

U.S. CPI Exceeds Expectations

- The consumer inflation rate in the U.S. for September, released last week, was 2.4 percent year-on-year, exceeding expectations. This higher-than-expected CPI data presents a negative outlook for the Fed's inflation trajectory and raises concerns about the persistence of inflation. During the same period, the Producer Price Index (PPI) showed no monthly change but recorded an annual increase of 1.8 percent. Consumer confidence, as reported by the University of Michigan, also highlighted that consumers remain troubled by high prices. The Michigan Consumer Confidence Index fell by 1.2 points compared to the previous month, reaching 68.9 points. Alongside the released economic data, Fed Presidents also made statements regarding the macroeconomic outlook. Minneapolis Fed President Kashkari noted that significant progress has been made on inflation, while the labor market shows signs of weakening. He also indicated that the risk balance is shifting away from inflation and toward unemployment. Dallas Fed President Logan stated that there are still upward risks to inflation and, considering the uncertainties regarding the economic outlook, a gradual interest rate reduction would be more appropriate. This week's economic calendar in the U.S. will include speeches by FOMC member Kashkari, the New York Empire State Manufacturing Index (October), Federal Budget Balance (September), Export Price Index (Monthly) (September), Retail Sales (Monthly) (September), Philadelphia Fed Manufacturing Index (October), and Housing Starts (Monthly) (September). In the Eurozone, closely monitored events include ECB President Lagarde's speech, the Consumer Price Index (CPI) (Year-on-Year) (September), Trade Balance (August), Interest Rate Decision (October), and Germany's ZEW Economic Sentiment (October).
- In the Eurozone, the Sentix General Investor Confidence Index increased by 1.6 points compared to the previous month, reaching a level of minus 13.8 points. During the same period, the Expectations Index rose from minus 8 points to minus 3.8 points, influenced by the European Central Bank's interest rate cuts and recent stimulus measures announced by the Chinese government. In Germany, the region's leading economy, the seasonally and calendar-adjusted trade balance recorded a surplus of 22.5 billion euros in August.
- In Asia, Bank of Japan Deputy Governor Ryozi Himino stated in comments regarding the macroeconomic outlook that if the economy performs according to projections, the Bank will continue to raise its reference interest rate.
- Domestically, the Central Bank, TurkStat, and other institutions published various data:
 - Industrial production recorded a decline of 1.6 percent on a monthly basis and 5.3 percent year-on-year in August.
 - Retail trade sales volume increased by 2.2 percent monthly and 13.3 percent annually in August.
 - The TCMB announced the results of the Market Participants Survey for October.

Weekly Status

	4.10.2024	11.10.2024	Weekly Change	Change in 2024	Change in 2023	Change in 2022	Change in 2021
XK050	8.760	8.454	-3,5%	10,8%	32,6%	210,3%	22,5%
XU100	9.109	8.876	-2,6%	18,8%	35,6%	196,6%	25,8%
USDTRY	34,26	34,28	0,1%	16,3%	57,5%	39,6%	80,3%
DXY	102,48	102,92	0,4%	1,6%	-2,1%	8,2%	6,4%
US-10Y	3,97	4,08	2,8%	5,2%	0,0%	156,3%	65,1%
TR-10Y	29,71	29,12	-2,0%	8,9%	169,4%	-59,2%	88,5%
TR-2Y	41,30	42,42	2,7%	6,9%	298,0%	-56,1%	51,7%
CDS (5Y)	268,14	274,02	2,2%	-1,4%	-45,2%	-10,5%	84,8%
Gold (Ounce)	2.653,00	2.657,00	0,2%	28,9%	13,1%	-0,3%	-3,7%
Gold (Gram)	2.922,00	2.928,00	0,2%	49,2%	78,9%	40,4%	72,1%
Silver (Gram)	35,48	34,77	-2,0%	53,8%	57,1%	44,9%	57,4%

Global



Minneapolis Fed President Neel Kashkari also made remarks regarding the macroeconomic outlook. Kashkari noted that significant progress had been made in controlling inflation and indicated signs of weakening in the labor market. He also mentioned that the risk balance was shifting away from inflation toward unemployment. Additionally, he reiterated his support for a half-point interest rate cut during the Fed's September meeting.

Dallas Fed President Lorie Logan provided comments on the macroeconomic outlook. Logan supported the interest rate cut made by the Fed three weeks ago but noted that there are still upward risks regarding inflation. Considering the uncertainties in the economic outlook, she expressed that gradual reductions would be more appropriate. Additionally, Logan indicated that the Fed should not rush into interest rate cuts but should instead monitor financial conditions, consumption, wages, and price behaviors to proceed cautiously.

In the United States, consumer prices exceeded expectations in September. The Consumer Price Index for September indicated that consumer prices rose by 0.2 percent on a monthly basis and 2.5 percent on an annual basis. During the same period, core inflation increased by 0.3 percent monthly and 3.2 percent annually, signaling an unfavorable outlook for the Fed's inflation path. Following the inflation data, markets are pricing in a 25 basis point cut by the Fed in November.

The U.S. recorded a trade balance deficit of 70 billion 400 million dollars in August. According to the external trade data released by the U.S. Department of Commerce for August, exports rose by 2 percent on a monthly basis, reaching 271 billion 760 million dollars, while imports decreased by 0.9 percent, dropping to 342 billion 190 million dollars. Thus, the external trade balance recorded a deficit of 70 billion 400 million dollars. The

reduction of 8 billion 500 million dollars in the trade deficit marked the largest contraction recorded since March 2023.

In the United States, the Producer Price Index (PPI) showed no change on a monthly basis while recording an annual increase of 1.8 percent in September. According to the Producer Price Index released for September, producer prices did not change on a monthly basis but recorded an annual increase of 1.8 percent. During the same period, core producer inflation presented a mixed picture. The monthly increase in producer prices excluding food and energy was 0.2 percent, in line with expectations, while the annual increase accelerated to 2.8 percent.

In the United States, consumer confidence decreased by 1.2 points in October compared to the previous month, reaching a level of 68.9 points. According to the Consumer Sentiment Index published by the University of Michigan for October, consumer confidence decreased by 1.2 points compared to the previous month. Although there has been a cooling in inflation rates compared to the beginning of the year, consumers remain troubled by high prices. Additionally, the proportion of consumers expecting unemployment to rise in 2025 was recorded at 31 percent, the lowest level in the past 10 months.

In the Eurozone, the Sentix General Investor Confidence Index for October showed an increase of 1.6 points compared to the previous month. According to the Sentix report, the General Investor Confidence Index rose to minus 13.8 points. The Expectations Index, which measures investors' expectations for the next six months, also improved due to the European Central Bank's interest rate cuts and recent stimulus measures announced by the Chinese government, moving from minus 8 points to minus 3.8 points.

In Germany, the seasonally and calendar-adjusted foreign trade balance recorded a surplus of 22.5 billion euros in August. According to the Foreign Trade Statistics announced by the Federal Statistical Office (Destatis) in Germany for August, seasonally and calendar-adjusted exports increased by 1.3 percent month-on-month, reaching 131.9 billion euros, while imports decreased by 3.4 percent month-on-month to 109.4 billion euros. Consequently, the seasonally and calendar-adjusted foreign trade balance recorded a surplus of 22.5 billion euros.

The World Bank published a report on the economies of East Asia and the Pacific under the title "Business and Technology." The report stated that the economies of the East Asia and Pacific region continue to grow faster than the rest of the world this year, although the growth rate is slower compared to the pre-pandemic period. Additionally, it projected that the region's largest economy, China, would see its economic growth rate slow to 4.3 percent next year from 4.8 percent by the end of 2024, due to persistent weaknesses in the real estate market, low consumer and investor confidence, an aging population, and global tensions.

Ryozo Himino, Deputy Governor of the Bank of Japan, made comments on the macroeconomic outlook. Himino stated that if the economy performs according to projections, the Bank will continue to raise the reference interest rate. He also indicated that there would be no change in the Bank's stance following the establishment of the new government.

Domestic



Minister of Treasury and Finance Mehmet Şimşek met with investors following his official visit to Qatar, discussing Turkey's long-term potential with them. In statements to reporters regarding the evaluations, Şimşek mentioned that the ongoing program was explained and conveyed that investor interest is very high. Following his meetings in Doha, Şimşek will proceed to Kuwait to meet with investment authorities.

The Minister of Energy and Natural Resources, Alparslan Bayraktar, met with representatives of television and newspapers in Ankara to answer their questions. Bayraktar responded to questions regarding the recent increases in electricity and natural gas prices, announcing that there would be no price hikes until the end of the year. Additionally, when asked whether Turkey's natural gas supply would be affected if energy facilities in Iran were attacked, he stated, "There will be no impact on the oil supply. However, we have a long-term agreement with Iran for natural gas. If there are disruptions to the natural gas infrastructure, it could affect our supply. Our fundamental strategy is supply diversity, and long-term LNG agreements are part of that."

The Central Bank of the Republic of Turkey (CBRT) published the Securities Statistics for the last week of September. According to the Securities Statistics announced by CBRT, the portfolio of foreign residents in equities decreased by a net amount of 291 million 100 thousand dollars, while the net purchases of domestic government debt securities (DIBS) showed a decline of 124 million 400 thousand dollars. As a result, the stock position of foreign residents in equities reached 31 billion 13 million dollars, while the stock position of DIBS net purchases stood at 15 billion 735 million dollars.

The Central Bank of the Republic of Turkey (TCMB) has announced the results of the Market Participants Survey for October. According to the statistics, market participants' inflation expectations for the end of the current year and for 12 months ahead were recorded at 44.11 percent and 25.64 percent, respectively. Participants' expectations for the TCMB's one-week repo auction interest rate at the end of the current month were noted at 50 percent. Additionally, participants' year-end exchange rate (Dollar/TL) expectation was 34.70 TL. Furthermore, the growth expectation for 2024 was recorded at 3.1 percent.

Retail trade sales volume recorded an increase of 2.2 percent on a monthly basis and 13.3 percent on an annual basis in August. According to the Trade Sales Volume Index published by TurkStat for August, the trade sales volume increased by 2.9 percent monthly and by 5.3 percent annually. When examining the sub-components, retail trade sales volume increased by 2.2 percent monthly and by 13.3 percent annually, while wholesale trade sales volume increased by 3.5 percent monthly and by 3.1 percent annually. The significant annual increase in retail sales volume during this period was influenced by purchases of computers, books, communication devices, and shopping via mail or the internet.

The turnover index showed an increase of 3.7 percent monthly and 41.8 percent annually in August. According to the Turnover Indices published by TurkStat for August,

the turnover index for the industrial, construction, trade, and services sectors increased by 3.7 percent monthly and by 41.8 percent annually. When looking at the annual changes in sub-components, the turnover index for the industrial sector increased by 26.7 percent, for the construction sector by 75.0 percent, for the trade sector by 42.8 percent, and for the services sector by 55.5 percent. In terms of monthly changes, the industrial sector turnover index increased by 1.0 percent, the construction sector by 10.9 percent, the trade sector by 4.2 percent, and the services sector by 3.3 percent.

Industrial production recorded a decline in August. According to the Industrial Production Index announced by TurkStat, industrial production decreased by 1.6 percent on a monthly basis and 5.3 percent on an annual basis. When examining the subcomponents, mining and quarrying and manufacturing sectors contracted by 5.4 percent annually, while the electricity, gas, and steam sector expanded by 1.6 percent. In the same period, on a monthly basis, mining and quarrying decreased by 4.4 percent, the electricity, gas, and steam sector by 3.2 percent, and the manufacturing sector by 1.3 percent.

Construction costs increased in August. According to the Construction Cost Index announced by TurkStat, construction costs rose by 1.18 percent on a monthly basis and 41.54 percent on an annual basis. When looking at the subcomponents, material costs rose by 34.98 percent annually, while labor costs increased by 56.86 percent. In the same period, material costs rose by 1.30 percent monthly, and labor costs by 0.93 percent.

TurkStat published the Real Yield Rates of Financial Investment Instruments for September. According to the statistics released by TurkStat, when adjusted for the CPI, gold bullion provided the highest real return on a monthly basis at a rate of 3.04 percent. This was followed by a deposit interest rate at 0.32 percent, the euro at negative 0.93 percent, government domestic borrowing securities at negative 1.06 percent, the dollar at negative 1.8 percent, and the BIST100 index at negative 4.30 percent. When calculated using the same method, gold bullion also provided the highest real return over the last three months at 7.75 percent, the deposit interest rate at 2.79 percent over the last six months, and gold bullion again at 14.27 percent over the annual period.

In August, the foreign trade terms increased by 0.6 points compared to the previous year, reaching a level of 88.3 points. According to the Foreign Trade Indices announced by TurkStat for August, the export quantity index decreased by 1.2 percent year-on-year, while the import quantity index showed a year-on-year decline of 13.2 percent. During the same period, the export unit value index increased by 3.6 percent year-on-year, and the import unit value index recorded a year-on-year increase of 2.9 percent. Thus, the foreign trade terms, calculated by dividing the export unit value index by the import unit value index, increased by 0.6 points compared to the previous year, reaching a level of 88.3 points.

The Treasury cash balance recorded a deficit of 201 billion TL in September. According to the Treasury Cash Balance report released by the Ministry of Treasury and Finance for September, Treasury cash revenues reached 781 billion 900 million TL, while cash expenditures totaled 982 billion 900 million TL. Thus, the Treasury cash balance showed a deficit of 201 billion TL. During this period, non-interest expenditures amounted to 842 billion 8 million TL, and interest payments were 140 billion 1 million TL. Consequently, the non-interest cash balance showed a deficit of 60 billion 84 million TL.

Erdal Bahçivan, the President of the Istanbul Chamber of Industry (ISO), made statements regarding the macroeconomic outlook during a television program. Bahçivan emphasized, "We are aware that this is a process that requires patience, and that certain sacrifices must be made while transitioning to a rational economic model. The situation in September must be taken into account and considered carefully. We are facing the heaviest situation since the pandemic, the most severe in terms of PMI measurements in Turkish industry."

The Manufacturing Sector Export Climate Index stood at 50.5 points. According to the Turkey Manufacturing Sector Export Climate Index published by the Istanbul Chamber of Industry (ISO) for September, the index reached 50.5 points, indicating a modest improvement in external demand conditions. Thus, demand conditions in export markets have continued to show a strengthening trend since the beginning of 2024. However, the report that includes this index noted that while growth is slowing in some key markets, economic activity is contracting in others, leading to a weak level of improvement in the export climate.

Istanbul Chamber of Commerce (ITO) President Şekib Avdagiç made statements regarding current issues. Avdagiç stated, "We always talk about inflation and the exchange rate. We need to discuss what we will do to integrate 1 million of our youth, who are neither in school nor employed, into the business world before talking about inflation and the dollar exchange rate." He also emphasized that the birth rate is slowing down and that Turkey is lagging behind some developed countries, highlighting the need for more discussions on these topics.

Cengiz Eroldu, the Chairman of the Automotive Industry Association (OSD), responded to reporters' questions. Eroldu evaluated automotive production figures as "multifaceted," noting that there are both good and bad figures. He positioned the export data positively, while viewing the production data negatively. Additionally, regarding new investments from China, he emphasized that the incentives provided should not disrupt competition, asserting that the Turkish automotive industry is ready to compete.

Leading Indicators



	Indicator	Period	Data	Previous Data	Benchmark Value
New	Industrial Production	August	-5,3%	-3,9%	
	Manufacturing PMI	September	44,3	47,8	50,0
	Capacity Utilization Rate (seasonally adj.)	September	75,9%	75,7%	
	Import - (capital goods) (annually)	August	-10,9%	-7,7%	
	Import - (intermediate goods) (annually)	August	-12,8%	-8,9%	
	Import - (consumption goods) (annually)	August	0,9%	-3,2%	
New	Credit Growth Weekly	October (Week 1)	0,0%	0,1%	
	Consumer Confidence Index	September	78,2	76,4	100,0
	Real sector confidence (seasonally adj.)	September	99,2	98,0	100,0
	Service sector confidence (seasonally adj.)	September	112,6	111,8	100,0
	Retail sector confidence (seasonally adj.)	September	110,6	107,9	100,0
	Construction sector confidence (seasonally adj.)	September	87,8	88,0	100,0
	Car Sales (annually)	September	-9,4%	0,8%	
	House sales - total (annually)	August	9,9%	16,0%	
	House sales - mortgage (annually)	August	-17,1%	-20,9%	
	CPI	September	49,4%	52,0%	
New	CPI expectations (year-end)	October	44,1%	43,1%	
New	Current Year Growth Expectations	October	3,1%	3,2%	
New	Retail Sales Volume (annually)	August	13,3%	5,4%	
New	Current Account Balance (billion USD)	August	4,3	0,6	
New	Unemployment Rate (seasonally adj.)	August	8,5%	8,8%	
New	Dollarization	October (Week 1)	0,05 Billion (+)	2,0 Billion (-)	

	Indicates decrease
	Indicates stability
	Indicates increase

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