

	13-Dec	19-Dec	Change		13-Dec	19-Dec	Change
BIST-100 Index	10.125	9.765	-3,6 % ▼	EUR/USD	1,0502	1,0362	-1,3 % ▼
TRY 2 Year Benchmark Rate	43,62 %	43,50 %	-12 bp ▼	USD/TRY	34,9238	35,0675	0,4 % ▲
Türkiye 5-Year CDS Premium	248	257	8 bp ▲	EUR/TRY	36,7005	36,3746	-0,9 % ▼
MSCI EM Equity Index	1.107	1.082	-2,3 % ▼	Gold (USD/ounce)	2.648	2.594	-2,1 % ▼
US 10-Year Bond Rate	4,40 %	4,57 %	17 bp ▲	Brent Oil (USD/barrel)	74,5	72,9	-2,2 % ▼

bp: basis point

Meetings of major central banks were closely monitored this week. Fed cut its policy rate by 25 basis points in line with expectations, while BoE, PBoC and BoJ kept their policy rates unchanged. In the projections released after the Fed meeting, members' forecasts for a slowdown in the interest rate cut cycle in 2025 suppressed global risk appetite. Leading PMI data in the US and Euro Area pointed to a weak outlook in the manufacturing sector in December, but a positive outlook for the services sector. In Türkiye, central government budget posted a deficit of 16.6 billion TRY in November. In the same period, house sales surged by 63.6% yoy, while house prices continued to decline in real terms. In December, market participants' year-end inflation expectations rose. Global markets are expected to be quiet next week due to Christmas holidays. CBRT's last Monetary Policy Committee meeting of the year will be in the spotlight.

The Fed cut its policy rate by 25 basis points in line with expectations.

Having started its easing cycle in September, the Fed cut the policy rate by 25 basis points to 4.25%-4.50% at its meeting ended on December 18, in line with market expectations. In the decision text, the Fed signaled that the pace of rate cuts would slow down due to the relatively stable unemployment rate and the limited improvement in inflation. Fed officials' projections, which were expecting 4 rate cuts by 25 basis points each in 2025, were revised down to two rate cuts, increasing the risk perception in the markets. Moreover, Cleveland Fed President Hammack dissented against the Fed's decision to cut rates. The previous rate cut decision was taken unanimously. After the meeting, Chairman Powell stated that the strong US economy did not signal a rush to cut interest rates. Following these statements, markets are pricing around 90% that the Fed will keep the policy rate unchanged at its January meeting.

In the US, annualized growth data for the third quarter was revised upwards by 0.3 points to 3.1% in the final reading. Industrial production in the country contracted by 0.1% mom in November, presenting a negative outlook for production, while retail sales increased by 0.7%, above the forecasts. Leading PMI data for December also pointed out that the divergence between manufacturing and services sectors continued. In this period, manufacturing PMI decreased by 1.4 points mom to 48.3, remaining below the threshold for the sixth consecutive month. On the other hand, services PMI rose by 2.4 points mom to 58.5, well above market expectations. The core personal consumption expenditures price index (PCE), which is closely monitored by the Fed in terms of monetary policy, increased by 0.1% mom and 2.8% yoy in November, below market expectations.

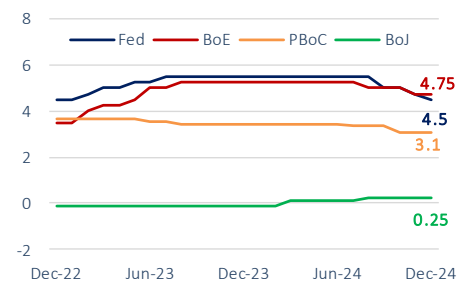
The meetings of major central banks were followed.

At the meetings held this week, the Bank of England and the People's Bank of China (PBoC) kept policy rates unchanged. The Bank of Japan left its policy rate unchanged as well, at 0.25%. BoJ officials' reluctance to raising borrowing costs amid growing uncertainty was influential in this decision.

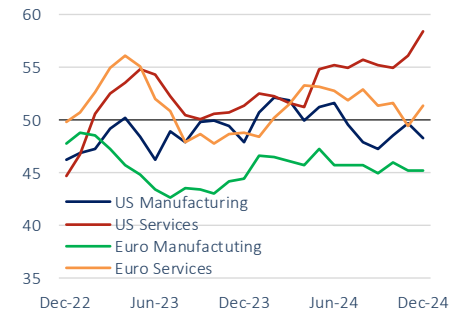
Manufacturing sector in the EA continues to be weak.

In the Euro Area, leading manufacturing PMI remained flat on a monthly basis at 45.2, continuing to be below the threshold since July 2022. On the other hand, the services PMI, which was below the threshold last month, was realized as 51.4 in December, signaling a moderate recovery in the sector's activities. Harmonized Indices of Consumer Prices (HICP) was revised downwards by 0.1 point to 2.2% in November. Euro Area core inflation rate, which excludes energy and food, remained steady at 2.7%

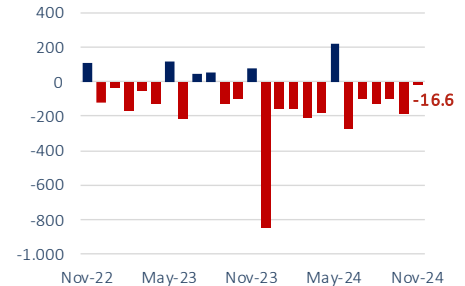
Fed, BoE, PBoC and BoJ Policy Rates (%)



US and Euro Area PMI



Budget Balance (billion TRY)



Source: Fed, BoE, PBoC, BoJ, Datastream

In Türkiye, central government budget posted a deficit of 16.6 billion TRY in November.

In November, central government budget posted the lowest deficit of the last 6 months with 16.6 billion TRY. Treasury cash deficit for this period was realized as 62.2 billion TRY. In November, budget expenditures increased by 42.5% yoy to 956.1 billion TRY, meanwhile the budget revenues rose by 25.8% to 939.5 billion TRY. In this period, primary balance posted a surplus of 129.7 billion TRY. Thus, in the first 11 months of the year, the budget deficit reached 1.3 trillion TRY, about 2.4 times higher than the same period of the last year ([Our Budget Balance Report](#)).

House sales increased by 63.6% yoy in November.

In November, house sales surged by 63.6% yoy to 153K units. Although the rapid annual increase of 315.7% in mortgaged house sales was noteworthy, the share of these sales in total house sales remained limited at 14.2%. In January-November period, house sales increased by 16.4% yoy to 1.3 million.

The strong course of house sales in recent months was also reflected on the rise in house prices in November. In this period, CBRT's house price index rose by 2.8% mom, above the CPI inflation. Thus, the annual nominal increase in house prices gained some momentum and reached 29.4%, while the annual real decline in prices fell to 12%.

Market participants' inflation expectations continued to deteriorate.

According to the CBRT's Survey of Market Participants, annual CPI inflation forecasts for 2024 and 2025 rose to 45.28% and 27.07% in December. Participants expect USD/TRY exchange rate to be realized as 35.30 at the end of 2024. On the other hand, participants' expectations for economic growth declined. Accordingly, growth forecasts for 2024 and 2025 decreased by 0.1 points each to 3.0% and 3.1%, respectively.

Consumer confidence index rose to 81.3 in December.

Consumer confidence index rose by 1.9% mom to 81.3 in December. Thus, the index reached its highest level in the last 18 months after its decline in November. In this period, the assessment regarding spending money on durable goods over the next 12 months was the sub-index with the fastest increase by 4.1%. The sub-index regarding the financial situation of households at present fell by 3.5% and limited the rise in the main index.

Number of foreign visitors rose by 8.2% yoy in November.

According to data released by the Ministry of Culture and Tourism, the number of foreign visitors to Türkiye increased by 8.2% yoy to 2.7 million in November. Thus, the total number of foreign visitors to Türkiye in the first 11 months of the year rose by 7.1% to 50 million people.

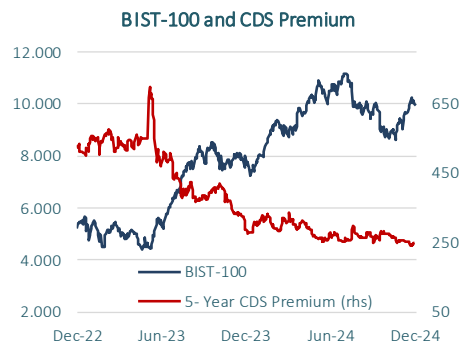
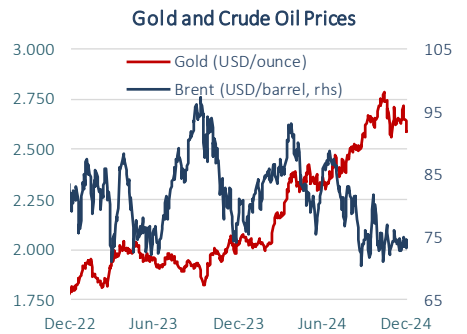
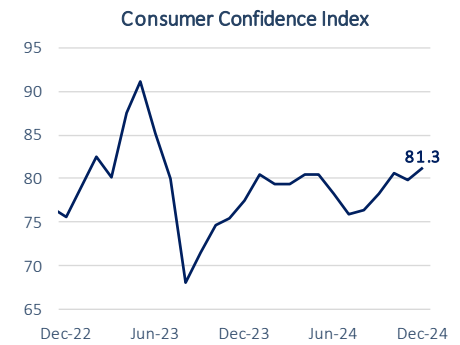
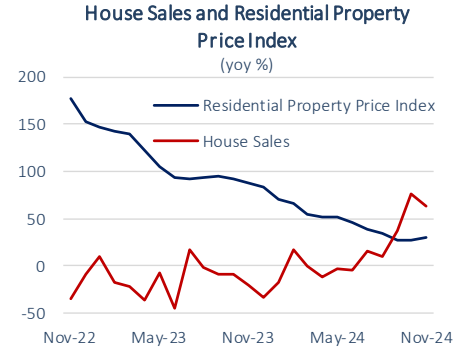
Financial markets...

This week, global risk appetite was under pressure as the messages following the Fed meeting pointed to more limited rate cuts in 2025. Brent crude oil prices fell by 2.2% w/w to 72.9 USD/barrel due to concerns over demand amid hawkish messages from other major central banks as well. In line with the strengthening in DXY, gold prices decreased by 2.1% to 2,594 USD/ounce, the lowest level in nearly a month.

BIST-100 index maintained its volatile pace and followed a parallel course to the indices of developing countries. As of Thursday's close, the index fell 3.6% to 9,765 compared to last Friday's close. Türkiye's 5-year CDS premium increased by 8 basis points to 257 basis points. USD/TRY rose by 0.4%, while EUR/TRY declined by 0.9%.

Next week's agenda...

Next week, the markets will have a generally quiet data agenda due to the Christmas holiday. November durable goods orders to be announced in the US and third quarter growth data to be announced in the UK will be monitored. CBRT's Monetary Policy Committee meeting will be closely followed.



Source: CBRT, TurkSTAT, MoTF, BIST, Datastream

Data Releases

		Period	Consensus	Prior
23 December	USA Consumer Confidence	December	113.0	111.7
	UK GDP Growth, qoq	2024 Q3	0.1%	0.1%
24 December	USA Durable Goods Orders, mom	November	-0,4%	0,3%
	USA New Home Sales, mom	November	652K	610K
25 December	TR Real Sector Confidence Index	December	-	100.4
26 December	CBRT Monetary Policy Meeting	December	48.50%	50,00%
	TR Sectoral Inflation Expectations	December	-	-

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