

|                            | 14-Nov  | 20-Nov  | Change    |                        | 14-Nov  | 20-Nov  | Change   |
|----------------------------|---------|---------|-----------|------------------------|---------|---------|----------|
| BIST-100 Index             | 10,566  | 10,980  | 3.9 % ▲   | EUR/USD                | 1.1620  | 1.1527  | -0.8 % ▼ |
| TRY 2 Year Benchmark Rate  | 40.60 % | 39.58 % | -102 bp ▼ | USD/TRY                | 42.2425 | 42.3645 | 0.3 % ▲  |
| Türkiye 5-Year CDS Premium | 245     | 241     | -4 bp ▼   | EUR/TRY                | 49.0070 | 48.9387 | -0.1 % ▼ |
| MSCI EM Equity Index       | 1,386   | 1,372   | -1.0 % ▼  | Gold (USD/ounce)       | 4,079   | 4,077   | -0.1 % ▼ |
| US 10-Year Bond Rate       | 4.15 %  | 4.10 %  | -4 bp ▼   | Brent Oil (USD/barrel) | 64.4    | 63.4    | -1.6 % ▼ |

bp: basis point

In a week when Fed minutes and statements by Fed members were closely monitored, US employment data stood out on the agenda. Although non-farm payrolls increased above expectations in September, the rise in the unemployment rate presented a mixed picture of the labor market. Increased selling pressure continued this week as concerns about overvaluation in the stock market gained momentum. In Türkiye, the central government budget recorded a deficit of 223.2 billion TRY in October, while the consumer confidence index rose to 85 in November. Gold prices remained flat during a week when expectations of Fed's rate cuts weakened. Moreover, Zelensky's positive stance toward Trump's proposed ceasefire agreement led to a decline in oil prices. Next week there will be a busy data agenda that includes confidence indices, sectoral inflation expectations, and labor market data in Türkiye.

#### Fed minutes and statements by Fed officials were monitored.

Following the reopening of the federal government in the US, statements by Fed officials and the minutes of the Fed's October meeting were monitored this week. While both Fed Vice Chair Jefferson and Fed Governor Waller highlighted downside risks in the labor market, they diverged in their views on the next meeting. Jefferson took a cautious stance, noting the uncertainty surrounding the data releases until the December meeting, while Waller clearly stated his support for a 25 bps rate cut in December. Cleveland Fed President Hammack and Fed Governor Cook, meanwhile, voiced their concerns about financial markets and emphasized the risks of another rate cut. The minutes of the October meeting also indicated that Fed members disagreed about the risks to inflation and employment. While many participants indicated that it would be appropriate to leave the policy interest rate unchanged for the rest of the year, some favored a rate cut in December. During the week, Trump reiterated his desire to remove current Fed Chairman Jerome Powell from office but said he would not do so and that he had already decided on a replacement, although he had not yet announced the name.

#### Nonfarm payroll exceeded expectations in September.

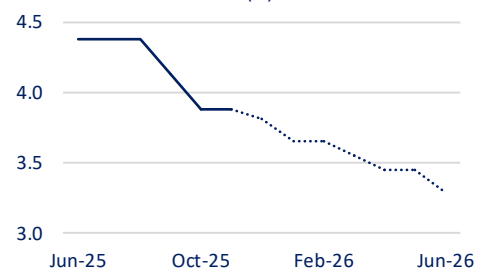
Employment data for September, which could not be released at the beginning of October due to the US government shutdown, was published this week. According to the data, nonfarm payrolls increased by 119,000 in September, exceeding expectations, while August data, which had previously pointed to an increase in employment, was revised to show a decline. The unemployment rate in September was announced at 4.4%, the highest level since October 2021. On the other hand, jobless claims for the week ending November 15 declined from the previous week, falling below expectations. Following the employment data, which presented a mixed picture amid Fed officials' cautious statements and increasingly weakening expectations for interest rate cuts, no significant change was observed. The market does not expect an interest rate cut in December with a probability of over 70%.

According to data released with a delay in the US, exports remained relatively flat on a monthly basis in August, while imports declined by 5.1% during this period due to the impact of customs tariffs. The decline in consumer goods imports to levels seen at the beginning of the pandemic and the drop in capital goods imports indicated that business and consumer spending slowed during this period.

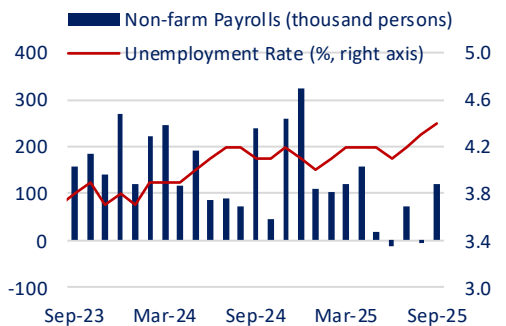
#### Japan announced a new stimulus package.

With the Japanese economy declining by 0.4% in the third quarter compared to the previous quarter, the government approved a 135 billion USD stimulus package, with more than half of it going to households. The larger-than-expected scale of the stimulus package has heightened concerns about inflation in the country. Indeed, according to data released this morning, Japan's annual CPI inflation rose to 3.0% in October, moving slightly further away from the BoJ's target level. The recent rise in bond yields in Japan stands out as another significant development pushing uncertainty in global markets.

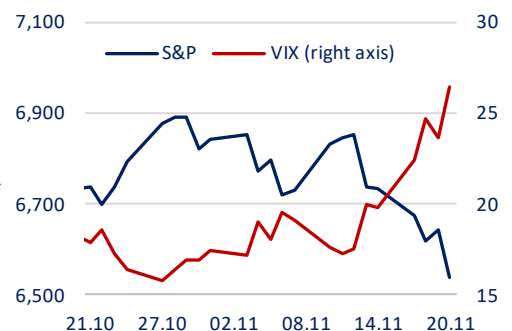
#### Market Expectations for Fed's Interest Rate Cuts (%)



#### US Labor Market



#### S&P and VIX Indices



Source: Datastream

**Core CPI indicators in the UK presented a positive outlook.**

Monthly CPI inflation in the UK for October was 0.4%, in line with market expectations and the highest level since April. On the other hand, annual CPI inflation in the country slowed for the first time since May, falling to 3.6%. Core CPI inflation, which came in below market expectations at 0.3% mom, also fell to 3.4% yoy. These figures support expectations that the BoE could cut interest rates by 25 bps in December, presenting a positive outlook ahead of the budget talks starting next week in the UK.

**The central government budget recorded a deficit of 223.2 billion TRY in October.**

In October, central government budget revenues increased by 49.1% yoy to 1.1 trillion TRY, while budget expenditures rose by 43.4% to 1.4 trillion TRY. Thus, the central government budget recorded a deficit of 223.2 billion TRY in October, while the non-interest budget deficit was 65.8 billion TRY. ([Our Budget Balance report](#)).

**The consumer confidence index rose in November.**

Following two months of decline, the consumer confidence index rose by 1.4 points mom in November, reaching 85. Looking at the sub-indices, the highest increases in points compared to the previous month were observed in the items "Buying time condition of durable goods at present" and "The probability of buying or building a home over the next 12 months". The deterioration observed in the sub-indices containing assessments of the inflation trend during this period was noteworthy.

The housing price index announced by the CBRT recorded an increase of 1.6% mom and 31.6% yoy in October, below CPI inflation. Thus, the annual real decline in housing prices continued in October at a level of 1%, marking its 21st consecutive month.

**Data released on agricultural production costs...**

Agriculture-PPI and agricultural input price index data, which are closely monitored in terms of food inflation, were announced. Although the Agriculture-PPI lost some momentum in October, both monthly (4.0%) and annually (45.4%), based on 12-month averages, the annual increase rate was recorded at 38.8%, the highest level in the last 7 months. High annual increases in fruit production costs stood out in October. The agricultural input price index also gained momentum in September, rising 2.2% mom and reaching its highest level in 14 months at 34.6% yoy.

**The increase in gold prices is supporting CBRT reserves.**

According to securities statistics announced for the week ending November 14, the stock portfolio of non-residents, adjusted for price and exchange rate movements, contracted by 158.8 million USD after two weeks of expansion, while the GDDS portfolio recorded an increase of 352.1 million USD. During the same period, the CBRT's gross reserves increased by 2.4 billion USD to 187.4 billion USD, partly due to the rise in gold prices. Net reserves, however, declined to 72.2 billion USD during this period.

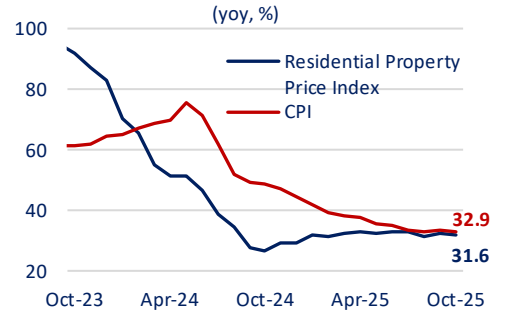
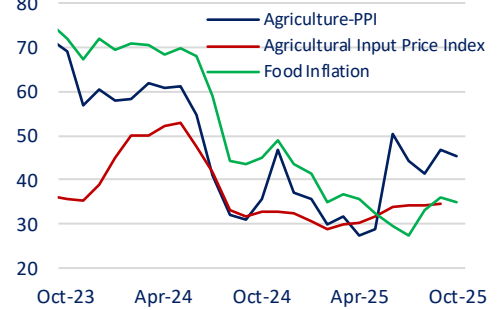
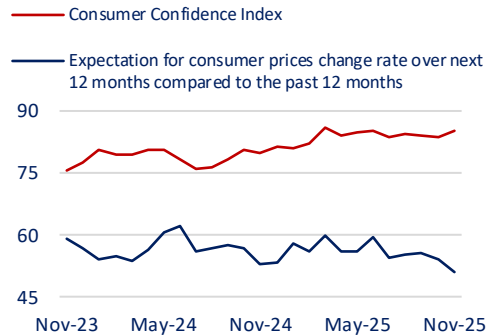
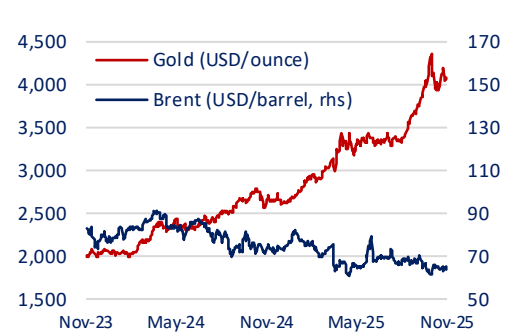
**Financial markets...**

In addition to deteriorating expectations regarding the Fed's rate cut process, uncertainty originating in Japan this week and growing concerns about excessive valuations, particularly in technology stocks, led to a weakening of global risk appetite. Nvidia's positive balance sheet on Wednesday also sparked short-lived optimism. In a week when expectations for Fed rate cuts continued to weaken, gold prices moved sideways, while oil prices were set to end the week lower amid developments that could potentially bring an end to the war between Russia and Ukraine.

As of Thursday's close, the BIST-100 index had risen by 3.9% compared to last Friday, while the USD/TRY and EUR/TRY remained relatively flat over the same period. The yield on the 2-year benchmark government bond stood at 39.58% at Thursday's close, and the 10-year benchmark yield was 32.38%. Türkiye's 5-year CDS premium declined to 241 bps.

**Next week's agenda...**

In Türkiye, a busy data calendar will be monitored, including confidence indices, sectoral inflation expectations, and employment figures. In addition, the CBRT will publish its Financial Stability Report on 28 November. In the United States, data such as PPI, industrial production, and retail sales stand out for the upcoming week, although it will be closely followed whether there will be any delays in the release of these figures.

**Residential Property Price Index and CPI****Agricultural Production Indicators****Consumer Confidence Index****Gold and Crude Oil Prices**

Source: Datastream, CBRT, Turkstat

## Data Releases

|             |                                     | Period   | Consensus | Prior       |
|-------------|-------------------------------------|----------|-----------|-------------|
| 24 November | TR Capacity Utilization Rate, SA    | November | -         | 74.0%       |
|             | TR Real Sector Confidence Index, SA | November | -         | 102.0       |
|             | TR Sectoral Sentiment Indices       | November | -         | -           |
| 25 November | TR Sectoral Inflation Expectations  | November | -         | -           |
| 27 November | TR Trade Balance                    | October  | -         | -6.9 bn USD |
|             | TR Economic Confidence              | November | -         | 98.2        |
|             | EU Economic Confidence Index        | November | -         | 96.8        |
| 28 November | TR Unemployment Rate                | October  | -         | 8.6%        |
|             | Germany CPI Inflation, flash, mom   | November | -         | 0.3%        |

## US Data Releases

|                |                               |           |              |              |
|----------------|-------------------------------|-----------|--------------|--------------|
| 18-25 November | US Industrial Production, mom | September | 0.0%         | 0.1%         |
| 19-26 November | US Housing Starts, units      | September | 1.32 million | 1.31 million |
| 25 November    | US PPI Inflation, yoy         | September | 2.7%         | 2.6%         |
|                | US Retail Sales, mom          | September | 0.4%         | 0.6%         |
|                | US Consumer Confidence        | November  | 93.3         | 94.6         |
|                | US Pending Home Sales, mom    | October   | -            | 0.0%         |
| 26 November    | US Durable Goods Orders, mom  | September | 0.2%         | 2.9%         |
|                | US New Home Sales, units      | September | 0.7 million  | 0.8 million  |

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