

	16-May	22-May	Change		16-May	22-May	Change
BIST-100 Index	9,668	9,475	-2.0 % ▼	EUR/USD	1.1163	1.1280	1.0 % ▲
TRY 2 Year Benchmark Rate	46.71 %	46.19 %	-52 bp ▼	USD/TRY	38.8527	38.9101	0.1 % ▲
Turkey 5-Year CDS Premium	293	296	3 bp ▲	EUR/TRY	43.3670	43.9184	1.3 % ▲
MSCI EM Equity Index	1,172	1,165	-0.6 % ▼	Gold (USD/ounce)	3,202	3,294	2.9 % ▲
US 10-Year Bond Rate	4.44 %	4.55 %	11 bp ▲	Brent Oil (USD/barrel)	65.4	64.4	-1.5 % ▼

bp: basis point

This week, Trump administration's tax and spending bill was approved by the US House of Representatives raising concerns over the high level of public debt in the country. The news flow on the bill led to a deterioration in investor confidence. The preliminary PMI data for the US economy gave positive signals while Euro Area PMI data pointed to a weak outlook. In Türkiye, CBRT's Inflation Report and confidence indicators were closely monitored. Next week, personal consumption expenditures (PCE) inflation data to be released in the US and first quarter GDP data in Turkey will be high on the agenda. In addition, CBRT will publish the Financial Stability Report on Friday next week.

US tax and spending bill is at the forefront of the global agenda.

This week, the news flow on Trump's tax cut and spending plan were closely monitored. The bill, which passed the House of Representatives with 215 votes to 214, will be put to a vote in the Senate in the coming weeks. The bill is expected to increase the public debt burden by USD 2.3 trillion over the next 10 years according to official estimates. In line with the increasing concerns about the US debt sustainability along with the related news flow, IMF Vice President Gopinath stated that the US budget deficit is at alarming levels and that further increases should be prevented. On Friday evening last week, Moody's has downgraded the US credit rating from Aaa to Aa1, citing the country's high level of federal debt burden. Thus, for the first time in the country's history, all three major credit rating agencies downgraded the US rating below the highest credit grade. In its Financial Stability Report published this week, the ECB pointed to the volatility in the markets caused by the US trade policies and stated that the safe haven status of the US dollar and US bonds has started to be re-evaluated in the markets. The low investor demand for the US Treasury's 20-year bond issuance this week also confirmed the deterioration in the risk perception towards US long-term bonds.

Preliminary PMI data for major economies provided a mixed outlook for global economic activity.

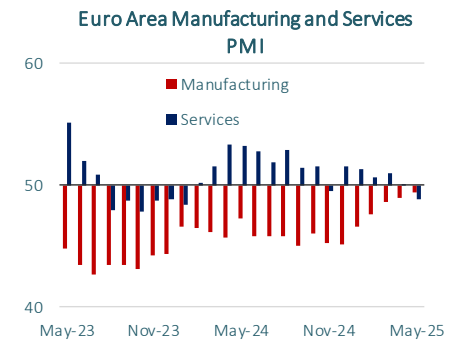
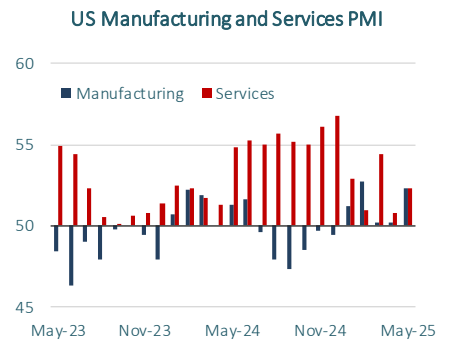
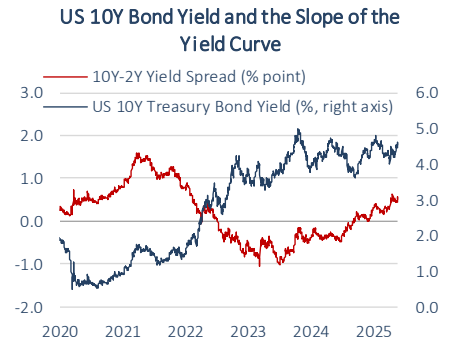
Preliminary PMI data for May in the US provided positive signals regarding economic activity. In this period, manufacturing PMI came in at 52.3, above the market expectations and remained in the growth territory for the 5th consecutive month. Services PMI also exceeded expectations with 52.3, up 1.5 points mom and remained above the 50 threshold. In the same period, PMI data released in the Euro Area presented a weak outlook. Manufacturing PMI remained in the contraction zone despite increasing to 49.4, the highest level since August 2022. Services PMI, on the other hand, fell by 1.2 points mom and came in at below expectations with 48.9. In Japan, May's preliminary manufacturing PMI remained below the threshold and became 49.0, while the services PMI fell by 1.6 points mom to 50.8, signaling that the sector's growth has lost pace. In this period, manufacturing PMI in the UK continued its course in the contraction territory with 45.1, while services PMI, which increased by 1.2 points on a monthly basis, was realized above expectations with 50.2.

EU countries have agreed on 150 billion EUR arms fund.

EU countries have agreed on the Security Action for Europe (SAFE), which will provide 150 billion EUR in loans for defense projects. Aiming to increase military capacity by 2030, European countries are expected to procure at least 65% of their defense project's value from countries within the European Economic Area. The remaining 35% can be procured from non-EU countries, but if this percentage exceeds 35%, a defense partnership agreement must be signed with the country in question.

CBRT kept its inflation forecasts unchanged.

In its Inflation Report published on Thursday, CBRT kept its year-end CPI inflation forecast for



Source: Datastream

2025 at 24% and the forecast range at 19%-29%. CBRT also kept its CPI forecasts for 2026 and 2027 unchanged at 12% and 8%, respectively. However, CBRT revised its assumptions underlying the inflation forecasts for 2025 and 2026. CBRT revised its expectations for global growth and oil prices downwards for the next two years while revising its food inflation forecast for 2025 upwards. CBRT also revised its output gap forecast upwards by 0.3 points as the slowdown in domestic demand remained more limited compared to the previous reporting period. In his speech at the Inflation Report press conference, CBRT Governor Karahan stated that leading indicators for May inflation implies a more favorable picture than expected, and that the tight monetary policy will be maintained decisively and all policy instruments will be used to sustain the disinflationary process.

According to the Sectoral Inflation Expectations data released this morning, real sector's 12-month-ahead inflation expectations fell by 0.7 points mom to 41.0% in May, while households' inflation expectations, which remained unchanged last month, rose by 0.6 points to 59.9%.

Confidence indicators for the Turkish economy...

Consumer confidence rose by 0.9 points mom to 84.8 in May. Sectoral confidence indices, on the other hand, displayed a mixed outlook. Seasonally adjusted services, construction and retail trade confidence indices increased on a monthly basis, while real sector confidence index fell by 2.2 points to 98.6 falling below the 100 optimism level for the first time in 7 months.

The increase in non-residents' GDDS and equity portfolio and the rise in CBRT reserves pointed to an improvement in investors' risk perception. CBRT's net international reserves increased by 2.4 billion USD to 40 billion USD in the week to May 16. Thus, the total increase in net reserves in the last two weeks became 7.2 billion USD. According to price and exchange rate adjusted data, non-residents' equity portfolio increased by net 245 million USD in the week to May 16, indicating that foreign investors were on the buying side for the 5th week in a row. Non-residents' GDDS portfolio also expanded by net 3.5 billion USD in the week to May 16. In line with this outlook, at the Thursday's close, Türkiye's 5-year CDS risk premium was 296, 65 bps lower than the highest level seen during the last one month. The high demand for the Treasury's 7-Y Eurobond issuance this week also has confirmed this outlook.

Financial markets...

This week, despite the easing concerns over trade wars, investor risk appetite declined as negative expectations regarding the US fiscal outlook dominated the agenda. MSCI World Markets index fell by 1.1% as of Thursday's close, while MSCI EM index declined by 0.6%. Shanghai Composite index, on the other hand, rose by 0.4% on a weekly basis due to the People's Bank of China's decision to cut policy rates for the first time since October 2024.

BIST-100 index fell by 2% to 9,475 at Thursday's close compared to last week's close. Sub-indices of the financial sectors, led by the banking, diverged positively from the overall index. In fact, banking index rose by 1.3% wov.

Next week's agenda...

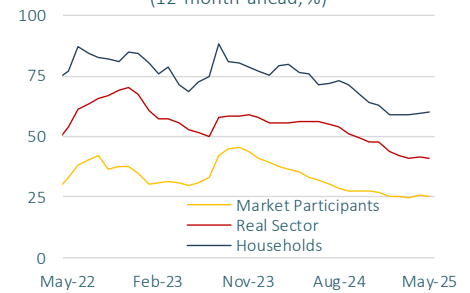
In the US, the personal consumption expenditures (PCE) inflation data and the revision of the GDP growth data for the first quarter of this year stand out on the agenda. In Türkiye, the first quarter GDP growth data and CBRT's Financial Stability Report will be announced.

CBRT's Inflation Forecasts and Assumptions

	2025		2026	
	Güncel	Önceki	Güncel	Önceki
Export-Weighted Global Growth Index (annual average % change)	1.9	2.2	2.1	2.4
Oil Prices (Average, USD)	65.8	76.5	60.6	74.0
Import Prices (USD, annual average % change)	-1.1	2.6	-1.3	0.6
Food Price Inflation (year-end % change)	26.5	24.5	13.5	13.5
Inflation Forecast (%)	24	24	12	12

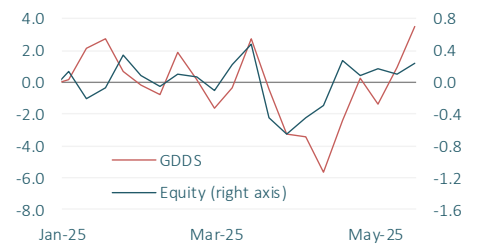
Inflation Expectations

(12-month-ahead, %)

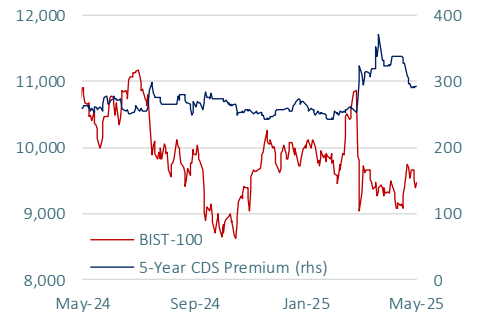


Non-residents Portfolio of Equity and GDDS

(billion USD, flows)



BIST-100 and CDS Risk Premium



Source: Datastream

Data Releases

		Period	Consensus	Prior
27 May	USA Durable Goods Orders, mom	April	-8.1%	9.2%
	USA Consumer Confidence	May	88.0	86.0
28 May	TR Economic Confidence	May	-	96.6
29 May	TR Trade Balance	April	-	-7.2 billion USD
	USA GDP Growth, revision, yoy	2025 Q1	-0.3%	-0.3%
30 May	USA Pending Home Sales, mom	April	-	6.1%
	TR Unemployment Rate	April	-	7.9%
	TR GDP Growth, yoy	2025 Q1	-	3.0%
	CBRT Financial Stability Report	2025-I	-	-
	US PCE, mom	April	-	0.0%
	USA Core PCE, mom	April	-	0.0%
	USA Michigan Consumer Confidence, final	May	-	50.8

Economic Research Division

Alper Grler
Division Head
alper.gurler@isbank.com.tr

Gamze Can
Asst. Manager
gamze.can@isbank.com.tr

H. Erhan Gl
Unit Manager
erhan.gul@isbank.com.tr

Esra Mine Gngr
Asst. Economist
mine.gungor2@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

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