

Cabinet Reshuffle

President Prabowo just announced the reshuffle in five minister positions and appoint 1 new minister. The changes involve 5 key ministries including the Coordinating Ministry for Political, Legal, and Security Affairs, Ministry of Finance, Ministry of Indonesian Migrant Workers Protection, Ministry of Cooperatives, and Ministry of Youth and Sports. Meanwhile, new Ministry of Hajj has been established.

For capital market, the most significant headline is minister of finance's position. Before becoming minister of finance, Purbaya Yudhi Sadewa held following positions:

- Chairman of the Board of Commissioners, Indonesia Deposit Insurance Corporation (LPS) (2020 - 2025)
- Deputy for Maritime Sovereignty and Energy Coordination, Coordinating Ministry for Maritime Affairs and Investment (May 2018 - September 2020)
- Special Staff for Economic Affairs to the Coordinating Minister for Maritime Affairs (July 2016 - May 2018)
- Special Staff for Economic Affairs to the Coordinating Minister for Political, Legal, and Security Affairs (Nov 2015 – Jul 2016)
- Deputy III for Strategic Issues Management, Executive Office of the President of the Republic of Indonesia (Apr-Sept 2015)
- Special Staff for Economic Affairs to the Coordinating Minister for Economic Affairs (2010 - 2014)
- Member of the National Economic Committee (2010 - 2014)
- Deputy Chairman of the Task Force for Case Handling and Resolution (Debottlenecking), better known as "Pokja IV," under the Coordinating Ministry for Economic Affairs (June 2016 - present)
- Member of the Advisory Board, Indonesian Chamber of Commerce and Industry (2016 - present)
- Member of the Indonesia Economic Forum (2015 - present)

Our take:

The sudden reshuffle announcement really surprise the market participants, after being speculated few times. This may give knee-jerk reaction to the market in near term, as uncertainty rise from this reshuffle, especially fiscal policy. Market may see that finalization of 2026's budget will be the first test for him in navigating fiscal policy.

The unexpected change in the Ministry of Finance leadership may initially trigger negative sentiment in the equity market, particularly given the outgoing minister's reputation for fiscal prudence. Investors will likely take time to assess the new Finance Minister, Purbaya Yudhi Sadewa's policy stance and his ability to strike a balance between supporting government programs and maintaining macroeconomic stability

FI strategy:

IndoGB market saw steady inflows from foreign and onshore banks with flows to the 5y area, supporting a mild rally in belly tenors before the cabinet reshuffle. However, sentiment turned cautious after reshuffle news confirmed. SMI is a well known figure as a fiscal anchor during her role as Finance Minister. While Purbaya Yudhi Sadewa brings a diverse background spanning macroeconomic research, capital markets, and strategic roles across key ministries—including his tenure as Chairman of the Indonesia Deposit Insurance Corporation (LPS). Finance minister transition introduces an element of uncertainty that had caused market to react cautiously. Offshore accounts turned sellers afterwards, with USIDIDR spiked over 200 pips past 16.5k on NDF, and bid offer spreads continued to widen at the end of the day.

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