

	19.Jul	25.Jul	Change		19.Jul	25.Jul	Change
BIST-100 Index	11.156	10.871	-2,6 % ▼	EUR/USD	1,0877	1,0844	-0,3 % ▼
TRY 2 Year Benchmark Rate	42,03 %	42,28 %	25 bp ▲	USD/TRY	32,7981	32,9480	0,5 % ▲
Türkiye 5-Year CDS Premium	264	262	-2 bp ▼	EUR/TRY	35,9493	35,7344	-0,6 % ▼
MSCI EM Equity Index	1.090	1.074	-1,4 % ▼	Gold (USD/ounce)	2.401	2.364	-1,5 % ▼
US 10-Year Bond Rate	4,24 %	4,26 %	2 bp ▲	Brent Oil (USD/barrel)	82,6	82,4	-0,3 % ▼

bp: basis point

Last week, Moody's upgraded Türkiye's credit rating by two notches, while this week's CBRT meeting stood out on the agenda. CBRT kept the policy rate unchanged and stated that monthly inflation in July may temporarily be high due to tax adjustments, too. According to the sectoral inflation expectations published by the CBRT, households' inflation expectations for the next 12 months increased, and the real sector's expectation for the same period declined. US economy grew above expectations in the second quarter of the year, and the flash PMI data for July showed that the divergence between the manufacturing and services sectors deepened further. People's Bank of China cut interest rates because of weak domestic demand. Next week, markets will focus on Fed and BoJ interest rate decisions as well as non-farm payrolls data to be released in the US. Furthermore, inflation and GDP growth data will be monitored in the Euro Area. ICI Manufacturing PMI, tourism statistics, number of foreign visitors and economic confidence index data will be monitored in Türkiye.

Moody's raised Türkiye's credit rating by two notches to B1.

International credit rating agency Moody's upgraded Türkiye's credit rating by two notches to B1, and maintained its outlook as "positive". Pointing to the normalization in economic policies as the reason for the rating upgrade, the Agency pointed out that the credit rating could be upgraded further if inflation declines sustainably and the current account balance outlook improves.

CBRT kept policy rate unchanged.

CBRT kept the policy rate at 50% at its meeting on July 23. In the statement published after the meeting, it was stated that the underlying trend of monthly inflation weakened significantly in June, and that recent indicators confirm that domestic demand, albeit still at inflationary levels, continues to slow down. In the text, it was also stated that monthly inflation would increase temporarily in July due to adjustments of administered prices and taxes and supply-side developments affecting unprocessed food prices, which are outside the scope of monetary policy. The statement declared that tight monetary policy will be maintained until the underlying trend of monthly inflation declines significantly and permanently.

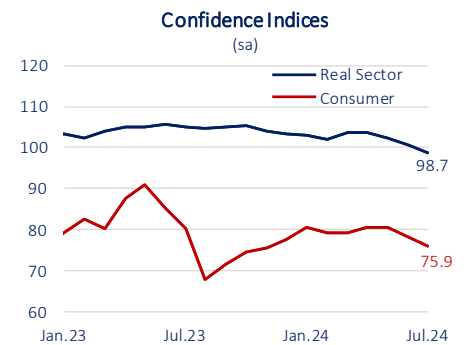
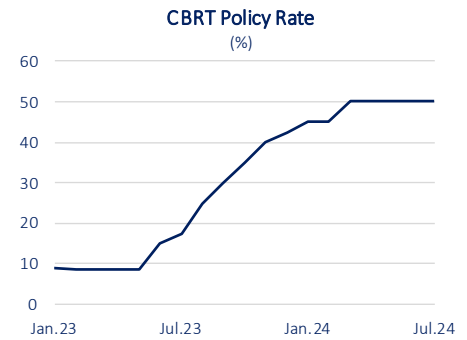
Households' inflation expectations remain high.

According to the sectoral inflation expectations released by CBRT, real sector's 12-month-ahead inflation expectation decreased on a monthly basis by 1.2 points to 55.0% in July, while households' inflation expectation increased by 0.5 points to 72.0% in the same period.

According to July update of CBRT Survey of Market Participants, annual CPI inflation expectation for the year-end decreased from 43.52% to 42.95%. In the survey, the 12-month-ahead inflation expectation was realized as 30.02%. Participants' monthly inflation expectation for July was realized as 2.77%. Also, participants' year-end USD/TRY expectation decreased from 37.75 TRY to 37.37 TRY. In the survey, economic growth expectation for 2024 increased by 0.1 point to 3.4%, while it decreased by 0.1 point to 3.6% for 2025.

Confidence indices painted a negative picture.

According to seasonally adjusted data, consumer confidence index decreased by



Source: CBRT, TurkStat, Datastream

3.1% in July to 75.9, to the lowest level since November 2023. Also, seasonally adjusted real sector confidence index came in at 98.7 in July, to the lowest level since June 2020, when the widespread effects of the pandemic continued.

The US economy grew above expectations in the second quarter of the year.

According to flash figures, in the second quarter of 2024, US economy posted a 2.8% annualized growth compared to the first quarter. Increases in consumption expenditures, inventory investments of private companies and non-residential fixed investments played a role in the growth. Quarterly core personal consumption expenditures (PCE) inflation came in at 2.9% in the second quarter, confirming the decline in inflation. On the other hand, June core PCE inflation was realized as 0.2% mom and 2.6% yoy, both 0.1 point above the forecasts.

In July, manufacturing flash PMI decreased by 2.1 points mom to 49.5, below the threshold and market expectations. Thus, the index signaled that overall activity in the sector deteriorated for the first time this year. On the other hand, services flash PMI increased by 0.7 points mom to 56.0, indicating that the strong outlook in the sector was maintained and the divergence between sectors continued.

Despite the higher-than-expected GDP growth, markets expect the Fed to cut interest rates starting from the September meeting in line with the downward trend in annual inflation and expectations that economic activity will lose momentum in the third quarter.

People's Bank of China cut interest rates.

In China, where domestic demand remains weak and deflationary risks are still alive, the People's Bank of China (PBoC) surprisingly cut its benchmark 1-year and 5-year interest rates by each 10 basis points to 3.35% and 3.85%, respectively. The PBoC also cut the medium-term lending facility (MLF) interest rate with another decision during the week.

Financial markets...

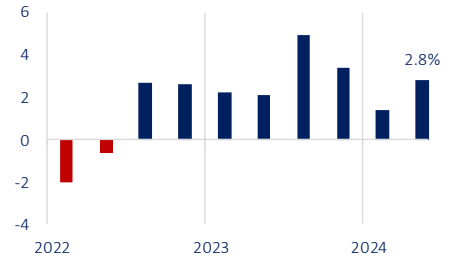
Political uncertainties in abroad remained high on the agenda during the week, while selling pressure was observed in the US stock markets, especially in technology companies. Oil prices, which fell sharply at the end of last week, maintained its weak course, whereas ounce gold prices also declined.

The BIST-100 index fell to 10,871 as of Thursday's close. This week Türkiye's 5-year CDS premium posted a limited decline and the Turkish lira depreciated slightly against the US dollar.

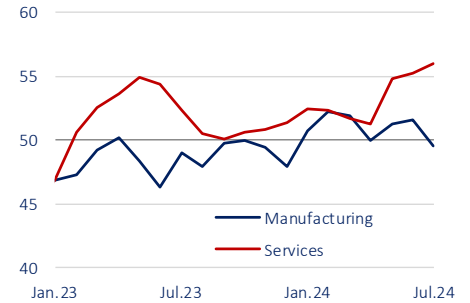
Next week's agenda...

Next week, markets will focus on the policy rate decisions to be announced by the Fed and BoJ, as well as the non-farm payrolls data to be released in the US. In the Euro Area, HICP and GDP growth data will be monitored. In Türkiye, ICI manufacturing industry PMI, tourism statistics, number of foreign visitors and economic confidence index data will be tracked.

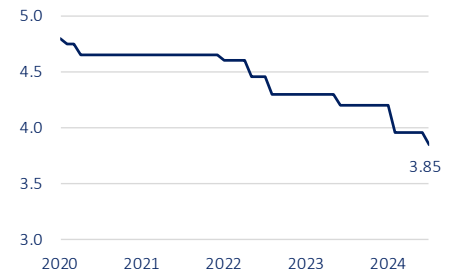
US GDP
(annualized % change)



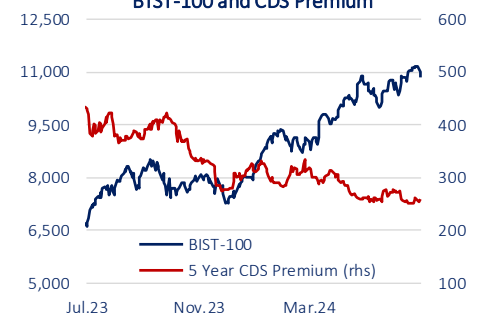
US PMI Indices



China 5-Y Loan Prime Rate
(%)



BIST-100 and CDS Premium



Source: Datastream

Data Releases

		Period	Consensus	Prior
29 July	US Dallas Fed Manufacturing Index	July	-	-15.1
30 July	TR Economic Confidence	July	-	95.8
	US Consumer Confidence	July	99.9	100.4
	Euro Area GDP Growth, flash, yoy	2024 Q2	0.6%	0.4%
	Euro Area Consumer Confidence, final	July	-	-13.0
	Germany CPI Inflation, flash, yoy	July	2.2%	2.2%
31 July	TR Trade Balance	June	-	-6.5 billion USD
	TR Tourism Revenues	2024 Q2	-	8.8 billion USD
	Fed Meeting	July	5.25% - 5.5%	5.25% - 5.5%
	Euro Area CPI Inflation, flash, yoy	July	2.3%	2.5%
	BoJ Meeting	July	0.1%	0% - 0.1%
	China NBS Manufacturing PMI	July	49.3	49.5
1 August	TR Istanbul Chamber of Industry Manufacturing PMI	July	-	47.9
	US ISM Manufacturing PMI	July	48.8	48.5
	Euro Area HCOB Manufacturing PMI, final	July	-	45.6
	Euro Area Unemployment Rate	June	6.4%	6.4%
	China Caixin Manufacturing PMI	July	51.5	51.8
	BoE Meeting	August	-	5.25%
2 August	US Nonfarm Payrolls	July	185 thousand	206 thousand
	US Unemployment Rate	July	4.1%	4.1%
	US Factory Orders, mom	June	-	-0.5%

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