

	30-Jun	7-Jul	Change		30-Jun	7-Jul	Change
BIST-100 Index	5.759*	6,187	7.4 % ▲	EUR/USD	1.0910	1.0967	0.5 % ▲
TRY 2 Year Benchmark Rate	13,55%*	8.81 %	-474 bp ▼	USD/TRY	26.0461	26.0552	0.0 % ●
Türkiye 5-Year CDS Premium	487	495	8 bp ▲	EUR/TRY	28.4255	28.3656	-0.2 % ▼
MSCI EM Equity Index	989	981	-0.9 % ▼	Gold (USD/ounce)	1,920	1,924	0.2 % ▲
US 10-Year Bond Rate	3.82 %	4.05 %	23 bp ▲	Brent Oil (USD/barrel)	74.9	78.5	4.8 % ▲

bp: basis point

(*) Data for June 20.

Last week, annual CPI inflation continued to decline in June thanks to the base effect, while foreign trade deficit posted a rapid contraction yoy. An additional budget proposal was submitted to the Parliament especially due to the expenditures caused by the earthquake disaster in February. US data and Fed minutes supported the expectations that interest rate hikes may continue in the coming period. This week, June inflation in the US and China will be closely monitored in global markets. In Türkiye, balance of payments and industrial production data for May will be announced.

In June, inflation remained below expectations.

In Türkiye, CPI rose by 3.92% on a monthly basis in June and remained below the market expectations. In this period, the monthly increase in D-PPI was 6.50%. As of June, annual CPI inflation was 38.21%, the lowest level in the last 1.5 years, while D-PPI recorded its lowest annual increase since May 2021 with 40.42% yoy ([Our Inflation Report](#)).

Manufacturing PMI signalled that the moderate improvement in the sector continued.

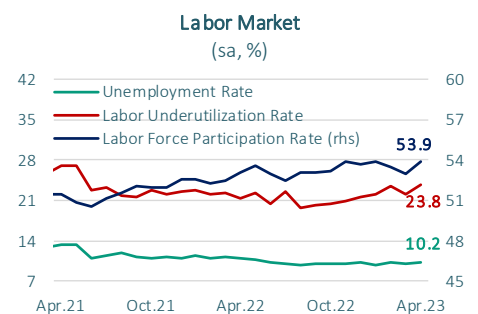
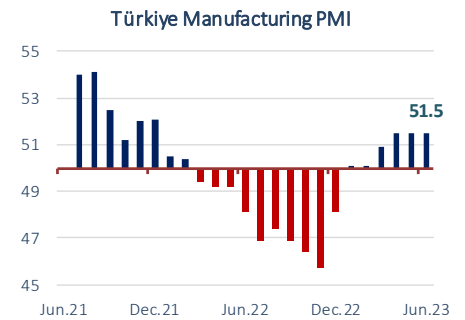
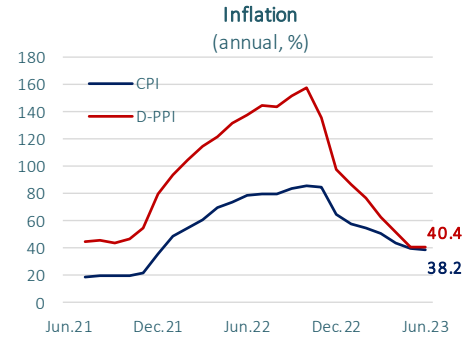
In June, manufacturing PMI was realized as 51.5 for the third consecutive month and indicated that the manufacturing sector continued to recover moderately. In this period, production activities posted the highest expansion since July 2021. On the other hand, in June the depreciation of Turkish lira limited the rise in new orders, while the increases in input costs and final product prices gained momentum compared to previous months.

Foreign trade deficit became 61.4 billion USD in the first half of the year.

According to the provisional data announced by the Ministry of Trade, exports decreased by 10.5% to 20.9 billion USD yoy while imports fell by 16.8% to 26.3 billion USD, in June. Thus, the foreign trade deficit narrowed by 34.5% compared to the same period of the previous year and became 5.4 billion USD. In the first half of the year, the foreign trade deficit expanded by 19.1% yoy and reached 61.4 billion USD.

Unemployment rate fell to 9.5% in May.

According to seasonally adjusted figures, the unemployment rate fell to 9.5% in May, the lowest level since 2014. In this period, the increase in number of employed people by 63 thousand and the decrease in labor force by 130 thousand people played a role in this rapid decrease in the unemployment rate.



Source: Datastream

Additional budget proposal was submitted to the Parliament, while taxes were raised.

In order to meet the financial needs of public administrations, especially the expenditures made due to the earthquake disaster, an additional budget proposal of 1.trillion TRY was submitted to the parliament last week. In addition, with draft law, the corporate tax rate will be increased from 20% to 25%, while the motor vehicle tax was decided to be collected twice for this year. Besides, with a Presidential decree, VAT applied to goods and services was increased from 8% to 10% and from 18% to 20%. Moreover, Bank Insurance and Transaction Tax rate taken from consumer loans was increased from 10% to 15%. While some fixed fees were increased by 50%, IMEI registration fee was raised to 20K TRY.

Expectations that Fed may continue to increase interest rates have strengthened.

The minutes of the Fed's June meeting released last week showed that some members were in favor of a rate increase in June, as inflation in the US remained well above the medium-term target of 2% and the labor market remained tight. Statements made by Fed officials during the week also supported expectations of a rate hike in the following meetings.

Although non-farm payrolls in the US fell below the forecasts with 209K increase in June, the unemployment rate declined to 3.6% and wage increases remained strong, which were the factors that would support the continuation of the monetary tightening process.

PPI in Euro Area declined in May.

Manufacturing PMI in the Euro Area fell to 43.4, the lowest level in the last three years. In the region, producer inflation fell by 1.9% mom, and 1.5% yoy in May in parallel to decline in energy prices, indicating that inflationary pressure has some eased. On the other hand, European Central Bank officials stated last week that the inflation outlook in the region pointed to necessity for further monetary tightening. Annual HICP inflation in the region stood at 5.5% as of June 2023.

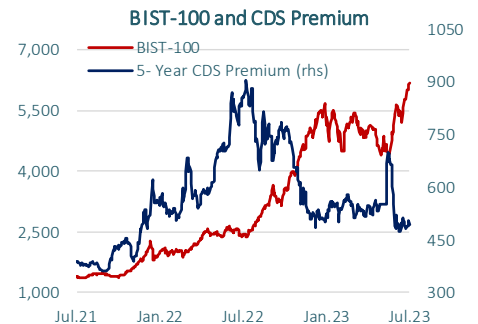
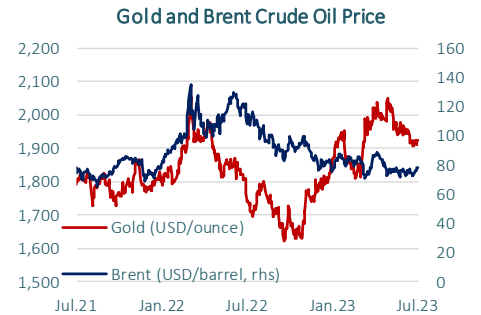
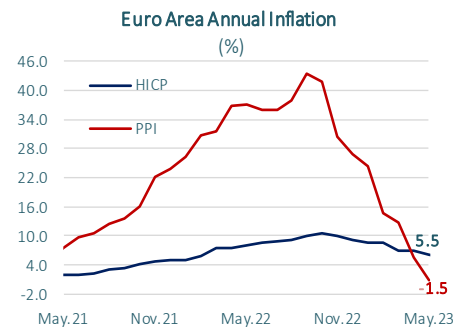
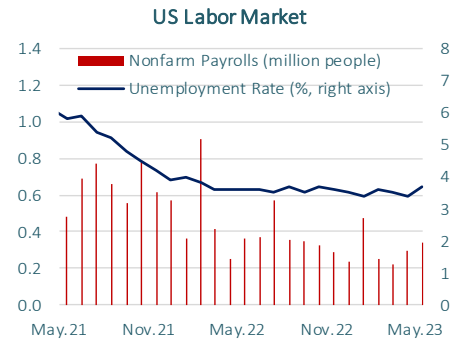
Financial markets...

Last week, global risk appetite declined as expectations for further monetary tightening in the US strengthened. Stock market indices followed a downward trend while gold prices ended the week with a flat course. Oil prices rose in line with the statements coming from Saudi Arabia and Russia that these countries would continue to cut supply.

BIST-100 index diverged positively from global markets by closing the week at 6,187 points. TRY followed a volatile course against the USD and Euro, while the interest rate of the 2-year benchmark bond declined rapidly.

This week's agenda...

This week, June inflation data of the US and China will be closely monitored in global markets. In Türkiye, balance of payments and industrial production data for May and the results of CBRT's market participants survey will be released.



Source: TURKSTAT, CBRT, Datastream

Data Releases

		Period	Consensus	Prior
10 July	Euro Area Sentix Index	July	-22.5 (A)	-17.0
	China PPI Inflation, yoy	June	-5.4% (A)	-4.6%
	China CPI Inflation, yoy	June	0.0% (A)	0.2%
	TR Unemployment Rate	May	9.5 % (A)	10.2%
11 July	Germany CPI Inflation, mom	June	0.3%	0.3%
	Germany ZEW Economic Sentiment	July	-1,0	-8.5
	TR Current Account Balance	May	-	-5.404 million USD
12 July	USA CPI Inflation, mom	June	0.3%	0.1%
	USA Fed Beige Book	-	-	-
	TR Industrial Production, yoy	May	-	-14.1%
13 July	USA PPI Inflation, mom	June	0.2%	-0.3%
	Euro Area Industrial Production, yoy	May	-1.1%	0.2%
	China Trade Balance	June	-	65.81 billion USD
14 July	USA Michigan Consumer Confidence, final	July	65.5	64.4
	Euro Area Trade Balance	May	-	-7.10 billion USD
	CBRT Survey of Market Participants	July	-	-
	TR House Sales, yoy	June	-	-7.7%

(A) Actual

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