

	28.Jun	4.Jul	Change		28.Jun	4.Jul	Change
BIST-100 Index	10,648	10,873	2.1 % ▲	EUR/USD	1.0713	1.0810	0.9 % ▲
TRY 2 Year Benchmark Rate	41.59 %	39.20 %	-239 bp ▼	USD/TRY	32.6485	32.5130	-0.4 % ▼
Türkiye 5-Year CDS Premium	276	262	-14 bp ▼	EUR/TRY	35.0451	35.2180	0.5 % ▲
MSCI EM Equity Index	1,086	1,104	1.7 % ▲	Gold (USD/ounce)	2,326	2,356	1.3 % ▲
US 10-Year Bond Rate	4.34 %	4.35 %	0 bp ●	Brent Oil (USD/barrel)	86.4	87.4	1.2 % ▲

bp: basis point

Global markets closely monitored Fed Chair Powell's statements and the minutes of the Fed's June meeting this week. This week, US data indicated a slight decline in economic activity and the labor market. In the Euro Area, inflation figures for June supported optimistic expectations. In Türkiye, inflation remained well below expectations in June and gave a positive signal, while CBRT Governor Karahan stated that tight monetary policy would be maintained until a sustained fall in the underlying trend of monthly inflation is achieved. On the other hand, data releases regarding economic activity in Türkiye indicated that the effects of the tight monetary policy became more evident in June. Next week, May figures for balance of payments, industrial production, and labor market will be high on the domestic agenda. In global markets, the June CPI data to be announced in the US will be closely monitored.

Fed minutes in the US presented a cautious outlook.

In his remarks this week, Fed Chair Powell stated that inflation is on a downward trend but the labor market remains strong, while Fed officials still need further data and confidence for a rate cut. Similarly, Fed minutes showed that the officials agreed with the slowdown in economic activity and the decline in price pressures, whereas maintaining tight monetary policy would be more convenient.

During the week, data releases signaled a cooling in economic activity. Despite expectations for an increase, factory orders contracted by 0.5% in May. In June, ISM manufacturing PMI signaled contraction for the third consecutive month with 48.5, while ISM services PMI came in well below expectations with 48.2. During the same time period, ADP private sector employment data indicated a loss of momentum in the labor market. This month, non-farm payrolls increased by 206K, slightly above expectations, but the downward revision of the previous month's increase and climb of the unemployment rate to 4.1% in this period confirmed the cooling in the labor market.

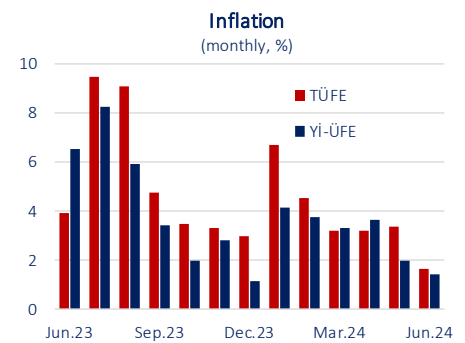
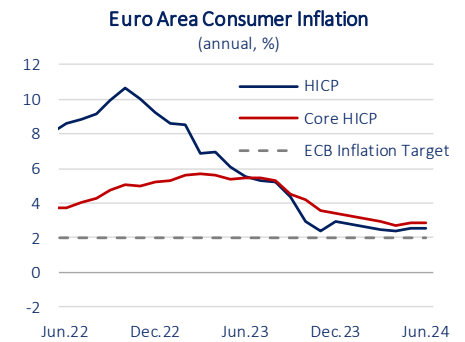
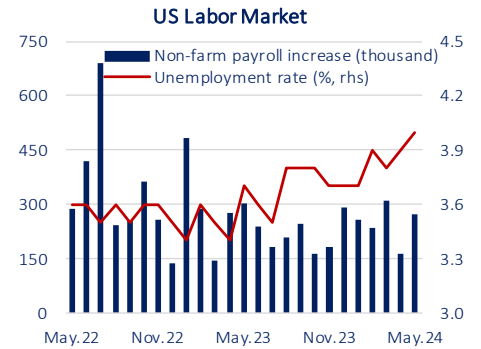
In the Euro Area, annual inflation continued to decline.

In the Euro Area, annual HICP inflation fell to 2.5%, while annual core inflation was realized slightly above expectations at 2.9%. Producer prices, on the other hand, fell by 0.2% mom and 4.2% yoy in May, confirming a positive course for inflation. ECB President Lagarde stated that the Euro Area is very advanced on a disinflation path and that the slow recovery that came about in the first quarter hoped to persevere.

According to the data released in the region this week, the unemployment rate, which remained flat in May, was realized as 6.4%, while final PMI figures were revised upwards by 0.2 pts each to 45.8 and 52.8 for the manufacturing and services sectors, respectively. Thus, PMI data pointed out that the divergence between sectors continued. Following Lagarde's speech and the data releases, the market's expectations that the ECB may realize two more interest rate cuts within the year gained weight.

Monthly inflation in Türkiye remained below expectations in June.

In Türkiye, monthly CPI inflation came in at 1.64% in June, well below market expectations and the lowest level since May 2023. Annual CPI inflation also declined to 71.60% in June from its peak of 75.45% in May. In June, the monthly increase in D-PPI also lost momentum and was realized as 1.38%, while the annual increase



Source: Fed, Datastream, TurkStat

was realized as 50.09% ([Our Inflation Report](#)). In his statement on inflation, CBRT Governor Fatih Karahan stated that it would not be right to draw a conclusion based only on June data and emphasized that tight monetary policy will continue until a sustained fall in the underlying trend of monthly inflation is seen.

The CPI-based real effective exchange rate, published by CBRT, rose by 0.6% mom to 61.90 in June. Thus, the real effective exchange rate, which rose by 19.9% yoy, reached its highest value since September 2021.

ICI Manufacturing PMI continued to decline.

Manufacturing PMI data released by the Istanbul Chamber of Industry decreased to 47.9 in June, indicating that business conditions in the sector continued to weaken. In this period, new orders recorded the sharpest slowdown of the year due to the deterioration in demand conditions, and the employment sub-index fell to its lowest level since October 2022. On the other hand, the slowdown in input costs and the subdued demand led to the lowest price increase of final products in the last 4.5 years. In the ICI report, it was also noted that the problems in sea transportation, in parallel with the disruption in the Red Sea, led to an extension of delivery times for suppliers. According to sectoral PMI figures, activity increased only in food products and machinery and metal products, while the fastest contraction was posted in the textile sector.

In the first half of the year, foreign trade deficit narrowed by 29.5%.

According to preliminary data released by the Ministry of Trade, exports decreased by 10.6% yoy to 18.6 billion USD in June, while imports contracted by 4.1% yoy to 25 billion USD in the same month. Thus, foreign trade deficit widened by 21.4% yoy to 6.4 billion USD. In the first half of the year, imports decreased by 8.5% yoy against the 2% increase in exports, resulting in a 29.5% contraction in foreign trade deficit.

Automobile sales declined in June.

According to ODMD figures, automobile and light commercial vehicle market contracted by 5.3% yoy in June. Thus, despite expanding by 3.7% yoy in January-June period, the market contracted for the third consecutive month on annual basis. The data indicated that the slowdown in the automotive market continued due to the lagged effects of monetary tightening.

Financial markets...

US stock markets followed a volatile outlook in general this week amid a busy agenda. Oil prices followed an upward trend this week due to uncertainties in the Middle East and hurricane concerns in North America. The ounce gold price is set to close the week with an upward trend due to Powell's speech, Fed minutes, and data releases.

Domestic markets followed a generally positive outlook this week. The BIST-100 index rose to 10,873 as of Thursday's closing, whereas it followed a relatively flat course on the last trading day of the week. In the first week of July, Türkiye's 5-year CDS premium declined and the interest rate on the 2-year benchmark bond decreased. The Turkish lira appreciated slightly against the US dollar but depreciated against the euro.

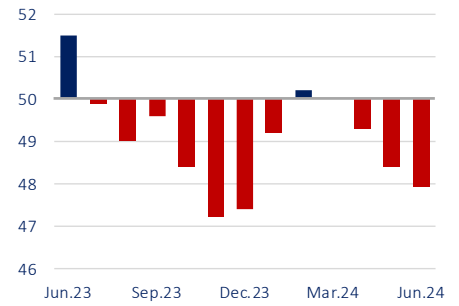
Next week's agenda...

Next week, US CPI data for June will be closely monitored. In Türkiye, the balance of payments, industrial production, and labor market figures for May will be announced.

CPI Based Real Effective Exchange Rate
(2003=100)

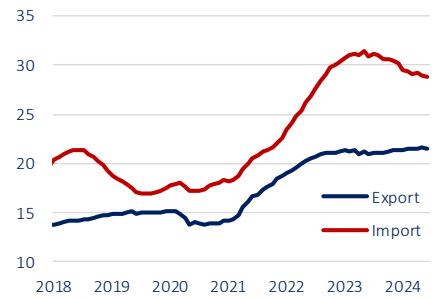


ICI Türkiye Manufacturing PMI

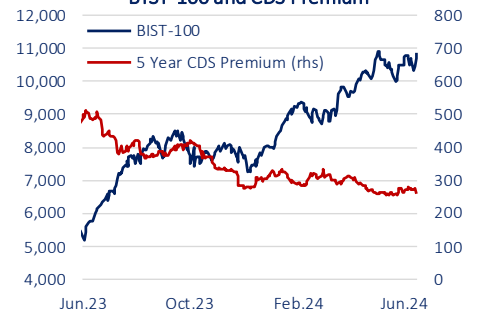


Foreign Trade

(12 months cumulative , billion USD)



BIST-100 and CDS Premium



Source: TurkStat, ICI, ODMD Datastream

Data Releases

		Period	Consensus	Prior
8 July	Euro Area Sentix Index	July	0.0	0.3
10 July	TR Industrial Production, yoy	May	-	-0.7%
	TR Unemployment Rate	May	-	8.5%
	China CPI Inflation, yoy	June	0.4%	0.3%
11 July	TR Trade Sales Volume, yoy	May	-	2.5%
	US CPI Inflation, mom	June	0.1%	0.0%
	US Core CPI Inflation, mom	June	0.2%	0.2%
12 July	TR Current Account Balance	May	-	-5.3 billion USD
	US PPI Inflation, mom	June	0.1%	-0.2%
	US Michigan Consumer Confidence, prelim	July	68.5	68.2

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