

	17.May	23.May	Change		17.May	23.May	Change
BIST-100 Index	10,644	10,793	1.4 % ▲	EUR/USD	1.0870	1.0813	-0.5 % ▼
TRY 2 Year Benchmark Rate	42.50 %	42.27 %	-23 bp ▼	USD/TRY	32.1987	32.1585	-0.1 % ▼
Türkiye 5-Year CDS Premium	266	264	-2 bp ▼	EUR/TRY	35.0010	34.8047	-0.6 % ▼
MSCI EM Equity Index	1,100	1,091	-0.8 % ▼	Gold (USD/ounce)	2,415	2,328	-3.6 % ▼
US 10-Year Bond Rate	4.42 %	4.48 %	6 bp ▲	Brent Oil (USD/barrel)	84.0	81.4	-3.1 % ▼

bp: basis point

CBRT kept its policy rate unchanged at 50% at its meeting on Thursday and announced new measures to support the monetary transmission mechanism and to sterilize excess liquidity. Consumer confidence index remained flat in May, while the number of foreign visitors to Türkiye increased by 8.7% yoy in April. In the US, where the flash PMI figures for May pointed to a resilient outlook in economic activity, Fed's meeting minutes and the cautious statements of Fed officials put pressure on global risk appetite this week. In the Euro Area, flash PMI figures showed that economic activity continued to recover in May. Next week, first quarter GDP growth data will be closely monitored in Türkiye. In global data agenda, the US April personal consumption expenditures (PCE) and Euro Area HICP data stand out.

CBRT kept the policy rate unchanged and increased reserve requirements.

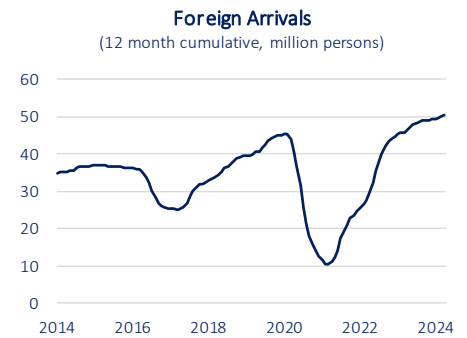
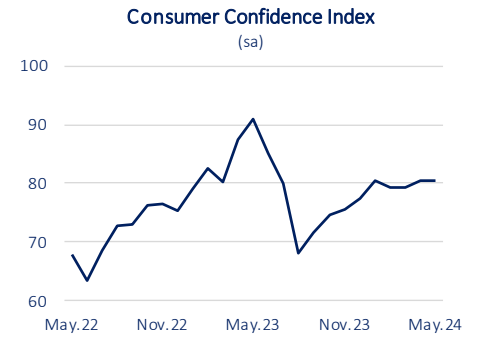
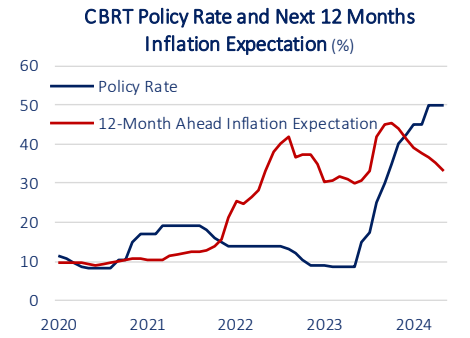
CBRT kept the policy rate unchanged at 50% at its Monetary Policy Committee meeting held on May 23, in line with market expectations. In the statement published after the meeting, it was stated that the underlying trend of monthly inflation posted a limited decline in April, while recent domestic demand indicators pointed to a slowdown compared to the first quarter. However, it was noted that the increase in consumption goods imports limited the improvement in the current account balance. Following the MPC meeting, CBRT announced measures to preserve macro financial stability, support the monetary transmission mechanism and sterilize excess liquidity from the market. Accordingly, the reserve requirement ratio was increased from 8% to 12% for short-term TRY deposits and from 0% to 8% for long-term TRY deposits. The reserve requirement ratios were raised from 25% to 33% for short-term FX-protected deposits (KKM) and from 10% to 22% for long-term KKM. In addition, the total target for transition from KKM to TRY deposits, including renewals, was lowered to 75%. Moreover, legal person's KKM accounts and real and legal persons' YUVAM accounts were excluded from the total target calculation as of the next calculation period, while the interest rate applied to reserve requirements for KKM was reduced to 40% of the policy rate if the total target is met. The CBRT also announced that a monthly growth limit of 2% has been introduced for foreign currency loans, and it has been decided that Turkish lira required reserves amounting to loans exceeding the limit will be blocked for one year.

Consumer confidence remained flat.

According to data released by the TURKSTAT, consumer confidence index increased slightly by 0.1% to 80.51 in May. Thus, the flat course of consumer confidence index since the beginning of the year continued. In May, sub-indices for the current financial situation of the household and the expectation for the general economic situation in the next 12 months improved, while the assessment for spending money on durable goods in the next 12 months continued to decline.

The number of foreign visitors increased by 8.7% yoy in April.

Ministry of Culture and Tourism figures revealed that the number of foreign visitors to Türkiye increased by 8.7% yoy to 3.61 million people in April compared to the same month of the previous year. Thus, in the first 4 months of the year, total number of foreign visitors to Türkiye increased by 11.7% to 10.65 million people. In the first 4 months of the year, Germany ranked first with 1.12 million visitors, followed by Russia with 1.08 million people and Iran with 950 thousand people.



Source: CBRT, TurkStat, MoCT, Datastream

Central government gross debt stock was 7.5 trillion TRY in April.

As of April 30, central government gross debt stock increased by 63.2% yoy to 7.5 trillion TRY. Of this debt stock, 4.7 trillion TRY was composed of FX-denominated debt and 2.8 trillion TRY was composed of Turkish Lira-denominated debt. Thus, the share of FX-denominated debt in gross debt stock came in at 62.5%.

FOMC minutes in the US suppressed the risk appetite in markets.

The minutes of the FOMC meeting that ended on May 1st revealed that expectations for inflation to decrease to the 2% target in the medium term were maintained, but the view that this process may take longer than previously thought strengthened. It was noteworthy that some participants called for additional tightening steps if necessary. Cautious messages given by Fed members during the week were also monitored. Atlanta Fed President Bostic said that more time is needed to be sure whether inflation is moving in line with the 2% target. Barr, Fed Vice Chair for Supervision, stated that inflation in the first quarter of 2024 did not provide enough confidence for a possible easing in monetary policy, while Jefferson, Vice Chair of the Board of the Governors of Fed, commented that it is too early to say that the slowdown in inflation is permanent.

In the US, where interest rate cut expectations were postponed to the autumn at the earliest, this week released data signaled that the economic activity continued to be buoyant. Flash manufacturing and services PMI figures for May exceeded expectations by coming in at 50.9 and 54.8, respectively, while weekly jobless claims were realized as 215K, indicating that the strong outlook in the labor market continued.

Flash PMI data in the Euro Area...

Flash manufacturing PMI data for May reached 47.4, the highest level since February 2023. In the same period, flash services PMI was realized as 53.3, indicating that the growth trend in the sector continued for the fourth consecutive month. In this period, consumer confidence index was realized as -14.3, slightly below market expectations.

CPI in the UK exceeded expectations in April.

According to the data released in the UK, where a snap election was decided to be held on July 4th, annual CPI inflation fell to 2.3% in April, the lowest level since July 2021. Monthly inflation, on the other hand, came in above expectations at 0.3%. The data, which showed that inflationary pressures did not ease to the expected extent, supported the predictions that the Bank of England would start interest rate cuts in the autumn at the earliest.

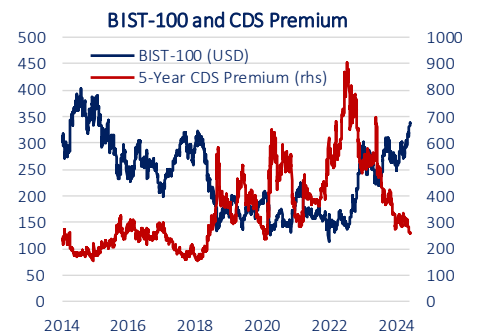
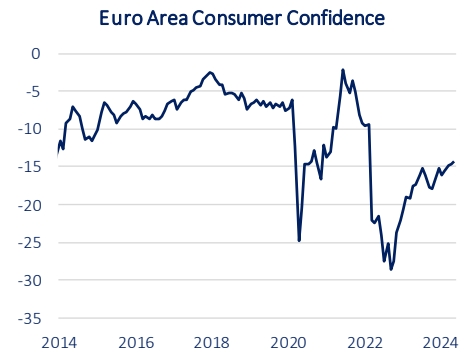
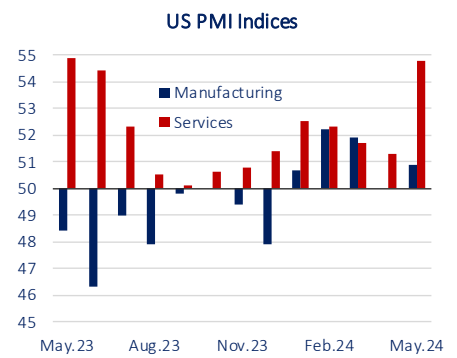
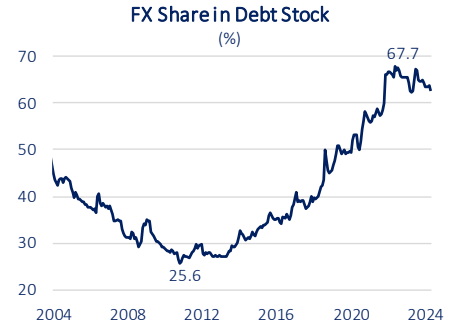
Financial markets...

Following the FOMC minutes and cautious statements of Fed officials, global markets, especially the US stock markets, ended the week with a decline as expectations that the tight monetary policy stance may last longer than anticipated intensified. Gold prices, which tested its historical highs last week due to geopolitical developments, declined this week.

This week, domestic markets diverged positively from emerging markets. BIST-100 index, which hit a new record high during the week, was realized as 10,793 as of Thursday closing. USD-denominated BIST-100 index also tested its highest level since 2015 with 345.2 USD during the week.

Next week's agenda...

Next week, GDP data for the first quarter of the year will be announced in Türkiye. Moreover, the US personal consumption expenditures (PCE) price index for April and Euro Area flash HICP data for May will be monitored.



Source: MoFT, Fed, Datastream

Data Releases

		Period	Consensus	Prior
27 May	TR Real Sector Confidence Index	May	-	106.1
	TR Capacity Utilization Rate	May	-	76.7%
28 May	US Consumer Confidence	May	95.9	97.0
29 May	Germany CPI Inflation, flash, mom	May	0.2%	0.5%
30 May	TR Trade Balance	April	-	-7.34 billion USD
	TR Economic Confidence	May	-	99.0
	US GDP Growth, revision, yoy	2024 Q1	1.5%	1.6%
	Euro Area Unemployment Rate	April	6.5%	6.5%
	Euro Area Consumer Confidence, final	May	-14.0	-14.3
31 May	TR GDP Growth, yoy	2024 Q1	-	4.0%
	US Core PCE, mom	April	0.3%	0.3%
	Euro Area CPI Inflation, flash, yoy	May	2.5%	2.4%
	China NBS Manufacturing PMI	May	50.5	50.4
	China NBS Non-Manufacturing PMI	May	-	51.2

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