

	31-May	6-Jun	Change		31-May	6-Jun	Change
BIST-100 Index	10,400	10,280	-1.2 % ▼	EUR/USD	1.0841	1.0888	0.4 % ▲
TRY 2 Year Benchmark Rate	41.61 %	41.85 %	24 bp ▲	USD/TRY	32.2322	32.2319	0.0 % ●
Türkiye 5-Year CDS Premium	257	259	2 bp ▲	EUR/TRY	34.9699	35.1094	0.4 % ▲
MSCI EM Equity Index	1,049	1,073	2.3 % ▲	Gold (USD/ounce)	2,327	2,376	2.1 % ▲
US 10-Year Bond Rate	4.51 %	4.28 %	-23 bp ▼	Brent Oil (USD/barrel)	81.6	79.9	-2.1 % ▼

bp: basis point

ECB cut its policy rate by 25 basis points at its meeting held on June 6, in line with market expectations. In the US, non-farm payrolls increased by 272K in May, while unemployment rate was realized as 4.0%. Data released in China showed that the recovery in the country's economy prevailed. In Türkiye, CPI inflation was realized as 75.45% in May, the highest level since November 2022. In the same period, ICI Türkiye Manufacturing PMI declined to 48.4 and signaled a contraction as it had in April. According to the preliminary figures, foreign trade deficit narrowed by 48.6% yoy to 6.5 billion USD in May. Next week, Fed meeting and inflation figures in the US will be high on the global agenda. On the domestic front, a busy data agenda will be followed before the Eid week.

The ECB cut its policy rate by 25 bps.

The European Central Bank (ECB) cut interest rates by 25 bps at the meeting held on June 6, in line with market expectations. Thus, the Bank cut interest rates for the first time since 2019, bringing the main refinancing, marginal lending and deposit facility rates to 4.25%, 4.50% and 3.75%, respectively. After the meeting, ECB President Lagarde stated that they revised their inflation forecasts for 2024 and 2025 upwards due to high probability of inflation remaining above the 2% target in the coming year. Lagarde also pointed that they did not draw a long-term roadmap on interest rates, instead, they will be determining interest rates by evaluating the situation of economy before each ECB meeting in the coming period.

In Euro Area, PPI, which fell above the expectations by 1.0% mom in May, recorded an annual decline of 5.7%. Prices in all sub-items of the index except energy increased on a monthly basis, while the 3.6% monthly decline in energy prices was the main driver of the fall in PPI.

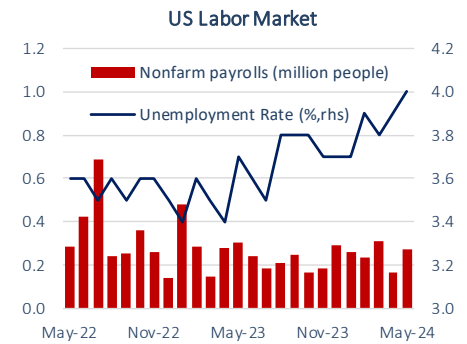
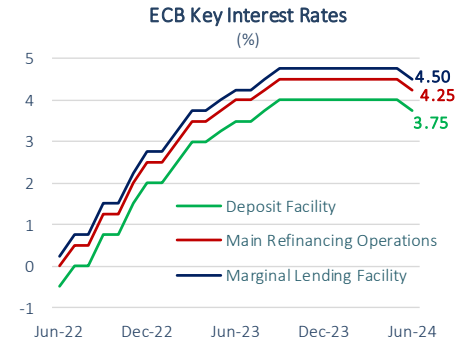
Non-farm payrolls in the US exceeded expectations in May.

In May, non-farm payrolls increased by 272K, well above the expectations. Despite the strong increase in employment, unemployment rate was realized as 4%, the highest level in more than 2 years. Average hourly earnings increased by 4.1% yoy in May, accelerating compared to April. Data flow, which presented a mixed outlook on the labor market, supported the expectations that the Fed would not rush to cut interest rates.

In the US, ISM manufacturing index for May came in at 48.7 and remained below expectations and the threshold value. ISM services index, which signaled a contraction in April, rose to 53.8 in May and was realized above the forecasts.

In China, PMI data presented a positive outlook in May.

Data releases in China this week supported the views that the recovery in the country's economy continues. Accordingly, Caixin manufacturing PMI, which focuses on the activities of small and medium-sized firms, was realized as 51.7 and beat the market expectations in May. Services PMI, which rose by 1.5 pts on a monthly basis and reached 54.0 in May. Thus, the index, which climbed to its



Source: ECB, Datastream

highest level since July 2023, continued its expansion trend for the seventeenth consecutive month. According to foreign trade figures for May, exports expanded above the expectations with 7.6% yoy, while imports recorded a more moderate increase of 1.8% in the same period.

Annual CPI inflation in Türkiye was realized as 75.45% in May.

CPI inflation, which slightly exceeded market expectations with 3.37% mom in May, reached 75.45% on annual basis, the highest level since November 2022. In this period, prices rose in all 12 expenditure groups, while clothing and footwear group posted the highest monthly price increase with 9.60%. In May, D-PPI increased by 1.96% mom and 57.68% yoy ([Our Inflation report](#)).

ICI Türkiye Manufacturing PMI declined to 48.4 in May.

Istanbul Chamber of Industry (ICI) Türkiye Manufacturing PMI decreased by 0.9 pts mom to 48.4 in May, signaling a contraction as it had in April. In parallel to the fastest decline in new orders since the beginning of the year, production activities also declined significantly. Input costs inflation, on the other hand, fell to the lowest level of the last five months in May and signaled easing in inflationary pressures. On sectoral basis, PMI index remained below the threshold level in 6 out of 10 sectors in May, while basic metals was the sub-sector with the weakest operating conditions.

Foreign trade deficit continued to narrow in May.

According to preliminary figures released by the Ministry of Trade, export volume expanded by 11.4% yoy to 24.1 billion USD in May, while import volume contracted by 10.3% yoy to 30.6 billion USD. Thus, foreign trade deficit contracted by 47.8% yoy to 6.5 billion USD. In May, import coverage ratio of exports increased by 15.3 pts yoy to 78.7%.

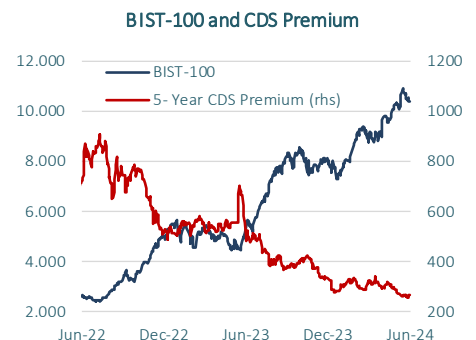
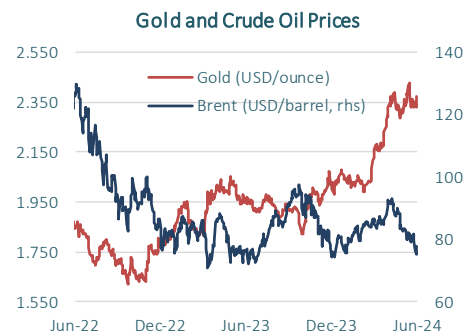
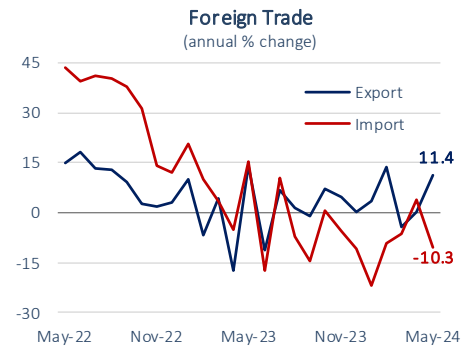
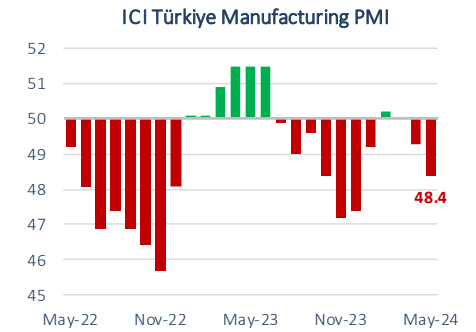
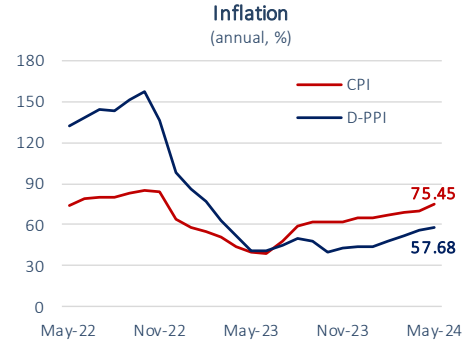
Financial markets...

Global risk appetite, which was supported by data releases throughout the week, came under pressure after the announcement of US non-farm payrolls data. The upward trend in gold prices ended with sharp sales on Friday. Brent crude oil prices continued to fall for the third week in a row despite OPEC+ countries' decision to extend the current daily production cuts.

BIST-100 index continued its fluctuating course and is about to end the week with a decline. During the week, news on a proposal of taxation on earnings in stock markets put pressure on the index, while Minister of Treasury and Finance Mehmet Şimşek announced that a limited transaction tax was on the agenda. Türkiye's 5-year CDS premium rose slightly this week, while the 2-year benchmark bond yield was 41.85%. Turkish lira remained flat against the US dollar and the euro. Due to the relatively stable outlook in TRY, CPI-based real effective exchange rate continued to rise in May. Accordingly, the index, that increased by 1.65 pts on a monthly basis to 61.46 in May, reached its highest value since September 2021.

Next week's agenda...

Next week, the Fed meeting and inflation figures to be released in the US stand out on the global agenda. In Türkiye, where a busy data agenda will be followed before the Eid holiday, balance of payments, industrial production, trade sales volume index and labor force data for April and the results of CBRT's Survey of Market Participants for June will be announced.



Source: CBRT, TURKSTAT, MoTF, ICI, Datastream

Data Releases

		Period	Consensus	Prior
10 June	TR Current Account Balance	April	-6.1 billion USD	-4.5 billion USD
	TR Unemployment Rate	April	-	8.6%
	TR Industrial Production, yoy	April	-	4.3%
	Euro Area Sentix Index	June	-	-3.6
11 June	TR Trade Sales Volume Index, yoy	April	-	10.5%
12 June	Fed Meeting	June	5.25-5.50%	5.25-5.50%
	USA CPI Inflation, mom	May	0.2%	0.3%
	China CPI Inflation, yoy	May	0.3%	0.3%
	China PPI Inflation, yoy	May	-1.8%	-2.5%
13 June	TR House Sales, yoy	May	-	-11.8%
	USA PPI Inflation, mom	May	0.2%	0.5%
	Euro Area Industrial Production, yoy	April	-	-1.0%
14 June	CBRT Survey of Market Participants	June	-	43.64%
	USA Michigan Consumer Confidence, prelim	June	-	69.1
	Euro Area Trade Balance	April	-	17.3 billion Euro

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