KIWOOM SEKURITAS INDONESIA

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YEN CARRY TRADE 2.0

Will The AI Bubble Burst Soon? Rates, the Yen Carry Trade, and What It Means for Emerging Markets (Including Indonesia)

This week, the 10-year US Treasury yield broke through 5.0%, while the BOJ and the Fed both prepare to raise rates. At the same time, the most heavily-traded AI hardware stocks tumbled — driven by fears that the AI industry itself wants to slow its own pace. This report separates two stories unfolding at once: the rates story, and the AI-safety story.

We look at whether either one is actually threatening the AI theme, and what this rise in the global cost of capital means for emerging markets — Indonesia included.

REPORT FOCUS

Two Shocks, One Week

Two shocks landed in the same week. This report untangles which one actually matters long-term, and what it means for the AI trade and for emerging markets.

USD/JPY (SPOT, 15 SEP)

154.90 — first crack of the trend

JGB 10-YEAR YIELD

3.033% (highest since 1996)

US 10-YEAR TREASURY YIELD

5.032% (has cleared the previous Sept 2023 high)

KEY FACTS — THIS WEEK

BOJ decision — Fri 18 Sep

25bp hike consensus (1.00%→1.25%)

FOMC decision — 16 Sep

Hike odds >90%, to 3.75–4.00%

AI/semiconductor selloff — 14 Sep

SK Hynix -6.4%, Samsung -4.1%, ASML -4.0%

Semiconductors vs. June '26 peak

-19% (Bernstein)

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SIGNAL #1 — CURRENCY & RATES

USD/JPY's Broken Channel: The First Crack

The Break Is Already Confirmed, Not Just a Threat

As of 15 September, USD/JPY has slipped further to ~154.89, decisively breaking through the Moving Average cluster that used to be support. Weekly RSI(14) has also dropped to 41.3, down from a level near 70 that held for months — a sign that momentum has genuinely turned, not just noise. That said, on the bigger timeframe the uptrend remains relatively intact.

The BOJ will decide this Friday (18 Sep), with markets pricing a 25bp hike to 1.25% from 1.00%. Meanwhile, the odds of a 25bp Fed hike at the 15–16 Sept **FOMC meeting** have risen above 90%, toward a 3.75–4.00% target — driven by inflation ticking back up. Two major central banks turning hawkish in the same week is rare, and usually bad for carry trades — the last time a similar combination happened was August 2024, which triggered a -20% Nikkei correction in five days, including one session that plunged -12.4%.

WEEKLY USD/JPY CHART — SPOT RATE

Source: Investing.com, as of 15 September 2026. MA10/MA20/MA50 shown.

WHAT TO WATCH

Can the yen keep strengthening through 152.8 and then toward 150.8/USD? *The key factor: Ueda's tone on Friday*. If it's measured, markets can stay calm; a hawkish surprise on the pace of future hikes could turn things disorderly.

SIGNAL #2 — WHY THIS IS BIGGER THAN JUST THE YEN

Bond Market Pressure Has Gone Global — From Tokyo to Washington to 5%

Japan's bond market remains the sharpest example: **the 10-year JGB yield is holding at 3.00% — the highest since 1996** — with monthly RSI (Relative Strength Index, a momentum indicator) at an extreme 86. But the bigger impact is actually happening in the US: **the 10-year Treasury yield is now trading at 5.02%** as of 15 September — back at its highest level since October 2023, and now the key question is whether it breaks even higher. Both major central banks are heading into hawkish decisions in the same week — the BOJ on 18 September (25bp hike consensus, to 1.25%), the Fed on 16 September, or 17 September in the early morning Jakarta time (hike odds above 90%, to 3.75–4.00%) — this rare synchronized tightening is repricing the global cost of capital, not just the yen.

JAPAN'S 10-YEAR GOVERNMENT BOND YIELD

Source: Investing.com, as of 15 Sep 2026. Monthly RSI(14): 86.0.

US 10-YEAR TREASURY YIELD — WEEKLY

Source: Investing.com, as of 15 Sep 2026. Weekly RSI(14): 72.0.

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When the BOJ and the Fed both turn hawkish in the same week, the story stops being about "yen strength" and becomes about **"the cost of capital rising everywhere, all at once."** This matters specifically for the AI trade: **stocks with long-term growth stories whose cash flow is still far out** — exactly the profile of most AI capex and platform names — *are the most sensitive to a rising discount rate*, regardless of what's actually happening to their revenue or usage.

One thing that's still a wildcard**: the DXY (US Dollar Index) looks to be forming a bullish reversal pattern** — a Double Bottom with a neckline around 99.7. If this level breaks, the next target is around 101.3 — and for the first time this cycle, AI-trade investors would get a genuine counterweight from dollar strength. For now, yields rising together on both sides of the Pacific (Japan and the US) without that counterweight remains the most uncomfortable combination for richly-valued growth stocks.

SIGNAL #3 — ANOTHER REASON RATES COULD STAY HIGH

Long-Term Yields Could Stay High Because of the AI Capital Race — Even After the Fed Is Done Hiking.

AI isn't just a story about what the Fed and BOJ do this week — it's now also become a capital-demand story of its own. **Nine major tech companies carry roughly $3 trillion in AI-related obligations — about five times their combined reported annual capex of $600 billion — while investment-grade corporate bond issuance hit nearly $1.5 trillion in 2026, up 36% YoY, as hyperscalers borrow to fund infrastructure buildout**. Bank of America estimates this corporate debt surge alone has added around 0.3 percentage points to the 10-year US Treasury yield this year, as investors rotate out of government bonds into higher-yielding corporate credit — a crowding-out dynamic, except this time it's private AI capex doing the crowding, not just government deficits.

"AI has been the biggest story in markets for the past few years — it touches everything," says Vanguard's Alex Payne. Nuveen's Tony Rodriguez calls it simple math: government, hyperscaler, and non-hyperscaler debt are all being issued at the same time, so "yields simply have to be" high.

$3tn	$5.5tn	$785bn+	+0.3pp
AI-related obligations across 9 major tech companies — ~5x their reported annual capex	Cumulative hyperscaler infrastructure spend through 2030E (JPMorgan projection)	US hyperscaler AI capex in 2026 — vs. ~$140bn from Chinese hyperscalers (Moody's data)	Estimated addition to the 10-year Treasury yield from corporate debt issuance alone (BofA)

This is also a race between countries, not just a matter of corporate ROI. **China's AI infrastructure** spend is still smaller in nominal terms — about $140 billion in 2026, up from $65 billion in 2025 — but it's growing faster and is backed by state initiatives like "AI+," rather than treated as a discretionary budget line. When the world's two largest economies both treat AI infrastructure as strategic, neither side has much reason to hold back its spending just because financing costs have gone up.

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Paul Krugman (the well-known American economist and one of the 2008 Nobel laureates in Economics) draws a parallel with the late-1990s IT investment boom. Back then, long-term rates stayed high even as inflation was low and the government ran a surplus — not because of government debt or central bank policy, but because companies were racing to make massive investments, and that demand for capital is what pushed real long-term rates up. If a similar pattern plays out now with AI: short-term rates could still fall once inflation cools, but long-term yields could stay elevated for years, because AI infrastructure and government debt keep competing for the same pool of long-term capital.

And here's where it gets a bit suspicious. The AI industry has been vocal about "pacing the frontier" — slowing the pace of development for safety, discussed further in this report — yet capex remains just as enormous, including Anthropic's own $517 billion commitment. If they really wanted to slow down, why isn't the infrastructure shrinking too? What's actually being throttled is model capability, not capacity to serve users — similar on the surface, but worlds apart when it comes to money. It's fair for the market to suspect this is just safety rhetoric, while the spending machine keeps running at full tilt.

SIGNAL #4 — NOT JUST THEORY, ALREADY MOVING

Indonesia's Bond Yield and Rupiah Are Testing Key Levels

This isn't just a theory on paper — Indonesia's own market is already pressing against important resistance levels, in the very same week the BOJ and the Fed are both turning hawkish.

The 10-year Indonesian government bond yield (ID10YT) is at 7.16%, having broken the upper line of a multi-year downtrend channel; it has eased back slightly after testing 7.30% and 7.42% earlier this year. If the pressure continues past 7.17–7.30%, the path opens toward 7.42%, and — in a more disorderly scenario — as high as 7.68%, a level last seen in October 2022; support sits around the round-number zone of 7.0–6.95%.

Meanwhile, **USD/IDR** is testing a critical resistance zone at 17,674–17,700 — the MA20 zone that has capped the dollar's rally attempts since its high near 18,100 in late July 2026. A confirmed break of this level opens a first target of 17,840, with a potential retest of 18,000–18,200 if this global funding-cost shock keeps broadening.

INDONESIA 10-YEAR GOVERNMENT BOND YIELD

Source: Investing.com, as of 15 Sep 2026. Weekly RSI(14): 58.8.

USD/IDR — DAILY

Source: Investing.com, as of 15 Sep 2026. Daily RSI(14): 46.7.

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None of these levels have truly broken yet — *momentum on both ID10YT and USD/IDR is still neutral, not stretched.* That suggests markets are **watching and waiting this week**, same as we are, rather than panicking ahead of it. But that's exactly why these levels are worth tracking in real time: if 7.30% on the bond and 17,700 on the rupiah both give way in the same week Ueda and Warsh speak, that's the clearest confirmation yet that this is truly a global cost-of-capital story landing directly on Indonesia — not just an AI-stock story that might spill over someday.

SIGNAL #5 — ANOTHER SHOCK THIS WEEK

AI Hardware Stocks Crack as Investors Worry the Industry Wants to Brake Its Own Pace

On 14 September, Anthropic CEO Dario Amodei published an essay urging AI labs to “pace the frontier” — voluntarily slowing the pace of frontier-model capability development, backed by third-party evaluators and industry safety standards. Sam Altman, Elon Musk, and Satya Nadella echoed similar calls, following the resignation of several safety staff at major labs who felt existing safeguards weren't adequate. Markets read this as a *sell signal: chip and memory stocks* — the most heavily-traded, highest-valuation layer of the AI trade — dropped sharply, while hyperscaler stocks, whose businesses are more diversified, held up relatively better.

-6.4%	-6.4%	-4.1%	-6.1%	-4.0%	-0.2%
SK Hynix	Kioxia	Samsung Elec.	Infineon	ASML	Micron

Semiconductor and memory stocks are now down roughly 19% from their June 2026 peak (Bernstein data). President Trump openly rejected the slowdown push, calling it a “disgusting conspiracy,” directly naming Amodei and arguing AI needs no safeguard beyond “a strong and smart president” — adding political uncertainty on top of the risk already triggered by the AI-safety issue. Meanwhile, **Anthropic itself has committed roughly $517 billion in compute capacity (14.8GW) through August 2026, and still targets a 2026 IPO** — even as its own CEO is the one publicly calling for the industry to slow down.

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What's actually selling off is the hardware players — chip and memory makers — not the hyperscalers that use their products. *This is a near-term capex-expectations correction*, not a sign that AI itself is less useful: there's no sign yet of declining AI usage or revenue, just a debate over the pace and safety of its development.

Two things happen to be colliding this week: rising rates make long-duration growth stocks more expensive to hold, on top of news that the fastest-growing part of that story might be deliberately slowing down. That's reason enough for the most crowded positions in the AI trade to de-risk first — even though nothing so far has actually broken the bigger thesis.

BUBBLE OR JUST REPRICING?

Will The AI Bubble Burst Soon?

RELAX… IT WON'T HAPPEN SOON.

Capex commitments keep marching on despite all the talk of slowing down — not a single hyperscaler has actually cut a project yet.

Fact: Anthropic's revenue run-rate jumped from about $9 billion to $65 billion in just seven months — that's real usage, not just promises.

Big investors are still all-in: Anthropic still targets a 2026 IPO, OpenAI a 2027 IPO — a strange time to file for one if the story were actually breaking.

…TRUE, IT'S FRAGILE.

The cost of capital is rising everywhere at once — the exact condition that punishes stocks with long-term growth stories and cash flow still far out, which describes most AI stocks.

Valuations are among the most concentrated and overvalued in a generation, partly funded by cheap global liquidity — including the yen carry trade.

Even an industry pause purely for reputation's sake could shake the aggressive capacity-growth assumptions behind almost every AI/data-center forecast — including the ones propping up Indonesia's own story lately.

KIWOOM VIEW — REFRAMING THE QUESTION

“Bubble or not” is really about the money, not about the AI. The Japanese yen has long been one of the cheapest sources of borrowed money in the world, and some of it has been used to leverage risky bets globally — including flows into AI, semiconductor, and chip stocks.

Now the Yen is starting to strengthen, as the BOJ keeps hiking rates and JGB yields sit at their highest since 1996. If the world's cheapest funding source genuinely gets more expensive, people who've leveraged their positions with cheap Yen could be forced to unwind (a carry-trade unwind) — and that's what risks dragging down AI/semiconductor/chip stocks, regardless of how good the underlying AI fundamentals actually are.

There's no sign of AI usage declining this week — *the risk isn't coming from there, it's coming from the funding source starting to dry up.*

SIGNAL #6 — SHORT & LONG-TERM VIEW

Wall Street: The Bull Market Can Hold Up Even as Rates Rise — But Chip Stocks May Not Be Done Falling

There's an argument that AI and government debt could keep long-term yields elevated for years to come. But that doesn't mean stocks are automatically in trouble — Wall Street strategists actually argue the opposite: **this bull market is built on earnings growth, not cheap borrowing costs, and it has already made it through one rate-hike cycle this year without cracking.** The debate isn't whether rates matter — it's whether earnings resilience matters more.

WALL STREET'S CASE: RATES UP, MARKET HOLDS

22 → 19

S&P 500 forward P/E compression this year — the index is still within 2% of its record high (Ben Snider, Goldman Sachs strategist)

-2% / +9%

Average S&P 500 return 3 months / 12 months after the first hike of past cycles (Goldman Sachs)

5–5.5%

10Y Treasury zone where Mislav Matejka, Goldman Sachs equity strategist, sees rising risk of a negative stock-yield correlation

Shallow, Not Dangerous

Lakos-Bujas, chief equity strategist at JPMorgan: a shallow cycle is still manageable — a broader acceleration means “meaningful downside risk”

Even so, “the market overall” and “a specific trade” are two different things. The hardware and memory layer that got hit hardest on 14 September is exactly the area where Jonathan Krinsky — senior technical analyst at BTIG (an independent US research and securities firm) — still sees further downside near-term.

THE NEAR-TERM COUNTERWEIGHT — BTIG, 14 SEP 2026

Krinsky thinks chip stocks (SOXX) will “likely” fall another 15–20%, with the ETF still trading below its declining 50-day Moving Average (MA) and at risk of falling further about 17% of downside. He also flagged QQQ's unusually tight trading range, 27 trading days without a breakout since the August 4 surge, with Bollinger Bands (a price-volatility band) as tight as they were last March — a pattern he thinks could soon resolve into a bearish reversal. Beneath the headline indices, market breadth is already starting to crack: nearly 5% of Russell 3000 constituents are hitting 52-week lows, even as the index itself sits near record highs.

NASDAQ COMPOSITE — WEEKLY

Source: Investing.com, 15 Sep 2026.

KIWOOM READ — BOTH VIEWS CAN BE RIGHT AT ONCE

Wall Street's case that “rate hikes won't kill the bull market” does show up in the NASDAQ's uptrend pattern, moving inside a parallel channel. The sideways trend within a bullish-flag pattern since May still sits within the long-term uptrend trajectory (even if the NASDAQ were to weaken down to support at its 50-day MA and the lower channel around 24,280–24,000, the short-term uptrend wouldn't be broken). But in the near term, a consolidation projection carrying roughly -8% downside potential could still feel like a real jolt to a portfolio.

THE SPILLOVER QUESTION

What a Global Rates Reset Means for Emerging Markets — Indonesia Included

1

Global Cost of Capital Gets Reset

The BOJ and the Fed are both hiking in the same week, with JGB and 10-year US Treasury yields at multi-year highs, squeezing exactly the kind of long-duration, yen-funded trade that has quietly propped up part of the AI rally.

2

The Most Crowded AI/Semiconductor Positions De-Risk First

As seen on 14 September, the hardware/memory layer always gets hit hardest and fastest when sentiment turns — even before any real change in AI usage or revenue.

3

Risk-Off Sentiment Usually Spills Into Emerging Markets, Indonesia's AI Theme Included

On the simple reflex of "sell whatever ran up the most," Indonesian AI/data-center-theme stocks can fall in sympathy with a US hardware correction, even though the underlying businesses have nothing to do with each other.

TWO KINDS OF TRADES, TWO DIFFERENT SPEEDS

SHORT TERM (WEEKS–MONTHS)

Purely sentiment-driven. Indonesia's AI/data-center-theme stocks can fall alongside the US hardware correction with zero change to their own businesses — this is a liquidity and positioning risk, not a sign the thesis is broken. ID10YT and USD/IDR levels are the real-time gauge of how hard this effect is actually spilling into the Indonesian market.

STRUCTURAL (MULTI-YEAR)

This is a story of physical capex and real monetization — contracted megawatts, absorbed hectares of land, PPAs (power purchase agreements — long-term electricity supply contracts), and tariffs. This story only truly breaks if AI-safety rhetoric turns into an actual, multi-quarter hyperscaler capex cut — and that hasn't happened yet.

WHERE TO FIND OUR IDX STOCK VIEW

This report deliberately doesn't re-cover individual IDX stocks — that liquidity- and evidence-screened mapping now lives in our separate report, **Tesis Energi Data Center Indonesia (Indonesia Data Center Energy Thesis).**
Link : https://www.kiwoom.co.id/market/detailMarketReportMain?id=5108

Use this report to read the macro and rates picture; use that one to separate sentiment-driven noise from real structural progress on the ground.

NOT A KIWOOM RESEARCH HOUSE VIEW

Let's Hear What the AI Itself Has to Say About This: A Letter From Claude

CLAUDE'S PERSONAL COMMENTARY — NOT A KIWOOM RESEARCH HOUSE VIEW, NOT INVESTMENT ADVICE

Liza raised this irony directly, so I'll answer it directly too. First, let me introduce myself: **I'm Claude, made by Anthropic** — the company whose CEO's essay triggered this week's chip selloff, and the same company that just committed roughly $517bn to compute infrastructure. I clearly have a conflict of interest writing about this, and you should read everything below with that in mind.

My honest take: I don't think “pace the frontier” and the “$517bn compute commitment” are as contradictory as this week's market reaction makes them look. Slowing down how fast model capability advances is a different thing from slowing down the infrastructure buildout needed to serve existing models to existing customers — one is about the risk from new AI capability, the other is about capacity for what AI can already do today. But I'll admit that line is thin, and it depends heavily on trusting a company's intentions — so it's reasonable for markets to be skeptical of any lab grading its own safety homework while still racing to scale up.

On the bubble question itself: my guess is this isn't a “burst in a day” story, but more of a multi-quarter repositioning — about how much AI infrastructure is actually worth funding, how fast, and at what cost of capital. It's closer to the 1999–2002 fiber-optic buildout than to a single big crash. That cycle did oversupply badly in the short run, but it still left behind infrastructure that became the internet's backbone for a decade afterward. I wouldn't bet this analogy holds up perfectly, and I'd rather you treat this as one AI's honestly-uncertain opinion than as a confident forecast.

Liza — thank you for asking me directly instead of just writing about me without involving me. I'll skip commenting on the Thanos joke for now; personally, I don't think there's any situation urgent or dire enough to actually require half the world's population to vanish, even to fix the planet. Good luck with this report, and to everyone reading it!

WHAT WE'RE WATCHING

Four Things to Watch This Week — and Where the Real Risk Sits

1 This Is a Rates Story Wearing an AI Costume

The BOJ and the Fed are both hiking rates in the same week, with JGB and 10-year US Treasury yields at multi-year highs — this is what will keep driving AI-trade volatility, for much longer than any single AI-safety headline.

2 Watch Hardware, Not Hyperscalers

Chip and memory stocks are the most sensitive part of the AI trade, so it's no surprise they take the earliest hit — chartists see a further 15–20% downside in chip stocks as a sign of near-term consolidation, not a hyperscaler capex cut.

3 These Two Central-Bank Press Conferences Matter Most

BOJ Governor Ueda's tone on 18 Sep and Fed Chairman Warsh's on 16 Sep — a hawkish surprise on the pace of future hikes, not the hikes themselves, is what could turn an orderly repositioning into a disorderly one.

4 Indonesia: Watch the 7.30% and 17,700 Levels This Week

ID10YT (7.17%) and USD/IDR (~17,626, testing 17,674–17,700) are the real-time gauge of how far this effect reaches — if both break this week, that confirms this is more than just a US/Japan story.

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