TÜRKİYE İŞ BANKASI | research.isbank

	17-Jul	23-Jul	Change		17-Jul	23-Jul	Change
BIST-100 Index	13,981	14,078	0.7 % ▲	**EUR/USD**	1.1439	1.1376	-0.6 % ▼
TRY 2 Year Benchmark Rate	41.38 %	42.11 %	73 bp ▲	**USD/TRY**	47.1374	47.2549	0.2 % ▲
Türkiye 5-Year CDS Premium	237	245	8 bp ▲	**EUR/TRY**	53.9439	53.8767	-0.1 % ▼
MSCI EM Equity Index	1,621	1,672	3.2 % ▲	**Gold** (USD/ounce)	4,017	4,047	0.8 % ▲
US 10-Year Bond Rate	4.54 %	4.70 %	16 bp ▲	**Brent Oil** (USD/barrel)	88.1	100.7	14.3 % ▲

bp: basis point

Last week, markets closely monitored the repercussions of escalating tensions in the Middle East. Brent crude oil prices rose above 100 USD per barrel amid heightened geopolitical risks in the Red Sea and growing concerns over global oil supply, while expectations for a lasting peace agreement between the parties weakened in the short term. During the week, CBRT kept its policy rate unchanged at 37%, while the ECB and PBoC also left their policy rates unchanged. Economic data released in the Euro Area provided moderately positive signals. Domestically, inflation expectations in July declined among households and the real sector, while edging up slightly among market participants. Looking ahead, meetings of the Fed, BoE, and BoJ will dominate next week's agenda, while Moody's sovereign credit rating review for Türkiye, expected to be released today, will also be closely monitored.

Escalating tensions in the Middle East continued to shape market sentiment.

Renewed tensions between the US and Iran, together with rising security risks in the Red Sea, weighed on global risk appetite and further weakened expectations of a renewed agreement between the two parties. The Iranian administration announced that it had suspended its commitments under the memorandum of understanding, arguing that the US had violated the agreement through its recent military operations. Meanwhile, U.S. President Trump stated that operations against Iran would continue. In addition, the announcement by the Iran-backed Houthis of a maritime blockade against Saudi Arabia heightened concerns over global energy supply. Following these developments, Brent crude oil prices climbed above 100 USD per barrel.

Commenting on the escalating tensions in the region and their implications for the global economy, World Bank Chief Economist Indermit Gill warned that current developments could pave the way for a worst-case scenario. Gill stated that if the conflict were to persist for more than six months, global annual economic growth could slow to 1.3%, while global inflation could rise to 4.5% annually.

US announces new tariffs on 60 countries.

As part of its efforts to combat imports of goods produced using forced labor, the US announced new country-specific tariffs of 10% and 12.5% on 60 trading partners, covering a large share of its imports. In this context, the tariff rate applicable to Türkiye was set at 12.5%. The new arrangement is expected to replace the temporary blanket tariff of 10%, which entered into force on February 24 and is due to expire on July 24.

The ECB paused in July.

Following its decision to raise interest rates at its June meeting, the European Central Bank (ECB) left its key policy rates unchanged in July. Accordingly, the deposit facility rate remained at 2.25%, the main refinancing operations rate at 2.40%, and the marginal lending facility rate at 2.65%. The accompanying statement noted that the inflationary effects of the rise in energy prices driven by geopolitical developments had yet to become clear and that uncertainty remained elevated.

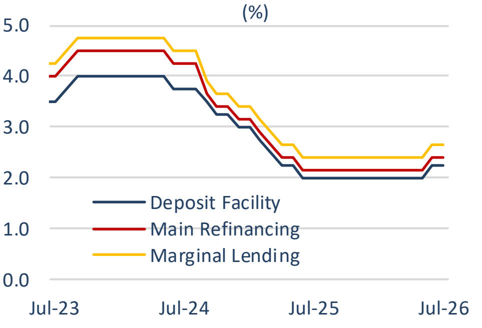
Euro Area data flow painted a positive picture.

According to preliminary data, the Euro Area manufacturing PMI remained above the 50 threshold at 52.0 in July, while the services PMI rose to 51.6, moving into expansionary territory. The flash consumer confidence indicator recorded its most favourable reading in five months, while the ZEW Economic Sentiment Index also increased sharply from the previous month.

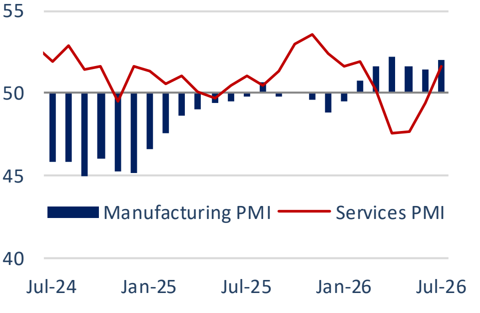
PBoC left its policy interest rates unchanged.

At its July meeting, the People's Bank of China kept the 1-year and 5-year loan prime rates unchanged at 3.00% and 3.50%, respectively. The PBoC has left its policy rates unchanged for the past 14 consecutive meetings.

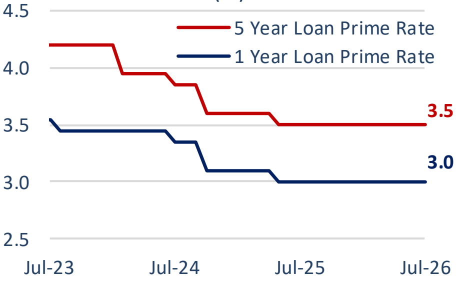
ECB Policy Rates
(%)



Euro Area PMI
(threshold=50)



China Policy Rates
(%)

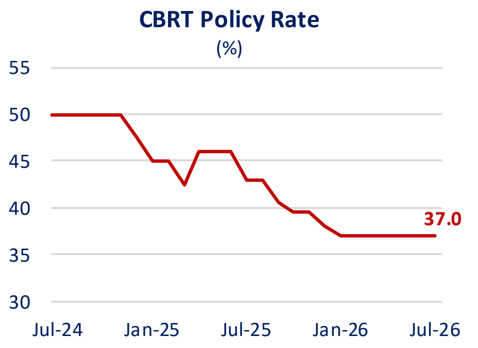


Source: Datastream

The CBRT left its policy rate unchanged.

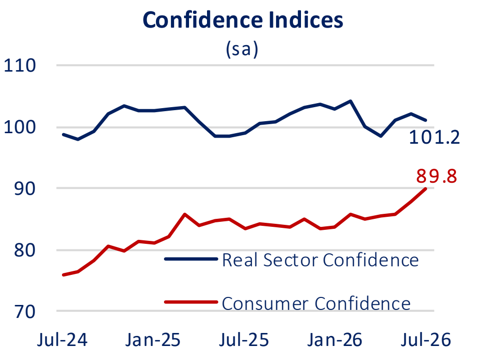
At its Monetary Policy Committee meeting, the Central Bank of the Republic of Türkiye (CBRT) kept the one week repo auction rate unchanged at 37.0%, in line with market expectations, while maintaining the overnight lending and borrowing rates at 40.0% and 35.5%, respectively.

In the policy statement, the CBRT noted that the underlying trend of inflation decreased slightly in June and leading indicators suggest that the underlying trend will rise temporarily in July. The statement also highlighted that recent data confirm the ongoing weakening in domestic demand. Reiterating its commitment to maintaining a tight monetary stance until price stability is achieved, the CBRT stated that monetary policy decisions will continue to be made on a meeting-by-meeting basis with a prudent approach.



Inflation expectations of households and the real sector declined in July.

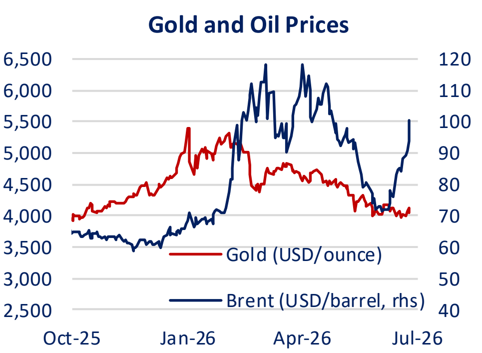
According to the CBRT's sectoral inflation expectations data, 12-month-ahead inflation expectations declined among households and the real sector in July, while rising slightly among market participants. During this period, 12-month-ahead annual inflation expectations fell to 44.94% for households and to 32.50% for the real sector. Market participants' expectations stood at 23.95%. Furthermore, according to the July results of the Survey of Market Participants, the market's 12-month-ahead USD/TRY expectation increased from 55.72 to 56.69, while the growth forecast for 2026 edged down from 3.2% to 3.1%.



Consumer confidence index reached its highest level since May 2023.

According to seasonally adjusted data released by TurkStat, the consumer confidence index stood at 89.8 in July, marking its highest level since May 2023. An analysis of the sub-indices shows notable improvements across all areas, including household financial situation expectations for both the present and the next 12-month period, as well as general economic situation expectations for the upcoming 12 months.

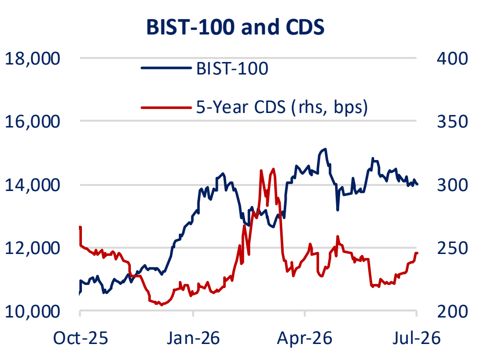
During this period, the seasonally adjusted real sector confidence index decreased by 0.8 points to 101.2. Assessments regarding total orders and fixed capital investment expenditures presented a negative outlook during this timeframe. Additionally, the seasonally adjusted capacity utilization rate in July was recorded at 73.8%, hitting its lowest level in the last 10 months.



Financial markets…

Developments in the Middle East continued to impact global markets this week as well. Due to rising uncertainty and supply-side concerns, the price of the Brent crude oil per barrel rose by 14.3% and reach to 100.7 USD as of Thursday's close. Meanwhile, the price of gold per ounce, which tested the 4,100 USD level during the first half of the week, came under pressure as inflation concerns intensified. The rise in geopolitical risks and mounting inflationary concerns created selling pressure in global stock markets this week, despite the strong earnings reports released by technology companies.

The BIST-100 index, which stood at 14,078 as of Thursday's close, recorded a modest increase of 0.7% compared to the previous week. This week, Turkish lira lost value against the USD but performed a limited increase against the euro. Türkiye's 5-year CDS risk premium also rose by 8 basis points, reaching the 245 level in parallel with developments in the Middle East.



Next week's agenda…

Next week, meetings of the Fed, BoE, and BoJ, as well as second-quarter GDP data for the US and the Euro Area, will be monitored in global markets. On the domestic front, employment indicators and the number of foreign visitors for June also stand out. Additionally, credit rating agency Moody's is expected to announce its assessment of the Turkish economy this evening.

Source: Datastream, Turkstat

Data Releases

		Period	Consensus	Prior
July 27	TR Sectoral Confidence Indices	July	-	-
	US Durable Goods Orders, mom	June	1.1%	-4.5%
	US Dallas Fed Manufacturing Index	July	-	0.0
July 28	US Consumer Confidence	July	91.9	91.2
July 29	Fed Meeting	July	3.50%-3.75%	3.50%-3.75%
July 30	TR Unemployment Rate	June	-	8.2%
	TR Economic Confidence	July	-	98.9
	US GDP Growth, prelim, yoy	2026 Q2	2.0%	2.1%
	US Core PCE, mom	June	0.1%	0.3%
	Euro Area GDP Growth, flash, yoy	2026 Q2	-	0.3%
	Euro Area Unemployment Rate	June	-	6.2%
	BoE Meeting	July	-	3.75%
	Germany GDP Growth, flash, yoy	2026 Q2	-	0.5%
	Germany CPI Inflation, flash, yoy	July	-	2.3%
July 31	TR Trade Balance, final	June	-	-5.6 billion USD
	TR Foreign Visitors, yoy	June	-	-3.6%
	US Michigan Consumer Confidence, final	July	-	54.4
	Euro Area HICP Inflation, flash, yoy	July	-	2.8%
	China NBS Manufacturing PMI	July	-	50.3
	China NBS Non-Manufacturing PMI	July	-	50.2
	BoJ Meeting	July	-	1.0%

Source: Datastream, TCMB, TÜİK

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