

	28-Mar	3-Apr	Change		28-Mar	3-Apr	Change
BIST-100 Index	9.659	9.484	-1,8 % ▼	EUR/USD	1,0827	1,1050	2,1 % ▲
TRY 2 Year Benchmark Rate	49,10 %	47,83 %	-127 bp ▼	USD/TRY	37,8759	37,9383	0,2 % ▲
Türkiye 5-Year CDS Premium	315	320	5 bp ▲	EUR/TRY	40,9561	41,9318	2,4 % ▲
MSCI EM Equity Index	1.121	1.103	-1,6 % ▼	Gold (USD/ounce)	3.084	3.113	0,9 % ▲
US 10-Year Bond Rate	4,26 %	4,06 %	-20 bp ▼	Brent Oil (USD/barrel)	73,6	70,1	-4,7 % ▼

bp: basis point

In a week where PMI and employment data were monitored in the US, Trump's wide-ranging tariffs came to the forefront of the markets' agenda. Trump's announcements put selling pressure on stock markets on a global scale while raising concerns of high inflation and recession, especially in the US. While manufacturing PMI data presented a weak outlook in the country, services PMI maintained its positive outlook. Non-farm payrolls data, which exceeded expectations, provided a positive outlook for the labor market. In the Euro Area, the divergence between manufacturing and services PMI data continued, albeit at a slower pace. CPI inflation in the region converged to the ECB's target with 2.2% yoy. In China, the manufacturing sector presented a positive outlook thanks to the demand brought forward due to trade war concerns. In Türkiye, CPI increased by 2.46% yoy in March, below market expectations. The slowdown in the domestic manufacturing industry continued. Fed minutes and US inflation data will be on the agenda of the markets next week, while a market participants survey will be released in Türkiye.

Developments regarding trade wars were on the agenda of the markets.

In the US, where a busy data agenda was followed, markets focused on Trump's announcement of large-scale tariffs. At a press conference on April 2, Trump announced that a 10% "baseline tariffs" would be imposed on all countries to take effect on April 5, and "reciprocal tariffs" would be imposed at different rates as of April 9 on a list of countries. The list indicates that China and European Union countries will face reciprocal tariffs of 34% and 20%, respectively. Following the US announcements, China and the European Union also announced that they would retaliate against the tariffs. The US tariff on Türkiye will be the lowest at 10%. In addition, the previously announced 25% tariff on US imports of automobiles and auto parts without any exceptions came into effect on April 3. These developments, which put selling pressure on stock markets on a global scale, increased concerns about high inflation and recession, especially in the US.

In the US, the final manufacturing PMI came in at 50.2 in March, 0.4 points higher than the preliminary data, but fell by 2.5 points on a monthly basis, indicating that production activities in the sector lost some momentum. In this period, the ISM manufacturing index (49), which remained below the market expectations and the threshold level, gave weak signals regarding the sector's activity. Services PMI was revised upwards to 54.4 in the same period. Thus, the index, which has been in the expansion zone since February 2023, signaled that economic activity in the sector gained some momentum.

In March, non-farm payrolls increased by 228K, exceeding the expectations of 135K, which provided a positive outlook for the economic outlook. Unemployment rate increased by 0.1 point to 4.2% in March, while the labor force participation rate also rose. Following the higher-than-expected nonfarm payrolls, expectations for the Fed's rate cuts were postponed in the markets, albeit to a limited extent.

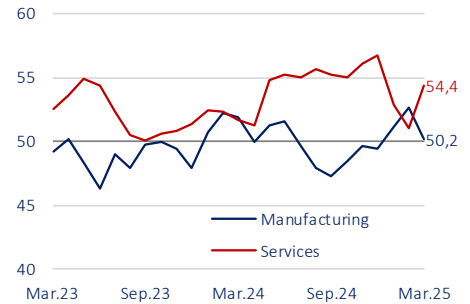
Annual CPI inflation in the Euro Area was realized as 2.2%.

In the Euro Area, final manufacturing PMI was revised downwards to 48.6 in March, indicating that the weak course in the sector continued. Services PMI, on the other hand, was revised upwards to 51.0. Thus, the index remained above the threshold for the fourth consecutive month. According to the preliminary data, annual CPI inflation in the region was realized as 2.2% in March, in line with market expectations, while annual core CPI inflation came in below expectations at 2.4%. Following the data releases, the expectation that the ECB will cut interest rates this month increased in the markets.

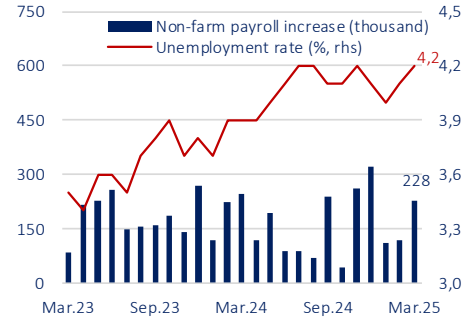
March PMI data in China pointed a positive outlook for demand conditions.

According to data released in China, the Caixin manufacturing PMI reached 51.2 in March, the highest level in the last four months, indicating a positive outlook for the

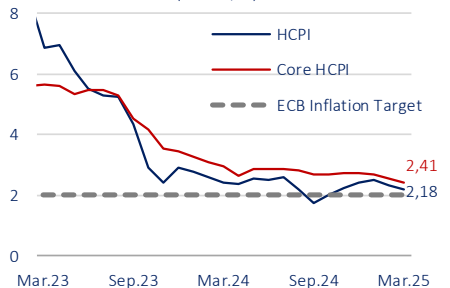
US PMI Indices



US Labor Market



Euro Area Consumer Inflation (annual, %)



Source: Datastream, ECB

sector. The fact that export orders increased the fastest in the previous 11 months was a determining factor in the higher-than-expected results. Pulled-forward demand, driven by expectations of tariff increases, was effective in this development.

Domestic CPI inflation has a positive outlook...

Although CPI rose 2.46% in March, below the market expectations of 3.0%, it gained some momentum compared to February. In contrast, annual CPI inflation fell to 38.10% in this period, the lowest level since December 2021. While monthly domestic PPI inflation fell to 1.88%, annual D-PPI inflation reached 23.50%, its lowest level since November 2020 ([Our Inflation Report](#)).

The CPI-based real effective exchange rate decreased by 2.2% mom to 73.48 in March due to the rise in the nominal exchange rate. Although the decline in the index signaled a monthly depreciation of 2.2% in real terms, the annual real appreciation in TRY was 17.3%. The monthly and annual changes in the D-PPI-based real effective exchange rate were -3.0% and 5.8%, respectively.

Domestic manufacturing industry has been below the threshold for a year...

The Istanbul Chamber of Industry (ICI) Türkiye manufacturing PMI fell by 1 point to 47.3 in March. The index indicated that the decline in production activities accelerated in March, after being below the threshold value for the previous 12 months. During this time, production and new orders continued to slow. Analyzing the PMI data on a sectoral basis revealed that wood and paper products, as well as land and water vehicles, entered the expansion zone in March, joining food products in February, while contraction continued in the remaining seven sectors.

Foreign trade deficit contracted on an annual basis in March.

According to preliminary data released by the Ministry of Trade, foreign trade deficit narrowed slightly by 0.5% yoy to 7.3 billion USD in March. In this period, exports increased by 3.2% while imports expanded by 2.3%. In this period, the rise in gold and natural gas imports was noteworthy, while the ratio of exports to imports increased by 0.7 points to 76.3% in March compared to the same month of the previous year.

Financial markets...

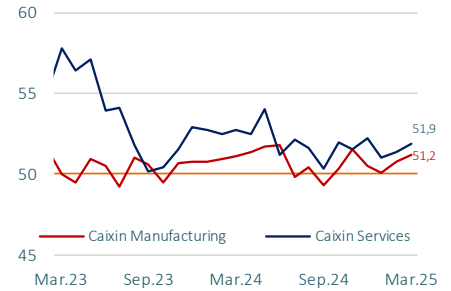
This week, Trump's statements on tariffs were influential on the course of global markets. Following the announcements, stock markets in the US were hit by the most intense selling pressure since 2020. This selling pressure continued on the last trading day of the week. The emerging markets stock index also fell by 1.6% on a weekly basis as of Thursday's close. Moreover, EUR/USD parity surpassed the 1.1 level in line with the negative expectations for the US economy, while European stock markets have been on a downtrend as of Friday. Brent crude oil price per barrel fell 4.7% on a weekly basis to 70.1 USD due to concerns that protectionist policies will lead to a drop in global oil demand, as well as OPEC+ countries' announcements that they will increase daily production by 411,000 barrels in May. In this period, the price of an ounce of gold rose by 0.9% to \$3,113 USD, after reaching historic highs earlier in the week.

As of Thursday's close, BIST 100 index fell by 1.8% compared to Friday of the previous week. Türkiye's 5-year CDS rose by 5 bps to 320 bps in this period, while USD/TRY followed a flat course just below 38. This week, prices in the bond market increased in line with the CBRT's decision to expand the size of bond buybacks. Thus, the yield of the 2-year benchmark bond fell by 127 bps to 47.83%.

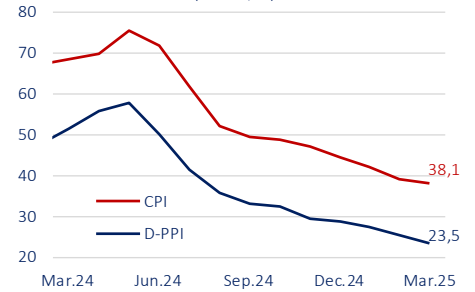
Next week's agenda...

Next week, global markets will focus on inflation data from the US, China and Germany, while market participants survey and trade sales volume data will be released in Türkiye. Developments regarding trade wars are expected to continue to be influential on the course of the markets.

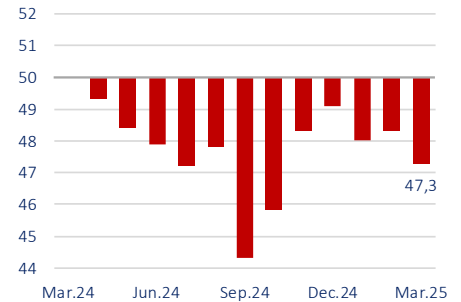
China PMI Indicators



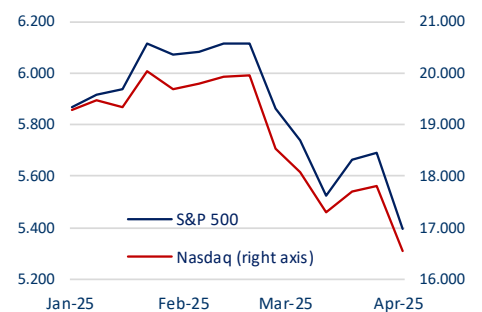
Inflation
(annual, %)



ICI Türkiye Manufacturing PMI



USA Stock Indices



Source: Datastream, CBRT, Turkstat, MT

Data Releases

		Period	Consensus	Prior
April 7	Euro Area Sentix Index	April	-12.0	-2.9
	Euro Area Retail Sales, mom	February	-	-0.3%
	Germany Industrial Output, mom	February	-1.0%	2.0%
April 8	TR Treasury Cash Balance	March	-	397.6B
April 9	Fed Minutes		-	-
April 10	TR Industrial Production, yoy	February	-	1.20%
	US CPI Inflation, mom	March	0.2%	0.2%
	China CPI Inflation, yoy	March	0.0%	-0.7%
	China PPI Inflation, yoy	March	-2.3%	-2.2%
April 11	TR Trade Sales Volume, yoy	February	-	5.3%
	CBRT Survey of Market Participants	April	-	28.04%
	US PPI Inflation, mom	March	0.1%	0.0%
	US Michigan Consumer Confidence, prelim	April	-	57.0
	Germany CPI Inflation, final, mom	March	0.3%	0.3%

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