

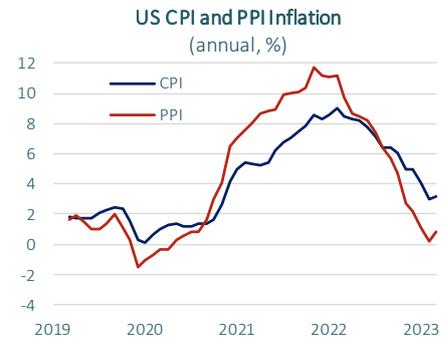
	4-Aug	11-Aug	Change		4-Aug	11-Aug	Change
BIST-100 Index	7.401	7.714	4,2 % ▲	EUR/USD	1,1010	1,0944	-0,6 % ▼
TRY 2 Year Benchmark Rate	15,97 %	17,44 %	147 bp ▲	USD/TRY	26,9371	26,8632	-0,3 % ▼
Türkiye 5-Year CDS Premium	390	393	3 bp ▲	EUR/TRY	29,6501	29,3186	-1,1 % ▼
MSCI EM Equity Index	1.018	998	-2,0 % ▼	Gold (USD/ounce)	1.942	1.913	-1,5 % ▼
US 10-Year Bond Rate	4,06 %	4,17 %	11 bp ▲	Brent Oil (USD/barrel)	86,2	86,8	0,7 % ▲

bp: basis point

Last week, inflation data released in the US and China were high on the agenda of global markets. US CPI data, which came in below the expectations strengthened the views that inflationary pressures eased and that the Fed could end the rate hikes. In addition to the foreign trade data that did not meet the expectations in China, annual inflation remained in negative territory, raising concerns about the Chinese economy and the global economy. In Türkiye, balance of payments posted a surplus for the first time since October 2021 with 674 million USD in June. In the same period, industrial production index signaled a recovery on a monthly basis, and the unemployment rate rose to 9.6%. Treasury cash balance posted a surplus of 19.3 billion TRY in June. This week, industrial production data will be monitored in the US, Euro Area and China. In Türkiye, as well as CBRT's Survey of the Market Participants, budget balance and house sales statistics for July will be announced.

#### Inflation indicators in the US continued to improve in July.

According to data released in the US last week, CPI increased by 0.2% on a monthly basis in July, while annual CPI inflation came in at 3.2%, below the market expectations. In the same period, core CPI inflation excluding food and energy fell to 4.7%, the lowest level since October 2021, supporting the view that inflationary pressures have eased. On the other hand, PPI inflation was realized as 0.3% mom and 0.8% yoy in July, slightly above the forecasts. Following the data releases, the expectation that the Fed will pause interest rate hikes at its September meeting has reached 90%.



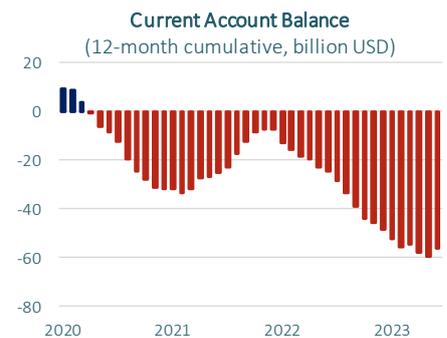
#### Economic activity in China maintained its weak outlook in July.

July foreign trade data released in China last week indicated that the Chinese economy started the third quarter of the year under pressure. China's exports contracted by 14.5% yoy in July, the fastest decline since February 2020, while imports fell well above expectations by 12.4% yoy. Due to weak demand conditions, consumer prices in the country fell by 0.3% yoy in July, pointing to deflation for the first time since February 2021. In the same period, producer prices in the country also declined by 4.4% yoy, extending its course in negative territory for the tenth consecutive month. The weakness signaled by announced data has strengthened expectations that the Chinese government may provide more stimulus to revive the economy.



#### In Türkiye, current account posted a surplus in June.

In June, current account posted a surplus (674 million USD) for the first time since October 2021. Thus, the current account deficit in the first half of the year came in at 36.8 billion USD, while the 12-month cumulative current account deficit declined to 56.5 billion USD. In June, portfolio investments posted a net inflow of 1.8 billion USD, while official reserves increased by 11.2 billion USD ([Our Balance of Payments Report](#)).



#### Industrial production increased by 1.6% mom in June.

Seasonally and calendar adjusted industrial production, which increased by 1.4% mom in May, expanded by 1.6% mom in June and maintained its gradual growth trend. In June, 2.3% rise in manufacturing industry was the main driver of this expansion, while the decline in mining and quarrying as well as electricity, gas, steam and air conditioning production and distribution sectors limited the increase

Source: Datastream, CBRT, Turkstat

in industrial production. According to calendar adjusted figures, industrial production, which expanded by 0.6% yoy in June, recorded a limited decline of 0.1% yoy in the second quarter of the year.

According to the data released by Automotive Manufacturers Association (OSD), production in the automotive sector, which has a significant share in the manufacturing industry, increased by 48.4% yoy in July. In this period 73.7% annual rise in automobile production stood out. On the other hand, due to the strong course of domestic demand, total automotive imports rose by 170.5% yoy to 78,393 in July. Thus, in January-July period, automotive production increased by 17.6% yoy to 870,600, while imports rose by 82% yoy.

#### Unemployment rate rose to 9.6% in June.

In June, employment decreased by 363K people compared to the previous month, while unemployment rate rose by 0.1 point mom to 9.6%. In this period, employment and labor force participation rates declined by 0.6 points each to 47.8% and 52.9%, respectively. The labor underutilization rate, consisting of time-related underemployment, potential labor force and unemployment, increased by 1.7 points in June compared to the previous month and reached 24.2%, the highest level since May 2021.

Retail sales volume, one of the main indicators of domestic demand, decreased by 0.1% mom, indicating that demand weakened slightly due to inflationary pressures. In this period, backing by inflation developments, sales of computers, books and communication devices, medical products and cosmetics decreased on a monthly basis by 6.7% and 1.3%, respectively. On the other hand, sales via mail or internet increased by 6.7% mom in June.

#### Treasury cash surplus was 19.3 billion TRY in July.

According to the data released by the Ministry of Treasury and Finance, Treasury cash balance posted a surplus of 19.3 billion TRY in July. In this period, revenues were announced to be 478.6 billion TRY, while expenses were 459.3 billion TRY, 34.3 billion TRY of which was constituted by interest payments. With the cash surplus in July, the year-to-date Treasury cash deficit narrowed to 434.3 billion TRY.

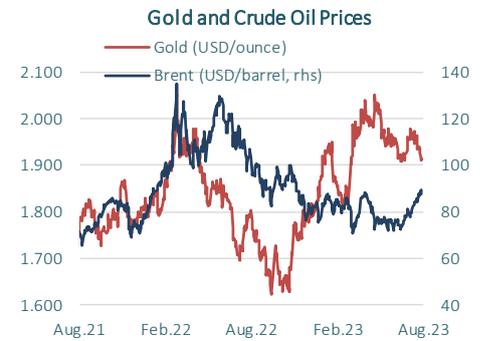
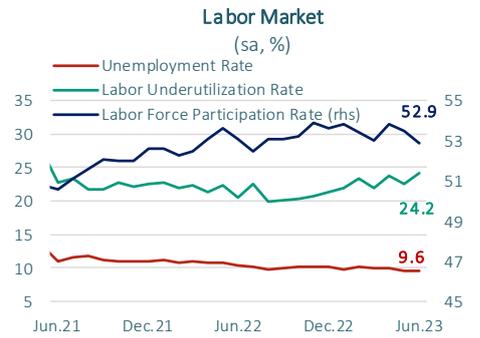
#### Financial markets...

Last week, global risk appetite displayed a volatile course following the inflation data releases in the US and China. Gold prices fell by 1.5% on a weekly basis to 1,913 USD/ounce. The price of Brent oil, which has risen rapidly in recent weeks due to the decisions regarding supply cuts, showed a relatively moderate weekly rise of 0.7% due to concerns over global demand and ended the week at 86.8 USD/barrel. On the other hand, natural gas prices in Europe rose sharply last week amid expectations that the energy crisis would continue and news that workers in some power plants in Australia would go on strike.

BIST-100 index, which displayed a relatively strong course compared to global markets, reached its historical high level and ended the week at 7,714 points. Türkiye's 5-year CDS premium increased by 3 basis points to 393, while the interest rate of 2-year benchmark bond rose by 147 basis points to 17.44%.

#### This week's agenda...

This week, industrial production data in the US, Euro Area and China will be monitored in global markets. In Türkiye, the results of CBRT's Market Participants Survey will be released as well as budget balance and house sales statistics for July.



Source: Datastream, Turkstat, Treasury

Data Releases

		Period	Consensus	Prior
<b>15 August</b>	TR Budget Balance	July	-	-219.6 billion TRY
	TR House Sales, yoy	July	-	-44.4%
	USA NY Fed Manufacturing Index	August	-0.75	1.10
	USA Retail Sales, mom	July	%0.4	0.2%
	China Industrial Production, yoy	July	4.4%	4.4%
	China Retail Sales, yoy	July	4.5%	3.1%
<b>16 August</b>	TR Housing Price Index, yoy	June	-	103.6%
	USA Philadelphia Fed Manufacturing Index	July	0.3%	-0.5%
	USA Housing Starts, units	July	1.44 billion	1.43 billion
	Euro Area GDP Growth, yoy	2023 Q2	0.6%	0.6%
	Euro Area Industrial Production, yoy	June	-4.2%	-2.2%
<b>17 August</b>	USA Philadelphia Fed Business Index	August	-10.0	-13.5
	Euro Area Trade Balance	June	-	-0.9 billion EUR
<b>18 August</b>	CBRT Survey of Market Participants	August	-	43.8%
	Euro Area CPI Inflation, final, yoy	July	5.3%	5.3%

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