

	9-Jun	16-Jun	Change		9-Jun	16-Jun	Change
BIST-100 Index	5,626	5,475	-2.7 % ▼	EUR/USD	1.0747	1.0933	1.7 % ▲
TRY 2 Year Benchmark Rate	13.19 %	14.25 %	106 bp ▼	USD/TRY	23.3673	23.6154	1.1 % ▲
Turkey 5-Year CDS Premium	500	471	-29 bp ▼	EUR/TRY	25.1483	25.8284	2.7 % ▲
MSCI EM Equity Index	1,002	1,030	2.8 % ▲	Gold (USD/ounce)	1,961	1,957	-0.2 % ▼
US 10-Year Bond Rate	3.75 %	3.77 %	2 bp ▲	Brent Oil (USD/barrel)	74.8	76.6	2.4 % ▲

bp: basis point

Last week, meetings of major central banks were high on the agenda. Fed and the Bank of Japan held interest rates unchanged while the European Central Bank hiked interest rates by 25 bps. On the other hand, interest rates were cut in China due to concerns over slowdown in economic activity. In the United States, released data showed that inflation continued to decline in May. In Türkiye, central government budget posted a surplus in May. Survey of Market Participants showed that the exchange rate and inflation expectations worsened in June. This week, flash PMI data in the US and Euro Area will be monitored. In Türkiye, CBRT meeting will be closely followed.

Meetings of major central banks were closely monitored.

At its meeting held on June 13-14, Fed kept the policy rate between 5%-5.25% in line with market expectations. Following the meeting, it was stated that the decision should not be interpreted as the end of the monetary tightening process and that lagged effects of rate hikes on macroeconomic indicators will be closely monitored in the coming period. Increase in Fed members' year-end policy rate forecasts from 5-5.25% to 5.50%-5.75% drew attention. Fed members also raised their year-end core PCE inflation forecast from 3.6% to 3.9%.

In its meeting held on June 15, ECB hiked the policy rate by 25 basis points in line with market expectations. Thus, ECB's policy rate was raised to 4% and the deposit facility rate to 3.5%. Moreover, ECB raised its CPI forecasts for 2023 and 2024 by 0.1 percentage points each to 5.4% and 3%, respectively. Following the meeting, ECB President Lagarde signaled that interest rate hikes will continue in July.

Last week, Bank of Japan also decided to maintain its loose monetary policy by keeping interest rates unchanged. In order to support the economy, the People's Bank of China, on the other hand, cut interest rates for the first time since August 2022, by lowering the 7-day reverse repo rate from 2% to 1.9%.

In US, inflation indicators improved in May.

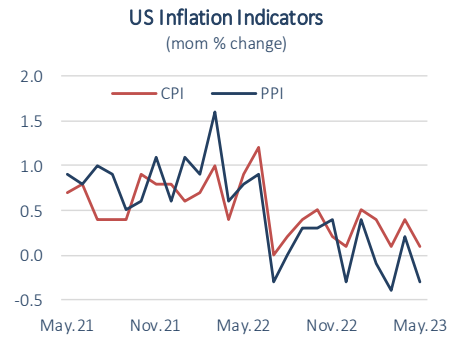
Last week, a busy data agenda was followed in the US. CPI, which rose by 0.1% mom in May, posted its slowest annual increase since March 2021 with 4%. In addition, core inflation excluding food and energy declined from 5.5% to 5.3% yoy. Producer inflation, which was realized as 0.3% on a monthly basis, declined annually to 1.1%, the lowest level since the end of 2020.

In the US, retail sales expanded by 0.3% mom in May despite contraction expectations. In this period, industrial production in the US contracted by 0.2% mom.

Fed projections (June 2023)

	2023	2024	2025	Longer run
GDP	1.0	1.1	1.8	1.8
March projection	0.4	1.2	1.9	1.8
Unemployment rate	4.1	4.5	4.5	4.0
March projection	4.5	4.6	4.6	4.0
PCE*	3.2	2.5	2.1	2.0
March projection	3.3	2.5	2.1	2.0
Core PCE*	3.9	2.6	2.2	
March projection	3.6	2.6	2.1	
Federal funds rate	5.6	4.6	3.4	2.5
March projection	5.1	4.3	3.1	2.5

(*) Personal consumption expenditure



Source: Datastream, Fed

Exchange rate and inflation expectations of market participants increased.

According to the CBRT Survey of Market Participants, exchange rate and inflation expectations of the market increased. In June, current year-end USD/TRY expectations jumped to 26.18 TRY from 23.09 TRY. Year-end inflation forecast rose to 38.5% in June from 37.17% in the previous survey period and 12-month ahead inflation expectation to 30.65%, from 29.84% in May. Growth prospect of market participants, which was 3.7% in the previous period, increased slightly to 3.8% in this survey period.

Consumer confidence index declined in June.

Consumer confidence index decreased by 5.9 pts mom to 85.1 in June. In this period, especially the rapid deterioration in expectations for the next 12 months was noteworthy.

Central government budget posted a surplus of 118.9 billion TRY in May.

In May, central government budget posted a surplus of 118.9 billion TRY, which is the first surplus since November 2022. The annual expansion of corporate tax with 86.3% yoy and the doubling in special consumption tax supported budget revenues. On the other hand, interest expenditures and current transfers stood out in budget expenditures ([Our Budget Balance Report](#)).

House sales decreased by 7.7% yoy in May.

House sales rose on a monthly basis by 32.2% in May, but contracted annually by 7.7%. In May, house sales to foreigners increased by 24% compared to April and reached 3,167 units. According to the house price index released by CBRT, house prices rose by 4.7% mom in April, while the annual increase was 121.3%. Thus, the annual real rise in house prices was 53%.

Retail sales volume started the second quarter with an increase.

Seasonally and calendar adjusted retail sales volume at constant prices increased by 0.9% mom in April. In the same period food, beverage and tobacco sales expanded slightly by 0.4%, non-food sales (excluding automotive fuel) increased by 1.9% while fuel sales volume declined by 1.5%. As for the expenditure groups, sales of electrical appliances and furniture diminished monthly by 2.8% in April. In this period, sales of computers, books and communication devices for which demand was backdated due to anticipation of price increases, rose by 4%.

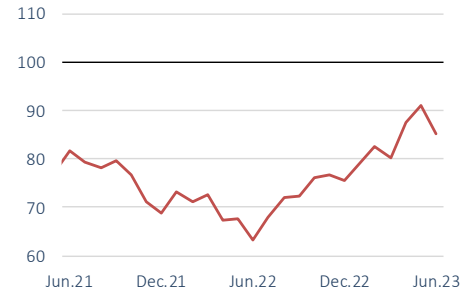
Financial markets...

A positive course was monitored in global stock market indices last week. Türkiye's CDS premiums which started to decline owing to the expectations of normalisation in the economic policy, continued to fall last week. While the depreciation in Turkish lira continued last week, albeit limited, the BIST-100 index which was in search of direction, ended the week with a decline.

This week's agenda...

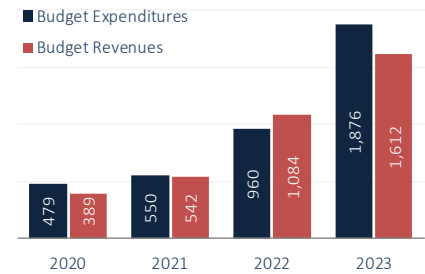
This week, leading PMI data to be announced in the US and Euro Area will be followed in global markets. In Türkiye, CBRT's monetary policy committee meeting stands out.

Consumer Confidence Index



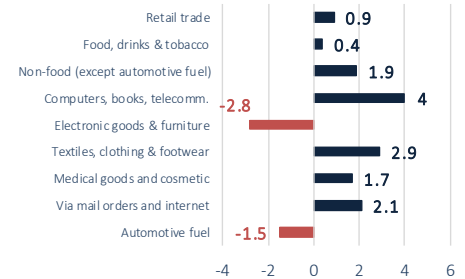
Budget Figures

(January-May, TRY billion)

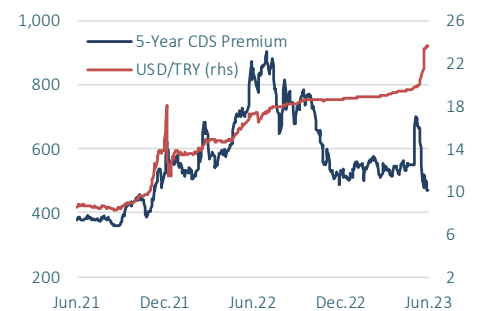


Retail Sales

(April, mom %)



USD/TRY and CDS Premium



Source: Datastream, Turkstat, CBRT, Treasury

Data Releases

		Period	Consensus	Prior
19 June	TR Consumer Confidence Index	June	85.1 (A)	91.1
20 June	TR Central Government Gross Debt Stock	May	-	4,588.1 mlyr TRY
	USA Housing Starts, units	May	1.400 million	1.401 million
	PBoC Meeting	June	-	3.65%
21 June	TR Real Sector Confidence Index	June	-	108.3
	TR Capacity Utilization Rate	June	-	76.0%
	TR Sectoral Confidence	June	-	-
22 June	CBRT Monetary Policy Meeting	June	20.0%	8.5%
	USA Existing Home Sales, units	May	4.25 million	4.28 million
	Euro Area Consumer Confidence, flash	May	-17	-17.4
23 June	TR Foreign Visitors, yoy	May	-	29.03%
	TR Trade Balance	May	-	-8.74 billion USD
	TR Economic Confidence	June	-	103.7
	USA Manufacturing PMI, flash	June	48.3	48.4
	USA Services PMI, flash	June	54.0	54.9
	Euro Area Manufacturing PMI, flash	June	44.5	44.8
	Euro Area Services PMI, flash	June	54.5	55.1

(A) Actual

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