

	18-Jul	24-Jul	Change		18-Jul	24-Jul	Change
BIST-100 Index	10,366	10,689	3.1 % ▲	EUR/USD	1.1625	1.1754	1.1 % ▲
TRY 2 Year Benchmark Rate	41.13 %	40.06 %	-107 bp ▼	USD/TRY	40.3613	40.6593	0.7 % ▲
Türkiye 5-Year CDS Premium	285	276	-9 bp ▼	EUR/TRY	46.9365	47.4250	1.0 % ▲
MSCI EM Equity Index	1,249	1,267	1.4 % ▲	Gold (USD/ounce)	3,349	3,368	0.6 % ▲
US 10-Year Bond Rate	4.43 %	4.41 %	-2 bp ▼	Brent Oil (USD/barrel)	69.3	69.2	-0.1 % ▼

bp: basis point

This week, CBRT cut its policy rate by 300 basis points to 43%, while the Market Participants Survey showed that inflation expectations continued to recover. Domestic confidence indices pointed to a deterioration in consumer and real sector confidence, while the sectoral outlook was mixed. Trade wars remained on the agenda this week, with the US and Japan reaching an agreement on tariffs. In the US, PMI data for July showed a mixed picture, with the housing market continuing to perform poorly. The ECB paused its cycle of rate cuts at this week's meeting, leaving its benchmark interest rates unchanged. The data calendar for the upcoming week will be extremely busy, with Fed and BoJ meetings taking primary focus. Moody's and Fitch are expected to publish their assessments of the Turkish economy after markets close today.

### CBRT cuts policy rate to 43%

At its July meeting, the CBRT cut the one-week repo auction rate, which is the policy rate, by 300 basis points, from 46% to 43%; the overnight lending rate from 49% to 46%; and the overnight borrowing rate from 44.5% to 41.5%. The statement released after the meeting noted that the main trend in inflation remained flat in June, but that leading indicators pointed to a temporary increase in monthly inflation in July due to temporary factors. The statement also emphasized that the step size on the policy path would be assessed based on the inflation outlook, on a meeting-by-meeting basis, and with a cautious approach.

### The Market Participants Survey showed a decline in inflation expectations.

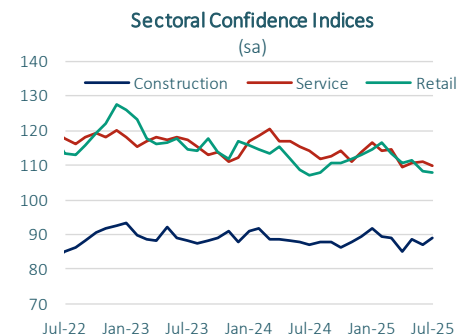
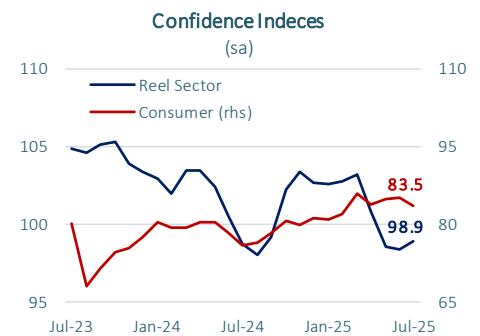
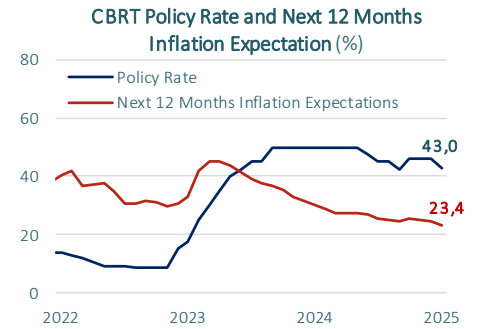
According to the July results of the Market Participants Survey published by the CBRT, the market's inflation expectations for the end of this year, as well as inflation expectations for 12 and 24 months ahead, continued to decline. The survey participants' inflation expectations for the end of this year declined by 0.2 points to 29.66%. Thus, the market's year-end inflation expectations converged slightly closer to the upper band of the forecast range of 29% shared by the CBRT in its May Inflation Report. Market participants' inflation expectations for July stood at 2.11%, while their USD/TRY exchange rate expectations for the end of this year were recorded at 43.72, with a limited increase.

### Consumer confidence declined in July.

The seasonally adjusted consumer confidence index fell by 1.8% compared to the previous month, dropping to 83.5 in July. Expectations regarding the household's financial situation for the current and next 12-month periods declined by 1.6% and 1.4%, respectively, on a monthly basis, while the 4.2% decline in expectations for the general economic situation over the next 12 months was notable. On the other hand, in July, sectoral confidence indices declined by 0.8% and 0.5% on a monthly basis in the services and retail sectors, respectively, while the construction sector recorded a 2.2% increase. The real sector confidence index announced by the CBRT also increased by 0.5 points on a monthly basis in July, rising to 98.9, while the manufacturing industry capacity utilization rate declined by 0.3 points to 74.1%.

### US economic activity data exhibited a mixed outlook.

In the US, the preliminary manufacturing PMI fell by 3.2 points mom in July to 49.5, sliding back into contraction territory for the first time in seven months. On the other hand, the preliminary services PMI for the same period rose from 52.9 to



Source: TURKSTAT, CBRT, Datastream

55.2, indicating acceleration in the sector. Trade tariffs and, to a greater extent, rising labor costs caused increased price pressures in both sectors. In the country, existing home sales in June came in at 3.93 million units, below expectations and the lowest level in the past nine months, while the monthly increase of 0.6% in new home sales also failed to meet expectations. High mortgage rates and economic uncertainty are weighing on the housing market, according to the data releases.

The main item on the trade war agenda this week was US President Trump's declaration that tariffs on Japan, including the auto industry, would be lowered from 25% to 15%. Japan agreed to invest USD 550 billion in the US as part of the deal. However, the EU unveiled a second tariff list worth €72 billion in response to Trump's threat of a 30% tariff on EU goods. It was said that if negotiations failed, this list would take effect in addition to the 21 billion euro list that had already been announced. Meanwhile, news emerged during the week that a trade agreement between the US and the EU could be reached.

#### The ECB paused its interest rate cut cycle in July.

After lowering its benchmark interest rates by 25 basis points at each of its four meetings this year, the ECB held interest rates steady at its July meeting, as anticipated. In her post-meeting remarks, ECB President Lagarde stated that the region's economy is robust and that the current inflation rate is within its goals. On the other hand, she noted that tariffs and the slowdown in global trade are raising uncertainty regarding the inflation outlook.

The flash PMI data for July announced in the region exceeded expectations, presenting a relatively positive outlook for economic activity. During this period, the manufacturing PMI rose to 49.8, its highest level since July 2022. The services PMI also remained positive at 51.2, continuing to present a favorable outlook for sector activity. Additionally, consumer

#### Financial markets...

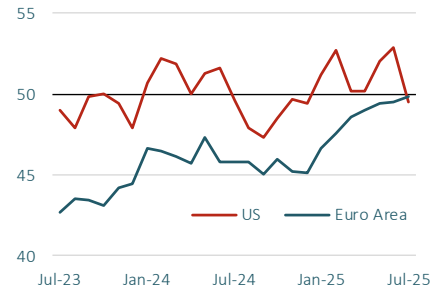
Global markets closely monitored developments regarding trade wars and US President Trump's visit to the Fed last week. Trump said he would prefer to see interest rates at much lower levels, but that firing Fed Chairman Powell was not necessary. This week, the trade agreement with Japan supported the risk appetite in Asian markets, especially in Japan. US stock markets also reached new record highs on the back of rising optimism over trade wars as well as better-than-expected balance sheets, particularly from NVIDIA and Alphabet. On the commodity side, the Brent crude oil price per barrel declined slightly, while the gold price per ounce increased slightly.

In Türkiye, the BIST-100 index is set to close the week positively thanks to the rapid rise at the beginning of the week. Türkiye's 5-year CDS risk premium decreased by 9 bps to 276 bps as of Thursday's close compared to last Friday, while the Turkish lira depreciated against USD and EUR.

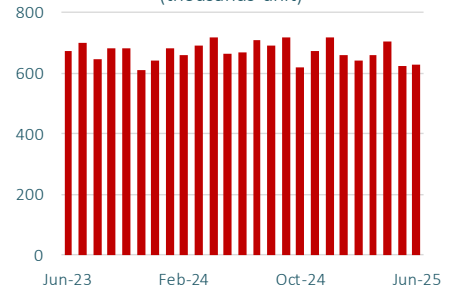
#### Next week's agenda...

A busy data agenda will be followed in the markets next week. In addition to Fed and BoJ meetings that will be held, second-quarter growth data for the US and Euro Area will be released. Furthermore, personal consumption expenditures and non-farm payrolls data for June in the US and preliminary inflation data in the Euro Area stand out on the agenda. In Türkiye, the ICI manufacturing PMI for July and tourism data for the second quarter will be released. In addition, Moody's and Fitch are expected to publish their assessments on the Turkish economy after the markets close today.

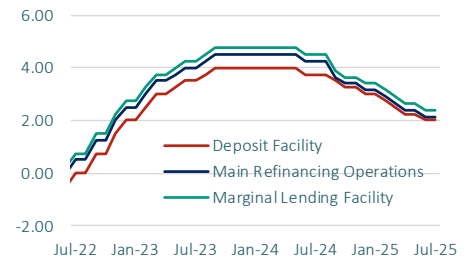
US and Euro Area Manufacturing PMI



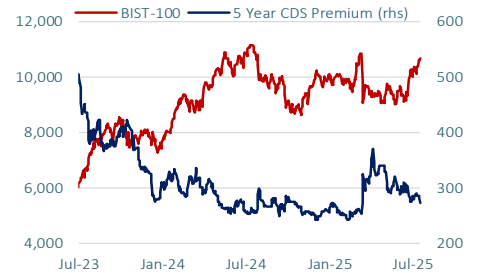
US New Home Sales  
(thousands unit)



ECB Key Interest Rates  
(%)



BIST-100 and 5 Year CDS Premium



Source: Fed, S&P, BIST, Datastream

## Data Releases

		Period	Consensus	Prior
28 July	TR Sectoral Inflation Expectations	July	-	-
29 July	USA Consumer Confidence	July	-	93.0
30 July	TR Economic Confidence	July	-	96.7
	TR Unemployment Rate	June	-	8.4%
	USA GDP Growth, prelim, yoy	Q2	2.5%	-0.5%
	Fed Meeting	July	4.25%-4.5%	4.25%-4.5%
	Euro Area GDP Growth, flash, yoy	Q2	1.2%	1.5%
31 July	TR Foreign Visitors, yoy	June	-	-1.8%
	TR Tourism Revenues	Q2	-	9.45 billion USD
	USA Personal Consumption Expenditures, mom	June	0.3%	0.1%
	Euro Area Unemployment Rate	June	6.3%	6.3%
	Germany CPI Inflation, flash, mom	July	0.2%	0.1%
	BoJ Meeting	July	0.5%	0.5%
	China NBS Manufacturing PMI	July	49.7	49.7
1 August	TR ISO Türkiye Manufacturing PMI	July	-	46.7
	USA Nonfarm Payrolls	June	102 thousand	147 thousand
	USA Unemployment Rate	June	4.2%	4.1%
	USA ISM Manufacturing PMI	July	49.6	49.0
	USA Michigan Consumer Confidence, final	July	-	61.8
	Euro Area CPI Inflation, flash, yoy	July	1.9%	2.0%
	China Caixin Manufacturing PMI, final	July	50.5	50.4

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