

	7-Jun	13-Jun	Change		7-Jun	13-Jun	Change
BIST-100 Index	10,139	10,392	2.5 % ▲	EUR/USD	1.0800	1.0735	-0.6 % ▼
TRY 2 Year Benchmark Rate	42.16 %	43.16 %	100 bp ▲	USD/TRY	32.2430	32.2788	0.1 % ▲
Turkey 5-Year CDS Premium	260	266	6 bp ▲	EUR/TRY	34.8270	34.6931	-0.4 % ▼
MSCI EM Equity Index	1,073	1,076	0.2 % ▲	Gold (USD/ounce)	2,293	2,303	0.5 % ▲
US 10-Year Bond Rate	4.43 %	4.24 %	-19 bp ▼	Brent Oil (USD/barrel)	79.6	82.8	3.9 % ▲

bp: basis point

In Türkiye, current account deficit was realized below expectations and industrial production performed weakly in April. According to CBRT's Survey of Market Participants, year-end inflation and exchange rate expectations declined. Fed kept its policy rate unchanged, while the Fed members' interest rate cut expectations for 2024 decreased to 1. Data releases for May, on the other hand, showed that inflationary pressures eased in the US. Industrial production in the Euro Area fell more than expected in April. Next week, domestic markets will be closed until Thursday due to the Eid holiday. After the holiday, budget for May and consumer confidence index for June will be released. Flash PMI figures for the US and Euro Area stand out in the global agenda.

The market's year-end exchange rate expectations continued to improve.

According to the CBRT's survey of Market Participants, inflation and exchange rate expectations decreased in June. According to the survey, the year-end CPI expectation of the market decreased slightly by 0.12 pts compared to the previous month and came in at 43.52%. It was noteworthy that the year-end USD/TRY expectation, which was 38.77 in the previous survey period, decreased to 37.75 in June, while participants' growth forecasts for 2024 and 2025 remained unchanged at 3.3% and 3.7%, respectively.

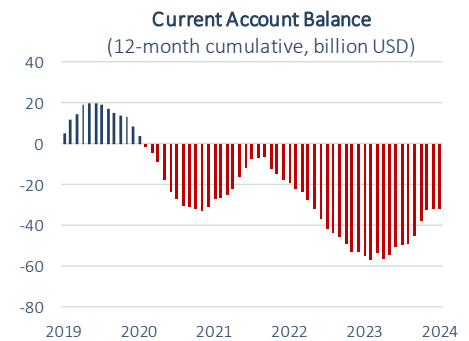
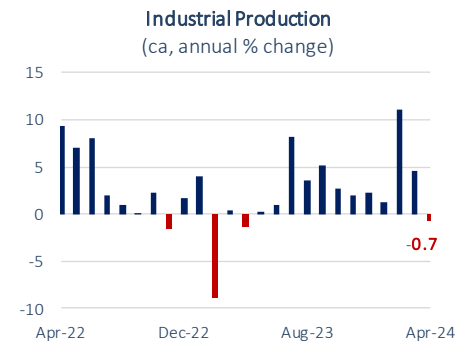
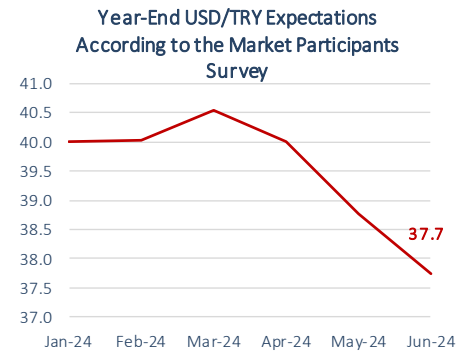
Industrial production declined in April.

According to data released by Turkstat, calendar adjusted industrial production contracted by 0.7% yoy in April, the first decline in nearly a year. In April, seasonally and calendar adjusted industrial production also recorded the sharpest monthly decline since February 2023 by contracting by 4.9% mom. The annual loss in industrial production was mainly driven by the declines in manufacturing industry, capital goods, and non-durable consumption goods production, while production decreased in all main production groups on a monthly basis. In April, unemployment rate decreased by 0.1 point mom to 8.5%. In this period, labor force participation rate remained unchanged on a monthly basis and became 54.2%.

Trade sales volume index also contracted by 4.6% mom in April. In this month, wholesale sales volume, motor vehicle sales volume, and retail sales volume decreased by 5.7%, 4.7%, and 1.8% mom, respectively. In this month, retail sales, which is an indicator for the course of domestic demand, deteriorated in all sectors except food, beverages, and tobacco, where sales increased slightly by 0.7% mom. Due to the loss in sales volumes, turnover index also recorded the lowest monthly increase of the last 15 months, at 0.3% in April.

Current account deficit was below expectations in April.

In April, current account posted a deficit of 5.3 billion USD, below market expectations. In this month, BOP defined foreign trade deficit realized as 7.6 billion USD, the highest level since July 2023, which led the monthly current account deficit to hit the highest level of the same period. On the other hand, it was noteworthy that current account, excluding gold and energy, posted a deficit of 497 million USD for the first time since May 2023. In April, 12-month cumulative current account deficit increased slightly for the first time in eight months and became 31.5 billion USD. [\(Our Balance of Payments Report.\)](#)



Source: CBRT, TURKSTAT, Datastream

House sales declined in May.

In May, domestic house sales contracted by 2.4% yoy, indicating that downward trend in demand continued. In this month, mortgaged sales, which were under pressure due to high interest rates, decreased by 63.9% yoy, while other sales increased by 17.3% yoy. Thus, house sales decreased by 3.4% yoy to 465,761 units in the first five months of the year.

Fed members expect one policy rate cut for this year.

At its meeting ending on June 13, the Fed kept the policy rate unchanged in line with expectations. In the released economic projections of Federal Open Market Committee, the 3 rate cuts projected in March for the whole of 2024 were revised to single rate cut. Members' projections for core personal consumption expenditures (PCE) inflation for 2024 were also revised up by 0.2 pts to 2.8% compared to March. In his statement after the meeting, Fed Chair Powell pointed to the uncertainty presented by the inflation outlook and the tight monetary policy stance would be maintained.

Inflation data in the US came in below expectations.

In the US, thanks to decline in energy prices, consumer prices remained unchanged in May despite the expectations for an increase. The monthly increase in core CPI, excluding food and energy prices, was realized as 0.2%, below market expectations. Annual inflation for CPI and core CPI in the country realized as 3.3% and 3.4%, respectively, and remained slightly below market expectations. Producer prices also declined by 0.2% mom in May against the expectations of a 0.1% rise. Core PPI, which excludes energy and food prices, also remained unchanged on a monthly basis against expectations of a 0.3% rise.

Although Fed's new projections pointed to a single rate cut, the favorable outlook on the inflation side increased the markets' expectations for a rate cut. Accordingly, the market's expectation of a 50 bps rate cut for 2024 is above 70%.

Industrial production in the Euro Area declined in April.

In April, industrial production in the Euro Area contracted annually by 3.0%. On a monthly basis, industrial production decreased by 0.1% against 0.2% increase expectations, while a generalized weakening was observed in the sub-items of the index. Sentix investor confidence, on the other hand, index came in above market expectations with 0.3 in June, indicating that the recovery in investor confidence in the Region continued for the eighth consecutive month.

CPI in China declined in May.

In China, consumer prices decreased by 0.1% mom against the expectations of a flat course in May. Annual CPI also remained flat with 0.3%. Producer prices, on the other hand, fell slightly below expectations by 1.4% yoy in this period.

Financial markets.

This week, FOMC meeting and US inflation figures were closely monitored in global markets. Despite the hawkish expectations of FOMC members, inflation data came in below expectations, which led to a positive sentiment in US stock markets. US 10-year Treasury bond yield fell to 4.24%. In line with the favorable course in global markets, risk appetite in Türkiye followed a positive course. BIST-100 index ended the week with an increase.

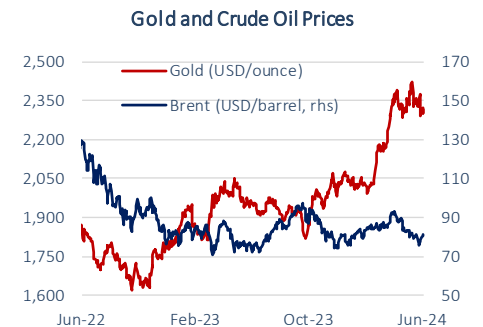
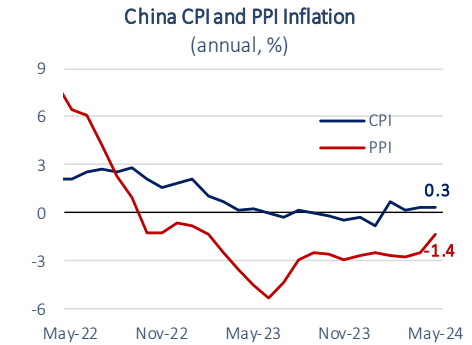
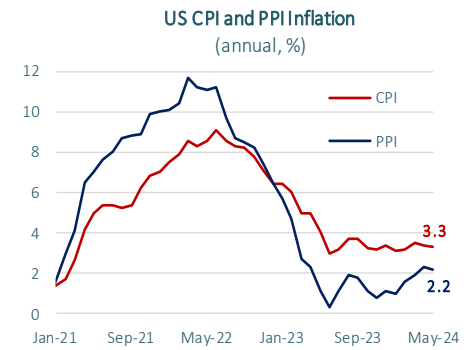
Next week's agenda...

Next week, central government budget data for May and consumer confidence index for June will be released in Türkiye. Flash PMI figures to be released in the US and Euro Area stand out on the global agenda.

Fed Projections

	June Projections (%)		Change* (% point)	
	2024	2025	2024	2025
GDP Growth	2.1	2.1	0.0	0.0
PCE Inflation	2.6	2.3	0.2	0.1
Core PCE	2.8	2.3	0.2	0.1
Federal Funds Rate	5.1	4.1	0.5	0.2
Unemployment Rate	4.0	4.2	0.0	0.1

(*) Difference from March projections



Source: Fed, PBoC, BIST, Datastream

Data Releases

		Period	Consensus	Prior	
17 June	USA NY Fed Manufacturing Index	June	-	-15.6	
	TR Trade Sales Volume Index, yoy	May	3.0%	2.3%	
	China Industrial Production, yoy	May	6.0%	6.7%	
18 June	USA Retail Sales, mom	May	0.3%	0.0%	
	USA Industrial Production, mom	May	0.2%	0.0%	
	USA Capacity Utilization Rate	May	78.6%	78.4%	
	Euro Area CPI Inflation, final, mom	May	-	0.6%	
19 June	UK CPI Inflation, mom	May	-	0.3%	
20 June	TR Consumer Confidence Index	June	-	80.5	
	TR Budget Balance	May	-	-177.8 billion TRY	
	TR ICI Türkiye Manufacturing PMI	May	-	-7.5 trillion TRY	
	USA Housing Starts, units	May	1.38 million	1.36 million	
	USA Philadelphia Fed Business Index	June	4.5	4.5	
	Euro Area Consumer Confidence, flash	June	-13.5	-14.3	
	China Central Bank Meeting	June	-	3.45%	
	21 June	USA Manufacturing PMI, flash	June	-	51.3
		USA Services PMI, flash	June	-	54.8
		USA Existing Home Sales, units	May	4.10 million	4.14 million
Euro Area Manufacturing PMI, flash		June	48.0	47.3	
Euro Area HICP Inflation, flash, yoy		June	53.6	53.2	

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