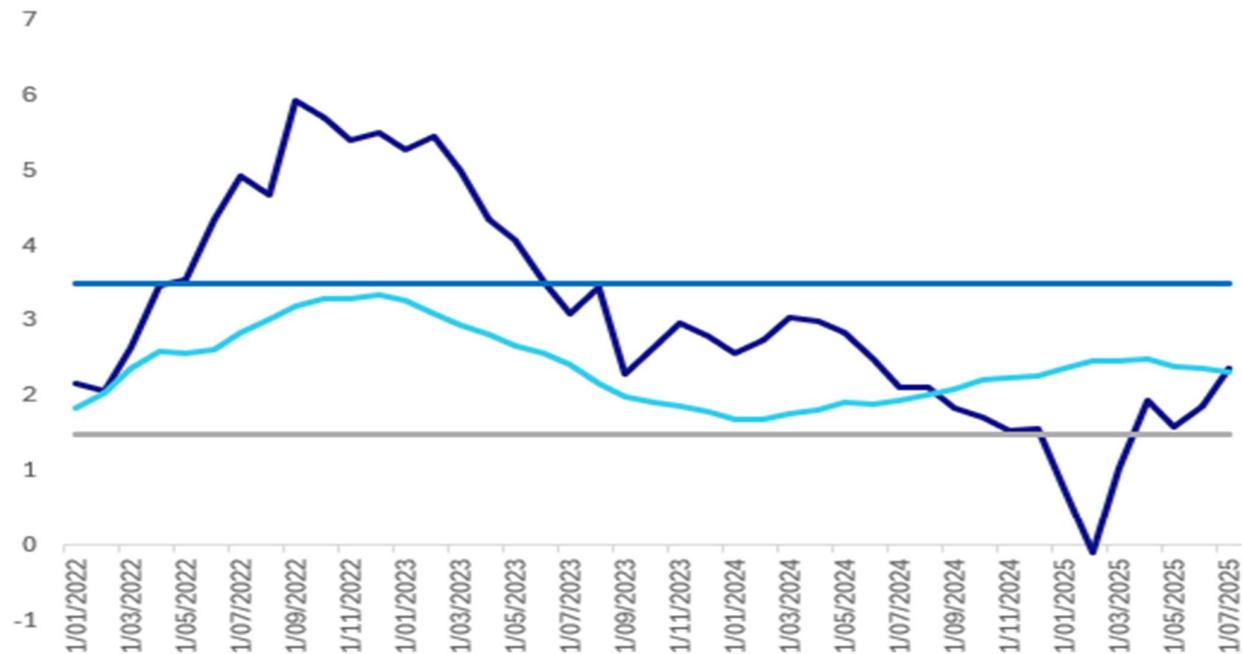




The Macro, Valuation, Sentiment and Technical Lens

- **Macro:** There were no significant economic data releases last week instead; markets watched carefully as the new expansionary budget was announced for 2026 keeping the deficit below the 3% limit despite higher spending. The government announced that revenue target up 10% with a focus on tax evasion crackdown and anticipates momentum in growth. For the week ahead there is the S&P Global Indonesia PMI Manufacturing out for September. August saw a significant expansion to +51.5 after four months of contraction and markets will be looking to see if this can be consolidated. August trade data is out also and after a bounce back in July, it is anticipated that exports will moderate back to around 5% whilst imports are forecast to contract. CPI is key this week as signs that it had bottomed were evident in the August release. The market expects the September number to be around 2.50% with Core Steady.

Fig 1: Indonesia CPI

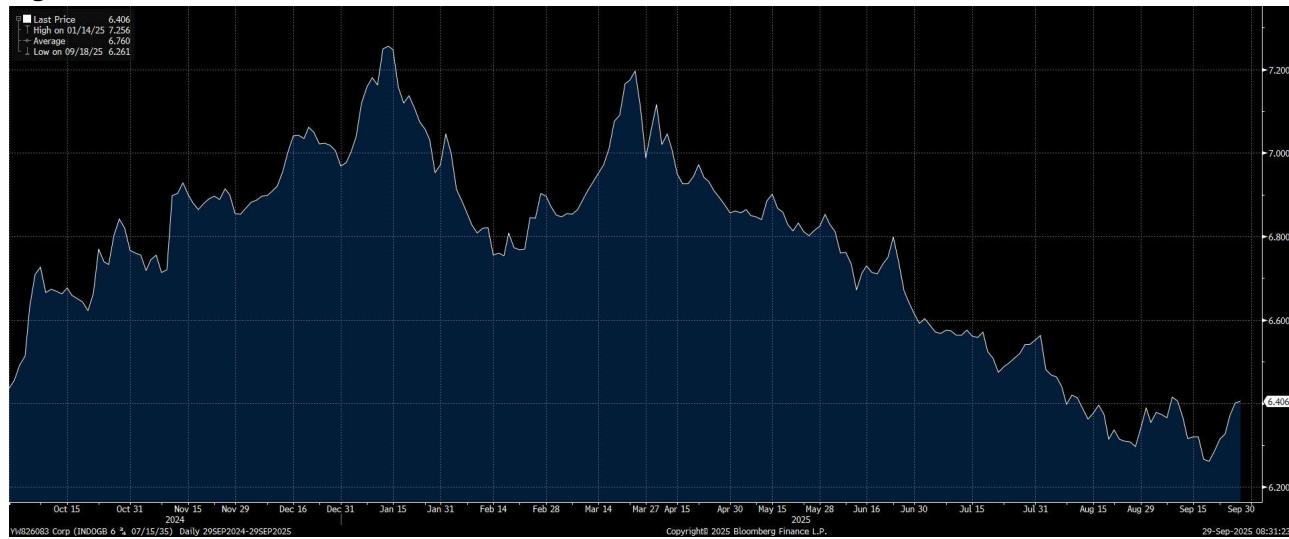


source: Bloomberg Finance LP / MNI

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Valuations: The price/earnings for the JCI is difficult to analyze over recent years given the COVID period. At present levels of 18.9x, it is forecast to trend lower below 15x into year end; before heading lower again into 2026. The 10-Yr government bond recently hit 3-Yr lows of 6.26% before gapping out +14bps last week.

Fig 2: INDOGB 10-Yr Yield



Source: Bloomberg Finance LP / MNI

Sentiment: Sentiment is finely balanced in Indonesia after protests intensified over the last few months. The protests were centred on an increase in the housing allowance for parliament members. The protests have calmed and the JCI finished the week strongly, but the issues remain.

The other focus point is on the fiscal backdrop, amid a new regime within the FinMin. Last week, the budget outlook for 2026 was shifted to a deficit of -2.68% of GDP. This is wider than the earlier estimates (closer to 2.50%) and is also still projected to be tighter than this year's outcome.

Technicals: The BI has stated that their target for USIDR is 16,300 yet have struggled to stop its decline. Despite positive sentiment for equities and bonds, the Rupiah is clear of all technical levels and appears to have limited support to enable a rally.

Fig3: USDIR vs 20, 50, 100 and 200-day EMA and BI Target.



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