

	13-Jun	19-Jun	Change		13-Jun	19-Jun	Change
BIST-100 Index	9,312	9,102	-2.3 % ▼	EUR/USD	1.1552	1.1494	-0.5 % ▼
TRY 2 Year Benchmark Rate	45.60 %	45.17 %	-43 bp ▼	USD/TRY	39.4093	39.6182	0.5 % ▲
Turkey 5-Year CDS Premium	302	310	8 bp ▲	EUR/TRY	45.5144	45.5420	0.1 % ▲
MSCI EM Equity Index	1,190	1,177	-1.1 % ▼	Gold (USD/ounce)	3,432	3,370	-1.8 % ▼
US 10-Year Bond Rate	4.42 %	4.40 %	-3 bp ▼	Brent Oil (USD/barrel)	74.2	78.9	6.2 % ▲

bp: basis point

This week developments in the Middle East were high on the agenda, while central banks' monetary policy decisions were closely monitored. With the exception of the Swiss National Bank, which cut its policy rate, other major global central banks and the CBRT did not change their policy rates. Following the Fed's decision, projections pointed to declining growth expectations, while data on economic activity in US pointed a negative outlook. Current account deficit in Türkiye was 7.9 billion USD in April and central government budget posted a surplus of 235.2 billion TRY in May. Consumer confidence index rose slightly to 85.1 in June. Preliminary PMI data from major economies, as well as the US personal consumption expenditure price index will be monitored next week.

#### Fed kept its policy rate at 4.25%-4.50%.

At its meeting this week, Fed kept its policy rate unchanged at 4.25-4.50%, in line with market expectations. Press release stated that uncertainty in the economic outlook remained high although it decreased compared to the previous meeting. However, the statement regarding increased upward risks to unemployment and inflation has been removed from the statement. According to projections, Fed members' GDP forecasts for 2025 and 2026 were revised downward by 0.3 and 0.2 percentage points to 1.4% and 1.6%, respectively, while unemployment rate forecasts were revised upward by 0.1 and 0.2 percentage points to 4.5%. Fed members also revised their inflation expectations upward and continued to forecast two interest rate cuts in 2025. At the press conference following the decision, Fed Chairman Powell stated that monetary policy was in a good place, while noting that the effects of tariffs were beginning to be felt and would be felt even more in the coming months.

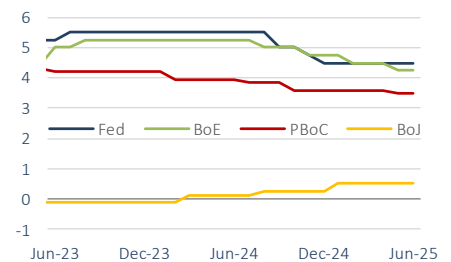
#### Fed Projections (June 2025)

	2025	2026
Change in real GDP	1.4	1.6
March projection	1.7	1.8
Unemployment rate	4.5	4.5
March projection	4.4	4.3
PCE inflation	3.0	2.4
March projection	2.7	2.2
Core PCE inflation	3.1	2.4
March projection	2.8	2.2
Federal funds rate	3.9	3.6
March projection	3.9	3.4

#### Meetings of other major central banks were also monitored.

Bank of England kept its policy rate at 4.25%, stating that it is closely monitoring global developments that could have a disruptive effect on the inflation outlook. In Japan, where annual consumer inflation remained high at 3.7%, the central bank did not change its policy rate. The People's Bank of China also kept its 1-year and 5-year benchmark interest rates unchanged at 3.0% and 3.5%, respectively, in line with market expectations. The Swiss National Bank cut its policy rate by 25 basis points to 0% at its meeting on Thursday. Thus, the SNB has cut interest rates for the sixth consecutive time since March 2024.

#### Fed, BoE, PBoC and BoJ Policy Rates (%)



#### Data on economic activity in the US presented a negative outlook.

In the US, industrial production fell by 0.2% in May compared to expectations of a 0.1% increase on a monthly basis, while the capacity utilization rate declined to 77.4%. Retail sales recorded a contraction of 0.9% on a monthly basis during this period, exceeding expectations. In addition, housing starts in the country fell by 9.8% mom in May to 1.3 million units, falling short of expectations. The New York Fed Manufacturing Index fell below market expectations in June, painting a negative picture of economic activity in the country as well.

#### US Industrial Production and Retail Sales (monthly % change)



#### CBRT kept the policy rate and interest rate corridor unchanged.

CBRT kept the policy rate unchanged at 46%, in line with market expectations, while keeping the overnight lending and overnight borrowing interest rates unchanged at 49% and 44.5%, respectively. In the text published after the meeting, CBRT stated that the possible effects of geopolitical developments and increasing protectionism in global trade on the disinflation process were closely monitored and pointed out that the data

Source: Datastream, Fed

for the second quarter of the year showed that domestic demand slowed down, but inflation expectations and pricing behavior continued to pose risks to the disinflation process. CBRT also stated that in case of unanticipated developments in credit and deposit markets, the monetary transmission mechanism will be supported by additional macroprudential steps.

#### Current account deficit was 7.9 billion USD in April.

Current account deficit was realized as 7.9 billion USD in April, slightly above the market expectations and the highest level since February 2023. In the first four months of the year, current account deficit increased by 39.4% yoy to 20.3 billion USD, while 12-month cumulative current account deficit rose to 15.8 billion USD, the highest level since June 2024 (Our Balance of Payments report).

#### Central government budget posted a surplus of 235.2 billion TRY in May.

In May, central government budget revenues increased by 31.6% yoy to 1.3 trillion TRY while budget expenditures rose by 38.3% yoy to 1.1 trillion TRY. Thus, central government budget posted a surplus of 235.2 billion TRY in this period. In January-May period, budget deficit was realized as 650.3 billion TRY, constituting 33.7% of 2025 target (Our Budget Balance Report).

#### CBRT published the June results of the Survey of Market Participants.

According to the June results of the CBRT's Survey of Market Participants, the year-end inflation expectation for 2025 remained above the CBRT's forecast range, with 29.86%. The year-end inflation expectation for 2026 decreased by 0.11 points to 20.44%. Market's 2025 year-end USD/TRY expectation decreased to 43.57, while the 12-month ahead exchange rate expectation was realized as 47.04. Survey participants' growth expectations for 2025 and 2026 remained unchanged at 2.9% and 3.7%, respectively.

According to seasonally and calendar adjusted data released by TURKSTAT, consumer confidence index increased slightly by 0.3% mom to 85.1 in June. There were moderate increases in the main sub-items of the index, especially in financial situation expectation of household for the next 12 months.

#### House sales increased by 17.6% yoy in May.

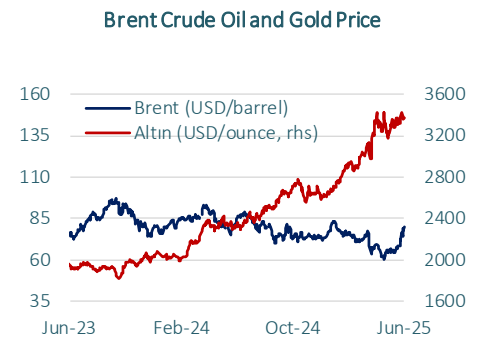
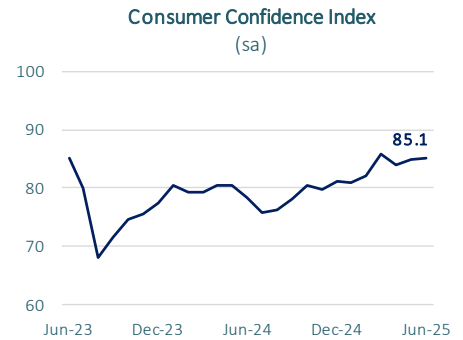
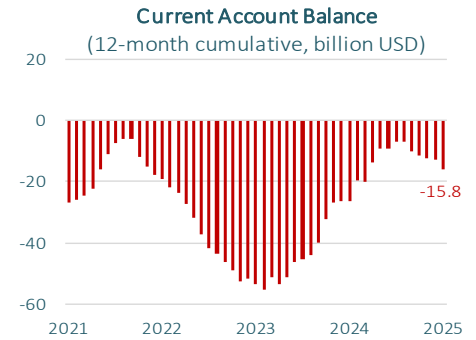
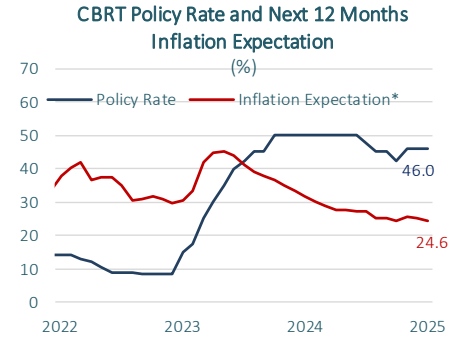
According to data released by Turkstat, house sales increased by 17.6% yoy to 130,025 units in May. This was the highest May realization in the data set that started in 2013. In this period, first-hand and second-hand house sales rose by 11.2% and 20.6%, respectively. Thus, total house sales rose by 25.4% yoy in the first five months of the year to 584,170 units. In line with the strong outlook in the housing market, house prices went up by 3.4% mom in May, above the CPI inflation. Thus, the annual nominal increase in house prices rose to 32.3%, while the real decline in prices came down to 2.3%.

#### Financial markets...

This week, the ongoing conflicts between Israel and Iran drew the course of global markets. As of Thursday's close, MSCI World Stock Index declined by 0.4% compared to last Friday, while MSCI EM Index fell by 1.1%. Brent crude oil prices rose by 6.2% to 78.9 USD per barrel. Despite the increasing uncertainties on a global scale, the price of gold declined by 1.8% to 3,370 USD per ounce. BIST-100 index fell by 2.3% this week to 9,102 as of Thursday's close, in line with global markets. Türkiye's 5-year CDS risk premium rose to 310 basis points, while USD/TRY and EUR/TRY increased by 0.5% and 0.1%, respectively.

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

Geopolitical developments will continue to be closely monitored in the markets next week. In the global data agenda, leading PMI data to be released in major economies as well as the personal consumption expenditures price index in the US stand out. In Türkiye, which has a relatively quiet data agenda, economic confidence index will be announced.



Source: Datastream, CBRT, Turkstat

## Data Releases

		Period	Consensus	Prior
23 June	TR Foreign Visitors, yoy	May	-	8.0%
	USA Manufacturing PMI, flash	June	51.0	52.0
	USA Services PMI, flash	June	52.9	53.7
	USA Existing Home Sales, units	May	3.96 million	4.0 million
	Euro Area Manufacturing PMI, flash	June	49.8	49.4
	Euro Area Services PMI, flash	June	50.0	49.7
24 June	USA Consumer Confidence	June	99.0	98.0
25 June	USA New Home Sales, units	May	697k	743k
26 June	USA Durable Goods Orders, mom	May	7.2%	-6.3%
	USA GDP Growth, final, yoy	2025-Q1	-0.2%	-0.2%
27 June	TR Economic Confidence	June	-	96.7
	US PCE, mom	May	0.1%	0.1%
	USA Core PCE, mom	May	0.1%	0.1%
	USA Michigan Consumer Confidence, final	June	60.3	60.5
	Euro Area Economic Sentiment	June	95.3	94.8

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