

ECB Kept Policy Rates Unchanged as Expected

- In June, industrial production and capacity utilization rates in the US increased by 0.6 percent and 0.5 percent monthly, respectively, while there was no change observed in retail sales on a monthly basis. The Beige Book report for July, which includes assessments of the current state of the American economy, emphasized that price increases were moderate, employment also showed moderate growth, and it was stated that with the increase in uncertainties about the future of the economy, growth is expected to slow down in the short-term outlook. During the same period, the Philadelphia Fed Manufacturing Index rose by 13 points monthly to a value of 13.9, indicating an expansion in economic activities. San Francisco Fed President Mary Daly, in her statements regarding the macroeconomic outlook, expressed that she seeks more confidence that inflation has returned to the 2 percent target before calling for an interest rate cut and that patience is needed regarding the possibility of an interest rate cut. This week in the economic data calendar, Existing Home Sales, Building Permits, Trade Balance, Retail Inventories Excluding Autos, S&P Global Composite Purchasing Managers' Index (PMI), New Home Sales, Core Durable Goods Orders, Personal Consumption Expenditures, and Q2 Gross Domestic Product (GDP) will be followed in the US. In the Eurozone, Consumer Confidence, S&P Global Composite Purchasing Managers' Index (PMI), Germany Business Expectations, Germany Current Assessment, Germany Ifo Business Climate Index, and GfK Consumer Confidence Index will be closely monitored.
- In the Eurozone, final inflation in June increased by 0.2 percent monthly and 2.5 percent annually, in line with expectations. Following the inflation data, the European Central Bank (ECB) held its monetary policy committee meeting and, as expected, kept policy rates unchanged by not making any changes to deposit and marginal lending rates.
- On the Asian side, economic activity in China grew by 4.7 percent annually in the second quarter of 2024, falling short of expectations. Following the announced economic growth data, the People's Bank of China (PBOC) surprisingly cut benchmark interest rates by 10 basis points, lowering the benchmark 1-year and 5-year loan prime rates to 3.35 percent and 3.85 percent, respectively.
- Domestically, the Central Bank, TurkStat, and other institutions published various data:
 - The official reserve assets of the CBRT decreased by 0.5 percent monthly in June, reaching \$142.9 billion.
 - Home sales in June decreased by 5.2 percent annually, totaling 79,313 units.
 - The international credit rating agency Moody's upgraded Turkey's credit rating by two notches from B3 to B1 and maintained the rating outlook as positive.

Weekly Status

| | 12.07.2024 | 19.07.2024 | Weekly Change | Change in 2024 | Change in 2023 | Change in 2022 | Change in 2021 |
|---------------|------------|------------|---------------|----------------|----------------|----------------|----------------|
| XK050 | 10,422 | 10,576 | 1.5% | 38.7% | 32.6% | 210.3% | 22.5% |
| XU100 | 11,065 | 11,156 | 0.8% | 49.3% | 35.6% | 196.6% | 25.8% |
| USDTRY | 32.99 | 33.02 | 0.1% | 12.0% | 57.5% | 39.6% | 80.3% |
| DXY | 104.26 | 104.40 | 0.1% | 3.0% | -2.1% | 8.2% | 6.4% |
| US-10Y | 4.190 | 4.250 | 1.4% | 9.5% | 0.0% | 156.3% | 65.1% |
| TR-10Y | 27.70 | 27.98 | 1.0% | 4.6% | 169.4% | -59.2% | 88.5% |
| TR-2Y | 40.68 | 42.03 | 3.3% | 5.9% | 298.0% | -56.1% | 51.7% |
| CDS (5Y) | 251.66 | 251.90 | 0.1% | -9.4% | -45.2% | -10.5% | 84.8% |
| Gold (Ounce) | 2,422.00 | 2,401.00 | -0.9% | 16.4% | 13.1% | -0.3% | -3.7% |
| Gold (Gram) | 2,562.00 | 2,550.00 | -0.5% | 30.0% | 78.9% | 40.4% | 72.1% |
| Silver (Gram) | 32.64 | 31.04 | -4.9% | 37.3% | 57.1% | 44.9% | 57.4% |

Global



Retail sales showed no change on a monthly basis but increased by 2.3 percent on an annual basis in June, reaching 704.3 billion dollars. According to the retail sales data released by the U.S. Department of Commerce for June, retail sales nationwide showed no change on a monthly basis but increased by 2.3 percent on an annual basis, reaching 704.3 billion dollars. When examining the sub-sectors, a decrease was observed in sales at gasoline stations, motor vehicle and parts stores, and stores selling sporting goods, hobby items, music products, and books. In contrast, increases were seen in sales at non-store retailers, stores selling building materials, health and personal care stores, clothing stores, furniture stores, electronics stores, general merchandise stores, and various other retail outlets, as well as in food and beverage service establishments.

Industrial Production and Capacity Utilization Rate in the US increased by 0.6 percent and 0.5 percent monthly in June, respectively. According to the Industrial Production and Capacity Utilization data for June, announced by the Federal Reserve (Fed), industrial production increased by 0.6 percent monthly, exceeding expectations, while the capacity utilization rate increased by 0.5 points, reaching 78.8 percent, also exceeding expectations. In the same period, the production of the manufacturing industry group, which is a sub-sector of industry, increased by 0.4 percent monthly, exceeding expectations.

The Fed published the July edition of the Beige Book report, which includes assessments of the current state of the American economy. The report indicated that price increases were moderate as consumers focused only on essential products, employment also recorded moderate growth, and expectations for the economy's future suggested slower growth over the next six months due to uncertainty related to the upcoming elections, domestic policy, geopolitical conflicts, and inflation.

The Philadelphia Fed Manufacturing Index increased by 13 points on a monthly basis in July, rising to 13.9. According to the manufacturing index announced by the Federal Reserve Bank of Philadelphia for the month of July, the manufacturing index increased by 13 points on a monthly basis, rising to 13.9 and exceeding expectations. When examining the sub-items, the new orders index increased by 23 points on a monthly basis, reaching 20.7, while the shipments index increased by 35 points, reaching 27.8. Additionally, the employment index increased by 18 points, reaching 15.2. Thus, the announced data indicated expansion.

The European Central Bank (ECB) kept deposit and marginal lending rates unchanged at 4.25 percent, 3.75 percent, and 4.50 percent respectively, in line with expectations. In the published decision text, the ECB reiterated its commitment to keeping rates restrictive for as long as necessary, stating that the level and duration of restrictiveness would depend on data. Additionally, it was stated that price pressures in the Eurozone remain high and that headline inflation would remain above target until 2025.

The trade balance showed a surplus of 9.7 billion euros in May. According to the international trade data for May released by Eurostat, the European Union's (EU) exports decreased by 0.6 percent on an annual basis, reaching 216.3 billion euros, while the Union's imports also decreased by 6.2 percent on an annual basis, amounting to 206.6 billion euros. Thus, the trade balance showed a surplus of 9.7 billion euros.

San Francisco Fed President Mary Daly made statements regarding the macroeconomic outlook. Daly stated that before calling for an interest rate cut, she seeks more confidence that inflation has returned to the 2 percent target. Additionally, Daly mentioned that monetary policy is currently in a balancing act, saying, "Moving too early to normalize interest rates and having inflation remain below or above our target is a risk, and staying at this target for too long risks disrupting the labor market," and expressed the need for patience regarding the possibility of an interest rate cut.

The People's Bank of China (PBOC) made a 10 basis point cut in benchmark interest rates. The People's Bank of China (PBOC) lowered its short-term key policy rate by 10 basis points to 1.7 percent, reduced the one-year loan prime rate (LPR) from 3.45 percent to 3.35 percent, and lowered the five-year loan prime rate (LPR) from 3.95 percent to 3.85 percent.

Domestic



The Central Bank of the Republic of Turkey (CBRT) published the International Investment Position (IIP) Statistics for May. According to the International Investment Position (IIP) statistics announced by the Central Bank of the Republic of Turkey (CBRT) for May; Turkey's foreign assets increased by 1.4 percent compared to the end of 2023, reaching \$337.3 billion, while its liabilities increased by 10.2 percent, reaching \$670.9 billion. Thus, the net IIP, defined as the difference between Turkey's foreign assets and its foreign liabilities, decreased from -\$275.8 billion at the end of 2023 to -\$333.5 billion at the end of March 2024.

The agricultural input price index increased by 0.9 percent monthly and 53.1 percent annually in May. According to the Agricultural Input Price Index (Agriculture-PPI) published by the Turkish Statistical Institute (TurkStat) for May, the Agriculture-PPI increased by 0.9 percent monthly and 53.1 percent annually. When the main groups are examined, the index of goods and services used in agriculture increased by 0.63 percent monthly, and the index of goods and services contributing to agricultural investment increased by 2.2 percent. When the subgroups are examined; monthly,

building maintenance costs increased by 3.3 percent, seeds and planting materials increased by 2.3 percent, and materials increased by 2.3 percent.

The international credit rating agency Moody's upgraded Turkey's credit rating by two notches from B3 to B1 and maintained the rating outlook as positive. According to the statement made by Moody's, the justification for the rating upgrade was cited as improvements in governance and particularly the committed and increasingly well-established return to orthodox monetary policy. It was also stated that the tight policy stance has significantly reduced Turkey's high external vulnerability and that the positive outlook reflects the upward risk balance.

The CBRT's official reserve assets decreased by 0.5 percent on a monthly basis in June, reaching 142.9 billion dollars. According to the International Reserves and Foreign Currency Liquidity Statistics published by the Central Bank of the Republic of Turkey (CBRT) for the month of June, official reserve assets decreased by 0.5 percent on a monthly basis to 142.9 billion dollars. When examining the sub-items, foreign currency assets stood at 77.4 billion dollars, while gold reserve assets stood at 58.1 billion dollars. Additionally, the net foreign currency and gold liabilities arising from swap transactions conducted by the CBRT with domestic and foreign resident banks were recorded at 27.8 billion dollars.

The short-term external debt stock increased by 3.6 percent in May compared to the end of 2023, reaching 182.5 billion dollars. According to the Short-Term External Debt Statistics published by the CBRT for the month of May, the short-term external debt stock increased by 3.6 percent compared to the end of 2023, reaching 182.5 billion dollars. When examining the sub-breakdowns, the short-term external debt stock originating from banks increased by 11.1 percent in the same period, reaching 76.6 billion dollars, while the short-term external debt stock of other sectors increased by 0.1 percent to 61.6 billion dollars.

TurkStat published the Provincial Level Labor Force Statistics for the year 2023. According to the Provincial Level Labor Force Statistics announced by the Turkish Statistical Institute (TurkStat) for the year 2023, the province with the lowest unemployment rate was Sinop with 4.8 percent, while the province with the highest unemployment rate was Hakkari with 23.3 percent. In the same period, the province with the highest employment rate was Ardahan with 58.2 percent, while the province with the lowest employment rate was Siirt with 35.5 percent. Additionally, the province with the highest labor force participation rate was Ardahan with 61.7 percent, while the province with the lowest labor force participation rate was Siirt with 38.5 percent.

Service production increased by 1.3 percent on a monthly basis and 0.8 percent on an annual basis in May. According to the Service Production Index published by the Turkish Statistical Institute (TurkStat) for May, service production increased by 1.3 percent on a monthly basis and 0.8 percent on an annual basis. When examining the sub-sectors on an annual basis, accommodation and food services increased by 5.9 percent, administrative and support services by 5.0 percent, information and communication services by 4.6 percent, and real estate by 0.4 percent, contributing to the annual rise in service production. During the same period, transportation and storage services and professional, scientific, and technical services decreased by 2.5 percent and 0.2 percent, respectively.

The Producer Price Index for Agricultural Products increased by 1.95 percent on a monthly basis and 54.58 percent on an annual basis. According to the Producer Price Index for Agricultural Products published by TurkStat for June, the general price level for agricultural products increased by 1.95 percent on a monthly basis and 54.58 percent on an annual basis. When examining the sub-sectors on a monthly basis, the PPI for single-year (non-perennial) plant products increased by 9.72 percent, for fish and other fishing products; aquatic products; and fishing support services by 2.17 percent, for agricultural and hunting products and related services

by 1.99 percent, and for forest products and related services by 0.59 percent. However, perennial (long-lasting) plant products decreased by 4.23 percent.

The CBRT published the data on Developments in Private Sector's External Debt for May. According to the data on Developments in Private Sector's External Debt for May, published by the Central Bank of the Republic of Turkey (CBRT), the private sector's total external debt increased by 4.5 billion dollars compared to the end of 2023, reaching 168.5 billion dollars. When examining the private sector's total external debt by maturity for the same period, it is observed that long-term external debt increased by 2.4 billion dollars, reaching 157.3 billion dollars, while short-term external debt increased by 2.1 billion dollars, reaching 11.2 billion dollars.

Housing prices fell by 14.9 percent annually in real terms across the country in May. According to the Housing Price Index (HPI) for May, published by the CBRT, housing prices across the country increased by 1.3 percent monthly and 45.0 percent annually in nominal terms, reaching a level of 1273.5. In the same period, the index recorded a real decrease of 14.9 percent. Looking at the sub-components, the New Housing Price Index and the Existing Housing Price Index increased by 48.8 percent and 45.4 percent annually, respectively, reaching levels of 1414.9 and 1258.5.

House sales decreased by 5.2 percent annually in June, reaching 79,313 units. According to the Housing Sales Statistics for June, announced by the Turkish Statistical Institute (TurkStat), 79,313 houses were sold nationwide. Thus, there was a 5.2 percent annual decrease in house sales. In the same period, mortgaged house sales decreased by 49.4 percent annually, reaching 6,813 units, while second-hand house sales decreased by 6.7 percent annually, reaching 53,888 units. Additionally, total house sales to foreigners decreased by 45.1 percent annually, falling to 1,440 units.

Leading Indicators



| | Indicator | Period | Data | Previous Data | Benchmark Value |
|------------|--|---------------|------------------|------------------|-----------------|
| | Industrial Production | May | -0.1% | -0.7% | |
| | Manufacturing PMI | June | 47.9 | 48.4 | 50.0 |
| | Capacity Utilization Rate (seasonally adj.) | May | 76.6% | 77.0% | |
| | Import - (capital goods) (annually) | May | -5.5% | 3.2% | |
| | Import - (intermediate goods) (annually) | May | -16.5% | -1.1% | |
| | Import - (consumption goods) (annually) | May | 19.6% | 30.0% | |
| New | Credit Growth Weekly | July (Week 2) | 0.9% | 0.3% | |
| | Consumer Confidence Index | June | 78.3 | 80.5 | 100.0 |
| | Real sector confidence (seasonally adj.) | May | 103.5 | 103.5 | 100.0 |
| | Service sector confidence (seasonally adj.) | May | 117.1 | 117.1 | 100.0 |
| | Retail sector confidence (seasonally adj.) | May | 111.7 | 115.5 | 100.0 |
| | Construction sector confidence (seasonally adj.) | May | 88.3 | 88.6 | 100.0 |
| New | Car Sales (annually) | June | -5.3% | -10.1% | |
| New | House sales - total (annually) | June | -5.2% | -2.4% | |
| New | House sales - mortgage (annually) | June | -49.4% | -63.9% | |
| | CPI | June | 71.6% | 75.5% | |
| | CPI expectations (year-end) | June | 43.52% | 43.64% | |
| | Current Year Growth Expectations | June | 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 2) | 0.27 Billion (+) | 0.59 Billion (-) | |

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|--|---------------------|
| | Indicates decrease |
| | Indicates stability |
| | Indicates increase |

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