

Hot CPI and PPI keep the Fed hiking; markets price no cuts through 2027.

US CPI · SEPTEMBER	US PPI · SEPTEMBER	FEDWATCH · 15 OCT	UST vs SUN 10Y · 15 OCT
Headline: 3.7%	Final demand: 6.3%	28 Oct hike: 29%	UST: 5.05%
Core: 2.6%	Ex food & energy: 5.0%	9 Dec, 1+ hike: 92%	SUN: 7.25%
Consensus 3.6% and 2.5% · core +0.3% MoM	+1.3% MoM vs 0.6% consensus	No cuts priced through Dec 2027	UST -13bp on the day, SUN +4bp

KEY TAKEAWAYS

- **September inflation re-accelerated on both gauges**, and the energy shock is starting to leak into the core. **Headline CPI rose to 3.7% yoy** on a monthly gain of 0.6% that was in line, but **core CPI beat at +0.3% MoM and 2.6% yoy** against consensus of 0.2% and 2.5%. Gasoline rose 9.1% and supplied about half of the headline increase, while shelter added 0.4% and used cars 0.7%. Demand is mixed: retail sales rose 0.8%, yet the control group gained only 0.1% and real average hourly earnings are down 0.7% yoy.
- **The producer price print was the bigger shock**. Final demand PPI rose **1.3% MoM and 6.3% yoy** against consensus of 0.6% and 5.4%, the fastest annual pace since December 2022. Energy did most of the work, up 10.8% with gasoline up 20.3%, but the core also beat: PPI ex food and energy rose 0.7% (consensus 0.3%) and ex food, energy and trade 0.5% (0.3%), with services up 0.8%. Because BEA now derives portfolio management prices from a quantity measure rather than PPI, we think the pass-through to core PCE is smaller than the headline suggests.
- **Fed pricing moved less than the data**. After the CPI the FedWatch probability of a hike on 28 October rose from 22% to 33% and has settled at **29%**, while **a hike by 9 December is 92% priced** and the curve implies about three hikes, **peaking near 4.6% in September 2027 with no cuts priced through 2027**. The restraint reflects risk aversion: the AI-led selloff (Kospi down about 8%, US semiconductors down 4.5%) pulled the UST 10-year down 13bp to 5.05% on 15 October despite the PPI beat.
- **Indonesia is getting both shocks without the safe-haven bid**. Since 1 September the UST 10-year is up 25bp, the dollar index 2.5% and the Rupiah 1.2% weaker at IDR17,938 per USD, while **SUN 10-year is up 19bp to 7.25%** and 5-year CDS is up 9bp to 94bp. On 15 October the SUN-UST spread widened 17bp to 220bp as Treasuries rallied. Foreign SBN holdings are holding up at IDR916.8 trillion (13.09% of tradable SBN, +IDR8.4 trillion since 1 September), the buffer to watch. **Key watch: Bank Indonesia's 20-21 October RDG, where a fourth straight hold at 5.75% tests the Rupiah, then the FOMC on 28 October and September core PCE on 29 October.**

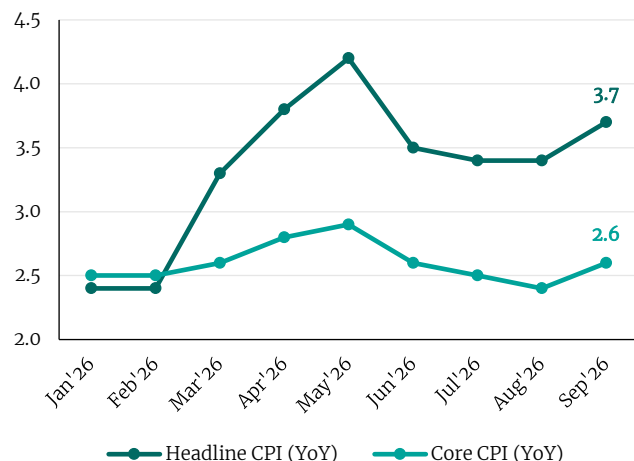
US Inflation & Activity Scorecard · September 2026 Prints (%)

Item (September 2026)	Actual	Consensus	Prior	Surprise	Read
CPI MoM (%)	0.6	0.6	0.4	in line	in line
Core CPI MoM (%)	0.3	0.2	0.3	+0.1	shelter and used cars
CPI YoY (%)	3.7	3.6	3.4	+0.1	gasoline +9.1% MoM
Core CPI YoY (%)	2.6	2.5	2.4	+0.1	second beat in a row
PPI final demand MoM (%)	1.3	0.6	0.5	+0.7	energy +10.8%
PPI ex food & energy MoM (%)	0.7	0.3	0.2	+0.4	services +0.8%
PPI ex food, energy & trade MoM (%)	0.5	0.3	0.3	+0.2	narrow core also hot
PPI final demand YoY (%)	6.3	5.4	5.6	+0.9	fastest since Dec 2022
PPI ex food & energy YoY (%)	5.0	4.4	4.8	+0.6	5.0% annual pace
PPI ex food, energy & trade YoY (%)	5.0	4.7	4.8	+0.3	pipeline pressure
Retail sales MoM (%)	0.8	0.3	1.3	+0.5	gasoline-inflated
Retail sales control group MoM (%)	0.1	0.3	1.2	-0.2	underlying demand soft
Real avg hourly earnings YoY (%)	-0.7	n.a.	-0.3	n.a.	real wages falling

Prior = revised prior month where revised. Red marks hotter-than-expected inflation or weaker-than-expected activity. Source: Bloomberg (ECO, 14-15 October 2026); Various Source (BLS); Aldiracita Research.

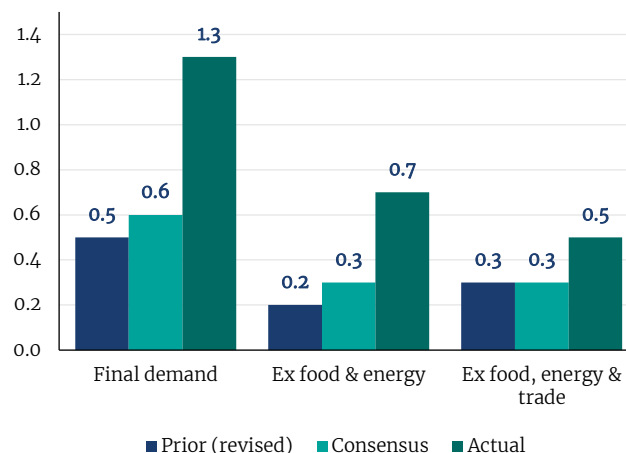
Charts · US CPI, PPI, Fed Pricing and Indonesia, September-October 2026

US CPI Inflation · Headline vs Core (% yoy)



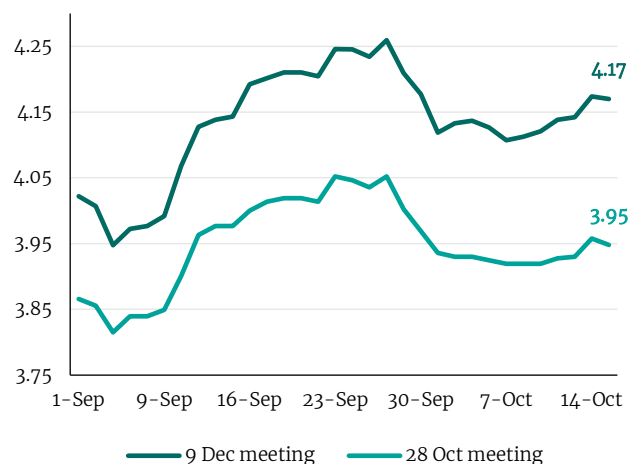
Headline re-accelerated to 3.7% after two months at 3.4%; core rose to 2.6% from 2.4%.

US PPI · September Prior vs Consensus vs Actual (% mom)



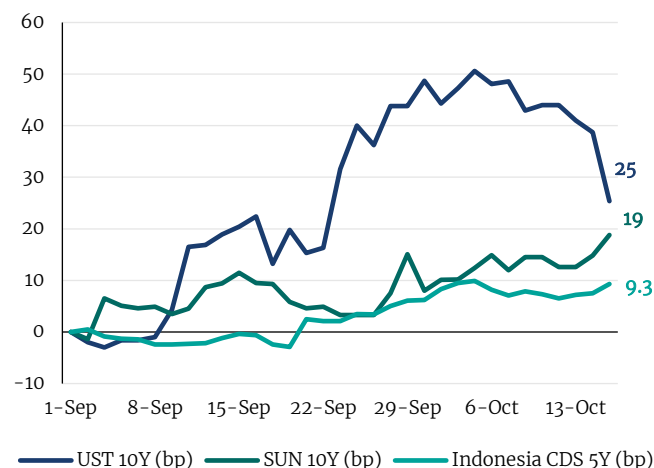
Final demand rose 1.3% against 0.6% expected; the narrow core (ex food, energy and trade) also beat at 0.5%.

FedWatch · Implied Policy Rate for the Next Two Meetings (%)



Hike odds rose after the CPI and eased after the PPI as risk aversion lifted Treasuries; December still implies a hike.

Since 1 September · UST 10Y, SUN 10Y and CDS 5Y (change, bp)



UST 10Y peaked at +51bp on 5 October and has retraced to +25bp; SUN 10Y and CDS kept rising.

Source: Bloomberg; CME FedWatch; Various Source (BLS); Aldiracita Research calculations.

CME FedWatch · Probability of a Hike and Implied Policy Rate

FedWatch as of	17 Sep	30 Sep	7 Oct	13 Oct	14 Oct	15 Oct
28 Oct: probability of a hike	55%	38%	18%	22%	33%	29%
9 Dec: probability of 1+ hike	89%	90%	80%	88%	91%	92%
9 Dec: probability of 2+ hikes	42%	31%	13%	19%	29%	26%
9 Dec: implied policy rate (%)	4.20	4.18	4.11	4.14	4.17	4.17

Hike = policy range above the current 3.75–4.00%. 17 Sep post-FOMC; 30 Sep post-PCE; 13 Oct pre-CPI; 14 Oct post-CPI; 15 Oct post-PPI. Implied rate = probability-weighted range midpoint (Aldiracita calculation). Source: CME FedWatch via Bloomberg; Aldiracita Research.

Implied Policy Rate Path · as of 15 October 2026

Meeting	Implied rate (%)	Hikes vs now (25bp)	Most likely range (%)	Probability
28 Oct 26	3.95	0.3	3.75–4.00	71%
9 Dec 26	4.17	1.2	4.00–4.25	66%
17 Mar 27	4.43	2.2	4.25–4.50	42%
9 Jun 27	4.60	2.9	4.50–4.75	35%
15 Sep 27	4.64	3.0	4.50–4.75	33%
8 Dec 27	4.61	2.9	4.50–4.75	32%

Current range 3.75–4.00% (midpoint 3.875%). No meeting through December 2027 carries a probability for a range below 3.75–4.00%. Source: CME FedWatch (conditional meeting probabilities, 15 October 2026); Aldiracita Research calculations.

Fixed Income & Macro Market Implications

Dimension	Assessment	Analysis
Fed Path	Negative	FedWatch prices a 29% chance of a hike on 28 October, 92% for at least one by 9 December and about three hikes to a peak near 4.6% in September 2027, with no cuts. The next test is September core PCE on 29 October, where the Bloomberg prior is 3.0% on the revised series after BEA cut the base by about 0.3pp in July.
Rupiah / FX	Negative	USDIDR closed at IDR17,938 on 15 October, 1.2% weaker than on 1 September, with the dollar index at 102.1. That sits in the upper half of our FY2026 house-view range of IDR17,200–18,200 (as of 2 September). Bank Indonesia widened its FX swap and DNDP incentives in September, so the 20–21 October RDG is the next policy lever to watch.
SBN & Foreign Flows	Watch	SUN 10-year at 7.25% is 35bp above the 6.9% APBN 2027 yield assumption. Foreign holdings rose to IDR916.8 trillion (13.09% of tradable SBN) and conventional banks added IDR110 trillion since 1 September, so absorption is intact, but the SUN-UST spread widened 17bp on 15 October as Treasuries rallied and SUN did not.
Risk Premium	Negative	Indonesia 5-year CDS rose from 84.9bp to 94.2bp and the VIX from 16.3 to 17.5 as the AI-led selloff spread through Asia (Kospi down about 8%). A risk-off turn that lifts Treasuries but not Indonesian bonds is the pattern to avoid, and it argues against reading the lower UST 10-year as relief.

Source: Aldiracita Research, based on Bloomberg, CME FedWatch, DJPPR and Various Source data; house-view range as of 2 September 2026. For informational purposes only.

Indonesia Transmission · Rates, FX, Risk and Flows since 1 September 2026

Indicator	1 Sep	30 Sep	13 Oct	15 Oct	Change since 1 Sep
UST 2-year (%)	4.40	4.89	4.79	4.73	+33bp
UST 10-year (%)	4.80	5.28	5.21	5.05	+25bp
Dollar index (DXY)	99.7	101.5	102.2	102.1	+2.5%
USDIDR (IDR per USD)	17,726	17,870	17,896	17,938	+1.2% weaker
SUN 10-year (%)	7.06	7.14	7.19	7.25	+19bp
SUN-UST 10-year spread (bp)	227	186	198	220	-7bp
Indonesia CDS 5Y (bp)	84.9	91.1	92.1	94.2	+9.3bp
VIX	16.3	16.3	15.3	17.4	+1.1
Foreign SBN holdings (IDR Tn)	908.4	907.5	914.8	916.8*	+8.4
Foreign share of tradable SBN (%)	12.99	13.00	13.07	13.09*	+0.10pp
Conventional banks SBN (IDR Tn)	1,001.3	1,082.5	1,098.7	1,111.6*	+110.4

Red marks adverse moves for Indonesian assets (higher UST yields, dollar, SUN yields, CDS and VIX). *DJPPR ownership data run to 14 October. SBN = tradable rupiah government securities (SUN and SBSN). Source: Bloomberg (closing prices); DJPPR (SBN ownership, 1 September–14 October 2026); Aldiracita Research.

APPENDIX · Deep Dive: PPI Anatomy, the PCE Revision and the Policy Calendar

Item	Basis	Comparison	Result	Note
PPI September 2026: Where the 1.3% Came From (% MoM, Various Source)				
Final demand energy	August: 4.5	—	+10.8%	gasoline +20.3%
Final demand goods	August: 1.1	—	+2.6%	largest gain on record
Final demand services	August: 0.2	—	+0.8%	trade margins +1.4%
Transportation & warehousing	August: 2.2	—	+3.4%	freight and airfares
Processed intermediate goods	August: 1.8	—	+2.5%	pipeline pressure
Unprocessed intermediate goods	August: 0.9	—	+8.4%	unprocessed energy +22.2%
The Fed's PCE Gauge: What BEA's Revision Changed (% yoy)				
July headline PCE	first vs revised	3.7	3.4	-0.3pp
July core PCE	first vs revised	3.3	3.0	-0.3pp
Methodology share of the core revision	RBC Economics estimate	-30bp total	-18bp	software -16bp, portfolio -3bp
August PCE headline / core	Bloomberg	3.7 / 3.3	3.4 / 3.0	consensus pre-revision
August PCE contribution (pp)	Bloomberg (ECAN)	services	2.31	nondurables 0.82, durables 0.28
Policy Calendar: Next Four Weeks				
20–21 Oct · BI RDG	BI Rate	5.75%	hold = 4th in a row	Rupiah at IDR17,938
28 Oct · FOMC	Fed funds range	3.75–4.00%	hold (Bloomberg survey)	29% hike probability
29 Oct · September PCE	core PCE yoy	3.0%	MoM prior 0.2%	test of the PPI pass-through
17–18 Nov · BI RDG	BI Rate	5.75%	Fed path dependent	SBN flows and Rupiah

PPI components are as reported in press summaries of the BLS release; the RBC Economics figures are its estimate as reported, not a BEA projection. BEA replaced the PPI-based portfolio management deflator with a quantity-based measure, moved legal services to a producer-price composite and software to a CPI-PPI composite, retroactive to 2021. Source: Various Source (BLS, BEA, RBC Economics); Bloomberg; Bank Indonesia; Aldiracita Research.

PPI read: energy explains most of the headline, but the narrow core also beat. **Services at +0.8% and trade margins at +1.4%** show costs spreading beyond fuel. The channel into the Fed's gauge runs through health care and financial services, and with BEA no longer deflating portfolio management with PPI, we expect September core PCE to run cooler than the PPI beat implies. This is our reading and the 29 October release is the test.

Tail risk we are not underwriting: financial repression. With the Fed hiking and the 10-year TIPS yield near 2.9% in early October, real yields are rising rather than falling. A policy shift would more likely follow stress in Treasury auctions than lead it.



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