

	12-Dec	18-Dec	Change		12-Dec	18-Dec	Change
BIST-100 Index	11,311	11,335	0.2 % ▲	EUR/USD	1.1740	1.1721	-0.2 % ▼
TRY 2 Year Benchmark Rate	38.34 %	37.90 %	-44 bp ▼	USD/TRY	42.6903	42.7296	0.1 % ▲
Türkiye 5-Year CDS Premium	219	208	-11 bp ▼	EUR/TRY	50.1210	50.0781	-0.1 % ▼
MSCI EM Equity Index	1,390	1,358	-2.3 % ▼	Gold (USD/ounce)	4,302	4,332	0.7 % ▲
US 10-Year Bond Rate	4.20 %	4.12 %	-8 bp ▼	Brent Oil (USD/barrel)	61.1	59.8	-2.1 % ▼

bp: basis point

This week, the monetary policy meetings of major central banks were closely monitored in the markets. While the ECB made no changes to its reference interest rates, the Bank of England cut the policy rate by 25 basis points. In Japan, the BoJ raised its policy rate by 25 basis points to 0.75%. In the U.S., the delayed release of December CPI data showed a positive trend, while employment data offered a balanced view of the labor market. US preliminary PMI data for December remained relatively weak. In China, industrial production and retail sales data signaled weak economic activity. In Türkiye, the central government budget recorded a surplus of 169.5 billion TRY in November, while the consumer confidence index fell to 83.5. Next week, the US GDP growth and personal consumption expenditure (PCE) data will be at the forefront of the global market agenda.

Monetary policy decisions of major central banks...

At its monetary policy meeting this week, the ECB kept its key interest rates unchanged, in line with market expectations. Thus, the main refinancing, deposit, and overnight lending rates remained at 2.15%, 2.00%, and 2.40%, respectively. The statement released after the meeting highlighted the high trend of service inflation. The statement also noted that the economy of the region was performing better than expected. In this context, the ECB raised its inflation forecast for the end of 2026 by 0.2 percentage points to 1.9% due to relatively negative expectations regarding service inflation, while revising its 2027 forecast down by 0.1 percentage points to 1.8%. The bank also raised its 2026 economic growth forecast from 1.0% to 1.2% and its 2027 forecast from 1.3% to 1.4%. After the meeting, ECB President Lagarde said that the region's economy remained resilient, with a certain level of growth in employment and cooling demand.

The Bank of England (BoE) cut its policy rate by 25 basis points to 3.75%, in line with expectations. The decision was approved by a vote of five to four, and BoE Chair Bailey voted in favor of the cut. Thus, the policy rate fell to its lowest level since February 2023. Following the meeting, the BoE emphasized that gradual rate cuts would continue in the coming period, depending on wage increases and the course of service inflation.

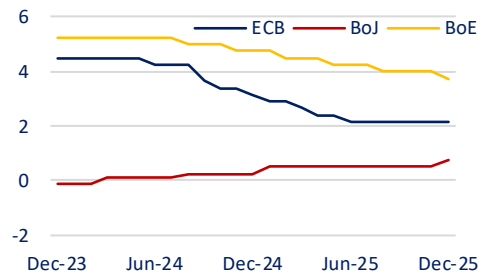
In the current climate, where leading central banks are generally trying to manage the rate cuts, inflation concerns in Japan are increasing the need for tightening in monetary policy. Indeed, the Bank of Japan (BoJ) raised its policy rate from 0.50% to 0.75% at its meeting this week, in line with expectations. This marks the first rate hike by the BoJ since January, bringing the country's policy rate to its highest level since 1995.

In the US, annual CPI inflation in November came in below expectations.

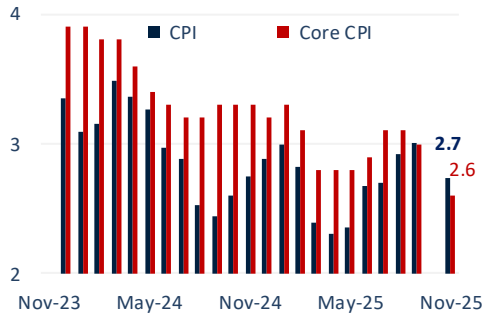
CPI data for November, released late due to the government shutdown, gave positive signals about the inflation outlook. Previously, it was announced that October CPI data would not be provided owing to the government shutdown. In this context, CPI in November rose by 0.2% compared to September and 2.7% compared to November last year, below market expectations. During the same period, core CPI, calculated excluding energy and food prices, rose by 0.2% compared to September and 2.6% yoy.

Nonfarm payrolls data for October in the US was also released late this week. According to the data, nonfarm payrolls recorded their sharpest decline since December 2020, falling by 105k person in October. In this weak outlook, federal government employment was the key factor, falling by 162k persons, the largest decline since June 2010. In November, nonfarm payrolls increased by 64k persons, exceeding market expectations of 50k. During the same period, the unemployment rate rose by 0.2 percentage points on a monthly basis to reach 4.6%, its highest level since September 2021. Average hourly wages rose slightly below expectations during this period, increasing by 0.1% on a monthly basis and 3.5% on an annual basis.

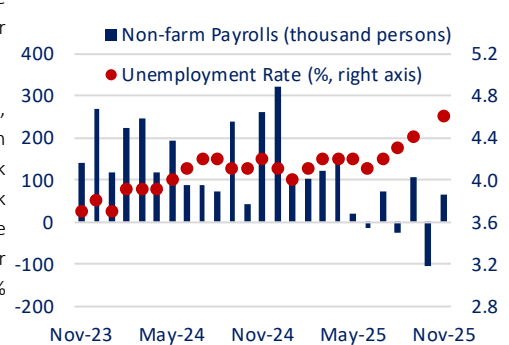
Policy Rates of Major Central Banks (%)



US Inflation (annual, %)



US Labor Market



Source: Datastream

Preliminary PMI data, released in December in the US, was lower than expected, presenting a relatively weak outlook for economic activity. The manufacturing PMI fell by 0.4 points mom to 51.8, its lowest level in the last five months. The services PMI also fell by 1.2 points mom to 52.9, its lowest level since April. Meanwhile, retail sales in the country remained flat in October, while the September increase was revised down by 0.1 points. The annual increase in retail sales also reached its lowest level since May at 3.5%.

Weak signals regarding economic activity in the Eurozone...

The Eurozone's leading manufacturing PMI fell to 49.2 in December, continuing its downward trend. The decline in the index was driven by Germany's PMI falling to 47.7, its lowest level in 10 months, while France's manufacturing sector showed limited signs of recovery. The Eurozone services PMI remained above the threshold at 52.6 but declined slightly compared to the previous month.

In the Eurozone, CPI fell by 0.3% mom in November, in line with expectations, according to final data. During this period, annual CPI inflation in the region was also revised down by 0.1 percentage points from the preliminary data to 2.1%. Core CPI fell by 0.5% mom during this period, while rising by 2.4% yoy. Although inflation data in the region presents a relatively positive picture, uncertainties regarding the disinflation process, particularly in service inflation, remain on the agenda.

Leading indicators in China showed a weak outlook in November.

In China, industrial production rose by 4.8% year-over-year in November, which was below expectations, while retail sales volume expanded by 1.3%, also falling short of expectations and reaching its lowest level since December 2022. The annual decline in new home sales accelerated to 2.4% in November. These figures indicated that economic activity in the country remained weak in November.

The central government budget recorded a surplus of 169.5 billion TRY in November.

In November, central government budget revenues increased by 51.1% yoy to 1.4 trillion TRY, while budget expenditures rose by 30.7% to 1.3 trillion TRY. Thus, the central government budget recorded a surplus of 169.5 billion TRY in November, while the primary budget surplus reached 287.4 billion TRY. Consequently, the central government budget deficit for the January-November period decreased by 0.5% yoy to 1.3 trillion TRY (our Budget Balance report).

The consumer confidence index fell to 83.5 in December.

According to data released by the TURKSTAT, the consumer confidence index fell to 83.5 in December, a monthly decline of 1.8%. An examination of the sub-indices revealed that the indices reflecting the assessment of the consumer price change rate over the last 12 months and the general economic situation at present compared to the past 12 months were the fastest declining indices, falling by 5.5% and 3% on a monthly basis, respectively.

Financial markets...

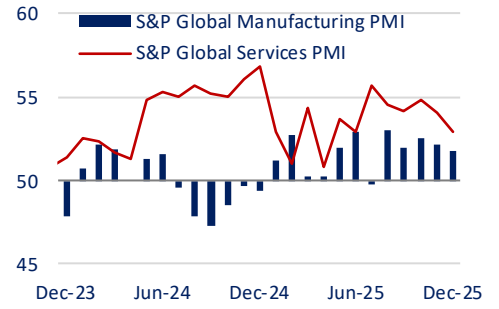
Global financial markets declined this week, led by a correction in technology stocks. According to closing data on Thursday, December 18, the MSCI World Index fell 0.6% compared to last Friday, while the MSCI Emerging Markets Index fell 2.3%. Brent crude oil prices fluctuated throughout the week in response to reports about tensions between the United States and Venezuela, as well as Russia and Ukraine. It also declined by 2.1% during this period, falling below 60 USD, affected by the weak outlook for global economic activity. With investors generally adopting a cautious stance during the week, the price of gold per ounce rose by 0.7% to 4,332 USD.

The BIST-100 index outperformed global markets, rising by 0.2% compared to last Friday to reach 11,335 at Thursday's close. Turkey's 5-year CDS premium fell to 208 basis points, its lowest level since May 2018. Yields on 2-year and 10-year benchmark bonds also fell by 13 and 44 basis points, respectively.

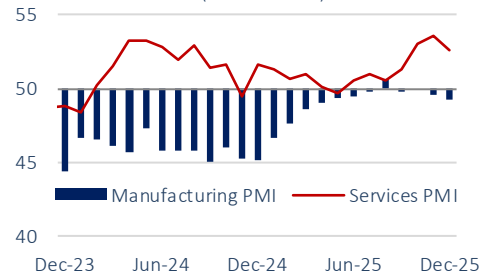
Next week's agenda...

Next week, global markets will focus on US GDP growth and personal consumption expenditure (PCE) data. Next week, the People's Bank of China will also announce its policy rate decision. In Türkiye, the manufacturing industry capacity utilization rate, real sector confidence index, and tourism data will be announced.

US PMI Data
(threshold=50)



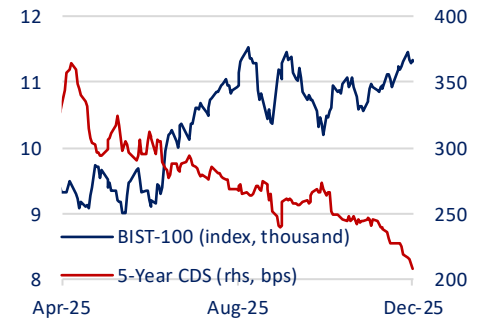
Euro Area PMI
(threshold=50)



Consumer Confidence Index



BIST-100 and CDS



Source: Datastream, CBRT, Turkstat

Data Releases

		Period	Consensus	Prior
22 December	TR Foreign Visitors, yoy	November	-	4.32%
	TR Central Government Gross Debt Stock	November	-	13.2 billion TRY
	UK GDP Growth, yoy	2025 Q3	1.3%	1.3%
	China Central Bank Meeting	December	-	3.50%
23 December	US GDP Growth, prelim, yoy	2025 Q3	3.2%	3.8%
	US Industrial Production, mom	October	0.1%	0.1%
	US Capacity Utilization Rate	October	75.9%	75.9%
	US Consumer Confidence	December	-	88.7
	US New Home Sales, units	October	-	-
	US Durable Goods Orders, mom	October	-	0.5%
	TR Capacity Utilization Rate, SA	December	-	74.4%
25 December	TR Real Sector Confidence Index, SA	December	-	103.2
	US Core PCE, mom	October	-	0.2%
19-26 December				

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