

	19-May	26-May	Change		19-May	26-May	Change
BIST-100 Index	4.502	4.581	1,8 % ▲	EUR/USD	1,0802	1,0724	-0,7 % ▼
TRY 2 Year Benchmark Rate	%9,01*	10,40 %	39 bp ▲	USD/TRY	19,5600	19,9309	1,9 % ▲
Türkiye 5-Year CDS Premium	660	650	-10 bp ▼	EUR/TRY	21,4354	21,4234	-0,1 % ▼
MSCI EM Equity Index	977	973	-0,4 % ▼	Gold (USD/ounce)	1.977	1.946	-1,5 % ▼
US 10-Year Bond Rate	3,69 %	3,82 %	13 bp ▲	Brent Oil (USD/barrel)	75,6	77,0	1,8 % ▲

bp: basis point

(*) Data for May 18.

Recep Tayyip Erdogan was re-elected as president according to the results of second round of presidential election held on May 28th. Last week, CBRT kept the policy rate unchanged at 8.5%. Confidence indicators improved and capacity utilization rate in the manufacturing sector increased in May. The number of foreign arrivals to Türkiye continued to rise supporting positive expectations for tourism sector. In the US, negotiations on debt ceiling continued while flash PMI figures for May pointed to a mixed picture. In Euro Area, flash PMI indices declined. Germany, the largest economy of the region, slipped into technical recession. This week, US debt ceiling negotiations and nonfarm payrolls data for May will be monitored. In Türkiye, new cabinet will be announced.

The second round of presidential elections is held.

Recep Tayyip Erdogan was re-elected with more than 52% of the votes in runoff held on May 28th according to preliminary results published by Supreme Election Council (YSK). The new cabinet is awaited towards the end of the week after YSK announces the official results.

CBRT kept the policy rate unchanged at 8.5%.

CBRT kept the policy rate unchanged at its Monetary Policy Committee meeting last week. In the statement published after the meeting, the recovery in the inflation outlook despite the effects of the earthquake is emphasized. It was pointed out that risks to the current account balance persist due to the increase in domestic consumption demand, high level of energy prices and weak economic activity in main trade partners.

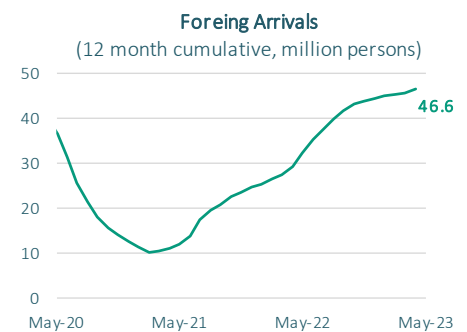
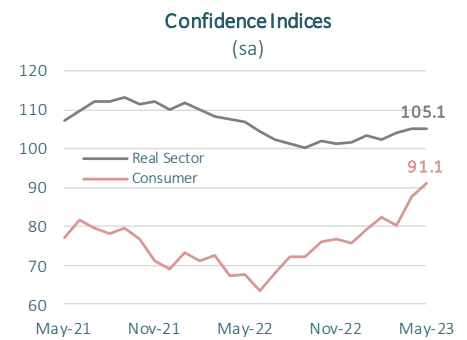
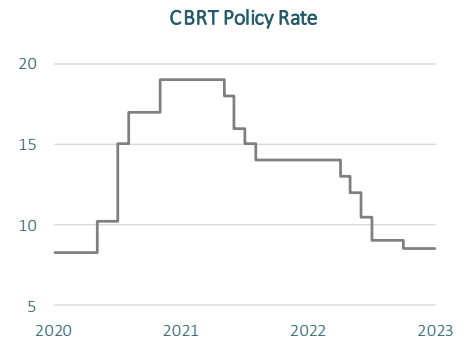
The decline in CBRT reserves continued. CBRT's net FX reserves fall into negative levels for the first time since February 2002 with -0.2 billion USD in the week to May 18. Net reserves excluding swaps fell to a historic low level with -60.3 billion USD, as well.

Improvement in economic confidence...

Consumer confidence index rose to 91.1 in May as expectations for the coming period improved.. Sectoral confidence indices, on the other hand drew a mixed picture. Services sector confidence declined slightly while confidence in retail sector showed a mild improvement despite the rise in current volume of stocks. The construction confidence index, which continued to recover, rose by 4.3% mom to 92.2. Thus, the economic confidence index rose by 1.4% to 103.7 in May.

In April, 3.3 million foreign visitors arrived in Türkiye.

According to the figures released by the Ministry of Culture and Tourism, 3.3 million foreign visitors came to Türkiye in April. Thus, the total number of visitors in January-April period increased by 27.5% compared to the same period of the previous year and reached 9.5 million. The upward trend in arrivals of foreign visitors supports positive expectations for tourism revenues for the upcoming period.



Source: Datastream

Annual PCE inflation rose in the US.

As the debt crisis talks continue in the US, it was announced that the White House and Congress reached a deal in principle to raise the debt ceiling for two years and cut some spending. In this context, Congress is expected to suspend the debt ceiling until the end of 2024 in exchange for reducing some social spending. If the deal is not ratified by Congress or the Senate, the US economy will default in early June.

Inflation indicators, which are closely monitored by the Fed, continue to be rigid in the US. In April, personal incomes increased by 0.4% mom; personal consumption expenditures (PCE) inflation and core PCE inflation also increased by 0.4% mom. Thus, annual increase in PCE inflation, which gained pace, reached 4.4% in April; core PCE also increased to 4.7%.

The U.S. economy completed the first quarter of the year with a growth of 1.3% on a quarterly basis according to annualized figures. In the US, PMI figures point divergence in performance of sectors in the second quarter. Flash manufacturing PMI, which decreased by 1.7 points in May due to the weakness in new orders, dropped to 48.5, indicating a contraction in the sector. Flash services PMI index, on the other hand, increased 1.5 points to 55.1, recording the strongest performance in the sector for more than a year.

Flash PMI figures painted a mixed picture in the Euro Area.

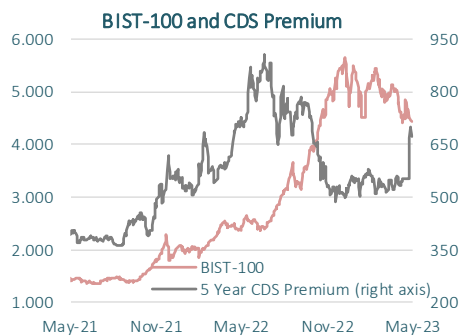
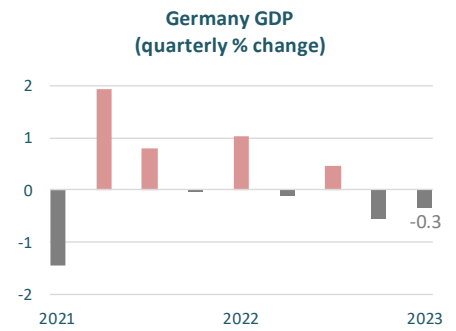
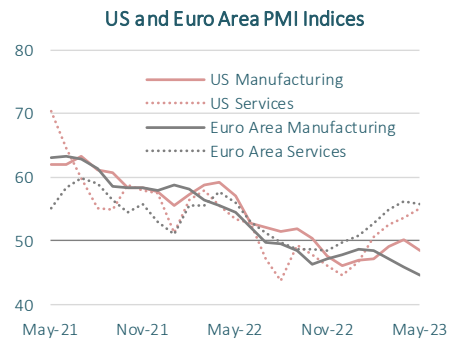
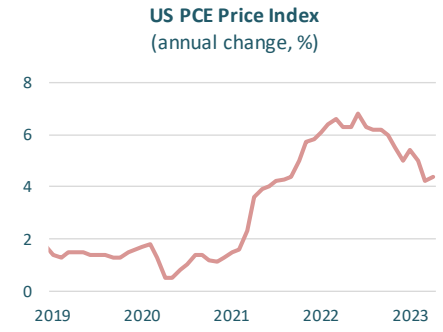
In Germany, the largest economy in the Euro Area, GDP contracted by 0.3% qoq in the first quarter of 2023. Having contracted by 0.5% in the last quarter of 2022 as well, the German economy technically entered a recession. The contraction was mainly driven by the decline in consumer spending in conjunction with high-inflation. On the other hand, leading indicators in the Euro Area confirmed the divergence in the performance of sectors in May. The flash services PMI index came in at 55.9 in May, pointing to an ongoing expansion for the sectors activity. However, the flash manufacturing PMI fell to 44.6 in the same period, indicating that the pressure on the manufacturing industry persists.

Financial markets...

Last week, news on the US debt ceiling were closely monitored in global markets and risk appetite displayed a volatile outlook. The rise in US technology stocks supported the indices. Gold prices ended the week with a loss of 1.5%. Ahead of this week's OPEC+ meeting, oil prices ended the week with a rise due to the warning of Saudi Arabia's energy official to oil short sellers. Türkiye's CDS premiums decreased by 10 basis points last week, while the BIST-100 index closed the week at 4,581, by rising 1.8% wow. Turkish Lira, on the other hand, depreciated by 1.9% against USD.

This week's agenda...

In addition to the developments regarding the US debt ceiling, the US nonfarm payrolls and the Euro Area's flash HICP figure of May will be followed in the markets this week. In Türkiye, the developments about the new cabinet will be monitored. GDP growth for Q1, the preliminary foreign trade figures and the manufacturing PMI for May will be announced.



Source: CBRT, TURKSTAT, Datastream

Data Releases

		Period	Consensus	Prior
29 May	TR Economic Confidence	May	103.7 (A)	102.2
30 May	TR Trade Balance	April	-	-8.34 billion USD
	USA Consumer Confidence, final	May	99.0	101.3
	Euro Area Consumer Confidence, final	May	-17.4	-17.4
31 May	TR GDP Growth	2023 Q1	3.9%	3.5%
	Germany CPI Inflation, yoy	May	6.5%	7.2%
1 June	TR Manufacturing PMI	May	-	51.5
	USA Manufacturing PMI, final	May	-	48.5
	Euro Area CPI Inflation, flash, yoy	May	6.3%	7.0%
	Euro Area Unemployment Rate	April	6.5%	6.5%
	China Caixin Manufacturing PMI, final	May	49.5	49.5
2 June	USA Nonfarm Payrolls	May	195 thousand	253 thousand
	USA Unemployment Rate	May	3.5%	3.4%

(A) Actual

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