

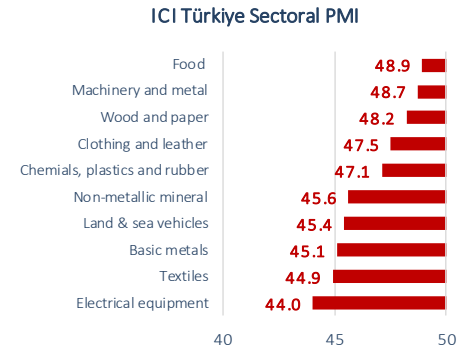
	26-Jul	1-Aug	Change		26-Jul	1-Aug	Change
BIST-100 Index	10,891	10,798	-0.9 % ▼	EUR/USD	1.0857	1.0791	-0.6 % ▼
TRY 2 Year Benchmark Rate	42.11 %	42.10 %	-1 bp ▼	USD/TRY	32.9042	33.0853	0.6 % ▲
Türkiye 5-Year CDS Premium	258	277	19 bp ▲	EUR/TRY	35.7127	35.7207	0.0 % ●
MSCI EM Equity Index	1,072	1,088	1.4 % ▲	Gold (USD/ounce)	2,386	2,445	2.5 % ▲
US 10-Year Bond Rate	4.20 %	3.98 %	-22 bp ▼	Brent Oil (USD/barrel)	81.1	79.5	-2.0 % ▼

bp: basis point

In Türkiye, announced figures showed that the slowdown in economic activity became more evident in July. ICI Türkiye Manufacturing PMI fell to 47.2 in July, remaining below the threshold for the fifth month in a row. In this month, economic confidence index decreased by 1.5% mom to 94.4, the lowest level since August 2023. Preliminary foreign trade data indicated that foreign trade deficit contracted in July, while the automotive market continued to contract in this month. Fed kept its policy rate unchanged at its meeting that ended on July 31st, while Chair Powell's statements indicated that the Fed may cut interest rates in September. In the meetings held this week, BoE cut its policy rate by 25 bps to 5.0% while BoJ raised its short-term benchmark interest rate to 0.25%. Euro Area economy grew above expectations in Q2. Released PMI figures in China pointed out that economic activity in the country remained weak. On next week's domestic agenda, July inflation data and the third Inflation Report of the year come to the fore.

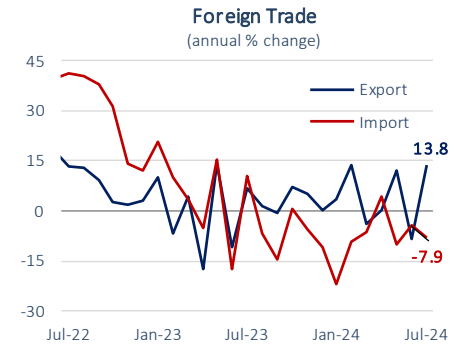
ICI Türkiye Manufacturing PMI declined to 47.2 in July.

Istanbul Chamber of Industry (ICI) Türkiye Manufacturing PMI declined to 47.2 in July, indicating that the weak course in the sector continued for the fifth consecutive month. In this period, new orders continued to decline due to weak domestic and external demand conditions, while production activities recorded the sharpest decline since November 2022. Employment weakened at the highest pace of the last 21 months, in line with deterioration in operating conditions. Furthermore, the rapid rise in input costs in July was noteworthy. According to ICI sectoral PMI data, activity contracted in all 10 sectors in July, with electronic & electrical equipment being the sub-sector with the weakest outlook.



Foreign trade deficit narrowed by 42.3% yoy in July.

According to preliminary data released by the Ministry of Trade, exports increased by 13.8% yoy in July, while imports declined by 7.9% yoy. Thus, foreign trade deficit narrowed by 42.3% yoy to 7.2 billion USD in July. In the first seven months of the year, foreign trade deficit decreased by 32.5% yoy to 49.8 billion USD.



Economic confidence index fell to 94.4 in July.

Economic confidence index decreased by 1.5% mom to 94.4 in July. The index, which has been declining for four months in a row and hovering below the 100-threshold level, was recorded at its lowest level since August 2023. In July, all sub-indices, especially consumer confidence, declined.



The automotive market continued to contract in July.

According to ODMD data, the automotive market consisting of cars and light commercial vehicles contracted by 17.5% yoy to 94,037 units in July. In this month, automobile sales decreased by 16.0% compared to the same month of 2023, while light commercial vehicle sales declined by 22.2%. In January-July period, the total market increased limited with 0.1% yoy to 672,018 units.

In Q2 tourism revenues increased by 11.8% yoy.

In the Q2 of 2024, the number of foreign visitors to Türkiye increased by 15% yoy to 16.1 million, while tourism revenues rose by 11.8% yoy to 14.9 billion USD. Thus, in the first half of the year, the number of foreign visitors rose by 13.2% yoy to 25.1 million, and tourism revenues by 9.3% yoy to 23.7 billion USD.

Markets expect Fed's first rate cut in September.

Fed kept its policy rate between 5.25%-5.50% in line with market expectations at its meeting ending on July 31st. Fed preferred milder expressions regarding inflation in the statement

Source: ICI, Ministry of Trade, TURKSTAT, Datastream

released after the meeting, pointing out that risks to employment are now on par with risks to inflation. After the meeting, Fed Chair Powell in response to the questions, stated that depending on the data to be announced in the coming period they may start interest rate cuts in September. Markets are pricing in three rate cuts this year, with a high expectation for the first one in September.

In July, non-farm payrolls increased by 114K, below the expectations of 175K, confirming the loss of momentum in the labor market. The unemployment rate, which has been rising steadily for the last four months, increased to 4.3% from 4.1% in June, reaching its highest level since October 2021. Average earnings, on the other hand, rose by 3.6% yoy, below the expectations.

Interest rate decisions of major central banks were followed.

In the UK, where inflationary pressures eased, the Bank of England (BoE) cut its policy rate by 25 bps to 5.0%. This was the first rate cut of BoE since the beginning of 2020.

Bank of Japan (BoJ), which ended its ultra-expansionary monetary policy in March, raised the short-term reference interest rate from the 0-0.1% range to 0.25% at its meeting this week. BoJ stated that it will continue to raise interest rates and adjust the degree of monetary accommodation, citing the low real interest rates. BoJ, which also reduced its bond purchases, announced that monthly bond purchases, which were previously about 6 trillion yen, will be reduced to 3 trillion yen between January and March 2026.

Euro Area grew above expectations in the second quarter of the year.

Euro Area economy grew above the expectations by 0.3% qoq and 0.6% yoy in Q2 of 2024. Country level figures revealed that France and Spain, which grew by 0.3% and 0.8% respectively on a quarterly basis, maintained their growth rates. On the other hand, Germany, which grew by 0.2% in the first quarter, contracted by 0.1% in the second quarter.

According to the flash figures released in Euro Area, annual HICP inflation was realized at 2.6% in July, slightly above market expectations. In this month, core HICP inflation was realized at 2.9%, also above expectations.

In China, July PMI data presented a negative outlook.

In China, PMI data released this week painted a negative picture. Caixin manufacturing PMI, which covers export-oriented companies, came in at 49.8 in July, below the threshold for the first time since October 2023. In the same period, NBS manufacturing PMI came in at 49.4, remaining below the threshold for the third consecutive month. NBS services PMI also declined by 0.3 pts to 50.2, indicating that the weakness in economic activity in the country was widespread in sectors.

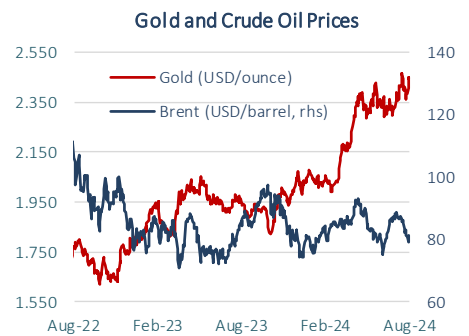
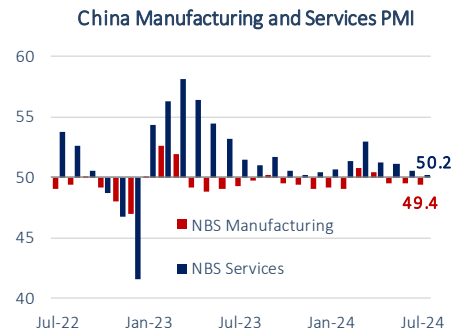
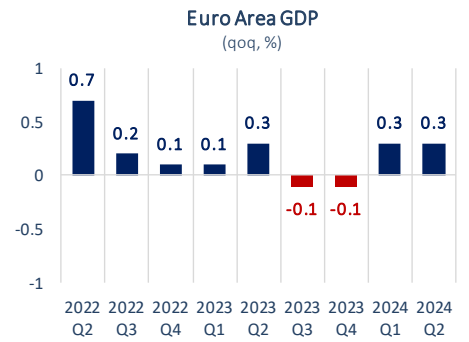
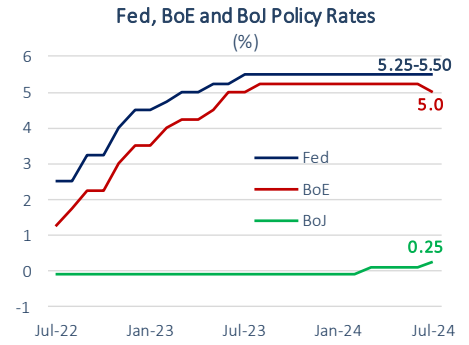
Financial markets...

After Fed's meeting this week, market expectations that Fed will cut interest rates three times starting from September until year-end strengthened, which led global risk appetite to increase. US 10-year Treasury bond yield was recorded at 3.98% at the close on Thursday, the lowest level since early February. In addition to the developments on the Fed front, the price of ounce gold tested its historical high levels because of rising geopolitical tensions in the Middle East, while Brent crude oil prices tended to decline on a weekly basis due to concerns over demand.

BIST-100 index, which has been under selling pressure, is set to end the week with a loss. Türkiye's 5-year CDS premium increased by 19 bps as of Thursday, while the 2-year benchmark bond yield declined slightly. Turkish lira, which depreciated slightly against the US dollar, followed a flat course against the euro.

Next week's agenda...

Next week, inflation data for July and the third Inflation Report of the year to be published by the CBRT will be high on the agenda in Türkiye. In addition to geopolitical developments, inflation figures to be announced in the Euro Area and China will be closely monitored in the markets.



Source: Fed, BoJ, BoE, BIST, Datastream

Data Releases

		Period	Consensus	Prior
5 August	TR CPI Inflation, mom	July	3.45%	1.64%
	TR D-PPI Inflation, mom	July	-	1.38%
	USA Services PMI, final	July	-	56.0
	USA ISM Services PMI	July	51.0	48.8
	Euro Area PPI Inflation, mom	June	0.1%	-0.2%
	Euro Area Services PMI, final	July	51.9	51.9
	China Caixin Services PMI	July	-	51.2
6 August	CPI Based Real Effective Exchange Rate	July	-	61.90
	USA Trade Balance	June	-72.9 billion USD	-75.1 billion USD
	Euro Area Retail Sales, mom	June	0.1%	0.1%
7 August	TR Treasury Cash Balance	July	-	-430.9 billion TRY
	China Trade Balance	July	98.0 billion USD	99.1 billion USD
8 August	CBRT Inflation Report	2024-III	-	-
9 August	TR Industrial Production, yoy	June	-	-0.1%
	China CPI Inflation, yoy	July	0.4%	0.2%
	China PPI Inflation, yoy	July	-0.9%	-0.8%

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