

Fed Rate Meeting: 11 December 2025

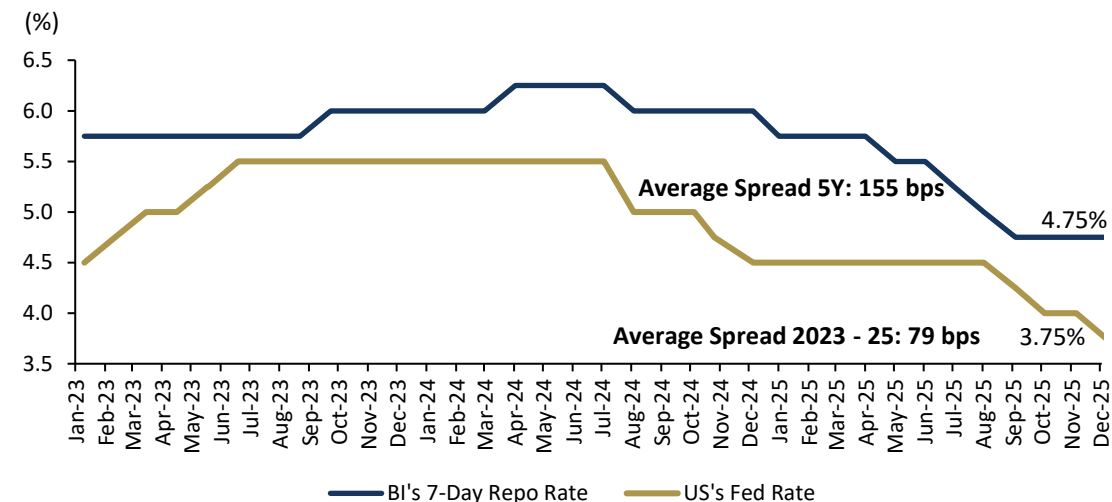
- The Fed's 25 bps cut to 3.50–3.75% in Dec-25 reinforces slow but steady easing cycle, though the tone remains far from dovish. The move lowers borrowing costs to their weakest level since 2022, while the unusually high number of dissenters highlights ongoing policy divisions. Projections were left unchanged—still signalling only one more cut in 2026—underscoring a controlled, front-loaded easing rather than a pivot. Upward revisions to 2025–26 growth and slightly lower PCE inflation support a soft-landing outlook. Globally, this implies mild front-end yield relief but still-positive real rates, keeping financial conditions stable rather than stimulative.
- For Indonesia, the Fed's move may provide flexibility for Bank Indonesia (BI) to cut in December given current spread with BI's 7DRR of 100 bps, still higher than 2023-25 average spread of 79 bps. The short-to-mid government bond curve would likely adjust lower, and help reinforce momentum in credit growth, investment planning, and household demand into 2026. Domestic growth remains underpinned by resilient consumption and down-streaming investment.
- However, BI's ability to cut will be limited by IDR depreciation, which has been one of the weakest performing currencies in the region, down 3.3% YTD against the USD. This is despite ample FX reserves, a stronger current account, and still-positive real yields. If BI delays, communication will likely emphasize FX stability and external-risk monitoring rather than inflation, which remains benign. November inflation eased to 2.72%, within BI's target, while 3Q CA surplus of USD 4.0 bn strengthens external buffers. Hinging on favorable government policies, the IDR remains central to BI's reaction function. Any renewed FX pressure—driven by year-end USD strength or geopolitical risks—could prompt delay to safeguard IDR.
- While the probability of December BI cut has increased following the Fed's move, the final decision is capped by IDR performances which will have the propensity to weaken this December on back of high USD demand in the lead up to holiday festivities including Christmas, CNY and Lebaran in March-26. That said, BI's timing of the easing will reflect policy trajectory shifting towards gradual normalization aimed at maintaining macro stability while supporting moderate acceleration in economic growth.

Regional Currency Performances

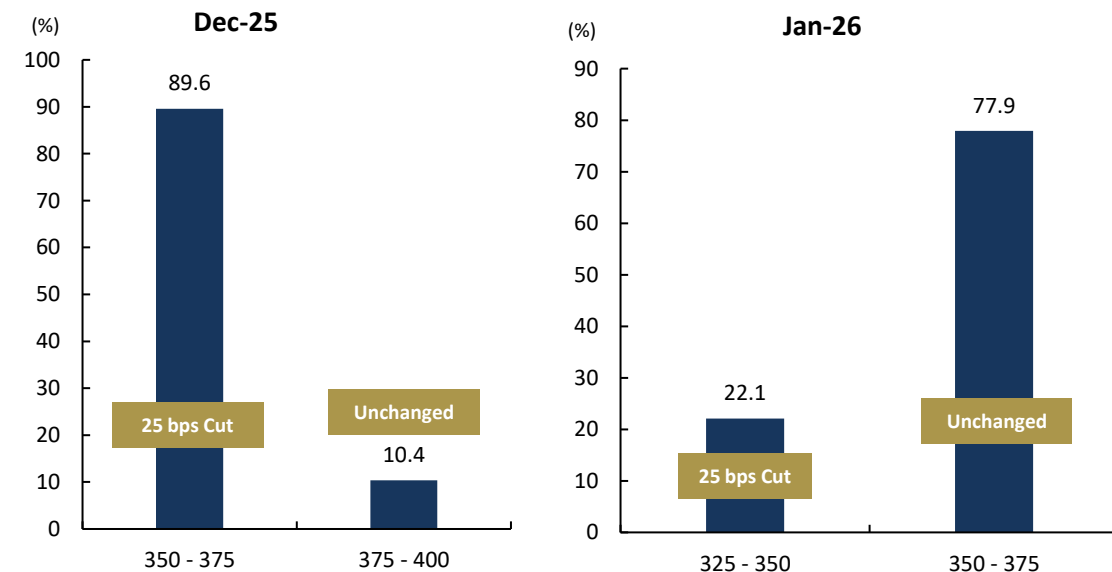
South-East Asia	YTD	2024	2023	10Y CAGR	East Asia & Australasia	YTD	2024	2023	10Y CAGR
MYR (Malaysia)	8.9	2.7	(4.1)	(1.6)	AUD (Australia)	7.3	(9.2)	(0.0)	(2.1)
THB (Thailand)	6.4	0.1	1.4	0.3	TWD (Taiwan)	5.1	(6.3)	0.0	0.2
SGD (Singapore)	5.5	(3.3)	1.5	0.2	NZD (NZ)	3.7	(11.5)	(0.5)	(2.9)
LAK (Laos)	0.7	(5.8)	(15.7)	(9.4)	CNH (China)	3.4	(2.7)	(2.8)	(1.3)
KHR (Cambodia)	0.5	1.4	0.8	0.2	JPY (Japan)	1.0	(10.3)	(7.0)	(2.6)
PHP (Philippines)	(1.9)	(4.2)	0.6	(2.7)	KRW (Korea)	(0.0)	(12.5)	(1.8)	(2.9)
IDR (Indonesia)	(3.3)	(4.4)	1.1	(2.9)	HKD (Hongkong)	(0.1)	0.6	(0.1)	(0.0)
VND (Vietnam)	(3.3)	(4.8)	(2.6)	(2.1)	MNT (Mongolia)	(3.4)	0.5	0.0	(6.1)
Average	1.7	(2.3)	(2.1)	(2.3)	Average	2.1	(6.4)	(1.5)	(2.2)

Sources: Bloomberg, SSI Research

US' Fed Rate and BI's 7-Day Repo Rate



Target Rate Probabilities for Dec-25 & Jan-26 Fed Meeting



Macro Strategy Team