

	23-Aug	28-Aug	Change		23-Aug	28-Aug	Change
BIST-100 Index	9,668	9,757	0.9 % ▲	EUR/USD	1.1190	1.1120	-0.6 % ▼
TRY 2 Year Benchmark Rate	42.00 %	42.18 %	18 bp ▲	USD/TRY	33.9588	34.0312	0.2 % ▲
Turkey 5-Year CDS Premium	265	270	5 bp ▲	EUR/TRY	37.9861	37.8674	-0.3 % ▼
MSCI EM Equity Index	1,101	1,097	-0.3 % ▼	Gold (USD/ounce)	2,512	2,502	-0.4 % ▼
US 10-Year Bond Rate	3.81 %	3.84 %	3 bp ▲	Brent Oil (USD/barrel)	79.0	78.7	-0.5 % ▼

bp: basis point

This week, the course of the markets was influenced by the dovish messages from the leading central bank governors at the Jackson Hole Symposium held last week. According to the second estimate of annualized GDP data, the US economy grew by 3% yoy in the second quarter of the year. The IMF stated that the risks to Türkiye's economy have significantly decreased in its Article 4 mission press release. In Türkiye, the real sector confidence index and capacity utilization rate declined in August, while the divergence in inflation expectations continued in August. In Türkiye GDP, inflation, Treasury cash balance, and manufacturing PMI data will be released next week. The announcement of the Medium Term Program covering 2025-2027 is also expected next week. In addition, Fitch is expected to release its assessment for Türkiye on September 6. Non-farm payrolls data in the US will be closely monitored.

Rate-cut signals at the Jackson Hole Symposium...

Fed Chair Powell said at the Jackson Hole Symposium, a gathering of global central bankers, that the upside risks to inflation have decreased and he is confident in achieving the inflation target. Powell also stated that the downside risks to employment have increased and that he did not welcome a further cooling in the labor market conditions. In this context, Powell emphasized that it was time to adjust monetary policy. While ECB and BoE officials also gave dovish messages to the markets, BoJ diverged from the general trend with its hawkish stance. BoJ President Ueda emphasized that they will continue to be highly vigilant to market developments and stated that they may continue to raise interest rates if the data comes in as they expect.

In addition to the messages given at Jackson Hole, Fed officials' statements were closely monitored during the week. San Francisco Fed President Daly hinted at the possibility of a 25 basis point rate cut next month, asserting that the labor market has not yet deteriorated and suggesting the possibility of faster rate cuts if signs of deterioration emerge. Richmond Fed President Barkin, who stated that he favors a cautious stance, also pointed to a 25 basis point rate cut in September. Atlanta Fed President Bostic stated that it might be time for a rate cut, but they need to see labor market and inflation data to be sure. Following Powell's and other Fed officials' statements, markets are certain that a rate cut will occur in September, with the level of this cut determined by tomorrow's PCE and next week's employment data.

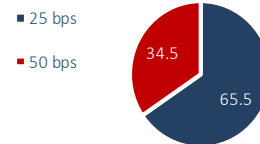
In August, US consumer confidence exceeded expectations.

In the US, the consumer confidence index rose by 1.4 points mom to 103.3 in August, above expectations. In this period, consumers' assessments regarding the current state of the labor market and future income deteriorated. On the other hand, consumers' 12-month average inflation expectation fell to 4.9%, the lowest level since March 2020. According to the second-estimate of annualized GDP data for the second quarter of 2024, the US economy grew by 3% during this period, exceeding market expectations. Increases in consumer spending, private inventory investments, and non-residential fixed investments drove the growth.

Consumer confidence declined in the Euro Area.

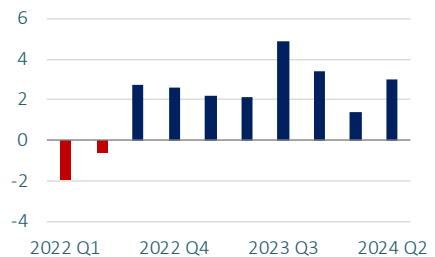
The Ifo index, which reflects business confidence in Germany, the largest economy of the Euro Area, declined for the third consecutive month to 86.6 in August, albeit with a smaller-than-expected decline compared to the previous month. Final data on consumer confidence in the Euro Area also declined by 0.5 points in August compared to the previous month with -13.5, indicating that households' pessimistic view on the economy continued.

Rate Cut Expectations for Fed's September Meeting (%)*

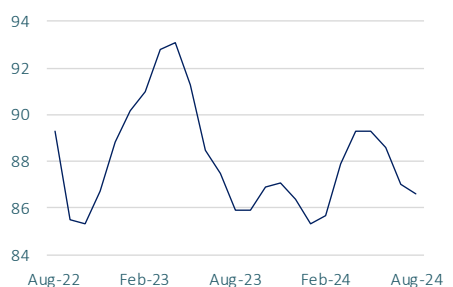


(*) As of August 29

US GDP (annual, %)



Germany Ifo Business Climate Index



Source: Datastream

IMF released Article IV mission press release for Türkiye.

The IMF published preliminary findings after a visit to Türkiye in its Article IV mission press release. The press release highlighted the turnaround in economic policies since mid-2023, stating that the implementation of tight economic policies sharply reduced risks and raised confidence. The text also emphasized that the current account deficit fell to 2.7% of GDP in the first quarter, and there was a recovery in international reserves and market sentiment. The text shared GDP growth and inflation forecasts for this year at 3.4% and %43, respectively.

Real Sector Confidence Index decreased to 98 in August.

Data announced by the CBRT this week pointed out that the loss of momentum in economic activity continued in August. The seasonally adjusted real sector confidence index decreased by 0.7 points on a monthly basis for the fourth consecutive month, reaching 98.0, its lowest value since June 2020. Looking at the sub-indices, it was seen that the fastest decline was recorded in export orders for the next three months and current total order sub-indices. During this period, the seasonally adjusted manufacturing industry capacity utilization rate decreased for the fifth consecutive month, decreasing by 0.2 points compared to the previous month, reaching 75.7%.

Sectoral confidence indices announced by TURKSTAT drew a mixed picture in August. According to seasonally adjusted data, services sector confidence decreased by 2% mom in this period, while retail trade sector and construction sector confidence indices increased by 0.8% and 1.1%, respectively. During this period, the economic confidence index decreased for the fifth consecutive month and fell to 93.1. Hence, the index was at its lowest level since May 2021.

The divergence in inflation expectations continued in August.

The CBRT's Sectoral Inflation Expectations report revealed that the divergence in annual inflation expectations for the next 12 months persisted in August. Market participants' annual inflation expectation for the next 12 months decreased by 1.3 points compared to the previous month, falling to 28.71%, and the real sector's projections decreased by 1.2 points to 53.8%. It was noteworthy that households' annual inflation expectations for the year ahead increased by 1.2 points on a monthly basis to 73.14%. The rate at which households expect inflation to decrease in the next 12 months increased slightly by 0.3 points on a monthly basis, reaching 29.6%.

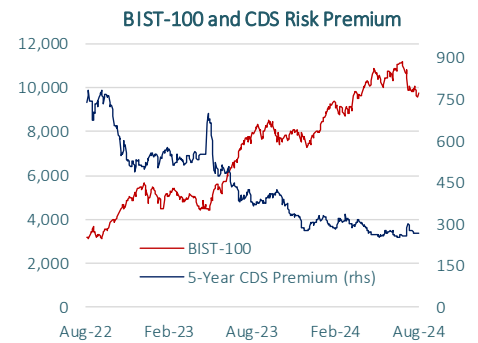
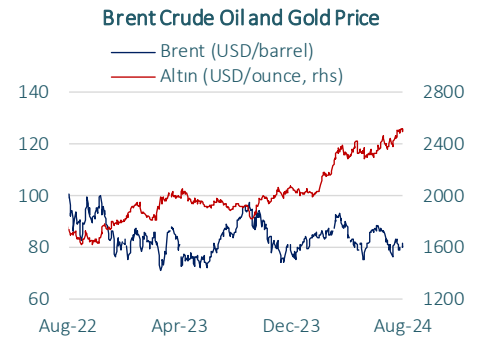
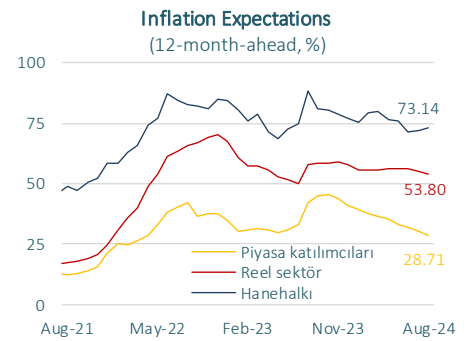
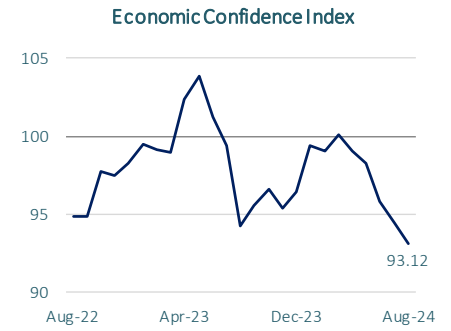
Financial markets...

Investors' cautious attitude before the US technology company Nvidia's balance sheet announcement had an impact on the course of the markets this week, despite the dovish messages from Fed officials. In this regard, global stock markets closed Wednesday with losses compared to Friday last week. Although the company's revenues and net profit exceeded expectations in Nvidia's financial results, investors believed that the overall earnings performance and the guidance presented a weaker outlook compared to previous periods. The price of Brent crude oil per barrel, which rose above 80 USD during the week due to geopolitical tensions, finished Wednesday at 78.7 USD, a loss of 0.5% due to a decrease in US oil stocks below expectations.

The BIST-100 index continued its course below the 10,000 level, although it closed Wednesday with a 0.9% increase compared to last week's close, especially with the purchases in transportation and banking stocks. TRY followed a relatively flat course against USD and euro. Turkey's 5-year CDS risk premium increased by 5 basis points to 270 basis points.

Next week's agenda...

Next week, a busy data agenda will be followed. In Türkiye, GDP, inflation, Treasury cash balance, and manufacturing industry PMI data will be announced. It is also expected that Medium Term Program (2025-2027) will be announced next week. The markets will also focus on the announcement of non-farm payroll data in the US. Fitch is expected to release its assessment for Türkiye on September 6.



Source: CBRT, TURKSTAT, Datastream

Data Releases

		Period	Consensus	Prior
2 September	TR GDP Growth, yoy	2024 Q2	3.2%	5.7%
	TR ICI Manufacturing PMI	August	-	47.2
	Euro Area HCOB Manufacturing PMI, final	August	-	45.6
	China Caixin Manufacturing PMI, final	August	50.0	49.8
3 September	TR CPI Inflation, mom	August	-	3.23%
	TR D-PPI Inflation, mom	August	-	1.94%
	USA Manufacturing PMI, final	August	-	48.0
	USA ISM Manufacturing PMI	August	47.8	46.8
4 September	TR CPI Based Real Effective Exchange Rate	August	-	62.90
	USA Factory Orders, mom	July	-	-3.3%
	Euro Area HCOB Services PMI, final	August	-	53.3
	Euro Area PPI Inflation, mom	July	-	0.5%
5 September	USA Services PMI, final	August	-	55.2
	USA ISM Services PMI	August	51.5	51.4
	Euro Area Retail Sales, mom	July	-	-0.3%
6 September	Fitch Ratings Türkiye Assessment	September	-	-
	TR Treasury Cash Balance	August	-	-136.5 billion TRY
	USA Nonfarm Payrolls	August	163k	114k
	USA Unemployment Rate	August	4.2%	4.3%
	Euro Area GDP Growth, revised, yoy	2024 Q2	-	0.6%

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