

	13-Mar	18-Mar	Change		13-Mar	18-Mar	Change
BIST-100 Index	13,093	13,115	0.2 % ▲	EUR/USD	1.1416	1.1450	0.3 % ▲
TRY 2 Year Benchmark Rate	39.82 %	40.38 %	56 bp ▲	USD/TRY	44.2000	44.2000	0.0 % ●
Türkiye 5-Year CDS Premium	273	277	4 bp ▲	EUR/TRY	50.4650	50.6949	0.5 % ▲
MSCI EM Equity Index	1,469	1,517	3.3 % ▲	Gold (USD/ounce)	5,018	4,818	-4.0 % ▼
US 10-Year Bond Rate	4.29 %	4.26 %	-3 bp ▼	Brent Oil (USD/barrel)	103.1	107.4	4.1 % ▲

bp: basis point

As the conflict in the Middle East entered its third week, uncertainty over how long the war would last and concerns about oil supply weighed on markets, while meetings of major central banks were also closely monitored. While Fed and BoJ left interest rates unchanged, their statements reflected a cautious approach toward inflationary risks. ECB and BoE are also not expected to change interest rates at their meetings today. As of Thursday morning, oil prices were trading above the 110 USD/barrel level, and the y-t-d average recorded as of this week has risen to 73 USD/barrel, exceeding last year's average. Next week, March preliminary PMI data for leading global economies are expected. In Türkiye, sectoral inflation expectations and confidence indices are at the forefront of the data calendar.

Tensions in the Middle East continue.

As the US-Iran conflict is on its third week, the near-total closure of the Strait of Hormuz and attacks on energy facilities are putting upward pressure on commodity prices, particularly energy prices. While rising inflationary risks and uncertainty over how long the regional military attacks will last remain as the main issue in global markets, the positive impact of news regarding the resumption of oil exports via the Kirkuk-Ceyhan pipeline was short-lived. As of Wednesday's close, the price of Brent crude oil, which rose by 4.1% compared to last Friday, has averaged 73 USD/barrel since the end of last year, surpassing last year's average level of 68.2 USD/barrel. Although futures market pricing for Brent crude, which is currently around 113 USD/barrel, suggests a downward trend for the coming period, expectations regarding the pace of price normalization appear to be weakening.

The Fed left its policy rate unchanged, in line with expectations.

At its meeting that ended on March 18, the Fed kept its policy rate unchanged in the 3.5%–3.75% range, in line with expectations. In his speech following the meeting, Fed Chair Powell stated that economic activity has shown a solid performance in the first two months of the year, while noting that there has been no significant change in the employment outlook since the summer months. Noting that inflation remains elevated, Powell emphasized that interest rate cuts would not be considered until a sustained decline in inflation is observed. Powell also pointed out that inflation expectations have risen due to the recent increase in oil prices. The Fed members' macroeconomic projections were also closely monitored. It was observed that both growth and inflation forecasts for 2026 and 2027 had been revised upward. The year-end policy rate forecast, however, remained unchanged at 3.4% and 3.1% for these periods, respectively. In this context, while members maintained their expectation of a rate cut this year, markets are pricing in a roughly 40% probability of a 25-basis-point rate cut in 2026.

Other major central bank decisions...

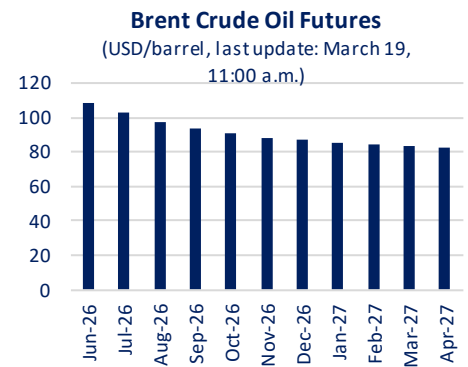
The Bank of Japan (BoJ) kept its policy rate unchanged at 0.75% at its meeting that ended on Thursday morning, in line with expectations. Governor Ueda noted that risks to inflation are tilted to the upside due to the rise in oil prices caused by the conflicts in the Middle East, and stated that the central bank will monitor whether the supply shock will be persistent. The ECB and BoE's interest rate decisions will be announced this afternoon. Neither is expected to make any changes to their policy rates.

February data for major economies...

In the US, February industrial production rose 0.2% mom, slightly exceeding expectations, though it lost momentum compared to the previous month. The annual increase in industrial production fell from 2.3% to 1.4%. In the country, PPI inflation rose to 0.7% mom (previous: 0.5%) and 3.4% yoy (previous: 2.9%) in February, gaining momentum contrary to expectations. In Japan, exports rose by 4.2% yoy in February, exceeding expectations of 1.6%. During this period, exports to the US fell by 8% yoy, while exports to the EU rose by 14%. Imports, which had contracted by 2.6% in January, recorded their fastest increase in a year at 10.2% in February.

Leading indicators for March...

The New York Fed manufacturing index stood at -0.2 in March, signaling a deterioration in



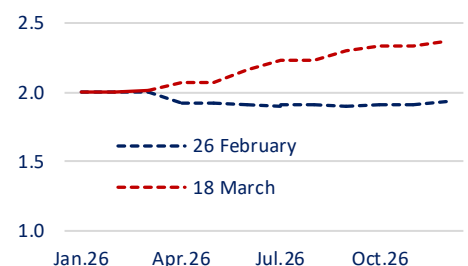
FOMC's Macroeconomic Projections

(March 2026)

(%)	2026	2027	2028	Longer Run
Federal Funds Rate	3.4	3.1	3.1	3.1
<i>December Projection</i>	3.4	3.1	3.1	3.0
PCE* Inflation	2.7	2.2	2.0	2.0
<i>December Projection</i>	2.4	2.1	2.0	2.0
Real GDP Growth	2.4	2.3	2.1	2.0
<i>December Projection</i>	2.3	2.0	1.9	1.8
Unemployment Rate	4.4	4.3	4.2	4.2
<i>December Projection</i>	4.4	4.2	4.2	4.2

*Personal consumption expenditures

Market Expectations Regarding the ECB's Policy Rate (%)



Source: Datastream

business conditions. In the Euro Area, the ZEW economic sentiment index fell to -8.5 in March from 39.4 in February. As a result, the index dropped to its lowest level since April 2025, when the U.S. announced “retaliatory tariffs”, while inflation expectations also saw a sharp rise in March.

The central government budget recorded a surplus of 24.4 billion TRY in February.

In February, central government budget revenues rose by 87.1% compared to the same month last year, reaching 1.4 trillion TRY, while budget expenditures increased by 28.6% to 1.3 trillion TRY. Thus, the central government budget, which recorded a deficit of 310.1 billion TRY in February 2025, posted a surplus of 24.4 billion TRY in the same month this year ([see our Budget Balance report](#)).

Assessments regarding geopolitical risks were monitored in the summary of the last Monetary Policy Committee (MPC) meeting.

Noting that the underlying trend of inflation remained almost flat in February, CBRT stated that the negative course observed in food prices during the first two months of the year has lost pace in March, according to leading indicators. Projecting that demand conditions would continue to support the disinflation process, the CBRT noted that the implementation of the sliding scale mechanism significantly limited the impact of rising oil prices on the CPI. In the summary, it was also noted that downward risks to portfolio flows have increased due to rising uncertainties, and stated that should a significant and persistent deterioration in the inflation outlook occur, which can also be driven by the recent developments, monetary policy stance would be tightened.

Financial markets...

During a week marked by high volatility in the markets, the MSCI World Index rose 0.3% as of Wednesday's close compared to last Friday. While the DXY index closed at 100.1 yesterday, gold prices are down by about 5% as of this morning compared to Friday's close, partly due to weakening expectations of interest rate cuts.

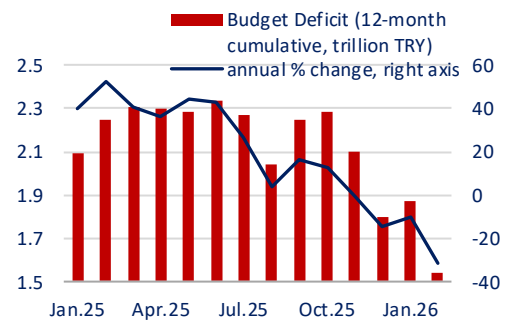
The BIST-100 index rose by a modest 0.2% as of Wednesday compared to Friday's close. Türkiye's 5-year CDS spread rose by 4 basis points to 277, while yields on 2-year and 10-year Treasury bonds increased by 56 and 6 basis points, respectively, reaching 40.38% and 32.92%. These levels indicated that the yield on the 2-year bond reached its highest level since October 2025, while the yield on the 10-year bond reached its highest level since September 2025.

Fitch noted that the short-term impacts of the ongoing war in the Middle East on the Turkish economy are manageable, warning that a prolonged conflict could lead to a potential decline in reserves, which might put pressure on Türkiye's credit rating.

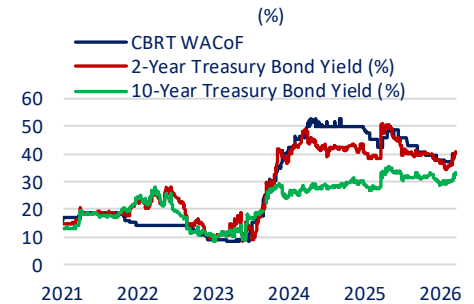
Next week's data calendar...

Next week, in Türkiye, data on household and real sector inflation expectations and confidence indices will be in the spotlight. On the global front, leading economies' preliminary PMI data for March will be closely monitored.

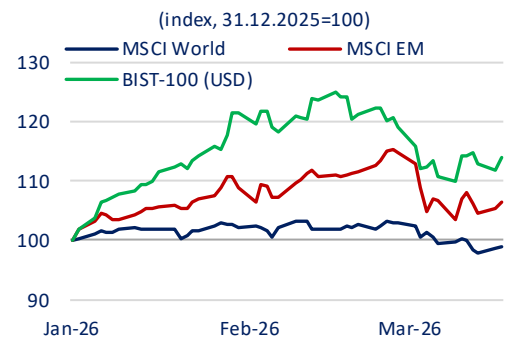
Budget Deficit



CBRT Weighted Average Cost of Funding and Treasury Bond Yields (%)



Stock Market Indices



Data Releases

		Period	Consensus	Prior
23 March	TR Consumer Confidence Index	March	-	85.7
	TR Foreign Visitors, yoy	February	-	3.48%
	TR Central Government Gross Debt Stock	February	-	14.3 trillion TRY
24 March	Euro Area Consumer Confidence, flash	March	-	-12.2
	TR Household Expectations Survey	March	-	74.0%
	TR Real Sector Confidence Index, SA	March	-	104.1
	US Manufacturing PMI, flash	March	-	51.6
	US Services PMI, flash	March	-	51.7
	Euro Area Manufacturing PMI, flash	March	-	50.8
	Euro Area Services PMI, flash	March	-	51.9
25 March	Japan CPI Inflation, yoy	February	-	1.5%
	TR Household Expectations Survey	March	-	-
	TR Sectoral Inflation Expectations	March	-	-
	TR Sectoral Sentiment Indices	March	-	-
27 March	UK CPI Inflation, yoy	February	-	3.0%
	Germany Ifo Business Climate	March	-	88.6
	US Michigan Consumer Confidence, final	March	-	55.5

Source: Datastream, CBRT, Turkstat

Economic Research Division

Alper Grler
Division Head
alper.gurler@isbank.com.tr

Gamze Can
Asst. Manager
gamze.can@isbank.com.tr

H. Erhan Gl
Unit Manager
erhan.gul@isbank.com.tr

Bra Ceylan
Asst. Economist
busra.ceylan@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

LEGAL NOTICE

This report has been prepared by Trkiye İ Bankası A.. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Trkiye İ Bankası A.. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Trkiye İ Bankası A,, accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.