

	5-Jul	11-Jul	Change		5-Jul	11-Jul	Change
BIST-100 Index	10,852	11,024	1.6 % ▲	EUR/USD	1.0836	1.0865	0.3 % ▲
TRY 2 Year Benchmark Rate	39.76 %	40.55 %	79 bp ▲	USD/TRY	32.6350	32.8013	0.5 % ▲
Turkey 5-Year CDS Premium	262	256	-6 bp ▼	EUR/TRY	35.4409	35.6886	0.7 % ▲
MSCI EM Equity Index	1,105	1,125	1.8 % ▲	Gold (USD/ounce)	2,391	2,415	1.0 % ▲
US 10-Year Bond Rate	4.27 %	4.19 %	-8 bp ▼	Brent Oil (USD/barrel)	86.5	85.4	-1.3 % ▼

bp: basis point

This week, in addition to the US June inflation data, the testimony of Fed Chairman Powell was closely followed in global markets. The annual CPI inflation in the US signaled a slowdown in inflationary pressures, which supported interest rate-cut expectations. In Türkiye, the current account deficit was realized at 1.2 billion USD in May. In the same period, industrial production decreased by 0.1% yoy, while the unemployment rate decreased to 8.4%. The loss of momentum in trade and retail sales volume indices continued in May. Next week, data on budget balance and the housing sector will come to the fore in Türkiye. The focus of global markets will be on the ECB meeting.

Fed Chairman Powell gave cautious messages.

In his testimony on the semiannual Monetary Policy Report to Congress this week, Fed Chairman Jerome Powell noted that inflation has eased moderately and emphasized the importance of future data for the Fed to have more confidence in the course of inflation. However, Powell noted that inflation is not the key indicator for monetary policy, and that the Fed also takes into account the two-way risks, adding that the real sector and the labor market may be at risk if interest rate cuts start late.

Annual CPI inflation in the US was below expectations in June.

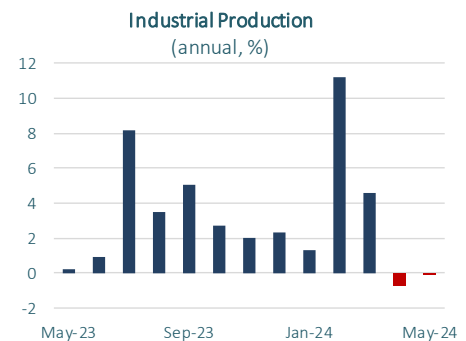
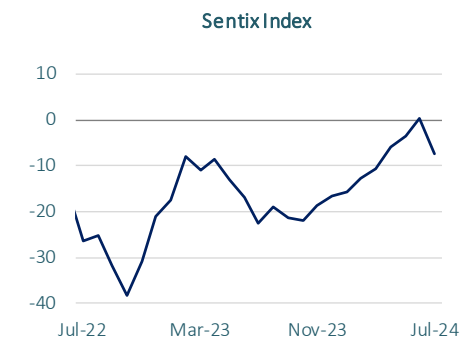
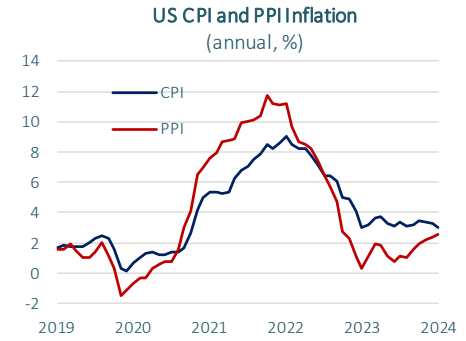
In the US, in June, CPI decreased by 0.1% mom, despite the expectation of a 0.1% increase. The annual increase in the index was 3.0%, 0.1 pts below market expectations. The increase in core CPI, calculated by excluding energy and food prices, was 0.1 pts below expectations on both a monthly and annual basis and came in at 0.1% and 3.3%, respectively. Despite a positive outlook for CPI, the monthly increase in PPI in June exceeded expectations by 0.2%. Thus, annual inflation in the PPI increased to 2.6%. Additionally, annual PPI inflation for May was revised from 2.2% to 2.4%.

Investor confidence in the Euro Area declined rapidly in July.

In the Euro Area, the Sentix index, measuring investors' confidence pointed a breakdown in confidence by realizing as -7.3 in July. Thus, the index, which rose continuously for eight months and exceeded the threshold last month, returned to the negative zone again. It was observed that the loss of confidence observed in July was influenced by the uncertainties regarding the French elections, as well as concerns that global economic activity would lose momentum.

Industrial production in Türkiye fell by 0.1% yoy in May.

According to data released by TURKSTAT, industrial production increased by 1.7% mom in May. The rise in monthly figures was mainly driven by the base effect stemming from "Bridge Days" for feast in April. On an annual basis, the index edged down by 0.1% in May. In the same period, production in the



Source: Datastream

manufacturing industry decreased by 0.4% yoy, mainly due to the 3.3% and 0.4% declines in capital goods and non-durable consumption goods production, respectively.

Unemployment rate fell to 8.4% in May.

According to seasonally adjusted figures, the unemployment rate decreased to 8.4% in May, the lowest level since November 2012. In this period, the labor force participation rate increased on a monthly basis by 0.3 pts to 54.5%, while the employment rate rose by 0.4 pts to 50.0%. Labor underutilization rate, which is considered as the broad unemployment rate, decreased by 2.0 pts mom to 25.2%. According to paid employee statistics, employment increased in all sectors except water supply sector in May, while the employment increase in services and construction sectors stood out. Recent figures show that the labor market's strong trend has continued.

Current account posted a deficit of 1.2 billion USD in May.

In May, current account posted a deficit of 1.2 billion USD, slightly below the market expectations. In this period, net gold imports were realized as 1 billion USD, while the current account surplus excluding gold and energy became 3.3 billion USD. 12-month cumulative current account deficit also narrowed to 25.2 billion USD in May, the lowest level since June 2022 ([Our Balance of Payments report](#)).

Demand indicators signaled a slowdown in May.

Trade sales volume index decreased by 3.8% on an annual basis in May, while the retail sales volume index lost momentum despite increasing by 5.8%. In this period, the sharp decline of 18.0% in wholesale and retail trade and repair of motor vehicles and motorcycles stood out. On a monthly basis, the trade and retail sales volume indices decreased by 3.4% and 0.2%, respectively. The monthly decline in indices supported the view that domestic demand was losing momentum.

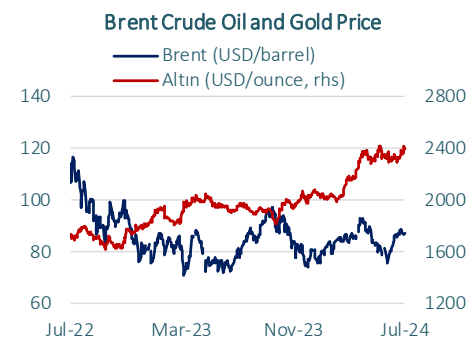
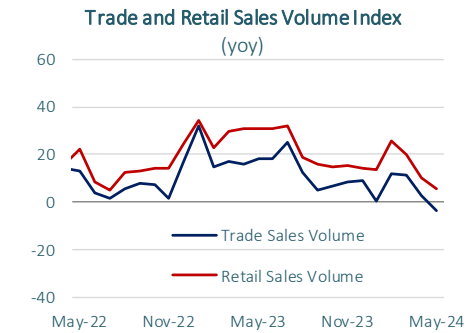
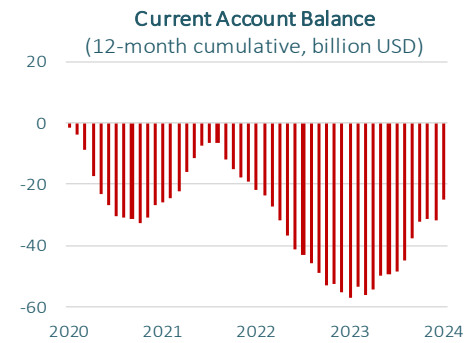
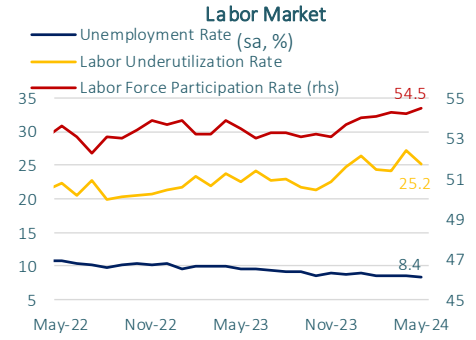
Financial markets...

This week, US CPI figures signaled an easing in inflationary pressures, bolstering expectations for interest rate cuts. The S&P 500 index, on the other hand, showed a weak course due to profit-taking in technology stocks, which had performed strongly in the recent period. The 10-year Treasury bond yield fell by 8 bps to 4.19% on a weekly basis, while the price of gold rose by 1.0% to 2,415 USD per ounce in this period. On the other hand, Brent crude oil prices ended the week down by 1.3% to 85.4 USD per barrel.

In Türkiye, the BIST-100 index is poised to close the week with a rise thanks to widespread buying. Türkiye's 5-year CDS risk premium continued to decline, while the 2-year benchmark bond yield rose on a weekly basis. The Turkish lira ended the week with a limited depreciation against the US dollar and euro.

Next week's agenda...

The ECB's monetary policy meeting will be closely monitored next week. In the domestic market, data on budget balance and the housing sector will be released. Moody's assessment on Türkiye, which will be announced on July 19, will also be the focus of the markets.



Source: TURKSTAT, Datastream

Data Releases

		Period	Consensus	Prior
15 July	USA NY Fed Manufacturing Index	July	-6.0	-6.0
	Euro Area Industrial Production, mom	May	-1.0%	-0.1%
	China GDP Growth, yoy	2024 Q2	5.1%	5.3%
	China Retail Sales, yoy	June	3.3%	3.7%
	China Industrial Production, yoy	June	5.0%	5.6%
16 July	TR Budget Balance	June	-	219.4 billion TRY
	TR Services Production Index, yoy	May	-	2.3%
17 July	USA Retail Sales, mom	June	0.0%	0.1%
	TR House Sales, yoy	June	-	-2.4%
	TR Housing Price Index	May	-	-13.3%
	USA Housing Starts, units	June	1.305 million	1.277 million
	USA Industrial Production, mom	June	0.3%	0.7%
	USA Capacity Utilization Rate	June	78.6%	78.2%
	Euro Area CPI Inflation, mom	June	-	0.2%
18 July	US Philadelphia Fed Business Index	July	2.9	1.3
	ECB Meeting	July	4.25%	4.25%
19 July	Germany PPI Inflation, mom	June	0.1%	0.0%
	UK Retail Sales, mom	June	-0.4%	2.9%

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