

Market Update – Jun 2025

Global Macroeconomics

Geopolitical Conflict from Tariffs Negotiation

As of mid-May 2025, the United States and China have entered a 90-day tariff truce, significantly reducing the steep tariffs that had escalated their trade tensions earlier this year.

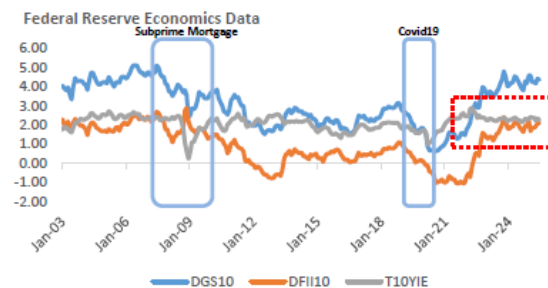
US reduced from 145% to 30% on Chinese imports, while China's lowered from 125% to 10% on U.S. goods. The reductions are temporary, lasting 90 days starting from May 12, 2025. To de-escalate trade tensions and provide a window for further negotiations.

We estimate in two scenarios for short-term and long-term, if US – China deal and if they do not deal for global and Indonesia economy impact :

US – China Reach a Trade Deal		
	Global Impact	Indonesia Impact
Short-term	<ul style="list-style-type: none"> - Markets rally (stocks, EM FX, commodities) - Trade volumes recover - Global risk sentiment improves 	<ul style="list-style-type: none"> - Rupiah strengthens to USD - Bond yields fall (capital inflow) - Commodities price declining, negative effect on export value
Long-term	<ul style="list-style-type: none"> - Stabilization of supply chains - Predictable global trade environment - Stronger global growth outlook 	<ul style="list-style-type: none"> - More stable demand from China - Opportunity to deepen trade with both powers - Positive inflow for riil sector investment

US – China Fail to Reach a Deal		
	Global Impact	Indonesia Impact
Short-term	<ul style="list-style-type: none"> - Market volatility spikes - Safe haven flows to USD, gold - Pressure on global trade, especially tech and manufacturing 	<ul style="list-style-type: none"> - Rupiah under pressure - Outflows from bonds and stocks - Pressure on exports to China and global markets
Long-term	<ul style="list-style-type: none"> - Fragmentation of global supply chains - Deglobalization accelerates - Inflationary pressure from tariffs and protectionism 	<ul style="list-style-type: none"> - Higher import costs (especially tech, machinery) - Weaker investment appetite - Policy dilemma: stimulus vs inflation control

Source : Setiabudi Investment Management



Source : Fed, Setiabudi Investment Management

Fed Watch Meeting Probabilities

CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES												
MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	
7/30/2025						0.0%	0.0%	0.0%	0.0%	8.3%	91.7%	
9/17/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	56.8%	36.2%	
10/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	33.8%	46.7%	16.8%	
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%	24.0%	42.6%	26.3%	5.3%	
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	9.9%	30.8%	36.7%	18.6%	3.4%	
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.3%	5.3%	20.4%	33.7%	27.6%	11.0%	1.7%	
4/29/2026	0.0%	0.0%	0.0%	0.1%	1.7%	9.4%	24.0%	32.1%	23.1%	8.5%	1.2%	
6/17/2026	0.0%	0.0%	0.0%	0.9%	6.5%	16.6%	28.0%	27.6%	15.8%	4.9%	0.6%	
7/29/2026	0.0%	0.0%	0.3%	2.5%	9.3%	20.5%	27.9%	23.6%	12.1%	3.4%	0.4%	
9/16/2026	0.0%	0.1%	1.1%	4.8%	13.2%	23.1%	28.4%	19.6%	9.1%	2.4%	0.3%	
10/28/2026	0.0%	0.3%	1.6%	6.0%	14.8%	23.5%	25.4%	18.1%	8.1%	2.1%	0.2%	
12/9/2026	0.1%	0.7%	3.1%	8.9%	17.6%	24.2%	22.9%	14.7%	6.1%	1.4%	0.2%	

Source : Reuters, CME, Setiabudi Investment Management

Fed Economics Data

- 10-year treasury yield stood at 4.36%, US 10-Year Breakeven Inflation rate at around 2.11%, Treasury Inflation-Indexes Securities (TIPS) 2.25% as of 12 June, 2025.
- We see the 10-Year Breakeven Inflation rate has been relatively sticky and slower to go down.

Fed Watch Meeting Probability

- Fed held its benchmark rate steady at 4.25–4.50% on 18 Jun 2025 meeting. The decision reflects a measured stance as the Fed continues to evaluate the economic ramifications of President Trump's evolving policy agenda, particularly in the areas of tariffs, immigration, and taxation.
- For their next meeting in 17 Jul 2025, 91.7% of correspondents believe that rate will stay, while 8.3% expect it to go down by 25 bps in Jul 2025 meeting.

In June 2025 meeting Fed reaffirmed Two Cuts in 2025. The median FOMC has projected rate cuts by 50 bps in 2025. Fed may settle around 4.0% - 4.25% by the end of 2025.

Global Economics Growth Projection

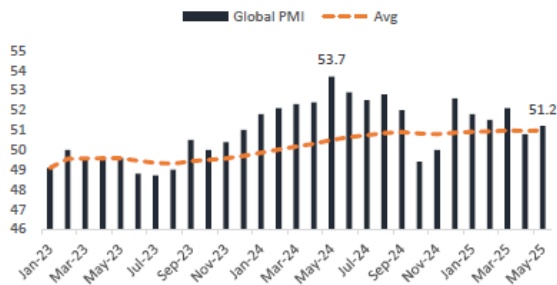
	2024	2025F	2026F
	Jan Projection	Apr Projection	
World	3.30	3.30	2.80
US	2.80	2.70	1.80
Europe	0.90	1.00	0.80
China	5.00	4.60	4.00
India	6.50	6.50	6.20
Indonesia	5.00	5.10	4.70

World Trade Volume Projection

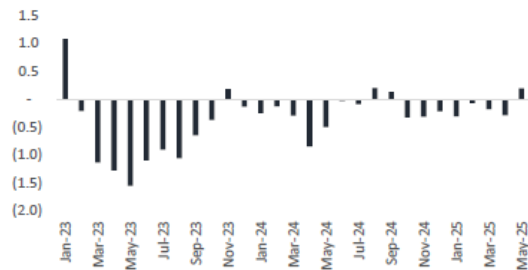
	2024	2025F	2026F
World Trade Volume	3.8	1.7	2.5
Imports			
Developed Countries	2.4	1.9	2.5
Emerging Market Countries	5.8	2.0	4.6
Exports			
Developed Countries	2.1	1.2	2.0
Emerging Market Countries	6.7	1.6	3.0

Source : IMF (Apr 2025 Forecast), Setiabudi Investment Management

Global PMI Manufacturing



Global Supply Chain Pressure



Source : Tradingeconomics, Setiabudi Investment Management

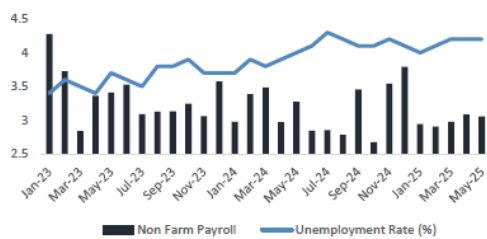
GDP Growth and World Trade Volume Forecast

- In Apr 2025, IMF update global growth to weaken to only +2.8% from Jan projection +3.3% for 2025. IMF reflected the growing drag from trade tensions, rising global uncertainty, and tighter financial conditions. The eruption of tariffs in early April subsequently followed by a brief pause created a volatile environment.
- The gradual cooling of labor markets is expected to keep demand pressures at bay. Combined with the expected decline in energy prices, headline inflation is projected to continue its descent toward central bank targets.
- World trade volume estimates weaker growth of +1.7% in 2025F and recover to +2.5% in 2026F from +3.8% in 2024. Sharp increase in trade policy uncertainty is likely to hurt investment disproportionately among trade-intensive firms.

Global PMI and Supply Chain Pressure Index

- Global PMI increase to 51.2 in May 2025 vs 50.8 in April 2025, above monthly average of 51.0.
- Global economic expansion regained some momentum in March amid improvements in the service sector, business optimism fell and cost pressures intensified ahead of additional tariff announcements in April.
- Global Supply Chain Pressure Index increased by +0.2 in May 2025 vs -0.29 in April 2025. Market participants are seeing the uptick as a healthy stress test, sustaining stable price and inflation outlooks.
- We see the declining supply chain pressure to negative area in Q1 2025 negatively impact on manufacturing growth.

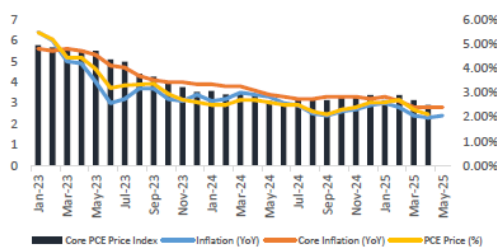
US Labour Data



US Labour Data

- US Official Nonfarm Payroll added 139k in May 2025 vs 147k in April 2025.
- Job continued to trend up in health care (62K), mostly hospitals (30K), ambulatory health care services (29K); leisure and hospitality (48K), mostly food services and drinking places (30K); and social assistance (16K).
- US Unemployment Rate flat at +4.2% in May 2025 vs April 2025.

US Inflation vs PCE



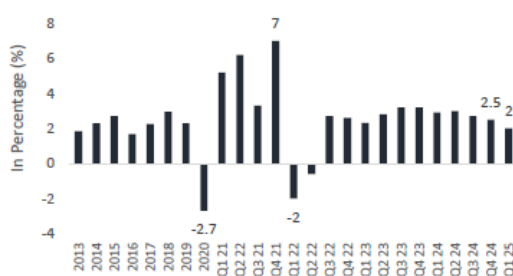
US Inflation and PCE

- US inflation grew by +2.4% YoY in May 2025 vs +2.3% YoY in April 2025.
- Core inflation which excludes volatile items such as food and energy grew flat at +2.8% YoY in May and April 2025.

We think Fed will consider to giving room to pause before considering rate cuts. Markets are pricing in a potential cut in September 2025. This view is in line with the Fed dot plot which projects that Fed will only lower interest rates at the September meeting.

Source : Tradingeconomics, Setiabudi Investment Management

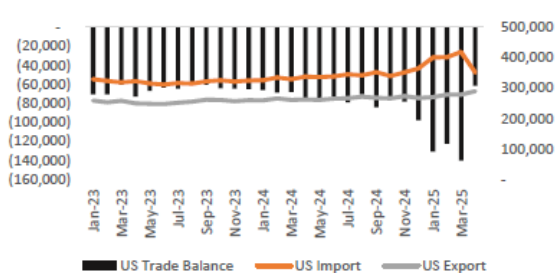
US GDP Annual Growth



US GDP

- US economy grew at slower pace of +2.0% YoY in Q1 2025 vs +2.5% YoY in Q4 2024.
- The slowdown was largely driven by a 13.4% surge in imports, as businesses and consumers rushed to stockpile goods ahead of expected tariff hikes under the Trump administration.

US Trade Balance

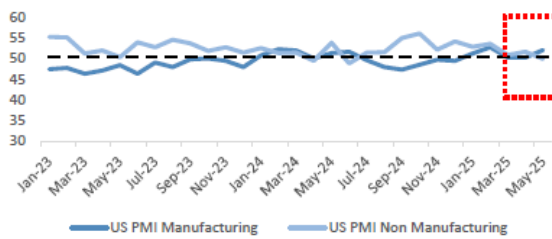


US Trade Balance

- US Trade deficit narrowed to USD 61 billion in April 2025 vs USD 140 billion in March 2025.
- In monthly basis, export grew +3.9% MoM in April 2025 vs +0% MoM in March 2025. Import drop by -16.2% MoM in April 2025 vs +4.4% MoM in March 2025. In annual basis, export grew +10.3% YoY and import grew +4.1% YoY.
- The biggest trade deficit was recorded with China USD-19.7 billion. The shortfall with the EU, Canada and Mexico narrowed. On the other hand, the deficit with Vietnam widened.

Source : Tradingeconomics, Setiabudi Investment Management

US PMI Manufacturing



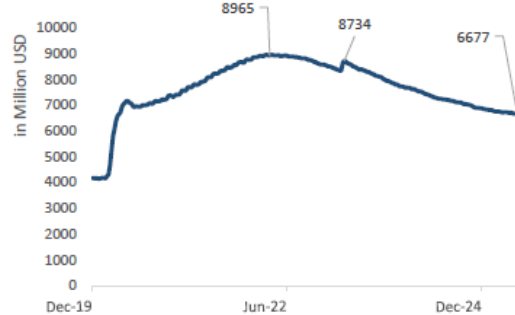
Source : Tradingeconomics, Setiabudi Investment Management

US PMI Manufacturing & Non Manufacturing

- US PMI Manufacturing increase to 52 in May 2025 vs 50.2 in April 2025.
- Manufacturing PMI signaled a slight improvement in operating conditions, it marked the weakest expansion of the year so far. Production declined for the first time since December, following February's sharpest output growth in nearly three years, largely driven by efforts to front-run tariffs.
- US PMI Non Manufacturing decline to 49.9 in May 2025 vs 51.6 in April 2025.

The slow down in PMI manufacturing and PMI non manufacturing in 1st quarter of 2025 could be negative signal for US economic growth. We see US Tariff adjustment are a part of uncertainty for business, sticky inflation and high interest rates are obstacle on manufacturing productivity. We see manufacturing improvement in May during tariff negotiation pause have a positive implication on manufacturing expansion.

Fed Balance Sheet

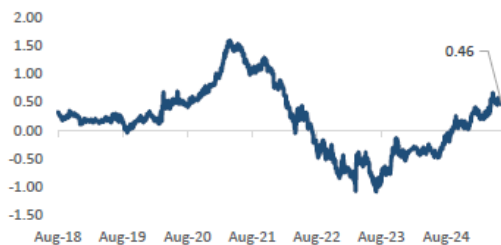


Source : Federal Reserves, Setiabudi Investment Management

FED's Balance Sheet

- FED's balance sheet went down to USD 6.67 tn as of 12 June 2025 from its peak at USD 8.96 tn as of 13 April 2022.
- Fed forecasted the balance sheet to decline to USD 5.9 trillion in 2025 as reserves fall to about 8% of nominal GDP and reverse repos are eliminated.
- Based on our estimate, since the last uptick in April 2023, FED's Balance Sheet has been going down by an average of 0.5% in monthly basis (or USD 60-80 billion per month), which we project it will reach its target of USD 5.9tn by Sept 2025 with the current speed.
- Nonetheless, the FED is planning to slow its QT efforts starting from July, reducing the monthly sale of US treasuries to USD 30 billion per month. In turn, the QT will still push yield up, but not as aggressively as before.

Yield Curve Between 2 Y vs 10 Y

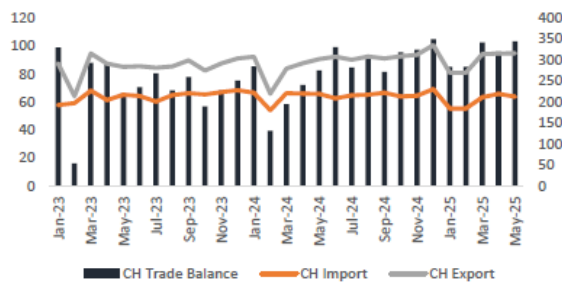


Source : Federal Reserve, Setiabudi Investment Management

Yield curve between 2-year and 10-year

- The spread between 10-year and 2-year treasury was back in positive territory after an inversion over the past two years.
- 10-Year U.S Treasury yield is at 4.40% on 13 June 2025 while 2-Year Treasury yield was at 3.95%, resulting in a +0.46% spread.

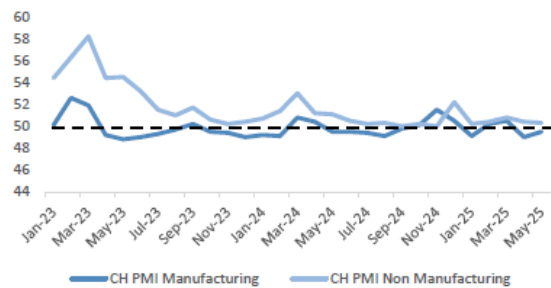
CH Trade Balance



China Trade Balance

- China's trade surplus increase to USD 103.22 billion in May 2025 vs USD 96.2 billion in Apr 2025.
- Import decline to USD 212.88 billion in May 2025 vs USD 219.5 billion in Apr 2025.
- Export increase to USD 316.1 billion in May 2025 vs USD 315.7 billion in Apr 2025.
- China's trade surplus with US narrowed to USD 18 billion in May 2025 vs USD 20.46 billion in April, as exports and imports to US plunged by 34.5% and 18.1%, respectively.

CH PMI Manufacturing

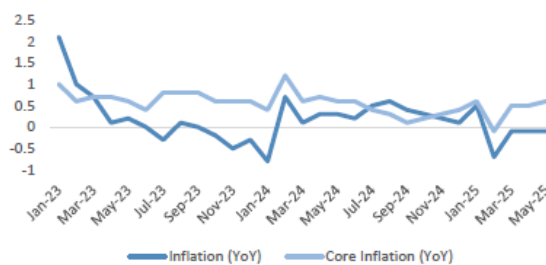


China PMI Manufacturing & Non Manufacturing

- PMI manufacturing increase to 49.5 in May 2025 vs 49 in April 2025.
- PMI non-manufacturing declining to 50.3 in May 2025 vs 50.4 in April 2025.
- We see the 90 day tariff pause eased costs and sentiment. Large exporters and energy related industries saw some recovery that helped sustaining production.

Source : NBS of China, Setiabudi Investment Management

CH Inflation



China Inflation

- China's recorded deflation at -0.1% in May and April 2025.
- Core consumer price grew +0.6% YoY in May 2025 vs +0.5% YoY in April 2025.
- This uptick in core inflation reflects early signs of recovery in consumer demand and policy driven support, despite ongoing deflationary pressure elsewhere. Key drivers include consumption stimulus, resilient domestic demand and moderating deflation in goods.

CH PPI Change (%)



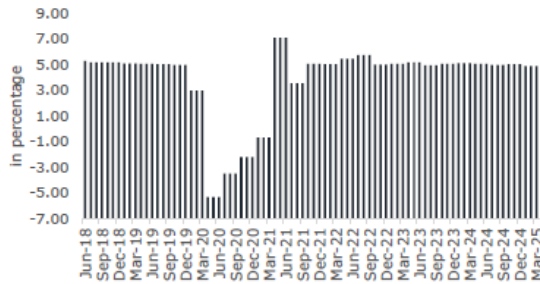
China PPI

- China's producer prices fell -3.3% YoY in May 2025 vs -2.7% YoY in April 2025. PPI drop driven by rising external risks amid uncertainty over US tariffs and persistently weak domestic demand.
- Cost of production materials fell at a faster pace (-4.0% in May vs -3.1% in April), with sharper declines in mining (-11.9% in May vs -9.4% in April) and raw materials (-5.4% in May vs -3.6% in April), while processing prices also fell further (-2.8% in May vs -2.3% in April).

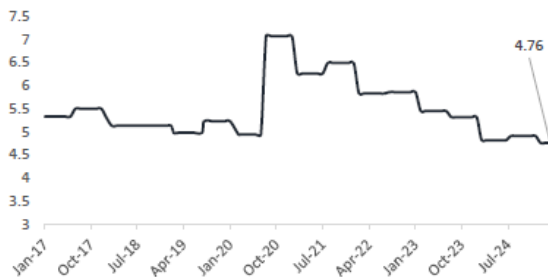
Source : Tradingeconomics, Setiabudi Investment Management

Indonesia Macroeconomics

GDP YoY Growth

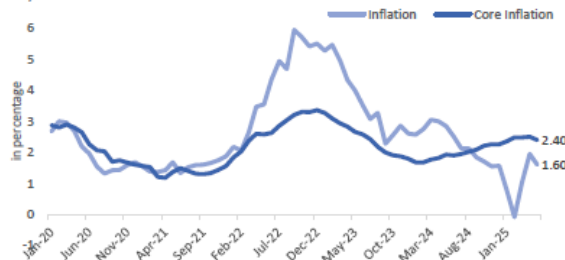


Unemployment Rate (%)



Source: BPS, Setiabudi Investment Management

ID Inflation Rate YoY



ID Interest Rate



Source: BPS, Bank Indonesia, Setiabudi Investment Management

Indonesia GDP

- Indonesia's economy grew at slow pace by 4.87% YoY in Q1 2025 vs +5.02% YoY in Q4 2024.
- The declining driven by slower government spending -1.38% YoY vs +4.17% YoY in Q4 due to a tighter budget, alongside softer rises in private consumption +4.89% YoY vs +4.98% YoY and fixed investment +2.12% YoY vs +5.03% YoY.
- For 2025, the GDP growth target remains at 5.2%. However, the central bank recently cut its growth forecast for this year to 4.7%-5.5% from 4.8%-5.6%, citing US tariff disruptions.

Indonesia Unemployment Rate

- Indonesia's unemployment rate declined to 4.76% in Q1 2025 vs 4.91% in Q4 2024.
- The number of unemployed persons edged up by 1.11% from a year earlier to 7.28 million. At the same time, the number of employed increased by 2.52% to 145.77 million, mostly in wholesale & retail trade, repair and maintenance of cars and motorcycles. Meanwhile, the labor force participation rate increased to 70.60% from 69.80% in the prior year.

Indonesia Inflation

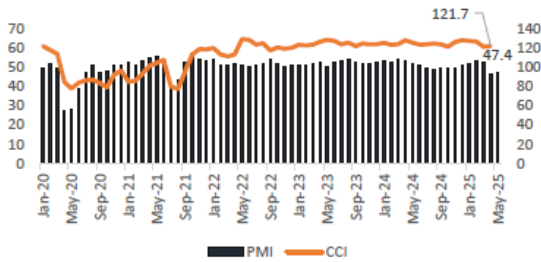
- Indonesia's recorded annual inflation +1.60% YoY in May 2025 vs +1.95% YoY in April 2025. Inflation growth at a slower pace as price pressures subsided following the Eid al-Fitr festivities.
- Core Inflation grew by +2.4% YoY in May 2025 vs +2.5% YoY in April 2025. This uptick in core inflation indicates a modest rise in underlying price pressures, excluding volatile food and administered prices.

Indonesia Interest Rate

- BI chose to hold steady at 5.50% in June 2025 meeting to protect the rupiah and signal caution amid global volatility and front-loaded easing. While domestic inflation and growth indicators remain subdued, BI is positioned to resume easing if external conditions stabilize and currency risks recede.
- BI remains open to further lowering borrowing costs, as inflation is expected to remain within target this year and next year, while household spending and investment need stimulus.

We see central bank was likely to continue its gradual pace of monetary easing, given headwinds from tariffs and geopolitical uncertainties.

ID PMI and CCI

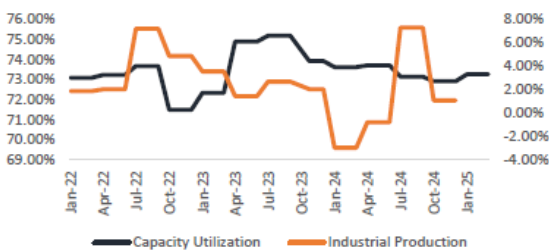


Indonesia PMI and CCI

- Indonesia PMI increase to 47.4 in May 2025 vs 46.7 in April 2025.
- Indonesia's consumer confidence declined to 121.7 in April 2025 vs 121.1 in March 2025.

We see the declining in manufacture inline with slowing pace of growth of consumer confidence globally, weaker demand, delivery times lengthened to a nine month high due to poor weather and delays.

ID Industry Productivity

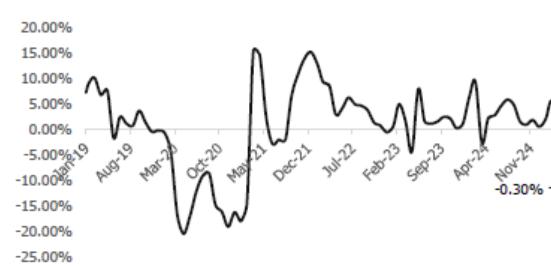


Indonesia Factory Capacity Utilization and Industrial Production

- Indonesia factory capacity utilization at 73.25% in Q1 2025 vs 72.91% in Q4 2024. We see the declining factory capacity utilization from peak at 75.17% in Q3 2023 in line with global economic downturns.
- Indonesia industrial production grew at slower pace by +1.06% in Q4 2024 vs +7.28% in Q3 2024.

Source: Bank Indonesia, Setiabudi Investment Management

ID Retail Sales YoY



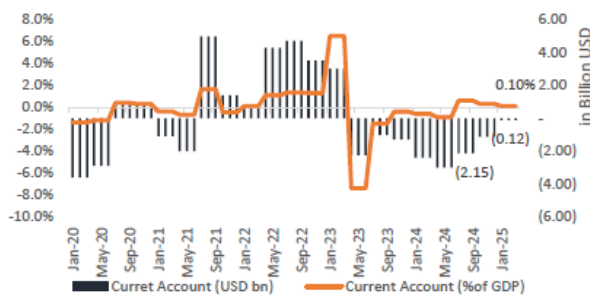
Indonesia Retail Sales

- Retail sales slower -0.30% YoY in April 2025 vs +5.5% YoY in March 2025.
- Retail sales drop was driven by sharper contractions in sales of information and communication equipment by -25.1% YoY in April 2025 vs -12.9% YoY in March 2025 and household appliances -10.5% YoY in April 2025 vs -5.7% YoY in March 2025).
- On a monthly basis, retail sales dropped -5.1% MoM.

We see growth at slower pace of retail sales in early 2025 and weaker than expected consumer demand. We think growth slows influenced by slower middle-class expansion, cautious spending habits, and economic uncertainties. While government cash transfer programs helped sustain retail activity throughout the year, they were not enough to drive a stronger rebound.

Source: Bank Indonesia, Setiabudi Investment Management

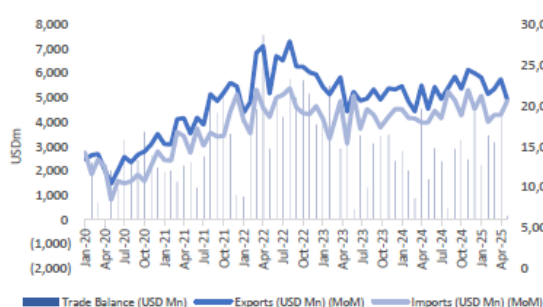
ID Current Account



Indonesia Current Account

- Indonesia's CA deficit USD 0.117 billion in Q1 2025 or -0.1% of GDP.
- Primary income deficit increased slightly to USD 9.37 billion from USD 8.84 billion a year earlier, while the services account deficit widened to USD 5.44 billion from USD 4.19 billion. Meanwhile, the trade surplus surged to USD 13.06 billion, compared to USD 9.29 billion a year earlier, and the secondary income surplus rose to USD 1.57 billion from USD 1.30 billion.
- In 2024, Indonesia current account deficit widened sharply to USD 8.47 billion (0.6% of GDP), up from USD 2.04 billion in 2023 (0.1% of GDP), driven by a decline in the trade surplus amid subdued foreign demand, while domestic demand remained strong.

ID Trade Balance

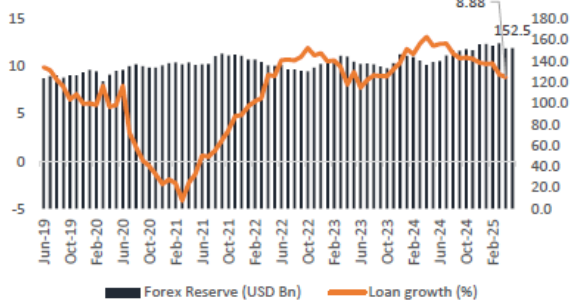


Indonesia Trade Balance

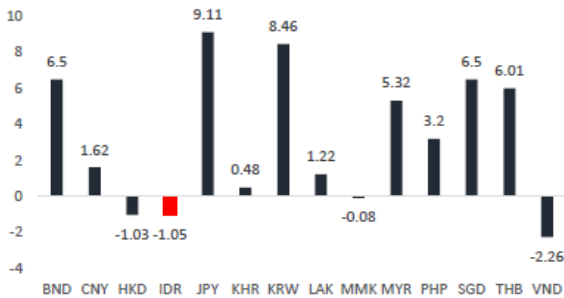
- Indonesia's trade surplus narrowed to USD 0.15 billion in April 2025 vs USD 4.3 billion in March 2025.
- Exports grew by +5.75% YoY in April 2025 vs +3.16% YoY in March 2025. Export growth driven by factories rushed to ship goods during a 90-day pause on new US tariffs announced by the Trump administration. Non-oil and gas exports grew by +7.17% YoY, with notable sales growth to US (18.43%), China (12.90%), ASEAN (25.81%), and the EU (11.65%).
- Imports grew by +14.62% YoY in April 2025 vs +5.34% YoY in March 2025. Imports was driven by an increase in non-oil and gas imports by +29.86% YoY. By country, imports soared from China (53.71%), Japan (39.61%), South Korea (16.58%), and Taiwan (45.90%), while shipments from the U.S. rose 13.65%.

Source: BPS, Bank Indonesia, Setiabudi Investment Management

ID Loan Growth YoY and Forex Reserve



USD vs Asian Currency 2025 YTD



Source: Bank Indonesia, Asian Bond Online (as of 13 June 2025), Setiabudi Investment Management

Government Stimulus Package in Q2



Government Policy	Stimulus Target
Transportation Discounts	30 % off train tickets for ~2.8 million passengers VAT offset (6 %) for ~6 million economy-class airline travelers 50 % discounts on sea transport for ~500 000 passengers
Toll Discount	20 % off toll rates, benefiting ~110 million users via toll-road company initiatives
Social Assistance Expansion	Extra Rp 200 000/month + 10 kg rice for 18.3 million low-income households
Wage Subsidy	300 000/month to 17.3 million low-income workers and ~565 000 honorarium teachers
Occupational Accident Insurance Premium Relief	50 % discount for 2.7 million workers in labor-intensive sectors

Source: SetKab, Setiabudi Investment Management

Indonesia Loan and Foreign Reserves

- Lending grew at slower pace by +8.88% YoY in April 2025 vs +9.16% YoY in March 2025.
- Nonetheless, we see 2025 will be challenging for lending growth due to; (1) high base impact (2) global economic slowdown which lead to softer commodity prices thus reducing the demand for loan and (3) Potential reinstatement of loan restructuring policies (4) new regulation for export earnings retention aims to bolster foreign exchange reserves but may influence banks' foreign currency liquidity management.
- Foreign exchange reserves in Indonesia increased to USD 152.5 billion in May 2025 vs USD 152 billion in April 2025.

Indonesia Rupiah Against USD

- Rupiah depreciate -1.05% in YTD inline with rising geopolitical tensions and investor response to weak tax revenue in early 2025.
- Bank Indonesia expects the Rupiah remain stable in line with attractive yields and low inflation. Bank Indonesia will continue to optimize, including strengthening the pro-market monetary operations strategy through optimization of SRBI, SVBI, and SUVBI instruments to strengthen the effectiveness of policies in attracting foreign capital inflows and supporting the strengthening of Rupiah.

Indonesia Government Stimulus Package in June and July 2025

Indonesia launched Rp 24.44 trillion stimulus package to boost domestic consumption and support Q2 economic growth, following a weak Q1 result.

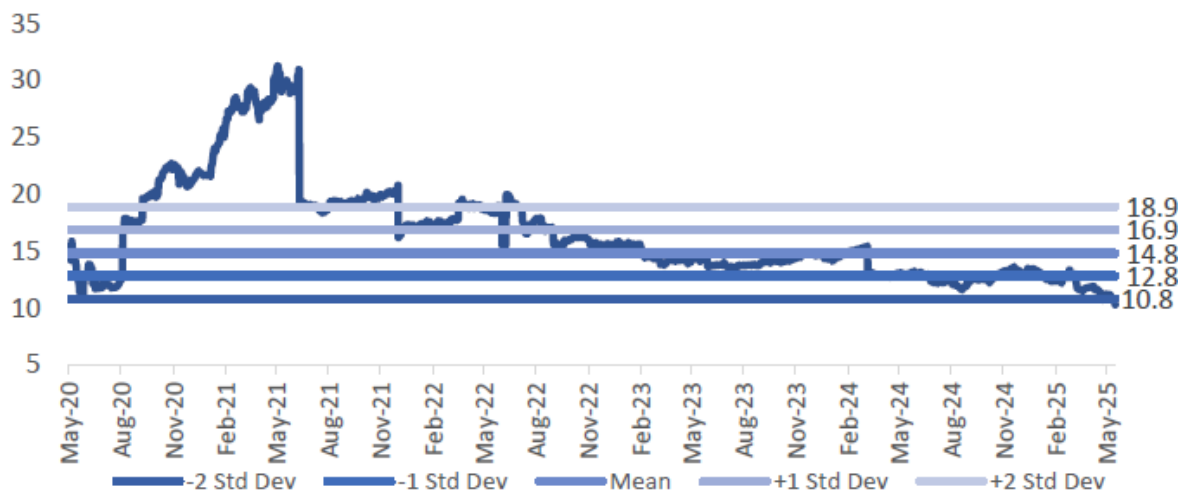
While stimulus provides essential short-term support, it comes at a time when tax revenue growth is slowing and dividend income from SOEs is delayed. This will widen the budget deficit if not offset by stronger Q3 tax realization or spending efficiency.

The Q2 2025 stimulus is well-targeted to defend domestic demand, especially through Eid momentum. It plays a counter-cyclical role amid export weakness and tax delays. However, for sustainable impact, it must be matched by stronger tax revenue in Q3, continued support for formalization, and improved capital spending execution.

We see Indonesia's mid-year stimulus is well-tailored for a seasonal boost, supporting consumption, travel, and low-income households. If implemented swiftly and effectively, it can help bridge the gap in economic momentum from Q1. However, its limited duration and narrow fiscal scope mean additional longer-term structural reforms will be needed to sustain growth beyond the holiday period.

Indonesia Equity Market

JCI P/E Band



Investment Thesis

Positive Factors

- BI monetary policy remains supportive of economic and investment growth. As inflation pressures moderate, BI may maintain accommodative or neutral policies, which could lower borrowing costs and boost business investments.
- Indonesia equity market has been discounted significantly and offers a very attractive valuation for investor.

Negative Factors

- Political uncertainty could affect investor sentiment in 1st year of new government.
- Rupiah is sensitive to global capital flows. Any significant capital outflows due to external shocks or domestic uncertainties could lead to currency depreciation.
- Government debt is rising, partly due to infrastructure financing and social programs.
- Fluctuating commodity prices

--- End of report ---

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