

	5-Dec	11-Dec	Change		5-Dec	11-Dec	Change
BIST-100 Index	11,007	11,234	2.1 % ▲	EUR/USD	1.1642	1.1738	0.8 % ▲
TRY 2 Year Benchmark Rate	37.98 %	38.19 %	21 bp ▲	USD/TRY	42.5193	42.5970	0.2 % ▲
Türkiye 5-Year CDS Premium	227	225	-2 bp ▼	EUR/TRY	49.5135	50.0162	1.0 % ▲
MSCI EM Equity Index	1,385	1,377	-0.6 % ▼	Gold (USD/ounce)	4,197	4,283	2.1 % ▲
US 10-Year Bond Rate	4.14 %	4.14 %	0 bp ●	Brent Oil (USD/barrel)	63.8	61.3	-3.9 % ▼

bp: basis point

During the week marked by a busy data agenda, meetings of the CBRT and the Fed were closely monitored. The CBRT cut its policy rate by 150 basis points to 38%. In Türkiye, industrial production declined by 0.8% mom in October, while retail sales recorded a modest increase of 0.2%. In the same period, the current account balance posted a surplus of 457 million USD. Inflation expectations of market participants declined in December. At its final FOMC meeting of the year, the Fed cut interest rates by 25 basis points in line with market expectations, while revising its growth forecasts upward and its inflation expectations downward for the coming period. The Euro Area grew by 0.3% qoq in the third quarter of the year, exceeding expectations. The World Bank and IMF revised their growth forecasts for the Chinese economy upward, in line with lower-than-expected tariffs and supportive policies pursued in the country. Next week, the monetary policy meetings of ECB, BoJ, and BoE's will be closely watched, along with PMI data for advanced economies. In Türkiye, the central government budget figures and consumer confidence index will be announced.

#### CBRT cut its policy rate by 150 basis points.

At its meeting this week, the CBRT cut its policy rate by 150 basis points to 38%. In the decision text, CBRT noted that CPI inflation in November was lower than expected, in line with developments in food prices, while demand conditions continued to support the disinflation process in the last quarter. On the other hand, CBRT indicated that while inflation expectations and pricing behavior showed signs of improvement, they continued to pose a risk to the disinflation process. Furthermore, CBRT reiterated that monetary policy stance would be tightened again if the inflation outlook deviated significantly from the main targets.

#### Data on domestic economic activity was monitored.

According to seasonally and calendar-adjusted data, industrial production, which contracted by 0.6% qoq in the third quarter of the year, declined by 0.8% mom in October. During this period, the annual increase in industrial production was 2.2%, the lowest level in the last eight months.

Demand indicators in October also pointed to a momentum loss in demand. During this period, retail sales recorded a limited increase of 0.2% mom, while retail sales except watches and jewelry declined by 0.1%. In October, when the wholesale trade volume recorded a 6.1% decline mom, the total trade sales volume contracted by 3.6%.

#### Current account surplus posted 457 million USD surplus in October.

The current account surplus, which has been positive since July, continued this trend in October with 457 million USD. During this period, the surplus excluding gold and energy was 7 billion USD. Thus, the current account deficit was realized as 14.5 billion USD in the January-October period and 22.0 billion USD according to 12-month cumulative data (Our Balance of Payments Report).

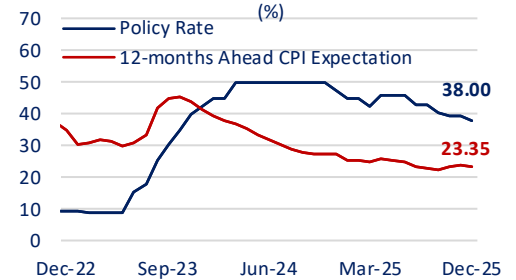
#### Market participants' inflation expectations have declined.

According to the results of the Survey of Market Participants published by the CBRT, participants' inflation expectations for the end of this year declined by 1.0 point to 31.17%, while inflation expectations for 12 months ahead declined by 1.14 points to 23.35%. According to the survey, participant's December inflation expectations were 1.08%, while the USD/TRY expectations are 43.06 for the end of this year, and 51.08 for 12 months ahead.

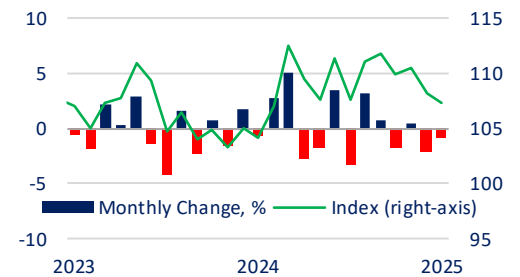
#### Fed cut its policy rate by 25 basis points in line with expectations.

At its final meeting of the year, the Fed cut its policy rate by 25 basis points in line with expectations to a range of 3.50-3.75%, and decided to begin purchasing short-term bonds at a monthly pace of 40 billion USD to maintain adequate reserves. However, the fact that the

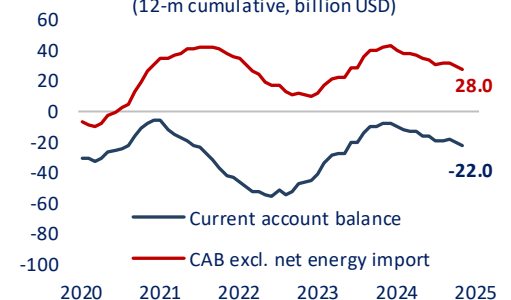
Policy Rate and 12-months Ahead  
CPI Expectation



Industrial Production Index  
(calendar and seasonal adjusted)



Current Account Balance  
(12-m cumulative, billion USD)



Source: Datastream

25 basis points rate cut decision was taken by a vote of 9 to 3 signaled a divergence among Fed members regarding the policy path. Fed Chair Powell stated in his post-meeting remarks that the Fed is in a good position to see how the economy evolves with future data. According to projections released after the meeting, Fed members revised their annual core personal consumption expenditure (PCE) inflation expectations down to 3.0% from 3.1% for 2025 and to 2.5% from 2.6% for 2026. Additionally, the 2025 growth forecast, which was projected at 1.6% at the September meeting, was raised to 1.7%, and the 2026 growth forecast was raised from 1.8% to 2.3%. The median of Fed members' expectations for interest rate cuts in 2026 pointed to a 25 basis point cut.

#### Data released in the US presented a mixed picture of the economy.

PCE data for September, which was not published during the federal government shutdown, showed increases of 0.3% mom and 2.8% yoy, in line with expectations. The Michigan consumer confidence index rose mom for the first time in four months, while households' inflation expectations for the next 12 months fell from 4.5% to 4.1%. According to statistics for September and October released together due to the government shutdown, the number of JOLTS job openings rose by 431K and 12K respectively, to 7.67 million.

#### Data releases related to the Euro Area...

Growth in the Euro Area exceeded the preliminary estimate of 0.2% in the third quarter of the year, reaching 0.3% qoq, while annual growth was recorded at 1.4%. The Sentix index, which measures investor confidence in the region, rose by 1.2 points in December compared to the previous month but remained weak. In Germany, industrial production rose by 1.8% in October, exceeding expectations of 0.4%. Despite a 7.8% decline in shipments to the US in October, the country's exports increased, while the trade surplus also exceeded expectations, expanding to 16.9 billion EUR.

#### China's annual CPI inflation was 0.7% in November.

China's annual CPI inflation rose to 0.7% in November from 0.2% in October. Meanwhile, the country's PPI fell by 2.2% yoy, exceeding expectations and signaling continued deflationary pressures on producer prices. The World Bank and IMF have revised their growth forecasts for the Chinese economy upward, in line with lower-than-expected tariffs on the country's exports and the supportive policies being pursued domestically. Compared to its October forecasts, the World Bank raised its 2025 growth forecast for the Chinese economy from 4.8% to 4.9% and its 2026 forecast from 4.2% to 4.4%. Similarly, the IMF revised its growth expectations upward from 4.8% to 5% for 2025 and from 4.2% to 4.5% for 2026.

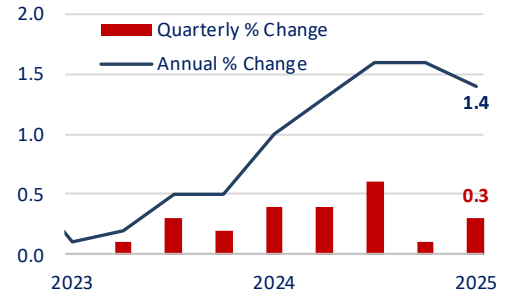
#### Financial markets...

In the week when US stock markets displayed a positive outlook on expectations of Fed's interest rate cuts, gold prices rose by 2.1% w/w to their highest level since October 21, while the price of silver broke records by rising above 64 USD/ounce. Although Brent crude oil prices rose midweek after the US seized a Venezuelan oil tanker, they closed the week down nearly 4% at 61.3 USD/barrell. The BIST-100 index traded mostly higher this week on expectations of a CBRT interest rate cut. The 5-year CDS spread fell by 2 basis points on a weekly basis, to 225 basis points at Thursday's close.

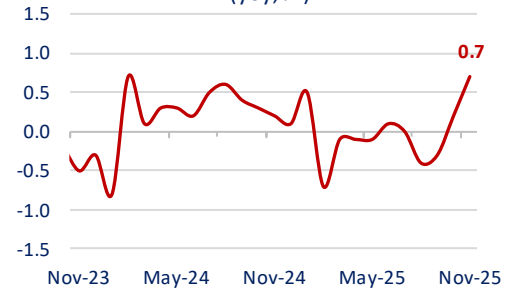
#### Next week...

Next week, monetary policy meetings in leading economies will continue to be the focus of global markets. While markets do not expect the ECB to change its reference interest rates, the BoJ is expected to raise its policy rate by 25 basis points. Industrial production and PMI data in major economies will also be monitored this week, while the central government budget and consumer confidence index will be announced in Türkiye.

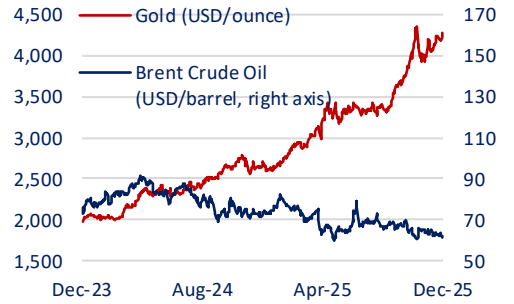
**Euro Area GDP**



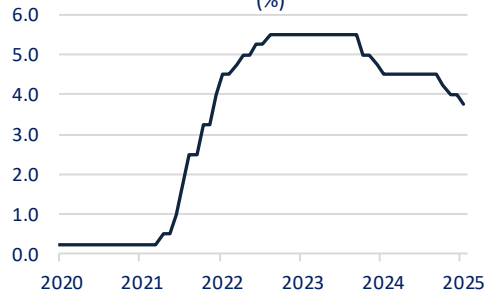
**China Consumer Inflation (yoy, %)**



**Gold and Crude Oil Price**



**Fed Policy Interest Rate (%)**



Source: Datastream, CBRT, Turkstat

## Data Releases

		Period	Consensus	Prior
December 15	TR Budget Balance	November	-	-223.2 billion TRY
	US NY Fed Manufacturing Index	December	-	18.7
	Euro Area Industrial Production, yoy	October	-	1.2%
	China Industrial Production, yoy	November	5.0%	4.9%
	China Retail Sales, yoy	November	2.9%	2.9%
December 16	TR House Sales, yoy	November	-	-0.5%
	TR Housing Price Index, yoy	November	-	31.6%
	US Nonfarm Payrolls	November	35K persons	119K persons
	US Unemployment Rate	November	4.4%	4.4%
	US Retail Sales, mom	October	0.2%	0.2%
	US Manufacturing PMI, flash	December	-	52.2
	US Services PMI, flash	December	-	54.1
	Euro Area HCOB Manufacturing PMI, flash	December	49.9	49.6
	Euro Area HCOB Services PMI, flash	December	53.9	53.6
	Germany Manufacturing PMI, flash	December	48.5	48.2
	Germany ZEW Economic Sentiment	December	40.0	38.5
	Euro Area CPI Inflation, final, yoy	November	2.2%	2.2%
	Germany Ifo Business Climate	December	88.5	88.1
December 17	UK CPI Inflation, yoy	November	-	3.6%
	US CPI Inflation, yoy	December	-	3.0%
	US Philadelphia Fed Business Index	December	-	-1.7
December 18	ECB Meeting	December	2.0%	2.0%
	BoE Meeting	December	3.75%	4.00%
	TR Consumer Confidence Index	December	-	85.0
December 19	US Existing Home Sales, units	November	-	4.1 million
	Japan BoJ Meeting	December	0.75%	0.50%

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