

Fed Rate Meeting: 29 October 2026

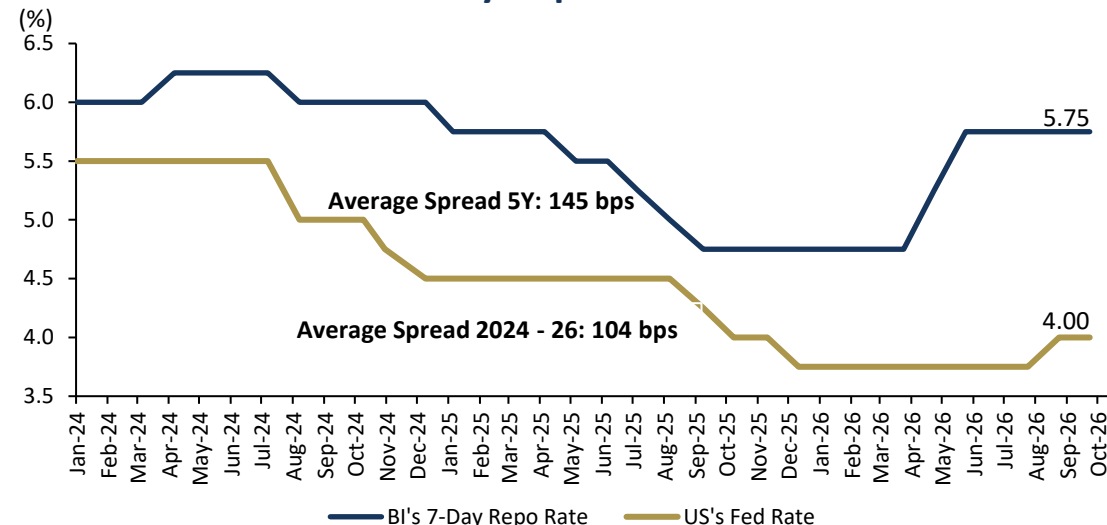
- The Federal Reserve's decision to maintain its benchmark rate at 3.75%–4.00% on October 28 offers limited reassurance following September's 25bps increase. The 10–2 vote, with two policymakers favoring another hike, indicates that inflation risks remain unresolved. Although the dissent does not guarantee further tightening, it weakens the case for near-term easing and leaves markets vulnerable to stronger inflation readings. A prolonged hold would keep financing costs elevated, gradually weighing on credit demand, corporate margins, and interest-sensitive sectors.
- The Committee's stronger assessment of economic activity suggests that the Fed has little urgency to ease policy. Resilient consumption and investment could sustain demand pressures, slowing inflation's return to the 2% target. However, current strength does not eliminate the delayed effects of higher borrowing costs. As households refinance debt and businesses reassess investment, growth could weaken before inflation is fully contained, narrowing the Fed's room to support the economy.
- The October decision reinforces expectations of prolonged monetary restraint, with rate cuts difficult to justify without sustained improvement in inflation. Markets anticipating early easing could face renewed pressure if price or wage data remain firm, keeping Treasury yields elevated and weighing on equity valuations. The proposed strategy-only meeting in 2027 may support longer-term deliberations, but its practical implications remain uncertain and do not independently signal a change in monetary policy.
- Prolonged US monetary restraint could limit demand for emerging-market assets, particularly if elevated Treasury yields coincide with stronger dollar or weaker global risk appetite. For Indonesia, this would complicate IDR stabilization and could increase the yield premium investors require to hold government bonds. Bank Indonesia's room to cut rates would remain constrained, while extended domestic monetary restraint could weigh on borrowing, investment, and consumption. Macroprudential measures may cushion these effects, but their effectiveness depends on credit demand and banks' willingness to lend.
- We expect the Fed to maintain a restrictive, data-dependent stance through the remainder of 2026. Another 25bps increase remains a risk, particularly if CPI reaccelerates, although inflation remaining above 2% alone would not necessarily trigger a hike if underlying pressures continue to ease. For Indonesia, the more realistic downside is an extended period of tight financial conditions, volatile capital flows, and limited scope for monetary stimulus. Sustained improvement in the IDR and domestic bond market would require stronger both internal and external fundamentals coupled with a more favorable investor confidence backdrop.

Regional Currency Performances

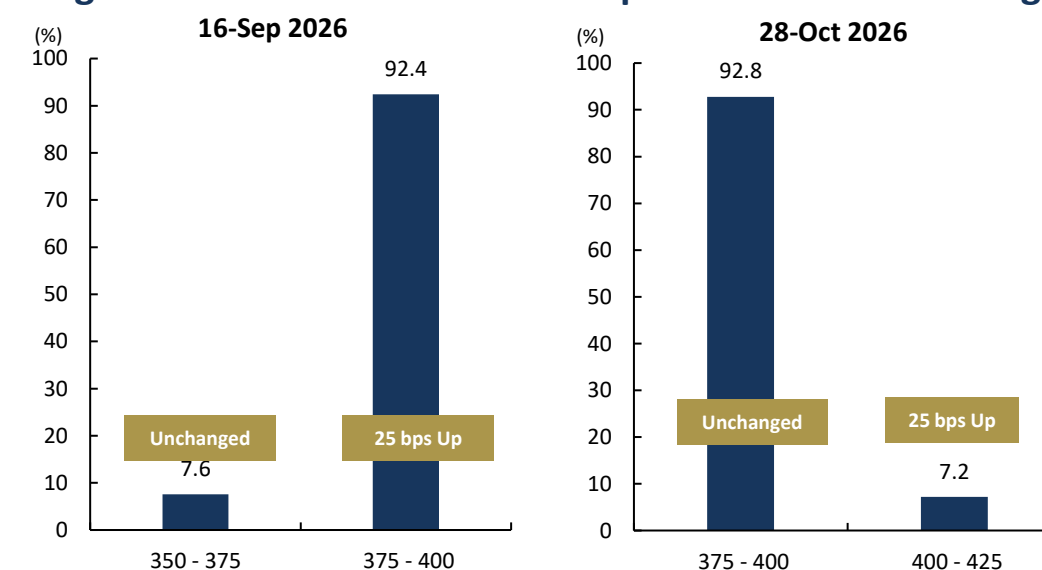
South-East Asia	YTD	2025	2024	10Y CAGR	East Asia & Australasia	YTD	2025	2024	10Y CAGR
VND (Vietnam)	1.7	(3.1)	(4.8)	(1.4)	KRW (Korea)	8.0	2.2	(12.5)	(1.3)
SGD (Singapore)	0.4	6.2	(3.3)	1.0	AUD (Australia)	5.7	7.8	(9.2)	(0.3)
MYR (Malaysia)	(0.2)	10.1	2.7	0.5	CNH (China)	4.9	4.5	(2.7)	(0.3)
KHR (Cambodia)	(1.7)	0.5	1.4	(0.1)	JPY (Japan)	(0.7)	0.3	(10.3)	(2.7)
LAK (Laos)	(4.0)	1.0	(5.8)	(9.7)	HKD (Hongkong)	(0.8)	(0.2)	0.6	(0.1)
THB (Thailand)	(6.5)	8.2	0.1	0.7	MNT (Mongolia)	(1.2)	(3.7)	0.5	(5.7)
PHP (Philippines)	(7.8)	(1.7)	(4.2)	(3.0)	NZD (NZ)	(2.3)	2.9	(11.5)	(1.9)
IDR (Indonesia)	(8.2)	(3.5)	(4.4)	(2.7)	TWD (Taiwan)	(3.2)	4.4	(6.3)	0.1
Average	(3.3)	2.2	(2.3)	(1.8)	Average	1.3	2.3	(6.4)	(1.5)

Sources: Bloomberg, SSI Research

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



Target Rate Probabilities for 16-Sep & 28-Oct Fed Meeting



Macro Strategy Team