

Fed Keeps Policy Rate Steady at 5.25-5.5 Percent Range

- The Federal Reserve in the United States kept its policy rate unchanged at the 5.25-5.5 percent range, which is the highest level in 23 years, in line with expectations. Following the rate decision, PMI and non-farm payroll data fell short of expectations, increasing concerns that the US economy might enter a recession. Factory orders data for June also indicated a greater-than-expected contraction. These data led the market to strengthen its expectations of at least a 100 basis point rate cut from the Fed in 2024. Amid intensifying recession concerns, there was a strong selling pressure in global markets on Friday. The S&P 500 index fell by 1.84 percent, the Nasdaq dropped by 2.43 percent, and the VIX index, which is followed as a barometer of market volatility, rose sharply. Negative demand expectations also led Brent crude oil prices to fall by 3.41 percent. With rising geopolitical concerns, the selling wave in global markets deepened this morning. Japan's Nikkei recorded its fastest drop since 1987, while South Korean markets triggered a circuit breaker. This week's economic calendar includes the S&P Global Composite Purchasing Managers' Index (PMI), ISM Non-Manufacturing PMI, Trade Balance, Atlanta Fed GDPNow (Q3), and Energy Information Administration Crude Oil Inventories in the US. In the Eurozone, S&P Global Composite PMI, Sentix Investor Confidence, Producer Price Index (PPI), Retail Sales, Germany Factory Orders, Germany Trade Balance, and Germany Consumer Price Index will be closely watched.
- Economic activities in the Eurozone grew above expectations in the second quarter of 2024. However, in Germany, the region's locomotive economy, economic activities contracted due to decreased investments in machinery, equipment, and buildings amid high interest rates. The unemployment rate in the region also exceeded expectations.
- In Asia, despite struggling with a decline in consumer confidence, industrial companies in China, which is in a phase of economic recovery, increased their profitability by 0.7 percent monthly and 3.6 percent annually. In Japan, the Bank of Japan (BoJ) unexpectedly raised its policy rate from the 0.0-0.1 percent range to 0.25 percent to halt the yen's decline against the dollar.
- Domestically, the Central Bank of Turkey, TurkStat, and other institutions released various data:
 - The Economic Confidence Index decreased by 1.5 percent monthly to 94.4.
 - The net foreign exchange position deficit of non-financial companies was 115.17 billion dollar in May.
 - The foreign trade balance showed a deficit of 5.9 billion dollar in June.

Weekly Status

	26.07.2024	2.08.2024	Weekly Change	Change in 2024	Change in 2023	Change in 2022	Change in 2021
XK050	10,442	10,101	-3.3%	32.4%	32.6%	210.3%	22.5%
XU100	10,891	10,473	-3.8%	40.2%	35.6%	196.6%	25.8%
USDTRY	32.95	33.21	0.8%	12.7%	57.5%	39.6%	80.3%
DXY	104.33	103.22	-1.1%	1.9%	-2.1%	8.2%	6.4%
US-10Y	4.200	3.790	-9.8%	-2.3%	0.0%	156.3%	65.1%
TR-10Y	28.06	27.70	-1.3%	3.6%	169.4%	-59.2%	88.5%
TR-2Y	42.28	41.97	-0.7%	5.8%	298.0%	-56.1%	51.7%
CDS (5Y)	258.70	261.59	1.1%	-5.9%	-45.2%	-10.5%	84.8%
Gold (Ounce)	2,387.00	2,442.74	2.3%	18.5%	13.1%	-0.3%	-3.7%
Gold (Gram)	2,529.00	2,608.00	3.1%	32.9%	78.9%	40.4%	72.1%
Silver (Gram)	29.55	30.17	2.1%	33.4%	57.1%	44.9%	57.4%

Global



5.25-5.5 percent, in line with expectations. Fed officials signaled that they have a tendency to lower borrowing costs with the easing of inflation and the cooling of the labor market. In the meeting text published after the interest rate decision, it was stated that in recent months more progress has been made towards the 2 percent target for inflation, and that risks to employment and inflation targets have become more balanced. Fed Chairman Jerome Powell stated that no pre-decided decision has been made for the monetary policy meeting to be held in September, but they are approaching the point of lowering interest rates.

In the USA, Non-Farm Employment increased by 114 thousand people in July, falling short of expectations. According to the Non-Farm Employment data announced by the US Department of Labor for July; non-farm employment nationwide increased by 114 thousand people, falling short of expectations. During the same period, the unemployment rate also increased by 0.2 percentage points, falling short of expectations, and recorded at 4.3%, the highest level in the last three years. Hourly earnings, which are critically important in terms of inflation, increased by 0.2% on a monthly basis, slightly below market expectations, reaching 35.07 dollars.

Factory orders in the USA showed a 3.3% monthly decline in June, exceeding market expectations. According to the Factory Orders data announced by the US Department of Commerce for June, factory orders nationwide decreased by 3.3% on a monthly basis, exceeding market expectations. When examining the sub-breakdowns, orders for durable goods decreased by 6.7%, while orders for non-durable goods decreased by 0.1%.

In the US, the ISM PMI decreased by 1.7 points in July compared to the previous month, falling below market expectations to 46.8 points. According to the manufacturing PMI (Purchasing Managers' Index) for July, announced by the Institute for Supply Management (ISM) in the US; the PMI decreased by 1.7 points compared to the previous month, falling below market expectations to 46.8 points. Thus, the PMI fell below the threshold level of 50, indicating a contraction in sectoral activities. When examining the subcategories; growth was observed in printing, petroleum and coal, and furniture and related products, while declines were recorded in primary metals, plastic and rubber products, and machinery sectors.

In the US, the number of first-time unemployment claims increased by 14,000 compared to the previous week, reaching 249,000, exceeding expectations. According to the initial unemployment claims for the past week, announced by the US Department of Labor; the number of first-time unemployment claims nationwide increased by 14,000 compared to the previous week, reaching 249,000, exceeding expectations. During the same period, the number of continuing unemployment claims decreased by 33,000 to 1.877 million.

Pending home sales in the US increased by 4.8 percent monthly, exceeding market expectations. According to the Housing Sales Index published by the National Association of Realtors (NAR) for June in the US; nationwide pending home sales increased by 4.8 percent monthly, exceeding market expectations. In the same period, pending home sales decreased by 2.6 percent annually. After the data, which exceeded expectations, NAR Chief Economist Lawrence Yun stated that the increase in housing stocks has started to lead to more contracts being signed.

The Consumer Confidence Index in the USA increased by 2.5 points compared to the previous month, reaching 100.3 points. According to the Consumer Confidence Index for July announced by the Conference Board in the USA; consumer confidence increased by 2.5 points compared to the previous month, reaching 100.3 points, surpassing market expectations. In the same period, the Expectations Index increased by 5.4 points to 78.2 points, remaining below the 80 threshold, which is considered a signal of a future recession.

The US Treasury Department published borrowing estimates for the third quarter of 2024. According to the borrowing estimates announced by the US Treasury Department for the third quarter of 2024, the Treasury is expected to borrow \$740 billion in the third quarter, with the cash balance at the end of September projected to be \$850 billion. Thus, the current borrowing estimate is \$106 billion lower than the estimate announced in April. Additionally, the Treasury is expected to borrow \$565 billion in the fourth quarter, with the Treasury Cash Balance projected to be \$700 billion at the end of the year.

Fitch Ratings published an analysis note on the US economy. According to Fitch's analysis, an economic slowdown is approaching in an environment of increasing political and geopolitical uncertainty, and the Fed is expected to cut interest rates twice this year. The analysis also shared the expectation that the signs of slowdown in the US will continue in the second half of the year, but the economy is not expected to enter a recession.

The Bank of Japan (BoJ) unexpectedly raised the policy interest rate from the 0.0-0.1 percent range to 0.25 percent. The Bank of Japan (BoJ) unexpectedly raised the policy interest rate from the 0.0-0.1 percent range to 0.25 percent to stop the yen's decline against the dollar. Thus, the bank's policy interest rates reached their highest level since December 2008. It was also announced that the pace of monthly bond purchases would be reduced beyond market expectations.

Industrial companies in China increased their profitability by 0.7% monthly and 3.6% annually. According to profitability data for June announced by the National Bureau of Statistics (NBS) in China, industrial companies, despite grappling with a decline in consumer confidence during the economic recovery phase, increased their profitability by 0.7% monthly and 3.6% annually, achieving a momentum increase. The strong profitability following the slowdown in the second quarter and economic activity data that fell below expectations presented a mixed picture of the economic outlook.

Domestic



The Central Bank of the Republic of Türkiye (CBRT) published the Summary of the Monetary Policy Committee Meeting held last week. In the meeting summary, it was indicated that leading indicators pointed to energy, unprocessed food, and alcohol-tobacco groups as items that would push monthly consumer inflation upwards in July. However, leading indicators stated that the increase in core indicators, which exclude these groups, was relatively more limited. It was also reiterated that the tight monetary policy stance would continue until a significant and permanent decline in the underlying trend of monthly inflation is achieved and inflation expectations converge to the forecast range.

The Economic Confidence Index decreased by 1.5 percent monthly to 94.4. According to the Economic Confidence Index published by the Turkish Statistical Institute (TurkStat) for July; the economic confidence index decreased by 1.5 percent monthly to 94.4. In the same period, the consumer confidence index decreased by 3.1 percent to 75.9, the real sector (manufacturing industry) confidence index decreased by 1.8 percent to 98.7, the services sector confidence index decreased by 1.1 percent to 114.1, the retail trade sector confidence index decreased by 1.5 percent to 107.1, and the construction sector confidence index decreased by 0.9 percent to 87.1.

The net foreign exchange position deficit of non-financial sector companies was 115 billion 170 million dollars in May. According to the Financial Assets and Liabilities Statistics of Non-Financial Sector Companies published by the Central Bank of the Republic of Turkey (CBRT) for May, the foreign exchange assets of companies decreased by 4 billion million dollars while their foreign exchange liabilities increased by 10 billion 500 million dollars. Thus, the net foreign exchange position deficit of non-financial sector companies increased by 14 billion 500 million dollars compared to the previous month, reaching 115 billion 170 million dollars.

TurkStat published the population projections calculated based on the 2023 Address Based Population Registration System (ADNKS) results. According to the population projection data calculated based on the 2023 Address Based Population Registration System (ADNKS) results by TurkStat, under the main scenario assuming the continuation of the current structure in demographic indicators, the country's population is projected to reach 88,188,221 in 2030 and 93,774,618 in 2050. Additionally, it was shared that the population is expected to increase until the mid-2050s, then start to decline, and fall below 77 million by 2100.

The foreign trade balance posted a deficit of 5 billion 900 million dollars in June. According to the Foreign Trade Statistics published by the Turkish Statistical Institute (TurkStat) for June, exports decreased by 8.3 percent year-on-year to 19 billion 49 million dollars, while imports decreased by 8.3 percent year-on-year to 24 billion 920 million dollars. Thus, the export-to-import coverage ratio for the period was 76.4 percent, and the foreign trade balance posted a deficit of 5 billion 900 million dollars.

The Service ÜFE increased by 5.3 percent monthly and 77.4 percent annually in June. According to the Service Producer Price Index (S-ÜFE) published by TurkStat for June, the Service ÜFE increased by 5.3 percent monthly and 77.4 percent annually. When sub-items are examined, professional, scientific, and technical services, administrative and support services, and real estate services sectors were influential in the annual increase of the index, while real estate services and administrative and support services sectors were effective in the monthly increase.

The foreign trade balance gave a deficit of 7 billion 740 million dollars in July. According to the preliminary foreign trade data announced by the Ministry of Trade for July; exports increased by 13.8% on an annual basis, reaching 22 billion 500 million dollars, while imports decreased by

7.9% on an annual basis, reaching 29 billion 750 million dollars. Thus, while a 14.5 point increase was observed in the ratio of exports to imports, the foreign trade balance gave a deficit of 7 billion 740 million dollars.

Vice President Cevdet Yılmaz made statements regarding the foreign trade data for the month on his social media account. Yılmaz stated that despite a period when demand in foreign markets, especially in Europe, is not active, exports, which are an important indicator of the balancing policy in growth, continue to increase. He also emphasized that the momentum caught in exports is also seen in tourism revenues, and that these increases in goods and services exports will reduce the current account deficit and the need for foreign exchange, contributing to reserve accumulation, financial stability, and the disinflation process.

The Tax Inspection Board continues its examinations without interruption among large taxpayers. Inspectors from the Ministry of Treasury and Finance imposed a record fine of 6 billion lira on a company determined to have generated unregistered revenue as a result of efficiency and inventory audits conducted under the directives of Minister Mehmet Şimşek to collect more tax from those who earn more. The fine is expected to increase further with the delay interest.

The Ministry of Treasury and Finance's Tax Inspection Board (VDK) has put taxpayers who do not declare taxes in line with their expenditures under close scrutiny. Following the instructions of Treasury Minister Mehmet Şimşek to increase fairness and efficiency in taxation and to combat the informal economy, tax inspectors have started investigating how individuals with luxury cars acquired these vehicles and whether they declared this income. In studies conducted on luxury segment vehicles, taxpayers who have no income declaration or company partnership, or those who have partnerships but whose companies have not distributed profits, have been identified. It is expected that such inspections will increase in the future.

The Ministry of Treasury and Finance made statements on social media regarding recent tax inspections. The Ministry announced that, as a result of the findings of the Tax Inspection Board's risk analysis system, tax inspections are currently ongoing for 27% of the 2,815 major taxpayers identified, and it is planned to increase this rate further in the future. Tax inspections are conducted on taxpayers who consistently declare losses, based on their size and sector.

It was announced in the Official Gazette that a withholding tax of between 5 percent and 7.5 percent was introduced for Currency Protected Deposits (KKM). Thus, the tax advantage applied to Currency Protected Deposits has been removed. With the decision taken, a 7.5 percent withholding tax will be applied to the returns of 6-month term KKM accounts, while a 5 percent withholding tax will be applied to the returns of KKM accounts up to 1 year. The withholding tax will also be applied to gold-converted accounts and currency-protected participation accounts at the specified rates.

In Istanbul, while retail prices increased by 4.21 percent monthly, wholesale prices rose by 1.04 percent monthly. According to the Istanbul Wage Earners' Cost of Living and Wholesale Goods Price Indices for July, announced by the Istanbul Chamber of Commerce (ITO), retail prices in Istanbul increased by 4.21 percent monthly and 72.80 percent annually, while wholesale prices rose by 1.04 percent monthly and 55.12 percent annually. When examining the subcategories, the monthly increase in retail prices was influenced by transportation and communication, and culture, education, and entertainment expenditure groups, while the rise in wholesale prices was driven by construction materials and textiles groups.

The ISO Manufacturing PMI fell to 47.2 points in July, below the threshold level of 50. According to the Turkish Manufacturing PMI (Purchasing Managers' Index) survey for July, announced by the Istanbul Chamber of Industry (ISO), the headline PMI fell to 47.2 points, below the threshold level of 50. Thus, the PMI indicated a marked contraction in production conditions

since November 2022. This decline was primarily driven by a sharp drop in new orders due to challenging market conditions. In addition, input costs surged due to rising raw material and oil prices, as well as the weakness of the Turkish lira against the dollar.

Domestic white goods sales increased by 11 percent annually across six main product groups in the first half of 2024. According to the white goods sales statistics for the first half of 2024, published by the Turkish White Goods Manufacturers' Association (TÜRKBEŞD), domestic sales increased by 11 percent annually across six main product groups. During the same period, white goods production increased by 1 percent annually. However, while the domestic market growth averaged 28 percent in the first three months of the current year, it declined by an average of 5 percent in the last three months. On the export side, a 4 percent annual decrease was observed.

Leading Indicators



	Indicator	Period	Data	Previous Data	Benchmark Value
	Industrial Production	May	-0.1%	-0.7%	
New	Manufacturing PMI	July	47.2	47.9	50.0
	Capacity Utilization Rate (seasonally adj.)	June	75.9%	76.6%	
New	Import - (capital goods) (annually)	June	-3.5%	-5.5%	
New	Import - (intermediate goods) (annually)	June	-6.4%	-16.5%	
New	Import - (consumption goods) (annually)	June	5.0%	19.6%	
New	Credit Growth Weekly	July (Week 4)	0.6%	0.0%	
	Consumer Confidence Index	July	75.9	78.3	100.0
	Real sector confidence (seasonally adj.)	July	98.7	103.5	100.0
	Service sector confidence (seasonally adj.)	July	117.4	117.1	100.0
	Retail sector confidence (seasonally adj.)	July	107.1	111.7	100.0
	Construction sector confidence (seasonally adj.)	July	87.1	88.3	100.0
New	Car Sales (annually)	July	-17.5%	-5.3%	
	House sales - total (annually)	June	-5.2%	-2.4%	
	House sales - mortgage (annually)	June	-49.4%	-63.9%	
New	CPI	June	71.6%	75.5%	
	CPI expectations (year-end)	July	42.95%	43.52%	
	Current Year Growth Expectations	July	3.3%	3.3%	
	Retail Sales Volume (annually)	May	5.8%	10.2%	
	Current Account Balance (billion USD)	May	-1.2	-5.2	
	Unemployment Rate (seasonally adj.)	May	8.4%	8.5%	
New	Dollarization	July (Week 4)	0.77 Billion (+)	1.36 Billion (+)	

	Indicates decrease
	Indicates stability
	Indicates increase

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