

Core PCE Released in Line with Expectations in the U.S.

- In the U.S., the Core PCE, closely monitored by the Fed in determining monetary policy decisions, increased by 0.2 percent month-on-month in July, aligning with expectations. During the same period, durable goods orders also rose by 9.9 percent, surpassing expectations. When examining the subcategories of durable goods orders, orders excluding transportation decreased by 0.2 percent, falling significantly short of expectations, indicating that factory production may struggle to gain momentum in the coming months. Last week, the Conference Board Consumer Confidence Index for August increased by 1.4 points to 103.3, while the University of Michigan Consumer Confidence Index also rose by 1.5 points to 67.9. Mortgage applications increased by 0.5 percent compared to the previous week. This week's economic calendar in the U.S. will include the Manufacturing Purchasing Managers' Index (PMI), Construction Spending, ISM Manufacturing Purchasing Managers' Index (PMI), Atlanta Fed's GDPNow, Trade Balance (July), Factory Orders (Monthly), Job Openings and Labor Turnover Survey (JOLTS), ADP Non-Farm Employment, Services Purchasing Managers' Index (PMI), Average Hourly Earnings, Non-Farm Employment, and Unemployment Rate (August).
- In the Eurozone, preliminary consumer inflation was in line with market expectations, registering at 0.2 percent monthly and 2.2 percent annually. During the same period, core inflation stood at 0.3 percent monthly and 2.8 percent annually. In Germany, the locomotive economy of the region, the Ifo Employment Barometer fell to 94.8, indicating that companies are slowing down their hiring. The Business Climate Index also decreased by 0.4 points compared to the previous month, reaching 86.6 points in August.
- In Asia, Japan's Deputy Governor of the Central Bank, Ryozi Himino, commented on the macroeconomic outlook, stating that the BOJ's primary stance is to examine the impact of market developments and the July rate hike. He mentioned that if there is confidence in economic activity and prices, monetary policy will be adjusted.
- Domestically, various data were released by the Central Bank, TurkStat, and other institutions:
 - The foreign trade balance recorded a deficit of \$7.295 billion in July.
 - The Real Sector Confidence Index decreased by 0.7 points compared to the previous month, falling to 98.0 in August.
 - The seasonally adjusted capacity utilization rate decreased by 0.2 points compared to the previous month, dropping to 75.7 percent in August.

Weekly Status

	23.08.2024	29.08.2024	Weekly Change	Change in 2024	Change in 2023	Change in 2022	Change in 2021
XK050	9,263	9,426	1.8%	23.6%	32.6%	210.3%	22.5%
XU100	9,668	9,833	1.7%	31.6%	35.6%	196.6%	25.8%
USDTRY	33.98	34.08	0.3%	15.6%	57.5%	39.6%	80.3%
DXY	100.68	101.36	0.7%	0.0%	-2.1%	8.2%	6.4%
US-10Y	3.800	3.870	1.8%	-0.3%	0.0%	156.3%	65.1%
TR-10Y	28.23	28.52	1.0%	6.6%	169.4%	-59.2%	88.5%
TR-2Y	42.00	42.10	0.2%	6.1%	298.0%	-56.1%	51.7%
CDS (5Y)	265.14	265.67	0.2%	-4.4%	-45.2%	-10.5%	84.8%
Gold (Ounce)	2,512.00	2,521.00	0.4%	22.3%	13.1%	-0.3%	-3.7%
Gold (Gram)	2,744.00	2,762.00	0.7%	40.8%	78.9%	40.4%	72.1%
Silver (Gram)	32.60	32.24	-1.1%	42.6%	57.1%	44.9%	57.4%

Global



Durable goods orders in the United States increased by 9.9 percent in July, exceeding expectations. According to the durable goods orders data for July, announced in the United States, durable goods orders increased by 9.9 percent, significantly exceeding expectations. During the same period, durable goods orders excluding transportation decreased by 0.2 percent, showing a greater-than-expected contraction. The announced data suggest that uncertainties related to the presidential elections and future demand are causing firms to cancel expansion plans, implying that factory production may struggle to gain momentum in the coming months.

The Consumer Confidence Index in the United States increased by 1.4 points in August, reaching 103.3. According to the Consumer Confidence Index for August announced by the Conference Board, consumer confidence increased by 1.4 percentage points compared to the previous month, reaching 103.3, exceeding expectations. During the same period, the Present Situation Index, which reflects consumers' assessments of current business and labor market conditions, increased by 1.3 percentage points to 134.4. Additionally, the Expectations Index, which reflects consumers' short-term outlooks for income, jobs, and labor market conditions, also increased by 1.4 percentage points to 82.

In the U.S., mortgage applications increased by 0.5 percent compared to the previous week. According to mortgage data for the third week of August released by the Mortgage Bankers Association (MBA), mortgage applications increased by 0.5 percent compared to the previous week, reaching their lowest level since April 2023. During the same period, the average mortgage interest rate decreased from 6.50 percent to 6.44 percent. Additionally, applications for home purchases increased by 1 percent, while refinancing applications decreased by 0.1 percent.

Consumer confidence in the U.S. increased by 1.5 points in August, reaching 67.9 points. According to the consumer confidence index for August, announced by the University of Michigan in the United States, consumer confidence increased by 1.5 points compared to the previous month, reaching 67.9 points. When the subcategories are examined, the current economic conditions index, which measures Americans' assessment of current financial conditions,

decreased by 1.4 points to 61.3 points, while the consumer expectations index, reflecting consumers' long-term outlook, increased by 3.3 points to 72.1 points.

Consumer inflation in the Eurozone met market expectations in August, registering at 0.2 percent monthly and 2.2 percent annually. According to preliminary inflation data for August announced by the European Statistical Office (Eurostat), consumer inflation in the Eurozone met market expectations, registering at 0.2 percent monthly and 2.2 percent annually. In the same period, core inflation was recorded at 0.3 percent monthly and 2.8 percent annually.

In Germany, the Ifo Employment Barometer fell from 95.3 to 94.8. According to the Business Survey results for August released by the German Economic Research Institute (Ifo), the Employment Barometer decreased from 95.3 to 94.8. The slight decline in the data indicated that companies are becoming more cautious in their personnel planning. Klaus Wohlrabe, Director of Ifo's Surveys Center, commented on the data, stating, "The weakness in the economy is also reflected in employment development. The lack of orders is causing companies to slow down hiring."

The business climate index in Germany decreased by 0.4 points in August compared to the previous month, falling to 86.6 points. According to the Business Survey results for August, announced by the Institute for Economic Research (IFO) in Germany, the business climate index fell by 0.4 points compared to the previous month, reaching 86.6 points, surpassing expectations. During the same period, the expectations index dropped by 0.2 points to 86.8 points, and the current conditions index decreased by 0.6 points to 86.5 points.

Ryozo Himino, Deputy Governor of the Bank of Japan (BOJ), made statements regarding the macroeconomic outlook. Himino stated that the BOJ's fundamental stance was to examine the effects of market developments and the July rate hike and that if confidence increased in the realization of expectations regarding economic activity and prices, monetary policy would be adjusted accordingly.

Domestic



The Real Sector Confidence Index decreased by 0.7 points in August compared to the previous month, falling to 98.0. According to the results of the Economic Tendency Survey for August, announced by the Central Bank of the Republic of Turkey (CBRT), the seasonally adjusted Real Sector Confidence Index decreased by 0.7 points compared to the previous month, falling to 98.0. When examining the subcomponents, the production volume in the last three months, total order quantity, domestic market order quantity, and average unit cost index had an upward impact, while the current total order quantity, domestic market order quantity, export order quantity, and the expected production volume, total order quantity, domestic market order quantity, export order quantity, total employment, and sales price index for the next three months had a downward impact.

The 12-month ahead inflation expectations in August stood at 38.7 percent for market participants, 53.8 percent for the real sector, and 73.1 percent for households. According to the Sectoral Inflation Expectations announced by the Central Bank of the Republic of Turkey (CBRT) for August, the 12-month ahead annual inflation expectations decreased by 1.3 percentage points to 28.7 percent for market participants and by 1.2 percentage points to 53.8 percent for the real sector. However, for households, it increased by 1.1 percentage points to 73.1 percent. During the

same period, the proportion of households expecting inflation to decrease over the next 12 months increased by 0.3 percentage points compared to the previous month, reaching 29.6 percent.

The CBRT also published the summary of the Monetary Policy Committee Meeting held in August. In the meeting summary, it was stated that the tight stance would continue until a significant decline in the underlying trend of monthly inflation was achieved. It was decided to keep the policy rate unchanged, taking into account the delayed effects of monetary tightening. The cautious stance against upward risks on inflation was reiterated, and it was emphasized that liquidity conditions were being closely monitored, considering possible developments. Additionally, the current data for the second quarter indicated that the Gross Domestic Product (GDP) growth rates, both annually and quarterly, would decline compared to the first quarter.

The seasonally adjusted capacity utilization rate decreased by 0.2 points in August compared to the previous month, falling to 75.7 percent. According to the Manufacturing Industry Capacity Utilization Rate data for August, published by the CBRT, the seasonally adjusted capacity utilization rate decreased by 0.2 points compared to the previous month, falling to 75.7 percent. During the same period, when capacity utilization rates are examined by product groups, an increase was observed in consumption and non-durable consumer goods, while a decrease was recorded in investment goods and durable consumer goods. Capacity utilization in intermediate goods remained stable.

The Central Bank of the Republic of Turkey (CBRT) made some changes to the reserve requirement regulation to support the monetary transmission mechanism. With these changes, the monthly growth target was increased for banks with a real person Turkish lira deposit ratio between 45 percent and 50 percent, while the monthly growth target was removed for banks with a real person Turkish lira deposit ratio exceeding 60 percent. Additionally, the blocked reserve ratio for Turkish lira mandatory reserves was increased by 5 points.

The TGFE showed a real annual decline of 4.4 percent in the second quarter of 2024. According to the Commercial Real Estate Price Index (TGFE) for the second quarter of 2024, announced by the CBRT, the TGFE increased by 7.3 percent on a quarterly basis and by 64.7 percent on an annual basis. In the same period, the TGFE showed a real annual decline of 4.4 percent. When examining the subcategories, the Shop Price Index (DFE) increased by 149.9 percent annually, while the Office Price Index (OFE) increased by 140.8 percent annually.

The foreign trade balance posted a deficit of \$7.295 billion in July. According to the Foreign Trade Statistics for July announced by the Turkish Statistical Institute (TurkStat), exports increased by 13.8 percent year-on-year to reach \$22.51 billion, while imports decreased by 7.8 percent to \$22.51 billion under the general trade system. As a result, the foreign trade deficit narrowed by 41.8 percent compared to the previous year, reaching \$7.295 billion. In the same period, the foreign trade deficit excluding energy products and non-monetary gold stood at \$2.982 billion. Additionally, the foreign trade volume increased by 3.1 percent to \$44.03 billion, while the export-to-import coverage ratio excluding energy and gold was recorded at 87.3 percent.

The economic confidence index decreased by 1.3 percent monthly to 93.1 in August. According to the Economic Confidence Index for August published by the Turkish Statistical Institute (TurkStat), the economic confidence index decreased by 1.3 percent monthly to 93.1. In the same period, the consumer confidence index increased by 0.6 percent to 76.4, the retail trade sector confidence index increased by 0.8 percent to 107.9, the construction sector confidence index increased by 1.1 percent to 88.0, the real sector (manufacturing industry) confidence index decreased by 0.7 percent to 98.0, and the services sector confidence index decreased by 2.0 percent to 111.8.

The Service PPI increased by 4.0 percent monthly and by 61.8 percent annually in July. According to the Service Producer Price Index (H-ÜFE) for July, published by TurkStat, the Service PPI increased by 4.0 percent monthly and by 61.8 percent annually. When the subcategories are examined, professional, scientific and technical services, accommodation and food services, and information and communication services were influential in the annual increase of the index, while professional, scientific and technical services, accommodation and food services, and administrative and support services were influential in the monthly increase.

Confidence in the construction and retail trade sectors increased in August, while confidence in the service sector decreased. According to the Service, Retail Trade, and Construction Confidence Indices for August, published by the Turkish Statistical Institute (TurkStat), the Service Sector Confidence Index decreased by 2.0 percent to 111.8, the Retail Trade Sector Confidence Index decreased by 0.8 percent to 107.9, while the Construction Sector Confidence Index increased by 1.1 percent to reach 88.0.

TurkStat published the Annual Industry and Service Statistics for 2023. According to the Annual Industry and Service Statistics for 2023 announced by the Turkish Statistical Institute (TurkStat), 44.1 percent of active enterprises were in the service sector, while 36.0 percent were in the trade sector. In terms of employment, the service sector accounted for 38.6 percent of total employment, while the industrial sector accounted for 28.3 percent. During the same period, in terms of revenue, the trade sector constituted 45.4 percent of total revenue, the service sector 15.7 percent, and the industrial sector 33.0 percent. Furthermore, enterprises engaged in low-tech activities accounted for 49.4 percent of employment and 34.8 percent of revenue.

Minister of Treasury and Finance Mehmet Şimşek commented on the macroeconomic outlook via his social media account. Şimşek said, "In July, the annual foreign trade deficit decreased by \$38.7 billion compared to the same period of the previous year. This indicates a level below \$20 billion for the annual current account deficit for July. The declining current account deficit and external financing need contribute significantly to the disinflation process." Thus, Şimşek emphasized that significant progress has been made in reducing the high current account deficit, which is one of the macroeconomic imbalances.

The International Monetary Fund (IMF) published its Article IV Consultation Report on Turkey. In the report, the IMF stated that Turkey has significantly reduced crisis risks by tightening its overall policy framework. The report noted that the current account deficit has decreased, market sentiment has improved, international reserves have recovered, credit ratings have been upgraded, and CDS (Credit Default Swap) levels have declined. Although the report pointed out the risk of inflation getting off track again due to geopolitical tensions or a reversal of capital flows, it shared expectations that growth and inflation will slow down this year and next.

Leading Indicators



	Indicator	Period	Data	Previous Data	Benchmark Value
	Industrial Production	June	-4.7%	0.1%	
	Manufacturing PMI	August	47.8	47.2	50.0
New	Capacity Utilization Rate (seasonally adj.)	August	75.7%	75.9%	
New	Import - (capital goods) (annually)	July	-7.7%	-3.5%	
New	Import - (intermediate goods) (annually)	July	-8.9%	-6.4%	
New	Import - (consumption goods) (annually)	July	-3.2%	5.0%	
New	Credit Growth Weekly	August (Week 4)	1.4%	0.3%	
	Consumer Confidence Index	August	76.4	75.9	100.0
New	Real sector confidence (seasonally adj.)	August	98.0	98.7	100.0
New	Service sector confidence (seasonally adj.)	August	111.8	114.1	100.0
New	Retail sector confidence (seasonally adj.)	August	107.9	107.1	100.0
New	Construction sector confidence (seasonally adj.)	August	88.0	87.1	100.0
	Car Sales (annually)	July	-17.5%	-5.0%	
	House sales - total (annually)	July	16.0%	-5.2%	
	House sales - mortgage (annually)	July	-20.9%	-49.4%	
	CPI	July	61.8%	71.6%	
	CPI expectations (year-end)	August	43.3%	43.0%	
	Current Year Growth Expectations	August	3.4%	3.4%	
	Retail Sales Volume (annually)	June	8.6%	5.8%	
	Current Account Balance (billion USD)	June	0.4	-1.2	
	Unemployment Rate (seasonally adj.)	June	9.2%	8.4%	
New	Dollarization	August (Week 4)	2.02 Billion (+)	0.20 Billion (+)	

	Indicates decrease
	Indicates stability
	Indicates increase

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