Weekly Bulletin

May 2026 / 21

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	15-May	21-May	Change
BIST-100 Index	14,368	13,164	-8.4 % ▼
TRY 2 Year Benchmark Rate	42.37 %	43.83 %	146 bp ▲
Türkiye 5-Year CDS Premium	242	259	17 bp ▲
MSCI EM Equity Index	1,668	1,676	0.4 % ▲
US 10-Year Bond Rate	4.60 %	4.58 %	-1 bp ▼

	15-May	21-May	Change
EUR/USD	1.1625	1.1618	-0.1 % ▼
USD/TRY	45.4901	45.5719	0.2 % ▲
EUR/TRY	52.9189	53.0990	0.3 % ▲
Gold (USD/ounce)	4,538	4,544	0.1 % ▲
Brent Oil (USD/barrel)	109.3	102.6	-6.1 % ▼

bp: basis point

This week, optimistic expectations regarding the peace talks between the U.S. and Iran influenced the course of global markets. Data released in the U.S. this week presented a positive outlook for the manufacturing sector, supported by front-loaded demand stemming from tensions in the Middle East. Meanwhile, minutes from the Fed's April meeting indicated that additional rate hikes could be considered if inflation continues to remain persistently above target. Incoming data from the Euro Area confirmed the weak economic outlook. The European Commission revised its 2026 growth forecast for the Euro Area downward to 0.9%, while raising its inflation forecast to 3.0%. Domestically, May sectoral confidence indices and inflation expectations presented a mixed picture. While 12-month-ahead inflation expectations increased among market participants, they declined in the real sector and among households. In addition, the seasonally adjusted capacity utilization rate in the manufacturing industry rose by 0.1 percentage points mom to 74.1% in May. Looking ahead, developments in the Middle East and the U.S. core PCE data for April will be closely monitored in global markets next week. Domestically, the data agenda is quiet due to the holiday.

Preliminary PMI data in the U.S. increased, supported by inventory accumulation.

The U.S. manufacturing PMI for May rose to 55.3, reaching its highest level since May 2022. This development was largely driven by front-loaded purchasing activity and inventory accumulation amid rising input costs. Although the services PMI remained in expansion territory at 50.9, price increases and uncertainties stemming from the Middle East continued to weigh particularly on external demand.

According to the minutes of the Fed meeting that concluded on April 29, a significant number of Fed officials considered that additional rate hikes could once again come onto the agenda if inflation continues to remain persistently above the 2% target. Furthermore, it was stated that some members argued against signaling policy easing in Fed guidance and emphasized that the option of further rate hikes should remain on the table if necessary. While the minutes indicated expectations that the labor market would maintain its stable outlook in the short term, they also highlighted that rising cost pressures associated with geopolitical developments, together with the resilience of economic activity, were increasing inflationary pressures.

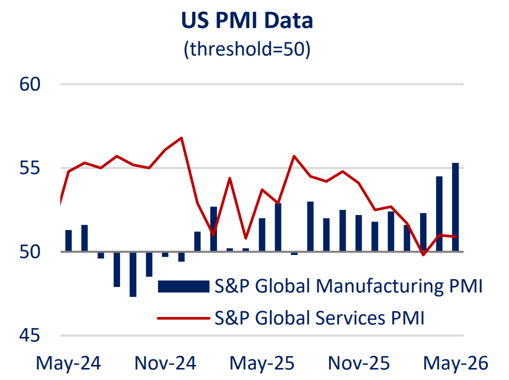
The data released for the Euro Area gave weak signals.

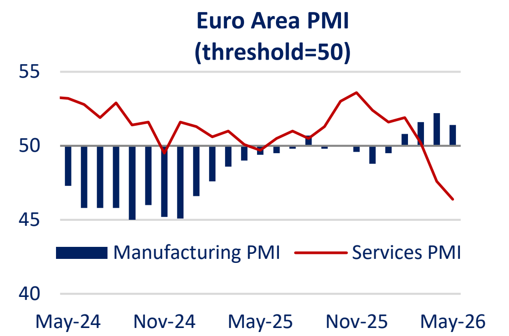
In Euro Area, according to preliminary data the manufacturing PMI fell by 0.8 points mom in May to 51.4, coming in below expectations, while the services PMI dropped to 46.4, its lowest level in nearly five years. As a result, the composite index fell to 47.5, marking its worst performance since October 2023. While the decline in new orders and the weakening demand support driven by inventory buildup in the manufacturing sector were key factors in the loss of momentum; on the services side, the decline in export orders, coupled with high price pressures, contributed to the weak outlook. Also, consumer confidence in the Euro Area remained below historical averages in May, registering a value of -19.0.

The European Commission has published its Spring 2026 Economic Forecast. The report noted that the pressures exerted by the conflict in the Middle East on energy prices and inflation have constrained economic activity in the Euro Area. Accordingly, the 2026 growth forecast for the Euro Area was revised down from 1.2% to 0.9%, and the 2027 forecast was revised down from 1.4% to 1.2%. The inflation forecast for the Euro Area has been raised from 1.9% to 3.0% for 2026 and from 2.0% to 2.3% for 2027.

Data on Asian economies was monitored.

Industrial production in China, which rose by 5.7% in March, increased by 4.1% yoy in April, indicating that production growth continued but at a slower pace.





Source: Datastream

The fact that retail sales grew by just 0.2% in April -the weakest performance since December 2022- also signaled a slowdown in demand conditions. In line with market expectations, the PBoC left benchmark lending rates unchanged at May meeting. Hence, 1-year and 5-year loan prime rates remained unchanged at 3.0% and 3.5%, respectively.

Japan's economy grew by 0.5% in the first quarter of 2026 compared to the same period a year earlier, exceeding expectations by 0.1 percentage points, while the 0.3% growth figure for the previous quarter was revised down to 0.2%. As a result, Japan's annualized growth rate for the first quarter came in at 2.1%, exceeding both expectations and the previous period's figure. While it appears that the negative effects of developments in the Middle East have not been reflected in the country's first-quarter growth figures to the extent expected, it is anticipated that these effects will become more pronounced in the second quarter.

Sectoral inflation expectations presented a mixed picture.

According to the May results of the Sectoral Inflation Expectations published by the CBRT, annual inflation expectations for 12 months ahead rose by 0.4 percentage points to 23.82% among market participants in May compared to the previous month, while they fell by 0.6 percentage points to 33.1% in the real sector and by 2.1 percentage points to 49.51% among households. Additionally, according to the Household Expectations Survey, the percentage of households expecting inflation to decline over the next 12 months increased by 1.0 percentage points compared to the previous month, reaching 15.6%. The product/service groups for which participants expected prices to rise the most over the next 12 months continued to be food, fuel, and energy.

The capacity utilization rate stood at 74.1% in May.

The seasonally adjusted capacity utilization rate for the manufacturing sector as a whole rose by 0.1 percentage points mom to 74.1% in May. During this period, the largest increase was 4.3 percentage points in the manufacture of machinery and equipment not classified elsewhere, while the sharpest decline was 5.5 percentage points in the manufacture of motor vehicles.

Central government gross debt stock reached 14.8 trillion TRY in April.

According to data from the Ministry of Treasury and Finance, the central government debt stock increased by 37.3% year-on-year as of end-April, reaching TRY 14.8 trillion. Of the total debt stock, 7.0 trillion TRY was denominated in Turkish lira, while 7.7 trillion TRY consisted of foreign-currency-denominated debt.

Financial markets…

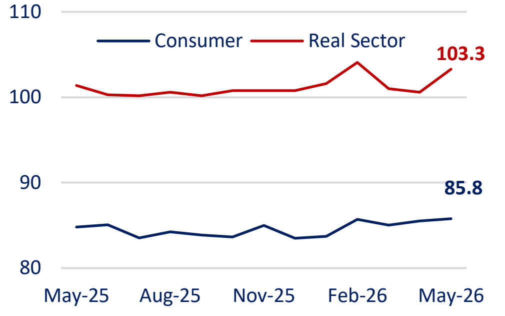
During a week marked by growing optimism that peace could soon be reached between the parties in the Middle East, reports that Iran allowed the passage of various vessels, including oil tankers, through the Strait of Hormuz weighed on oil prices. As a result, Brent crude oil declined by 6.1% to USD 102.6 per barrel as of Thursday's close. The MSCI World and Emerging Markets equity indices rose by 0.8% and 0.4%, respectively.

Amid selling pressure driven by the domestic agenda, the BIST-100 index fell by 8.4% to 13,164, while Türkiye's 5-year CDS premium increased by 17 basis points to 259 basis points.

Next week's agenda…

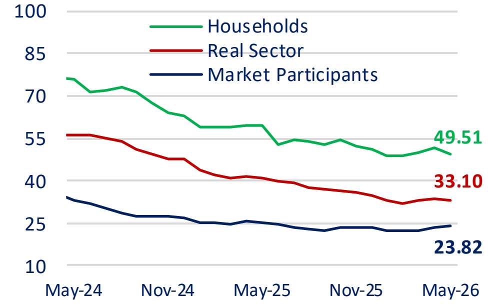
Next week, developments regarding peace talks between the US and Iran are expected to remain the main focus for global markets, while the April core PCE data in the US will be closely monitored. In Türkiye, the data calendar will be relatively quiet due to the holiday period.

Consumer and Real Sector Confidence Indices

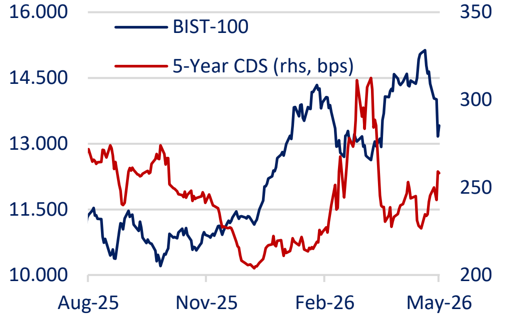


Sectoral Inflation Expectations

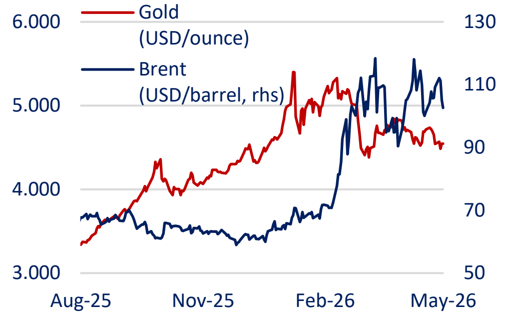
(12 months ahead, %)



BIST-100 and CDS



Gold and Oil Prices



Source: Datastream, Turkstat, CBRT, Ministry of Treasury and Finance

Data Releases

		Period	Consensus	Prior
May 25	TR Economic Confidence	May	-	96.4
May 26	US Consumer Confidence	May	-	92.8
	US Dallas Fed Manufacturing Index	May	-	-2.30
May 28	Euro Area Consumer Confidence, final	May	-	-19.0
	US Core PCE, mom	April	-	0.3%
	US Durable Goods Orders, mom	April	-	0.8%
	US GDP Growth, prelim, yoy	Q1	-	2.0%
	US New Home Sales, mom	April	-	682 thousand units
May 29	Germany CPI Inflation, flash, yoy	May	-	2.90%

Source: Datastream, CBRT, Turkstat

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