at 57.50, 58.50 and 59.00.

- **USDTHB - *Range-Bound, watch Double Bottom at 32.10*.** Pair was last seen at 32.43 as it inched lower in line with the broad dollar. Exports growth had surpassed expectations at 11.0%y/y from previous 15.5%. Imports growth also slowed less than expected to 5.1%y/y from previous 13.1%. Trade surplus narrowed to $322mn in Jul vs. previous $1.06bn. The Commerce Ministry noted that frontloading had supported the external demand. Trade Policy and Strategy Office warned that grain shipments could underperform this year due to weak global demand, baht appreciation and competition from India. Shipments will slow as tariffs take effect. Back on the chart, USDTHB may continue to remain within the 32.10-32.80 range. Key support at 32.10 could form a double bottom formation if not broken soon. Data-wise, we have more trade data releases for Jul from BoT.

- **USDVND - *Slow Its Gains But not Change its Direction*.** USDVND was last seen around 26330, softening from its earlier record high of 26437. SBV declared that it has begun selling US dollars to credit institutions through so called forward contracts (with an option to cancel) to stabilize the VND (BT). The intervention would be conducted from 25-26 Aug through 180-day forward contracts at a fixed rate of 26,550 contributed to the fall in the USDVND spot prices yesterday. Using FX forwards is a common way to stabilize FX markets without impacting the FX reserves. On a trade weighted basis, we continue to look for VND to weaken against relative trading peers in an environment of weaker USD.

Malaysia Fixed Income

Rates Indicators

MGS	Previous Bus. Day	Yesterday's Close	Change (bps)
3YR MI 4/28	2.98	2.96	-2
5YR MI 5/30	3.08	3.07	-1
7YR M0 7/32	3.27	3.27	Unchanged
10YR MS 7/35	3.39	3.38	-1
15YR MS 4/39	3.58	3.57	-1
20YR MX 5/44	3.74	3.72	-2
30YR MZ 7/55	3.88	3.88	Unchanged
IRS			
6-months	3.15	3.15	-
9-months	3.11	3.12	+1
1-year	3.09	3.09	-
3-year	3.02	3.01	-1
5-year	3.09	3.08	-1
7-year	3.16	3.15	-1
10-year	3.28	3.27	-1

Source: Maybank
**Indicative levels*
***Daily Trade Data: 1) Government bonds and 2) PDS/corporate bonds*

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- Ringgit government bonds were well bid throughout the session, tracking the positive tone in US rates following Powell's dovish remarks. The benchmark MGS curve generally traded 1-2bp lower on the day. Local real money flows showed good active two-way interest in the long end, with yields 1-2bp lower in the 15-20y sector but flat at the 30y point.

- MYR IRS closed mostly 1bp lower with surprisingly muted reaction to the plunge in US rates after Friday's Jackson Hole event that saw a dovish pivot. The 5y point received good paying interest and traded at 3.0625-3.08%, while the 2y at 3.01%. 3M KLIBOR was unchanged at 3.21%.

Singapore Fixed Income

Rates Indicators

SGS	Previous Bus. Day	Yesterday's Close	Change (bps)
2YR	1.55	1.52	-3
5YR	1.64	1.58	-6
10YR	1.91	1.86	-5
15YR	1.99	1.94	-5
20YR	1.99	1.95	-4
30YR	2.07	2.03	-4

Source: MAS (Bid Yields)

- SGS yields plunged 3-6bp across the curve, catching up with last Friday's decline in US rates. The 10y SGS dropped 5bp to 1.86%. Singapore's core inflation slowed to 0.5% YoY in July, matching the multi-year low seen in March. Overnight SORA slipped back to 1.26% on 22 August.

Indonesia Fixed Income

Rates Indicators

Gov't Bonds	Previous Bus. Day	Latest Day's Close	Change
1YR	5.36	5.29	(0.06)
2YR	5.49	5.35	(0.14)
5YR	5.83	5.76	(0.07)
10YR	6.36	6.34	(0.02)
15YR	6.74	6.70	(0.03)
20YR	6.85	6.84	(0.01)
30YR	6.90	6.89	(0.01)

** Source: Bloomberg, Maybank Indonesia*

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The prices of Indonesian government bonds, especially short tenor series, significantly strengthened yesterday. The yield of 2Y series of Indonesian government bonds dropped by 14 bps to 5.35%, as indication that investors had strong expectation for further rally mode due to recent clear signal of lower The Fed's policy rate next month as voiced by the Fed's Governor Jerome Powell on the latest Jackson Hole Symposium on last Friday. We also suspected that many investors have shifted their investment orientation from the short term of SRBI to the short term of government bonds. A lower policy rate's environment on the developed countries is creating more attractiveness for investment assets on the emerging countries that offering relative high return with sound fundamental background, such as Indonesian government bonds. Recently yield of Indonesian 10Y government bond offered 205 bps of gap against the yield of U.S. 10Y government bond.

Moreover, we saw a relative conducive on Indonesian government bond market, as shown by several indicators, such as relative cheap insurance cost with 66.69 of Indonesian 5Y CDS, persistent weak of Brent oil prices at US$68.49/barrel, an undervalued of DXY Dollar index at 98.28 during current 50 bps of gap on Indonesian monetary policy rate against the U.S. monetary policy rate. On the domestic fundamental side, we also saw the government's more aggressive measures for realizing its main development priorities programs for boosting economic growth, such as Free Nutritious Foods, Foods and Energy Sustainability, Village/Sub District Cooperation with bigger role of MSME for the economy, a good Quality on both Education and Healthy, full power of defence, and investment acceleration, through downstream program. For the next year, the government also sets up a 2.48% to GDP of fiscal deficit. The government also give more room for stabilization on the bond market by deciding 6.9% for the macroeconomic assumption on the yield 10Y Series government bond.

Today, the government is scheduled to hold its conventional bond auction with Rp27 trillion of indicative target. There are eight series of government bonds that will be offered on this auction, such as SPN12251127 (Reopening), SPN12260813 (Reopening), FR0109 (Reopening), FR0108 (Reopening), FR0106 (Reopening), FR0107 (Reopening), FR0102 (Reopening), and FR0105 (Reopening). We believe this auction to be crowded by the investors' strong enthusiasm participation. FR0109 (5Y Series) and FR0108 (10Y Series) are expected to be most attractive series for this auction. For both FR0109 and FR0108, we expect the government to give the range yields around by 5.72%-5.78% and 6.31%-6.37%, respectively, for investors. Investors' total incoming bids for this auction are expected to reach at least Rp64.32 trillion.

Economic Update: The 2026 Draft State Budget (RAPBN) with the theme of Food, Energy, and Economic Sovereignty towards a Resilient, Independent, and Prosperous Indonesia

In general, the 2026 Draft State Budget will strive to build the nation with an expansionary, targeted, and measured fiscal policy, with a fiscal deficit of 2.48% of GDP.

• State revenues in 2026 grew 9.8% to Rp3,147.7 trillion amid weakening commodity prices. Tax revenues in 2026, consisting of tax revenues and customs and excise revenues, grew 17.8% to Rp3,136.5 trillion. Tax revenues in 2026 grew 13.5% to Rp2,357.7 trillion. Customs and Excise revenues in 2026 grew 7.7% to Rp334.3 trillion. The government plans to source excisable goods from packaged sweetened beverages. Meanwhile, Non-Tax State Revenues in 2026 decreased 4.7% to Rp455 trillion due to the transfer of dividend contributions from state-owned enterprises and the assumed decline in prices of Indonesia's main export commodities.

• State spending in 2026 grew 7.3% to Rp3,786.5 trillion from the 2025 State Budget outlook. Central government spending in 2026 grew 17.8% to Rp3,136.5 trillion. Ministry/Institutional and non-Ministry/Institutional spending for 2026 grew 17.5% and 18.0% to Rp1,498.3 trillion and Rp1,638.2 trillion, respectively. Meanwhile, regional transfers in 2026 fell 24.8% to Rp650 trillion. Nevertheless, central government spending and regional transfers in 2026 are integrated to support eight priority agendas: 1.) food security, 2.) energy security, 3.) free nutritious meals, 4.) quality education, 5.) quality healthcare, 6.) village/sub-district development, cooperatives, and micro, small, and medium enterprises (MSMEs), 7.) comprehensive defense, and 8.) acceleration of global investment and trade. Transfers to regions are aligned with progressive national fiscal policies and encourage regional fiscal independence.

• The primary balance in 2026 will decrease by 64.2% to minus IDR 39.4 trillion. The deficit has narrowed. The government hopes the primary balance will move closer to neutral, which can serve as an indicator for maintaining the sustainability of the state budget.

• The 2026 fiscal deficit will decrease by 3.5% to minus Rp638.8 trillion (2.48% of GDP).

• The 2026 budget financing will decrease slightly by 3.5% to Rp638.8 trillion to control the debt ratio and encourage effective investment financing.

8 Priority Agendas for 2026: food security, energy security, MBG, education programs, health programs, village development, cooperatives, villages/sub-districts/MSMEs, universal defense, investment acceleration and global trade. Superior Human Resources, Prosperous Farmers, Prosperous Fishermen, Affordable Housing, International Respect, Strong Economy

2026 State Budget Priority Agenda

1.) Food Security: IDR 164.4 trillion, with IDR 46.9 trillion in fertilizer subsidies for 9.62 million tons, IDR 19.7 trillion in rice field development and land optimization for 550,000 hectares, IDR 22.7 trillion in farm roads, and IDR 22.7 trillion in Bulog to maintain rice and unhusked rice stocks for 3 million tons.

2.) Energy Security: IDR 402.4 trillion, with targeted energy subsidies (fuel, electricity, and 3kg LPG) utilizing the National Energy Agency (DTSEN), tax incentives, development of new and renewable energy, and village electricity.

3.) Energy and Mineral Resources (MBG): IDR 335 trillion, with IDR 223.6 trillion in education, IDR 24.7 trillion in health, IDR 19.7 trillion in economic development, and IDR 67 trillion in reserves. trillion

82.9 million recipients of the National Assistance Program (MBG), including 71.9 million students, 2.9 million pregnant/breastfeeding mothers, and 8.1 million toddlers.

4.) Education Program: IDR 757.8 trillion, with an education budget of IDR 253.4 trillion through the Regional Development Assistance (TKD) (including allowances for public/private teachers, BOS, and BOP PAUD), an education budget of IDR 243.9 trillion through non-BGN ministries/agencies (including school and community school revitalization), IDR 223.6 trillion for 71.9 million students, and financing (including LPDP for 4,000 students).

5.) Health Program: IDR 244 trillion, with insurance premium assistance for 96.8 million people and IDR 69 trillion in subsidies for non-wage participants for 49.6 million students, IDR 2.7 trillion in hospital revitalization, stunting and tuberculosis reduction, free health checks (CKG) for 130.3 million participants amounting to IDR 12.6 trillion, and nutritional assistance. 7.4 million toddlers and pregnant women, amounting to IDR 24.7 trillion.

6.) Village, Cooperative, and MSME Development, amounting to IDR 181.8 trillion, for 80,000 Red and White Village Cooperatives (KDMP), with IDR 60.6 trillion in village funds, and IDR 83 trillion in low-interest HIMBARA loans for KDMP.

7.) Universal Defense, with IDR 185.2 trillion for defense modernization of defense equipment and domestic industry development; IDR 179.4 trillion for security and security (Polri, BIN, BNN) for border security and prevention of terrorism and crime; IDR 60.4 trillion for law enforcement (prosecutor's office, human rights, justice, etc.) for corruption and narcotics crimes.

8.) Accelerating Investment and Trade by strengthening the role of Danantara to accelerate productive investment: investments supporting downstreaming of the mineral and coal sectors, energy transition, agriculture, maritime affairs, and fisheries, amounting to US$38 billion. Investment for the 3 million housing program, reaching 770,000 housing units through the FLPP, BSPS, KUR schemes for MSME contractors, and government-borne VAT for new homes with a maximum price of IDR 2 billion. Investments in water security and waste management are among the priorities for systematic and effective development.

The Lifelong Social Protection Budget, from pregnancy to old age, is IDR 508.2 trillion, consisting of IDR 43.8 trillion in staple food cards (18.3 million beneficiaries), IDR 210 trillion in household energy subsidies, IDR

69 trillion in BPJS Kesehatan contributions (PBI JKN), and IDR 69 trillion in MBR subsidies and financing.

Adaptive social protection for disasters/crises: Food and ATENSI for Disability, Disaster Ready Funds, Attention to Victims of Drug and Addictive Substance Abuse, and government food reserves.

Lifelong social protection: Family Hope Program (PKH) for pregnant women, Early Childhood Program (PKH), Elementary, Junior High, and Senior High Program (PKH) of IDR 15.5 trillion, Community School Program (PKH) of IDR 4.9 trillion, Attention for children and orphans, Smart Indonesia Card (KIP) for college of IDR 17 trillion, Employment Loss Insurance contributions of IDR 1.2 trillion, People's Business Credit subsidies of IDR 36.5 trillion, housing subsidies/assistance, JKN contribution subsidies for informal workers, Family Hope Program (PKH) for the elderly, Attention and Food for the elderly.

Central Government Spending of IDR 3,136.5 trillion for the 2026 fiscal year, with the theme "Quality Spending for Sustainable Development"

A.) The budget ceiling for ministries/agencies increased from an indicative ceiling of IDR 1,167.8 trillion to IDR 1,498.3 trillion for

1.) Minimum government needs of IDR 564.2 trillion. Minimum operational expenditures include: personnel expenditures of IDR 332.8 trillion, operational goods expenditures, defense and security operations, education operations (including PIP and KIP Kuliah), and support for ministry/institutional tasks.

2.) Priority expenditures of ministries/institutions of IDR 934.1 trillion, expenditures for regular social assistance (PKH, PBI JKN, Staple Food Cards of IDR 162.4 trillion), expenditures funded by non-Pure Rupiah funds, MBG expenditures, and priority expenditures for 98 ministries/institutions.

B.) 2026 Non-Ministry/Institution Budget Ceiling: IDR 1,638.2 Trillion

Mandatory Spending (pension payments, debt interest, disaster management)

Subsidies/compensation and other priorities

Presidential Discretion

Central Government Priority Programs

Benefits directly received by the public amounting to IDR 1,376.9 trillion (some of which are the duties and functions of regional governments)

1.) Family Hope Program IDR 28.7 trillion

2.) PIP/KIP Kuliah/other scholarships IDR 63.6 trillion

3.) Staple Food Card (BPNT) IDR 43.8 trillion

4.) Health Insurance Premium Assistance IDR 69.0 trillion

5.) Free Health Checks & TB, Hospital Revitalization IDR 7.3 trillion

6.) School Renovation/Revitalization IDR 22.5 trillion

7.) Free Nutritious Meals IDR 335.0 trillion

8.) People's Schools and Garuda Excellence Schools IDR 69.0 trillion Rp27.9 trillion

9.) Road and bridge preservation of Rp24.3 trillion

10.) Housing of Rp48.7 trillion

11.) Dams and irrigation of Rp12 trillion

12.) Red and White village/sub-district cooperatives of Rp83 trillion

13.) Non-energy subsidies, including subsidies for People's Business Credit and fertilizer of Rp108.8 trillion

14.) Allowances for PG and PD non-civil servants of Rp63 trillion

Financial/Institutional Expenditures and Transfers to Regions Synergy Supporting Regional Development: Accelerating Regional Growth

Priority programs in affirmative action areas include:

• Preservation of 414.1 km of national roads in Maluku-Papua to support connectivity

• Creation of 140.5 thousand hectares of rice fields in Maluku-Papua for food security

Priority program outputs include Free Nutritious Meals, School Operational Assistance, Health Operational Assistance, Receipt of Health Insurance Premium Assistance, The Family Hope Program and the Basic Food Card program aim to improve community welfare and human resource quality.

Ministry/Institution Spending and Transfers to Regions per Capita by Region in the 2026 Draft State Budget Taking into Account Regional Characteristics, Challenges, and Potential

• Sumatra (+/- 21.9% of Indonesia's population): IDR 5.6 million/capita, with priority outputs of Free Nutritious Meals for 18.8 million recipients, Elementary Schools for 11,700 students, and Free Health Checks for 28.8 million people

• Java (+/- 55.6% of Indonesia's population): IDR 5.1 million/capita, with priority outputs of Free Nutritious Meals for 45.1 million recipients, Elementary Schools for 12,200 students, and Free Health Checks for 73.5 million people

• Kalimantan (+/- 6.3% of Indonesia's population): IDR 8.5 million/capita, with priority outputs of Free Nutritious Meals for 5.2 million recipients, Elementary Schools for 5,300 students, and Free Health Checks for 7.8 million people

• Bali-Nusa Tenggara (+/- 5.6% of Indonesia's population): IDR 6.4 million/capita, with priority outputs of Free Nutritious Meals for 5.1 million recipients, Public Schools for 3,100 students, and Free Health Checks for 7.0 million people

• Sulawesi (+/- 7.4% of Indonesia's population): IDR 7.3 million/capita, with priority outputs of Free Nutritious Meals for 6.2 million recipients, Public Schools for 6,300 students, and Free Health Checks for 9.5 million people

• Maluku-Papua (+/- 3.2% of Indonesia's population): IDR 12.5 million/capita, with priority outputs of Free Nutritious Meals for 2.4 million recipients, Public Schools for 3,900 students, and Free Health Checks for 3.6 million people

Transfers to Regions Synergize with Central Government Spending, with the priority being the welfare (benefit) of the community

Central Government Spending and Transfers to Regions are integrated to strengthen regional development

• Fulfillment of 2026 Regional Government Basic Expenditures for salaries and allowances of National and Regional Civil Servants, office operations, public services (school operations, public health centers)

• Transfers to Regions, amounting to IDR 650 trillion, consisting of Revenue Sharing Funds of IDR 45.1 trillion, General Allocation Funds of IDR 373.8 trillion, Special Allocation Funds of IDR 155.1 trillion, Special Autonomy Funds of IDR 13.1 trillion, Special Autonomy Funds of the Special Region of Yogyakarta of IDR 500 billion, Village Funds of IDR 60.6 trillion, and fiscal incentives of IDR 1.8 trillion

• Transfers to Regions Policy for the 2026 Fiscal Year, namely Transfers to Regions for personnel expenditures and regional government operations. The allocation of Transfers to Regions takes into account the Special Autonomy Laws for Aceh and Papua, the Special Region of Yogyakarta, and Revenue Sharing Funds, funds The village supports the Merah Putih Village Cooperative. The Revenue Sharing Fund Policy takes into account the Central Government's Priority Expenditures for local communities, encouraging creative/innovative financing for regional development. All Ministries/Institutions implementing priority government programs must synergize with the Regional Government.

Optimization of State Revenue in 2026 of IDR 3,147.7 Million to Support Development

• State revenue grew by 9.8% in 2026, and taxes grew by 13.5% amidst challenges from commodity prices and the global economy.

• Revenue Ratio (percent of GDP): The revenue ratio increased from 13.33% in 2023 to 12.88%, 12.04%, and 12.24% in 2024, 2025, and 2026, respectively.

• Tax Ratio (percent of GDP): The tax ratio increased from 10.31% of GDP in 2023 to 10.08%, 10.03%, and 10.47% in 2026. GDP in 2024, 2025, and 2026.

• Tax optimization strategy through the utilization of Coretax, synergy between ministries/agencies (K/L), a digital transaction collection system for domestic and international sectors, joint programs in data analysis, supervision, inspection, intelligence, and tax compliance, and providing incentives to boost purchasing power, investment, and downstreaming.

• Customs and Excise: tobacco excise policy and the expansion of excisable goods, intensification of international trade import duties, export duty policies supporting downstreaming of products, law enforcement to eradicate the circulation of illegal excisable goods and smuggling.

• Non-Tax State Revenue through optimization, improvement of governance, innovation, supervision, and enforcement of natural resource laws, strengthening synergy between ministries/agencies and the Mineral and Coal Information System (Simbara).

The 2026 Budget Deficit is set at 2.48% of GDP, significantly lower than the projected 2025 State Budget deficit of 2.78% of GDP.

• The budget deficit was recorded at IDR 460.4 trillion (2.35% of GDP) in 2022, then decreased to IDR 337.3 trillion (1.6% of GDP), IDR 509.2 trillion (2.30% of GDP), IDR 662.0 trillion (2.78% of GDP), and IDR 638.8 trillion (2.48% of GDP) in 2023, 2024, 2025 (outlook), and 2026 (RAPBN).

• The primary balance was recorded at minus IDR 74.1 trillion in 2022, then decreased to surpluses of IDR 102.6 trillion, minus IDR 20.7 trillion, minus IDR 109.9 trillion, and minus IDR 39.4 trillion in 2023, 2024, 2025 (outlook), and 2026 (RAPBN), respectively.

• This remains consistent with the government's ability to implement fiscal consolidation to mitigate state budget and financing risks, always striving to do so without compromising the economy. This is because the economy often requires state budget support to drive growth. Therefore, the government is always seeking a balance between the need for economic stimulation. This is particularly evident when state budget cuts immediately indicate a decline in economic activity within society and the economy. Therefore, the government recognizes the state budget's critical role as a tool to support community and economic activity, but at the same time, it is also cautious about the design of the deficit. • *2026 budget financing policy*, namely:

1.) Controlling the debt ratio at 39.96% of GDP (by prioritizing domestic debt sources, developing innovative financing, and actively managing the debt portfolio),

2.) Optimizing and synergizing the Public Service Agency, Special Mission Vehicle, Indonesian Investment Authority (INA), and Danantara Investment Management Agency,

3.) Using the Budget Surplus as a fiscal buffer, especially during unfavorable global economic conditions to prevent the State Budget from being overstretched when global conditions cannot be controlled

4.) Increasing access to investment financing

5.) Deepening the domestic financial market

6.) Encouraging innovative financing, including government-business cooperation

Foreign Exchange: Daily Levels

	EUR/USD	USD/JPY	AUD/USD	GBP/USD	USD/CNH	NZD/USD	EUR/JPY	AUD/JPY
R2	1.1783	148.65	0.6519	1.3565	7.1858	0.5895	173.0600	96.3527
R1	1.1700	148.23	0.6501	1.3510	7.1721	0.5872	172.3800	96.0723
Current	1.1628	147.65	0.6474	1.3456	7.1565	0.5837	171.6800	95.5790
S1	1.1569	147.09	0.6468	1.3423	7.1469	0.5834	171.3000	95.3933
S2	1.1521	146.37	0.6453	1.3391	7.1354	0.5819	170.9000	94.9947

	USD/SGD	USD/MYR	USD/IDR	USD/PHP	USD/THB	EUR/SGD	CNY/MYR	SGD/MYR
R2	1.2899	4.2340	16285	56.9137	32.6623	1.5072	0.5897	3.2949
R1	1.2878	4.2205	16269	56.9293	32.5527	1.5004	0.5888	3.2868
Current	1.2852	4.2180	16270	56.8660	32.4810	1.4944	0.5895	3.2822
S1	1.2822	4.1935	16237	56.7563	32.2877	1.4897	0.5864	3.2711
S2	1.2787	4.1800	16221	56.5677	32.1323	1.4858	0.5848	3.2635

**Values calculated based on pivots, a formula that projects support/resistance for the day.*

Policy Rates

Rates	Current (%)	Upcoming CB Meeting	MBB Expectation
MAS SGD 3-Month SIBOR	3.3000	Oct-25	Neutral
BNM O/N Policy Rate	2.75	4/9/2025	Neutral
BI 7-Day Reverse Repo Rate	5.00	17/9/2025	Easing
BOT 1-Day Repo	1.50	8/10/2025	Neutral
BSP O/N Reverse Repo	5.25	28/8/2025	Easing
CBC Discount Rate	2.00	18/9/2025	Neutral
HKMA Base Rate	4.75	-	Easing
PBOC 1Y Loan Prime Rate	3.00	-	Easing
RBI Repo Rate	5.50	1/10/2025	Easing
BOK Base Rate	2.50	28/8/2025	Easing
Fed Funds Target Rate	4.50	18/9/2025	Easing
ECB Deposit Facility Rate	2.00	11/9/2025	Neutral
BOE Official Bank Rate	4.00	18/9/2025	Easing
RBA Cash Rate Target	3.60	30/9/2025	Easing
RBNZ Official Cash Rate	3.00	8/10/2025	Easing
BOJ Rate (Lower bound)	0.00	19/9/2025	Tightening
BoC O/N Rate	2.75	17/9/2025	Easing

Equity Indices and Key Commodities

	Value	% Change
Dow	45,282.47	-0.77
Nasdaq	21,449.29	-0.22
Nikkei 225	42,807.82	0.41
FTSE	9,321.40	0.13
Australia ASX 200	8,972.41	0.06
Singapore Straits Times	4,256.49	0.08
Kuala Lumpur Composite	1,602.45	0.31
Jakarta Composite	7,926.91	n/a
Philippines Composite	6,281.58	0.06
Taiwan TAIEX	24,277.38	2.16
Korea KOSPI	3,209.86	1.30
Shanghai Comp Index	3,883.56	1.51
Hong Kong Hang Seng	25,829.91	1.94
India Sensex	81,635.91	0.40
Nymex Crude Oil WTI	64.80	1.79
Comex Gold	3,417.50	-0.03
Reuters CRB Index	301.71	0.57
MBB KL	9.85	0.51

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