

	11-Jul	17-Jul	Change		11-Jul	17-Jul	Change
BIST-100 Index	10.358	10.371	0,1 % ▲	EUR/USD	1,1689	1,1595	-0,8 % ▼
TRY 2 Year Benchmark Rate	40,93 %	41,37 %	44 bp ▲	USD/TRY	40,1581	40,0481	-0,3 % ▼
Türkiye 5-Year CDS Premium	283	286	2 bp ▲	EUR/TRY	46,9514	46,7272	-0,5 % ▼
MSCI EM Equity Index	1.229	1.241	1,0 % ▲	Gold (USD/ounce)	3.355	3.339	-0,5 % ▼
US 10-Year Bond Rate	4,42 %	4,46 %	4 bp ▲	Brent Oil (USD/barrel)	70,4	69,5	-1,2 % ▼

bp: basis point

During the week that trade negotiations were continued to be followed, CPI data released in the US indicated that the inflationary impact of the tariffs were becoming more apparent. Data on industrial production, retail sales, and strong corporate balance sheets painted a positive outlook for economic activity this week. This outlook supported the expectation that the Fed will continue to adopt a cautious stance on interest rate cuts, given the current inflationary risks. Data on the Chinese economy showed that protectionist trade policies did not have a significant impact on economic activity in the country. In Türkiye, CBRT's international reserves reached their highest level in four months, while the central government posted a budget deficit of 330.2 billion Turkish lira in June. The agricultural PPI reached an all-time high in June due to the substantial rise in fruit prices caused by the frost. Next week, the ECB meeting and leading PMI data for advanced economies will be at the forefront of market attention. In Türkiye, the CBRT's Monetary Policy Committee meeting will be closely monitored.

#### Developments regarding the trade war are high on the agenda.

Last weekend, US President Trump announced 30% tariffs on imports from the EU and Mexico, effective on August 1. In parallel with the ongoing negotiations, the EU suspended the retaliatory tariffs against the US, which were planned to be implemented on July 14. Trump also announced 19% tariffs on imports from Indonesia, while letters to smaller countries outlining tariff rates will be sent in the near future.

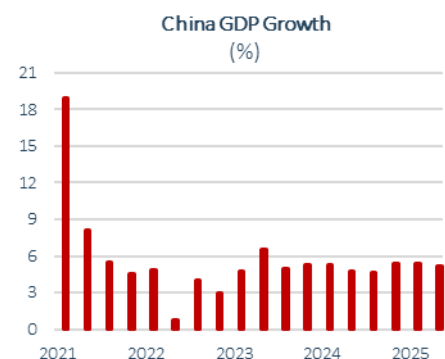
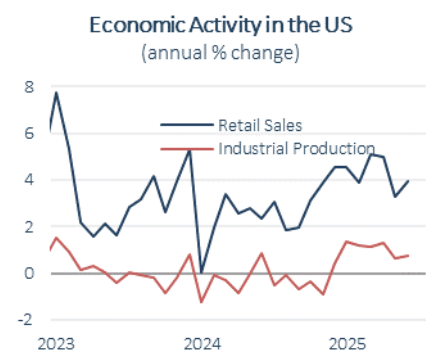
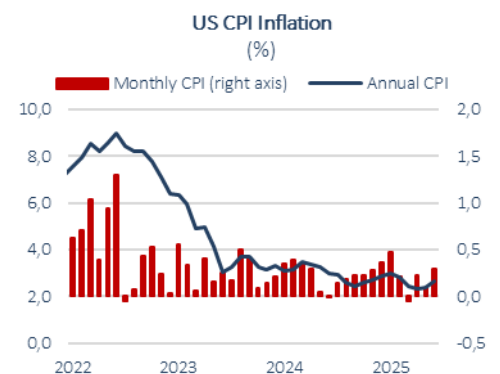
#### Inflationary effects of tariffs are becoming more evident in the US.

According to the data released in the US on Tuesday, monthly CPI inflation was realized as 0.3% (previous: 0.1%) and annual CPI inflation as 2.7% (previous: 2.4%) in June. Industrial production and retail sales data for the same period also pointed out that economic activity in the country performed above expectations. In June, industrial production increased by 0.3% mom and 0.7% yoy. In this period, capacity utilization rate rose to 77.6%, exceeding expectations. Retail sales expanded by 0.6% mom, against the expectations of 0.1% mom increase. Philadelphia Fed manufacturing index rose to 15.9 in July against the expectations that it would remain in contraction zone, indicating an increase in sector activity. Looking at the sub-items of the index, new orders increased rapidly, while the share of respondents who stated that input prices increased rose by 20 percentage points compared to the previous survey and became 61%.

Higher-than-expected industrial production and retail sales data as well as strong corporate balance sheets presented a positive outlook for economic activity this week and supported the expectations that the Fed will continue to adopt a cautious stance on interest rate cuts given the current inflationary risks. According to market pricing, the Fed is not expected to change interest rates at its meeting on July 29-30, while 2 rate cuts are expected for the rest of the year.

#### China grew by 1.1% qoq in the second quarter of the year, above expectations.

In the second quarter of the year, Chinese economy grew by 1.1% qoq (previous: 1.2%), above the expectations. In this period, annual growth was realized as 5.2% (previous: 5.4%), indicating that the growth momentum was largely maintained despite global trade policy uncertainties. This performance was driven by the measures taken to support economic activity, especially the interest rate cuts by the People's Bank of China, as well as the temporary agreement between the US and



Source: Datastream

China following the tariff announcement in April. China's foreign trade data also indicate that the negative impact of the tariffs so far remained limited. In June, China's exports rose by 5.8% yoy in USD terms, exceeding expectations. The downward trend in China's exports to the US on an annual basis continued for the third consecutive month in this period, but lost some momentum to 16.1%.

#### Positive economic data releases in the Euro Area...

Industrial production in Euro Area increased by 1.7% mom and 3.7% yoy in May, well above market expectations. In July, ZEW economic confidence index recorded a limited monthly rise in the Euro Area. In Germany, the related confidence index rose for the third consecutive month and reached 52.7, the highest level since February 2022. Markets do not expect a rate cut from the ECB at its meeting next week, while until the year-end, 1 interest rate cut is expected.

#### Central government budget posted a deficit of 330.2 billion TRY in June.

In June, central government budget revenues increased by 53.8% yoy to 909.4 billion TRY, while budget expenditures rose by 43.1% yoy to 1.2 trillion TRY. Thus, the central government budget posted a deficit of 330.2 billion TRY in this period. On the other hand, primary budget deficit fell by 69% yoy and became 54.5 billion TRY in June. In the first half of the year, budget deficit was 980.5 billion TRY, while the budget recorded a primary surplus of 131 billion TRY (Budget Balance Report).

#### Housing market data were monitored.

According to data released by Turkstat, house sales increased by 35.8% yoy to 107,723 units in June. Thus, the increase in house sales in the first half of the year was realized as 26.9%. According to the data released by CBRT, house price index also increased by 32.8% yoy in nominal terms in this period. In real terms, the annual decline in house prices continued to slow.

#### In June, monthly agricultural PPI inflation was at its historically high level.

In June, monthly agricultural PPI inflation reached a historic high of 18.82% due to the increase in prices of fruit products due to the agricultural frost. While on an annual basis, it was recorded at the highest level of the last 12 months with 50.31%. According to sub-groups, after the price index of fruit products which surged by 47.9% mom, the highest monthly increase was recorded in cereals and oilseeds with 6.3%.

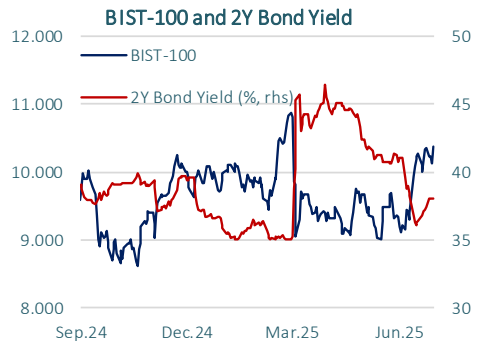
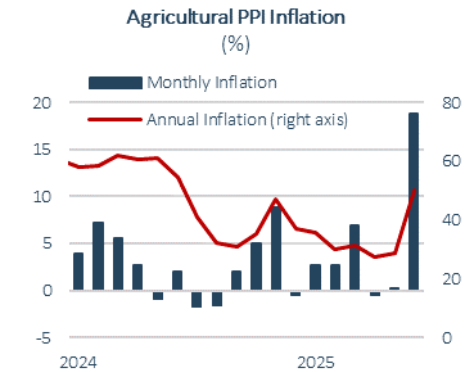
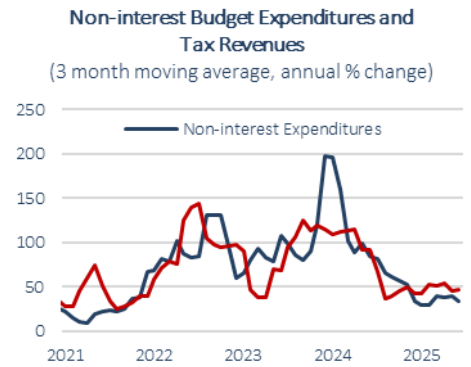
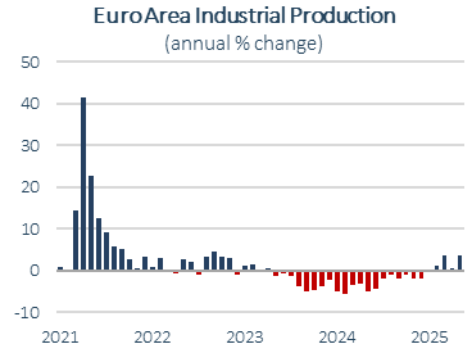
#### CBRT's gross reserves are at the highest level in four months...

Having increased by 10 billion USD in the week to July 4, CBRT's gross reserves rose by 1.8 billion USD to 166.2 billion USD in the week to July 11. CBRT's net reserves also increased by 2.3 billion USD on a weekly basis to 59.8 billion USD, the highest level since the week of March 21.

#### Domestic financial markets...

BIST-100 index rose by 0.1% as of yesterday compared to Friday. Türkiye's 5-year CDS risk premium was recorded at 286 on Thursday's close. The interest rate of the 2-year benchmark bond rose by 44 basis points compared to last Friday and ended Thursday at 41.37%.

Preliminary PMI data for advanced economies and the ECB meeting stand out on next week's agenda. In Türkiye, CBRT's monetary policy meeting will be closely monitored. The market expectation is that CBRT will cut the policy rate by 250 basis points.



Source: Datastream, CBRT, Turkstat, MTF

## Data Releases

		Period	Consensus	Prior
July 21	TR Central Government Gross Debt Stock	June		11.064T TL
	CBRT Survey of Market Participants	July		29.86%
	China Central Bank Meeting	July		3.0%
July 23	TR Consumer Confidence Index	July		85.10
	US Existing Home Sales, units	June	4.00M	4.03M
	Euro Area Consumer Confidence, flash	July	-14.5	-15.3
July 24	CBRT Monetary Policy Meeting	July	43.5%	46.0%
	US Manufacturing PMI, flash	July		52.9
	US New Home Sales, units	June	0.650M	0.623M
	Euro Area Services PMI, flash	July	50.8	50.5
	Euro Area HCOB Manufacturing PMI, flash	July	49.8	49.5
	ECB Meeting	July	2.15%	2.15%
	TR Capacity Utilization Rate, sa	July		74.4%
July 25	TR Real Sector Confidence Index, sa	July		98.4
	TR Sectoral Confidence Indices	July		
	US Durable Goods Orders, mom	June	-11.0%	16.4%

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