

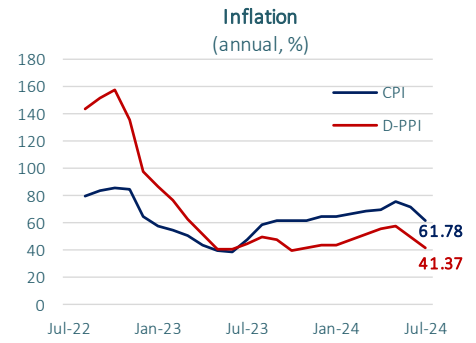
	2-Aug	8-Aug	Change		2-Aug	8-Aug	Change
BIST-100 Index	10,473	10,099	-3.6 % ▼	EUR/USD	1.0908	1.0918	0.1 % ▲
TRY 2 Year Benchmark Rate	41.97 %	42.87 %	90 bp ▲	USD/TRY	33.1680	33.4959	1.0 % ▲
Turkey 5-Year CDS Premium	291	281	-11 bp ▼	EUR/TRY	36.2231	36.5975	1.0 % ▲
MSCI EM Equity Index	1,061	1,046	-1.4 % ▼	Gold (USD/ounce)	2,443	2,427	-0.7 % ▼
US 10-Year Bond Rate	3.80 %	4.00 %	20 bp ▲	Brent Oil (USD/barrel)	76.8	79.2	3.1 % ▲

bp: basis point

This week, CBRT released its third Inflation Report of the year and kept its inflation forecasts unchanged. In Türkiye, CPI rose below expectations with 3.23% mom in July, while annual CPI inflation was realized as 61.78%. In this period, the CPI-based real effective exchange rate reached its highest level in more than 3 years. In July, Treasury cash balance posted a deficit of 136.5 billion TRY. In a week of high volatility in financial markets, data releases pointed to an upbeat outlook for the services sector in the US, while the negative outlook in the Euro Area continued. Next week, there will be a heavy data agenda in Türkiye. The release of inflation and retail sales data in the US stands out on the global market agenda.

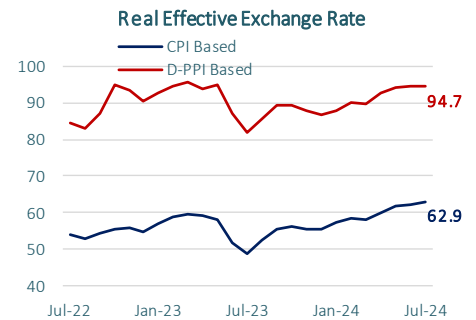
CBRT published the third Inflation Report of the year.

CBRT kept its inflation forecasts unchanged in the third Inflation Report of the year, which was released this week. Accordingly, forecasts of 38% for 2024 (range 34-42%), 14% for 2025 (range 7-21%) and 9% for 2026 were unchanged. In addition, the forecast for inflation to stabilize at 5% in the medium term was also preserved. The Report noted that domestic demand continued to lose momentum, while the slowdown in credit growth and the decline in the current account deficit were pointed out. Speaking at the press conference, CBRT Governor Fatih Karahan stated that the disinflation process has started as envisaged and that the tight monetary policy stance will be maintained.



Annual CPI inflation fell to 61.78% in July.

In July, CPI increased by 3.23% on a monthly basis and remained below market expectations. Annual CPI inflation fell to 61.78% in this period, the lowest level since October 2023. Among the main expenditure groups, clothing and footwear prices decreased by 2.58% mom in July, while housing prices showed the fastest increase with 8.08%. D-PPI, which rose by 1.94% mom in July, decreased to 41.37% yoy ([Our Inflation Report](#)).

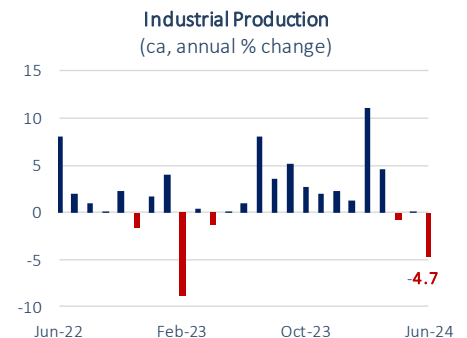


CPI-based real effective exchange rate continued to rise.

According to the data released by CBRT, in July CPI based real effective exchange rate increased by 0.9 pts mom to 62.9, the highest level since March 2021. In the same period, D-PPI based real effective exchange rate increased by 0.3 pts mom to 94.7.

Industrial production fell sharply in June.

Calendar adjusted industrial production index contracted by 4.7% yoy in June, the sharpest contraction since the earthquake disaster in February 2023. In this period, the 15.2% rise in electricity, gas, and steam and the 8.6% rise in mining and quarrying sectors stood out. The contraction in total industrial production was mainly driven by the 6.9% yoy contraction in manufacturing industry production. 19 out of 24 sectors in the manufacturing industry posted losses on an annual basis, and the sharpest decline was observed in the wood products (except furniture) sector with 21.2%. In June, seasonally adjusted industrial production decreased by 2.1% mom, while manufacturing industry production contracted by 3.1%.



Source: CBRT, TURKSTAT, Datastream

The Treasury cash balance posted a deficit of 136.5 billion TRY in July.

According to the data released by the Ministry of Treasury and Finance, the Treasury cash balance posted a deficit of 136.5 billion TRY in July. During this period, revenues were 790.9 billion TRY, and expenditures were 927.5 billion TRY. Interest payments accounted for 88.9 billion TRY of the expenditures. As a result, the Treasury cash deficit increased by 162.4% in the January–July period compared to the same period in 2023, reaching 1.1 trillion TRY.

Black Monday in the Markets...

The global markets began this week with recession concerns in the US. In addition to US non-farm employment growth fell well below expectations in July, the appreciation of the yen after the Bank of Japan (BoJ) raised interest rates and the traders' inclination to close their positions led a strong selling pressure in global markets. Expecting Japan's exports would be negatively affected by the appreciation of the yen, the Nikkei index, where sales were concentrated in exporting companies, recorded its fastest daily decline since 1987. In the middle of the week, BoJ's statements that it would take into account the volatility in the markets while deciding on interest rate hikes played a role in the recovery of global risk perception. Thus, the VIX volatility index, which reached its highest intraday level since March 2020 with 65.8 on Monday, declined in the following days. Although global stock markets recovered in the second half of the week, they are set to end the week with losses. Gold prices are also likely to end the week with losses due to investors reducing the share of gold in their portfolios to cover their losses in their stock positions. On the other hand, the barrel price of Brent crude oil is hard to find its direction amid geopolitical concerns and weak global demand.

In line with the negative outlook in global markets, domestic markets also started the week under pressure. Despite the easing of selling pressure in the following days, the BIST-100 index is poised to conclude the week with losses. This week, TRY depreciated against USD and EUR, while the 2-year benchmark interest rate increased. Meanwhile, Türkiye's CDS risk premium declined on a weekly basis.

Data on the services sector in the US painted a positive outlook.

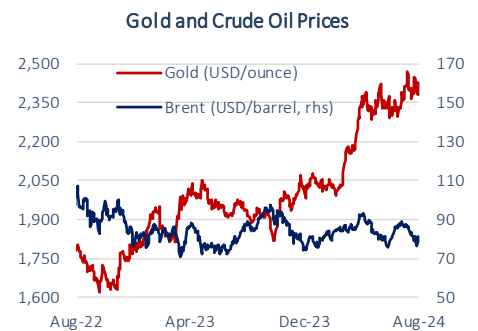
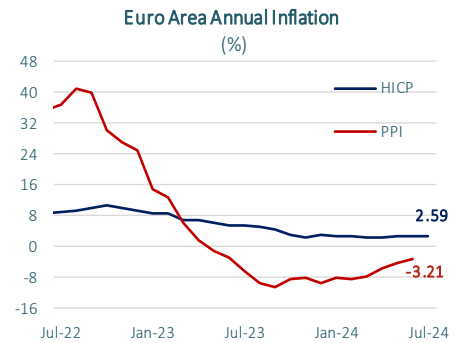
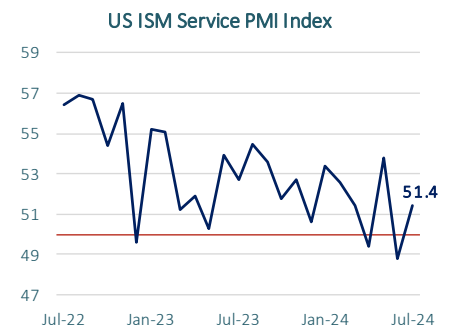
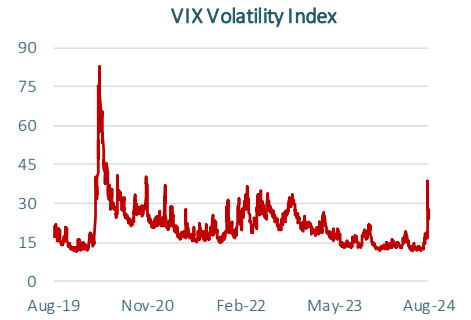
US ISM services index rose to 51.4 in July from 48.8 in June, indicating improvement in the sector. The improvement in production, new orders and employment sub-indices were effective in pushing the index back above the threshold level. In July, S&P final services PMI was revised down to 55.0 from 56.0 in the flash announcement, but remained above the threshold level.

A busy data agenda was followed in the Euro Area.

Producer prices in the Euro Area rose by 0.5% mom in June, while the 1.6% rise in energy prices was the main reason of this increase. In the same period, retail sales in the Region contracted by 0.3% mom and pointed continuation of pressures on demand. According to the final figures, services PMI came in at 51.9 in parallel to the flash data. The PMI was at the lowest level of the last four months, indicating that growth in the sector lost momentum. Sentix index, which measures investor confidence, was realized as -13.9 in August, well below market expectations (-8.0) and the lowest level since January.

Next week's agenda...

Next week there will be heavy data agenda In Türkiye, in where balance of payments, budget balance as well as retail sales and employment figures will be closely monitored. In addition, CBRT will announce the August results of the Survey of Market Participants. On global markets agenda inflation and retail sales data to be released in the US stand out.



Source: Fed, BIST, Datastream

Data Releases

		Period	Consensus	Prior	
12 August	TR Unemployment Rate	June	-	8.4%	
	TR Trade Sales Volume Index.yoy	June	-	5.8%	
13 August	TR Current Account Deficit	June	0.4 billion USD	-1.24 billion USD	
	TR House Sales, yoy	July	-	-5.2%	
14 August	USA PPI Inflation, mom	July	0.1%	0.2%	
	USA CPI Inflation, mom	July	0.2%	-0.1%	
	Euro Area GDP Growth, flash, yoy	Q2	0.6%	0.6%	
15 August	TR Budget Balance	July	-	275.3 billion TRY	
	UK CPI Inflation, mom	July	0.1%	0.6%	
	USA Retail Sales, mom	July	0.3%	0.0%	
	USA Capacity Utilization Rate	July	78.6%	78.8%	
	TR ICI Türkiye Manufacturing PMI	August	-6.0	-6.6	
	USA Philadelphia Fed Index	August	7.0	13.9	
	USA Philadelphia Fed Business Index	July	2.6%	2.0%	
	China Industrial Production, yoy	July	5.2%	5.3%	
	16 August	CBRT Survey of Market Participants	August	-	-
		USA New Home Sales, units	July	1.35 million	1.35 million
USA Michigan Consumer Confidence, prelim		August	66.7	66.4	

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