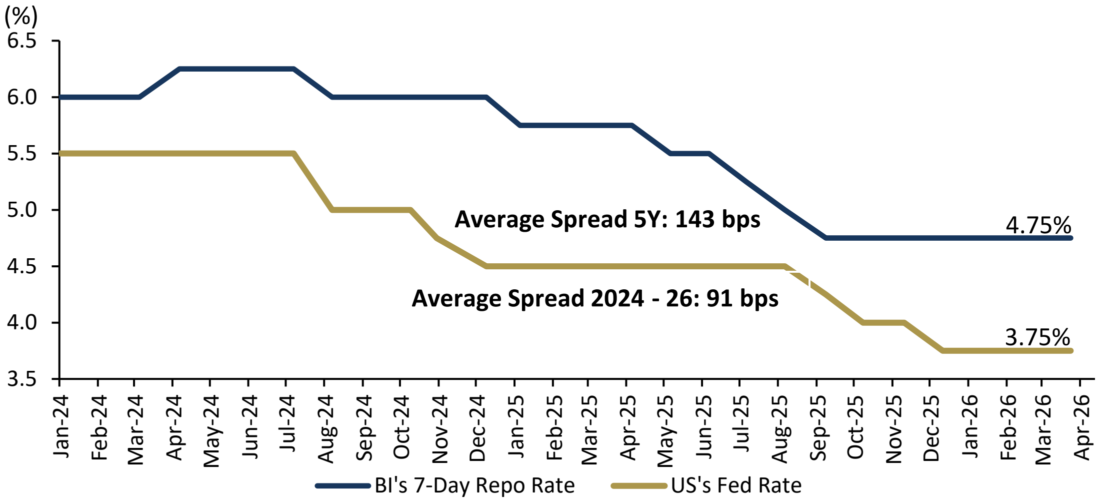
Fed Rate Meeting: 30 April 2026

- Apr-26 FOMC meeting appeared to deliver an uneventful decision on the surface, but beneath it lies a central bank increasingly navigating internal fragmentation. By holding the policy rate at 3.5%–3.75% for a third consecutive meeting, the Fed met market expectations while preserving a cautious, data-dependent stance. Yet the significance of this meeting is less about the pause and more about the signal embedded in the dissent: an 8–4 vote, the widest split since 1992, reflecting growing divergence within the committee with the debate whether to cut, towards when and how quickly easing should begin.
- The presence of multiple dissents—including a call for an immediate 25bps cut—suggests that the Fed is approaching a turning point in its policy cycle. Chair Jerome Powell reiterated the standard framework of data dependency and risk assessment, but also acknowledged rising geopolitical uncertainty, particularly from the Mid-East. This makes for complex external inflation dynamics that are no longer purely domestic. Visible internal disagreement creates a soft pivot in formation, but not yet a shift.
- Nevertheless, the Fed's hold means portfolio outflows and IDR depreciation pressures for Indonesia. This reinforces the policy dilemma for BI, which must balance FX stability against domestic growth. The IDR sensitivity to global sentiment implies that a prolonged Fed pause can still tighten external financial conditions. A "higher-for-longer" Fed scenario, especially if accompanied by rising oil prices due to geopolitical tensions, could widen the current account deficit and increase fiscal pressures via energy subsidies. At the same time, elevated global yields could transmit into higher domestic bond yields, tightening liquidity and dampening credit expansion—thus subtly constraining growth momentum.
- Looking ahead, the Fed's internal divergence will capped by inflationary pressure from higher energy prices due to the continuing Iran war. For Indonesia, if geopolitical risks persist and delay the Fed's pivot, the government will need to rely more heavily on coordinated policy responses to preserve stability and economic growth, which are currently weighed by widening budget deficit coupled with worsening IDR depreciation, down 3.5% YTD and one of the worst in the region.

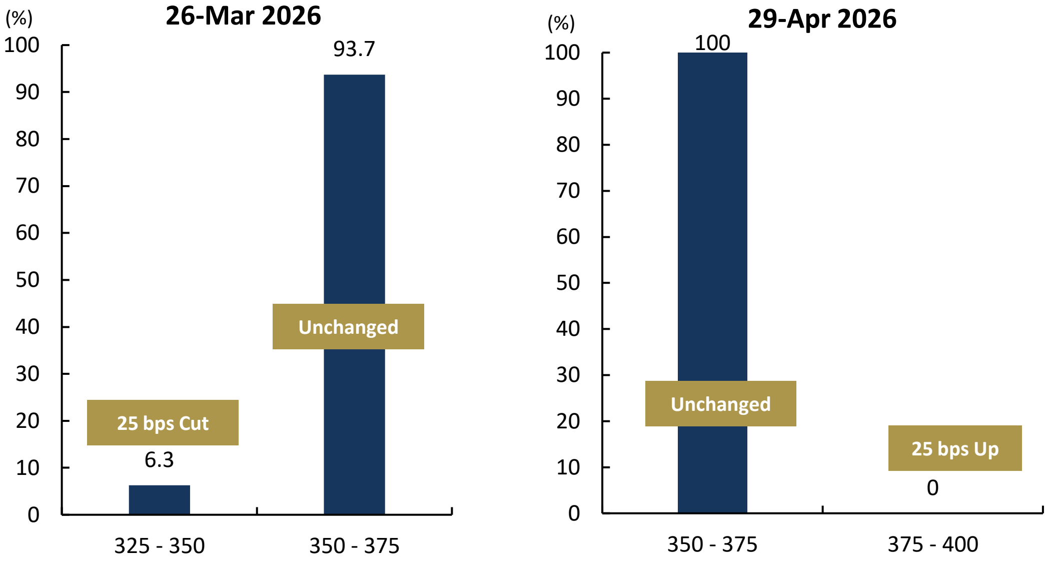
US' Fed Rate and BI's 7-Day Repo Rate



Regional Currency Performances

South-East Asia	YTD	2025	2024	10Y CAGR	East Asia & Australasia	YTD	2025	2024	10Y CAGR
MYR (Malaysia)	2.5	10.1	2.7	0.8	AUD (Australia)	6.7	7.8	(9.2)	(0.2)
SGD (Singapore)	0.4	6.2	(3.3)	1.0	CNH (China)	2.1	4.5	(2.7)	(0.5)
KHR (Cambodia)	0.1	0.5	1.4	0.1	NZD (NZ)	1.3	2.9	(11.5)	(1.6)
VND (Vietnam)	(0.2)	(3.1)	(4.8)	(1.6)	MNT (Mongolia)	(0.6)	(3.7)	0.5	(5.7)
LAK (Laos)	(1.5)	1.0	(5.8)	(9.4)	HKD (Hongkong)	(0.7)	(0.2)	0.6	(0.1)
IDR (Indonesia)	**(3.5)**	(3.5)	(4.4)	**(2.2)**	TWD (Taiwan)	(0.7)	4.4	(6.3)	0.4
THB (Thailand)	(3.8)	8.2	0.1	1	JPY (Japan)	(2.2)	0.3	(10.3)	(2.8)
PHP (Philippines)	(4.3)	(1.7)	(4.2)	(2.6)	KRW (Korea)	(3.2)	2.2	(12.5)	(2.3)
Average	(1.3)	2.2	(2.3)	(1.6)	**Average**	0.4	2.3	(6.4)	(1.6)

Target Rate Probabilities for 26-Mar & 29-Apr Fed Meeting



Sources: Bloomberg, SSI Research