

	12-Sep	18-Sep	Change		12-Sep	18-Sep	Change
BIST-100 Index	10,372	11,048	6.5 % ▲	EUR/USD	1.1733	1.1786	0.5 % ▲
TRY 2 Year Benchmark Rate	40.66 %	39.84 %	-82 bp ▼	USD/TRY	41.3345	41.2720	-0.2 % ▼
Türkiye 5-Year CDS Premium	261	238	-23 bp ▼	EUR/TRY	48.5007	48.6896	0.4 % ▲
MSCI EM Equity Index	1,326	1,346	1.5 % ▲	Gold (USD/ounce)	3,643	3,644	0.0 % ●
US 10-Year Bond Rate	4.06 %	4.10 %	4 bp ▲	Brent Oil (USD/barrel)	67.0	67.4	0.7 % ▲

bp: basis point

This week, leading central banks' interest rate decisions, were closely monitored. Following the Fed's decision to cut interest rates by 25 bps, US stock indices reached historic highs, while the ounce gold prices hit USD 3,700 during the week. BoE and BoJ did not change their policy rates, in line with expectations. Data released in the US signaled that economic activity may be more robust than generally expected. In the Euro Area, the manufacturing sector continued to recover, while CPI inflation came in below expectations. In Türkiye, the central government budget recorded a surplus of 96.7 billion TRY in August and the budget deficit for the first eight months fell to 907.6 billion TRY. Service and construction production indices pointed to a loss of momentum in sectors' activities in July. The upward trend in the housing market continued in August. The US core PCE price index and preliminary PMI data to be released in major economies stand out on next week's global data agenda. In Türkiye, consumer and real sector confidence indices will be released.

The Fed cut its policy rate by 25 basis points to 4.0%-4.25%.

At its meeting this week, the Fed cut its policy rate by 25 basis points to 4.00%-4.25%, in line with market expectations. This was the Fed's first rate cut since December 2024, with 11 members voting for a 25 basis point cut against Stephen Miran's vote for a 50 basis point cut. Miran was recently appointed to the Fed by Trump. Projections released after the meeting showed that Fed officials expect two more rate cuts this year. Members' personal consumption expenditure (PCE) inflation forecast for the end of 2025 remained at 3.0%, while the forecast for the end of 2026 was revised upward to 2.6%. Growth projections for this year and next year increased by 0.2 percentage points to 1.6% and 1.8%, respectively. Officials maintained their forecast that the unemployment rate would reach 4.5% by the end of this year.

BoE and BoJ did not change their policy interest rates.

The Bank of England (BoE) kept its policy rate unchanged at 4.0%, in line with expectations, and reduced the amount of quantitative tightening to 70 billion GBP. BoE Governor Andrew Bailey stated in his remarks after the meeting that interest rate cut decisions should be taken gradually and cautiously.

The Bank of Japan (BoJ) also kept its policy rate unchanged at 0.5%, in line with expectations. The BoJ decided to sell some of its ETF holdings for the first time. According to the decision, the BoJ, which holds 251 billion USD (approximately 37,148 billion yen) in ETF assets, will sell 620 billion yen worth of these assets each year.

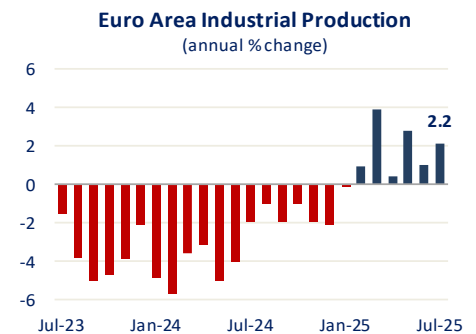
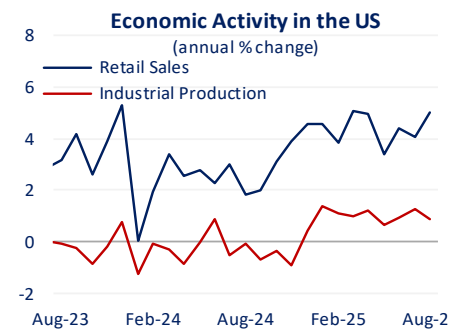
Data released in the US indicated that economic activity remained generally robust.

Supply and demand data released this week in the US indicated that economic activity in the country was generally more robust than expected. In August, industrial production in the country expanded by 0.1% mom, contrary to market expectations of a decline, while retail sales maintained their momentum, expanding by 0.6% mom, exceeding expectations. The core index which excludes automotive and fuel sales increased by 0.7% during this period, indicating that the rise in consumer spending was widespread. Philadelphia Fed Business Climate Index for September came in at 23.2, well above the market expectation of 2.5, presenting a positive outlook for business climate. On the other hand, New York Fed manufacturing index, which was positive in July and August, fell by 20.6 points mom to -8.7 in September, indicating that there may be regional differences in the course of economic activity.

Fed Projections

	June Forecasts		September Forecasts	
(%)	2025	2026	2025	2026
Fed Rate	1.9	1.7	2.0	1.8
PCE* Inflation Rate	8.2	7.8	8.3	7.8
GDP Growth Rate	1.8	1.6	1.7	1.7
Unemployment Rate	1.0	1.4	1.1	1.5

*Personal Consumption Expenditures



Source: Datastream

Favorable data flow in the Euro Area...

Following a monthly decline in June, industrial production in the Euro Area showed signs of recovery in July with a 0.3% increase. During this period, the rise in industrial production was supported by non-durable consumer goods and capital goods, while energy production recorded a decline. ZEW index, which reflects real sector's confidence in the region, recorded a moderate increase in September, reaching at 26.1. According to the final data released, monthly CPI inflation was recorded at 0.1% in August, below market expectations. Thus, while the annual CPI increase was 2.0%, the monthly and annual core CPI inflation rates were 0.3% and 2.3%, respectively.

The primary budget surplus in Türkiye was 276.4 billion TRY in August.

In August, central government budget revenues rose by 86.5% yoy to 1.3 trillion TRY, while budget expenditures recorded a relatively moderate rise of 45.2% to 1.2 trillion TRY. Hence, central government budget posted a surplus of 96.7 billion TRY in August. During this period, primary budget surplus came in at 276.4 billion TRY. In the January-August period, the central government budget deficit decreased by 6.8% compared to the same period last year, and became 907.6 billion TRY ([Our Budget Balance report](#)).

Service and construction indices lost momentum in July.

According to data released by TÜRKSTAT, the service production index declined by 0.4% mom in July, following a drop in June. During this period, the annual increase in the service production index lost some momentum as well and came in at 2.5%. In July, the construction production index recorded positive monthly growth for the third consecutive month, despite losing momentum compared to previous months. The index rose by 1.9% mom, bringing the annual increase to 24.1%.

Positive outlook in the housing market...

House sales rose by 6.8% yoy in August to 143,319 units. Thus, following August 2020, the dataset recorded its highest August sales. Although mortgaged sales rose by 45.2% yoy in August, their share in total sales remained low at 13.8%. Thus, total house sales in the January-August period increased by 21.3% compared to the same period of last year. In line with the buoyant outlook of house sales, house prices rose by 2.53% mom in August, exceeding CPI inflation and recording the fastest increase in the last three months. In contrast, the annual increase in house prices was 31.4%, the lowest level in the last six months. Thus, the real annual decline in house prices continued in August at 1.2%.

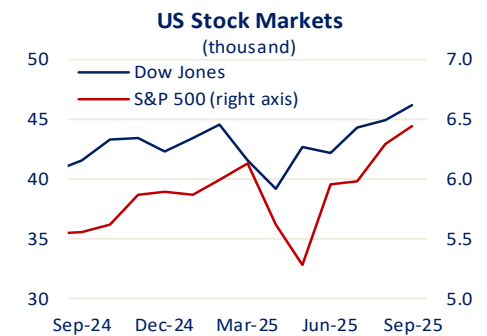
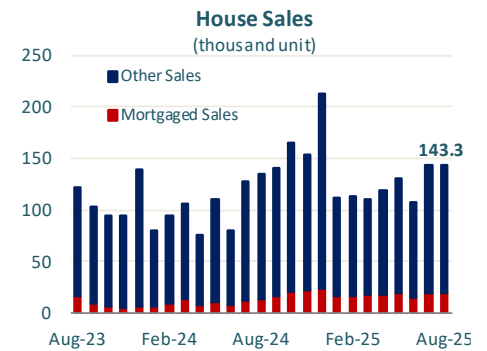
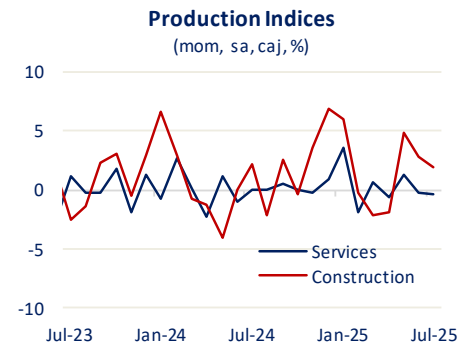
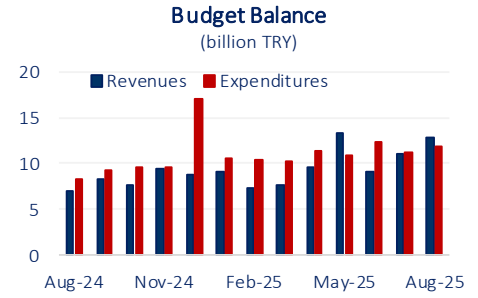
Financial markets...

The Fed's first interest rate cut since December 2024 supported the US stock markets this week. The S&P 500 and Dow Jones indices generally followed an upward trend, reaching historic highs. The MSCI Developed and Emerging Markets indices rose by 0.6% and 1.5%, respectively. The ounce gold prices reached historic highs as well, exceeding 3,700 USD in intraday trading. The price of Brent crude oil rose 0.7% to 67.4 USD/barrel on Thursday's close.

BIST 100 index, which moved upward throughout the week, closed Thursday at 11,048. During this period, USD/TRY fell by 0.2%, while EUR/TRY rose by 0.4%. The yields on 2-year and 10-year benchmark bonds were 39.84% and 31.79% at Thursday's close. This week, Türkiye's 5-year CDS premium fell sharply, dropping to 240 basis points at Thursday's close, its lowest level since February 2020.

Next week's agenda...

As well as the US core PCE price index, leading PMI data to be released in major economies stand out on next week's global data agenda. In Türkiye, consumer and real sector confidence indices will be announced.



Source: Datastream, CBRT, Turkstat

Data Releases

		Period	Consensus	Prior
September 22	TR Consumer Confidence Index	September	-	84.3
	TR Foreign Visitors, yoy	August	-	-%5.0
	TR Central Government Gross Debt Stock	August	-	12.0 trillion TRY
	Euro Area Consumer Confidence, flash	September	-15.4	-15.5
	China Central Bank Meeting	September	-	%3.0
September 23	US Manufacturing PMI, flash	September	-	53.0
	US Services PMI, flash	September	-	54.5
	Euro Area HCOB Manufacturing PMI, flash	September	51.0	50.7
	Euro Area HCOB Services PMI, flash	September	50.5	50.5
	TR Sectoral Confidence Indices	September	-	-
September 24	TR Real Sector Confidence Index	September	-	100.6
	TR Capacity Utilization Rate	September	-	73.5%
	US New Home Sales, units	August	653 k	652 k
	Germany Ifo Business Climate Index	September	-	89
	TR Sectoral Confidence Indices	September	-	-
September 25	US GDP Growth, final, yoy	2025 Q2	3.3%	3.3%
	US Existing Home Sales, units	August	3.98 million	4.01 million
	US Durable Goods Orders, mom	August	-0.5 million	-2.8 million
	Japan CPI Inflation, yoy	September	2.8%	2.6%
	US Core PCE, mom	August	-	0.30%
September 26	US Michigan Consumer Confidence, final	September	-	55.4
	US Personal Consumption Expenditures, mom	August	0.4%	0.5%

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