

	12-Jun	18-Jun	Change		12-Jun	18-Jun	Change
BIST-100 Index	13,938	14,827	6.4 % ▲	EUR/USD	1.1568	1.1456	-1.0 % ▼
TRY 2 Year Benchmark Rate	42.77 %	41.35 %	-142 bp ▼	USD/TRY	46.2606	46.4341	0.4 % ▲
Türkiye 5-Year CDS Premium	229	220	-10 bp ▼	EUR/TRY	53.5209	53.1949	-0.6 % ▼
MSCI EM Equity Index	1,716	1,790	4.3 % ▲	Gold (USD/ounce)	4,219	4,209	-0.2 % ▼
US 10-Year Bond Rate	4.49 %	4.45 %	-3 bp ▼	Brent Oil (USD/barrel)	87.3	79.9	-8.6 % ▼

bp: basis point

While developments in the Middle East continued to be closely monitored this week, meetings of major central banks stood out on the agenda. Reports that a memorandum of understanding would be signed between the U.S. and Iran triggered a sharp weekly decline in oil prices. At its first meeting under Chairman Kevin Warsh, the Fed left its policy rate unchanged at the 3.50%–3.75% range, while Fed members’ projections indicated an increased likelihood of a rate hike in 2026. The BoE also left the policy rate unchanged at its meeting this week. The BoJ, however, raised its policy rate by 25 basis points to 1.0%. In Türkiye, data released this week indicated that industrial production gained momentum in April, while services sector output and retail sales contracted on a monthly basis. Next week, when PMI figures in major economies, sectoral inflation expectations and confidence indices in Türkiye will be released, developments in the Middle East and their impact on the markets will remain the main focus.

The U.S. and Iran signed a memorandum of understanding providing a 60-day ceasefire.

Following the announcement last weekend that the U.S. and Iran had agreed on a draft framework aimed at securing peace in the Middle East, Trump signed the memorandum of understanding on Thursday at the conclusion of the G7 summit. The temporary agreement, which aims to end tensions with Iran and reopen the Strait of Hormuz, is planned to be made permanent within the next 60 days. Issues related to Iran’s nuclear program are also scheduled to be addressed during negotiations to be held in this period. Meanwhile, the postponement of the negotiations between the U.S. and Iran, which were scheduled to take place today under the mediation of Pakistan and Qatar, is causing continued uncertainty regarding the path to a lasting peace.

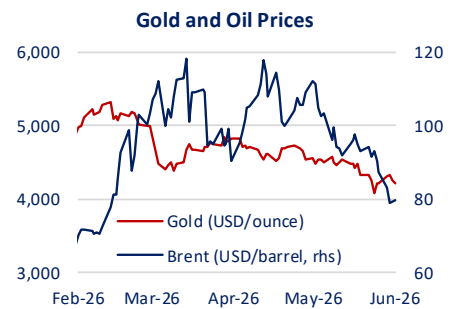
Fed members’ projections pointed to the possibility of an interest rate hike.

At its meeting this week, the Fed kept its policy rate unchanged, in line with market expectations, maintaining it in the 3.50%–3.75% range. According to projections released following the first monetary policy meeting chaired by Fed Chairman Kevin Warsh, members raised their year-end forecast for core personal consumption expenditures (PCE) inflation from 2.7% to 3.3%. In the projections, in which Chairman Warsh did not participate in the vote, 9 of the other 18 FOMC members anticipated at least one interest rate hike during this year. Additionally, members’ growth forecast for 2026 fell from 2.4% to 2.2%, while the unemployment rate forecast was revised down from 4.4% to 4.3%. Warsh’s statement that the Fed had abandoned its forward guidance strategy drew attention during his speech. Warsh also announced that working groups would be formed within the Fed to strengthen the monetary policy framework, focusing on communications, balance sheet policy, data analysis, productivity and jobs, as well as inflation frameworks.

A heavy data was tracked in the U.S.

Industrial production rose by 0.1% mom in May, falling short of market expectations (0.2%) and the previous month’s figure (0.9%). The slowdown in industrial production compared to the previous month indicated that companies were reducing their tendency to build up inventories as concerns over supply chain disruptions began to ease. On the other hand, retail sales in the country expanded by 0.9% mom during the same period, exceeding market expectations. The rapid rise in gasoline prices, which led to a 3.4% monthly increase in gasoline sales, was a key factor in this growth. Consequently, the annual increase in retail sales during this period reached 6.9%, the highest level since January 2023.

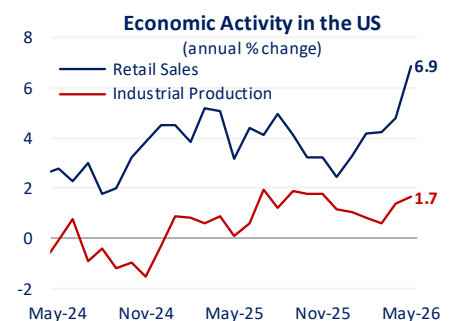
Housing starts in the country decreased by 15.4% mom in May, to 1.18 million units—below market expectations and the lowest level in the past six years. Building permits, a leading indicator of construction sector activity, also declined by 0.7% mom during the same period, falling to 1.41 million units.



FOMC's Macroeconomic Projections (June 2026)

(%)	2026	2027	2028	Longer Run
Federal Funds Rate	3.8	3.6	3.4	3.1
<i>March Projection</i>	3.4	3.1	3.1	3.1
PCE* Inflation	3.6	2.3	2.0	2.0
<i>March Projection</i>	2.7	2.2	2.0	2.0
Real GDP Growth	2.2	2.3	2.2	2.0
<i>March Projection</i>	2.4	2.3	2.1	2.0
Unemployment Rate	4.3	4.3	4.2	4.2
<i>March Projection</i>	4.4	4.3	4.2	4.2

*Personal consumption expenditures



Source: Datastream, Fed

While inflation accelerated in the Euro Area, it has hit a 14-month low in the UK...

According to final data, monthly CPI inflation in the Euro Area stood at 0.1% in May, confirming the preliminary figure, while annual CPI inflation reached 3.2%, its highest level since September 2023, driven by increases in energy and service prices. In the UK, however, annual CPI inflation remained at 2.8% in May, following April's reading, marking its lowest level since March 2025. At its meeting this week, the Bank of England kept its policy rate unchanged at 3.75%, in line with market expectations.

Developments in Asian markets...

The Bank of Japan (BoJ) raised its policy rate by 25 basis points, in line with market expectations, bringing it to 1% for the first time since 1995. While the meeting highlighted inflationary risks stemming from tensions in the Middle East, it was noted that financial conditions would remain accommodative and that economic activity would continue to be supported.

In China, retail sales contracted by 0.6% yoy in May, contrary to expectations of a flat trend, marking the first decline in 3.5 years. During the same period, the country's industrial production rose by 4.5% yoy. The data indicated that domestic demand remains weak, with economic activity being supported by external demand.

In Türkiye, industrial production accelerated.

In April, industrial production rose by 3.7% on a monthly basis (6.0% yoy), while manufacturing production increased by 4.4% mom (6.8% yoy) in April. The manufacture of other transportation equipment, where production shows high volatility from month to month, was the sector with the fastest growth in production, at 83.8% mom (yoy: 92.2%). In April, the construction production index also rose by 0.7% mom and 2.1% yoy. During the same period, the services production index fell by 0.6% mom, but rose by 2.2% yoy.

On the other hand, driven by declines in wholesale and retail sales in April (3.7% and 1.7%, respectively), the trade sales volume index fell by 2.7% mom. During this period, when the annual increase in total trade sales volume recorded its lowest level since July 2024 at 0.1%, the annual rise in retail trade sales volume declined to 11.4%.

The seasonally adjusted real sector confidence index rose by 1 point mom in June, following May, reaching 102.0. According to index's sub-components, the 5.3 point increase in expectations for production volume over the next three months was notable. The 1.6 point decline in expectations for current finished goods inventories was the main factor lowering the index.

Central government budget posted a deficit of 298.2 billion TRY in May.

In May, central government budget expenditures rose by 27% yoy to 1.4 trillion TRY, while budget revenues fell by 18% yoy to 1.1 trillion TRY. Hence, the central government budget posted a deficit of 298.2 billion TRY during this period. In the first five months of the year, the budget deficit rose by 62.5% compared to the same period last year, reaching 1.1 trillion TRY ([Our Budget Balance Report](#)).

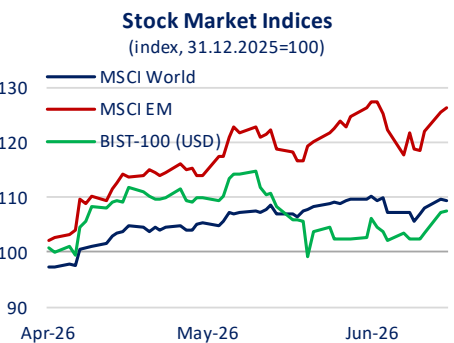
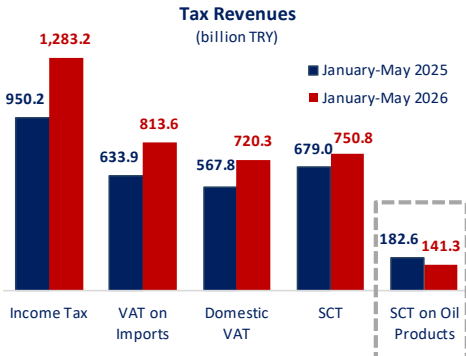
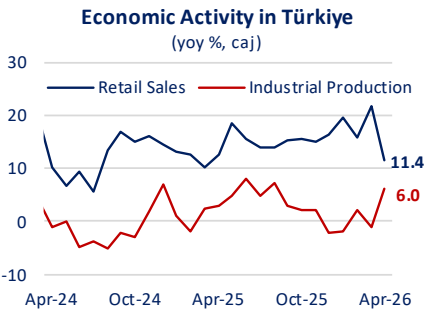
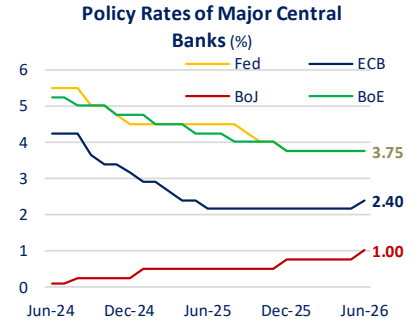
Financial markets...

While the signing of a memorandum of understanding between the U.S. and Iran this week boosted market optimism, the messages conveyed following the Fed meeting tempered that optimism somewhat. As of Thursday's market close, the MSCI World and Emerging Markets indices had risen by 0.97% and 4.32%, respectively, compared to Friday's closure. As traffic through the Strait of Hormuz began to normalize, the price of Brent crude oil fell by nearly 9% to below the 80 USD/barrel. In the meanwhile, gold prices remained relatively flat, closing at 4,210 USD per ounce on Thursday.

In line with the rise in emerging market stock exchanges, the BIST-100 recorded a 6.4% increase this week as well. The 2-year benchmark bond yield fell by 142 basis points this week, standing at 41.35% as of Thursday's close, while Türkiye's 5-year CDS spread declined by 10 basis points.

Next week's agenda...

Next week as well as leading PMI data in major economies, Personal Consumption Expenditures (PCE) price index and final reading of first-quarter GDP figures in the US will be monitored. In Türkiye, sectoral inflation expectations and confidence indices will be released. Developments in the Middle East and their impact on markets will continue to be closely monitored.



Source: Datastream, Turkstat, CBRT

Data Releases

		Period	Consensus	Prior
June 22	Euro Area Consumer Confidence, flash	June	-17.2	-19.0
	China Central Bank Meeting	June	-	3.0%-3.5%
	TR Consumer Confidence Index	June	-	85.8
	TR Foreign Visitors, yoy	May	-	63.9 million persons
	TR Sectoral Inflation Expectations	June	-	-
	TR Household Expectations Survey	June	-	-
	TR Central Government Gross Debt Stock	May	-	14.8 billion TRY
June 23	US Services PMI, flash	June	-	50.7
	US Manufacturing PMI, flash	June	-	55.1
	Euro Area Services PMI, flash	June	48.4	47.7
	Euro Area Manufacturing PMI, flash	June	51.5	51.6
	Germany Services PMI, flash	June	49.0	48.1
	Germany Manufacturing PMI, flash	June	50.0	50.1
June 24	US New Home Sales, units	May	640k units	622k units
	TR Sectoral Confidence Indices	June	-	-
June 25	US Core PCE, mom	May	0.3%	0.2%
	US Durable Goods Orders, mom	May	-	8.0%
	US Dallas Fed Manufacturing Index	May	-	2.5%
	US GDP Growth, final, yoy	2026 Q1	-	1.6%
June 26	US Michigan Consumer Confidence, final	June	-	48.9

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