

CPI in the U.S. Announced in Line with Expectations

- In the U.S., the Consumer Price Index (CPI) for August increased by 0.2 percent on a monthly basis and 2.5 percent on an annual basis, in line with market expectations. Thus, annual inflation reached its lowest level in 3.5 years. During the same period, the Producer Price Index (PPI) also increased by 0.2 percent monthly and 1.7 percent annually, in line with expectations. When evaluating consumer expectations during this period, the New York Fed Consumer Expectations Survey revealed that the median short-term inflation expectation remained unchanged at 3 percent compared to the previous month, while the Michigan Preliminary Consumer Sentiment Index indicated an increase in consumer confidence. This week's economic calendar includes the New York Empire State Manufacturing Index (Sep), Retail Sales (Monthly) (Aug), Industrial Production (Yearly) (Aug), Atlanta Fed GDPNow (Q3), Building Permits (Aug), Interest Rate Decision, FOMC Press Conference, Current Account (Q2), Philadelphia Fed Manufacturing Index (Sep), and Existing Home Sales (Aug). In the Eurozone, key data to watch include Trade Balance (Jul), ZEW Economic Sentiment (Sep), Consumer Price Index (CPI) (Yearly) (Aug), Current Account (Jul), Consumer Confidence (Sep), ECB President Lagarde's Speech, Germany Wholesale Price Index (WPI) (Yearly) (Aug), and Germany Producer Price Index (PPI) (Monthly) (Aug).
- In the Eurozone, the European Central Bank (ECB) cut interest rates by 25 basis points, in line with market expectations. Thus, deposit rates were reduced from 3.75 percent to 3.50 percent. After the interest rate decision, ECB President Christine Lagarde stated in her macroeconomic outlook that the recovery continues to face some challenges, but they expect it to strengthen over time, while the labor market remains tight.
- In Asia, Chinese exports increased by 8.7 percent year-on-year, well above expectations, while imports grew by only 0.5 percent, significantly below expectations. In Japan, Bank of Japan (BOJ) board members Junko Nakagawa and Naoki Tamura stated in their comments on the macroeconomic outlook that if inflation moves in line with the bank's forecasts, the BOJ will continue to raise interest rates. They also emphasized that the central bank may need to increase interest rates to around 1 percent to prevent inflationary risks from materializing.
- Domestically, the Central Bank, TURKSTAT, and other institutions published various data:
 - The current account balance posted a surplus of 566 million dollars in July.
 - The seasonally adjusted unemployment rate fell by 0.4 percentage points in July compared to the previous month, reaching 8.8 percent.
 - Industrial production increased by 0.4 percent monthly in July but decreased by 3.9 percent on an annual basis.

Weekly Status

	6.09.2024	13.09.2024	Weekly Change	Change in 2024	Change in 2023	Change in 2022	Change in 2021
XK050	9.304	9.309	0,1%	22,1%	32,6%	210,3%	22,5%
XU100	9.771	9.685	-0,9%	29,7%	35,6%	196,6%	25,8%
USDTRY	33,99	33,95	-0,1%	15,2%	57,5%	39,6%	80,3%
DXY	101,19	101,11	-0,1%	-0,2%	-2,1%	8,2%	6,4%
US-10Y	3,730	3,660	-1,9%	-5,7%	0,0%	156,3%	65,1%
TR-10Y	28,80	28,78	-0,1%	7,6%	169,4%	-59,2%	88,5%
TR-2Y	40,80	40,60	-0,5%	2,3%	298,0%	-56,1%	51,7%
CDS (5Y)	280,33	267,90	-4,4%	-3,6%	-45,2%	-10,5%	84,8%
Gold (Ounce)	2.497,00	2.578,00	3,2%	25,0%	13,1%	-0,3%	-3,7%
Gold (Gram)	2.729,00	2.814,00	3,1%	43,4%	78,9%	40,4%	72,1%
Silver (Gram)	30,47	33,52	10,0%	48,3%	57,1%	44,9%	57,4%

Global



The CPI in the U.S. increased by 0.2 percent monthly and by 2.5 percent annually in August, in line with market expectations. According to the Consumer Price Index (CPI) for August, published by the U.S. Department of Labor, the CPI increased by 0.2 percent monthly and by 2.5 percent annually, aligning with market expectations. In the same period, the core CPI, which excludes volatile energy and food prices, rose by 0.3 percent monthly and by 3.2 percent annually. After the release of this data, expectations for the Federal Reserve to cut interest rates by 50 basis points in September weakened, while expectations for a 25-basis-point cut became stronger.

The New York Fed announced the results of the Consumer Expectations Survey for August. According to the results of the Consumer Expectations Survey released by the New York Fed for August, the short-term median inflation expectation covering the next 12 months remained unchanged at 3 percent compared to the previous month. Meanwhile, the median inflation expectation for the next three years rose by 0.2 points to 2.5 percent compared to the previous month. Additionally, the median inflation expectation for the next five years remained stable at 2.8 percent.

The U.S. Producer Price Index (PPI) increased by 0.2 percent monthly and 1.7 percent annually in August. According to the U.S. Department of Labor, the PPI figures for August were in line with expectations. When broken down, service costs rose by 0.4 percent, while there was a sharp decline in energy costs. No change was observed in goods prices. In the same period, core producer inflation, which excludes volatile food and energy components, rose by 0.3 percent month-on-month and 2.4 percent year-on-year. Following the release of the data, the market continues to expect a 25 basis point rate cut from the Federal Reserve.

The Michigan Preliminary Consumer Sentiment Index in the U.S. reached 69 in September. According to the preliminary Consumer Sentiment Index for September released by the University of Michigan, consumer confidence rose to 69 from 67.9 in the previous month. In the same period, short-term inflation expectations fell to 2.7 percent, the lowest level since the end of 2020. The survey revealed that more consumers now view unemployment as a bigger concern than inflation.

Export prices in the U.S. decreased by 0.7 percent in August, while import prices fell by 0.3 percent. According to the Export and Import Price Indexes for August announced by the U.S. Department of Labor, export prices decreased by 0.7 percent on a monthly basis, while import prices dropped by 0.3 percent. Thus, both indexes fell more than market expectations.

The U.S. Federal Government Budget Balance posted a deficit of 380 billion dollars in August. According to the U.S. Treasury Department, the Federal Government Budget Balance fell significantly below expectations. When broken down, government revenues increased by 8 percent year-on-year to 307 billion dollars, while government expenditures surged by 254 percent year-on-year, reaching 687 billion dollars.

Michael Barr, the Vice Chair for Supervision of the Federal Reserve, announced changes to the draft rule that would increase capital requirements for large banks. Barr pointed out that increasing capital requirements has both benefits and costs, stating that feedback received indicated a projection of a 9 percent increase in capital for large banks in collaboration with the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC).

China's Customs Administration announced export and import data for August. According to data released by China's Customs Administration for August, exports increased by 8.7 percent year-on-year, significantly exceeding expectations, while imports increased by only 0.5 percent, well below expectations. In the first eight months of 2024, exports increased by 4.6 percent, while imports rose by 2.5 percent. The data indicated that China's exports to its major trading partners—the United States, the European Union, and the Association of Southeast Asian Nations—had increased year-on-year. During the same period, China's imports from Russia decreased by 1 percent, while its exports to Russia increased by 10 percent.

Junko Nakagawa, a member of the Bank of Japan's Board of Governors, made statements regarding the macroeconomic outlook. Nakagawa said that while the Bank is considering raising interest rates, it must take into account the impact of such market movements on the economy and price outlook. However, if inflation moves in line with the Bank's forecasts, the Bank of Japan (BOJ) will continue to raise interest rates.

Naoki Tamura, a member of the Bank of Japan's (BOJ) Board of Directors, made statements regarding the macroeconomic outlook. Tamura stated that to prevent inflationary risks, the central bank should raise interest rates to around 1 percent. He also mentioned that the likelihood of achieving the BOJ's 2 percent inflation target in a sustainable way had increased, implying that the central bank might need to raise interest rates to levels considered neutral for the economy by the end of 2025.

Domestic



President Erdoğan made statements regarding the macroeconomic outlook following the cabinet meeting. He emphasized that Turkey would grow by reducing inflation, continuing efforts to improve the business and investment environment, and reducing informality in the economy. Erdoğan stated that the vulnerabilities in the economy had been significantly reduced, with annual inflation decreasing by 23.5 points, unemployment improving, and the current account deficit declining over the past three months. He also highlighted that Turkey had achieved a very good rhythm in exports, breaking a record with a figure of 256 billion dollars in 2023, and that the annual exports in August reached 262 billion dollars.

Minister of Treasury and Finance Mehmet Şimşek commented on the macroeconomic outlook via social media. Şimşek stated, "The declining current account deficit and increasing external capital inflows are contributing to a sustainable accumulation of reserves." He also highlighted that July saw the highest monthly portfolio inflow of the last 10 years, with total inflows over the past year amounting to 34.5 billion dollars. Additionally, Şimşek noted that the share of non-residents in government domestic debt securities has risen from 0.5 percent last year to 8.7 percent.

The current account posted a surplus of 566 million dollars in July. According to the Balance of Payments Statistics for July, published by the Central Bank of the Republic of Türkiye (CBRT), the current account recorded a surplus of 566 million dollars. In the same period, the current account excluding gold and energy posted a surplus of 4.879 billion dollars. On the financial account side, net inflows from direct investments amounted to 670 million dollars, while net inflows from portfolio investments were recorded at 3.726 billion dollars. Additionally, reserve assets increased by 5.366 billion dollars.

The CBRT published the Securities Statistics for the first week of September. According to the Securities Statistics announced by the CBRT, non-resident investors' equity positions decreased by 50.6 million dollars, and net purchases of government domestic debt securities (GDDS) decreased by 863.7 million dollars. As a result, the stock position of non-residents in equities amounted to 35.201 billion dollars, while GDDS stock positions stood at 13.039 billion dollars.

The Central Bank of the Republic of Turkey (CBRT) and the Turkish Statistical Institute (TurkStat) have published the Sectoral Balance Sheets for 2023. According to the Sectoral Balance Sheets announced by the Central Bank of the Republic of Turkey (CBRT) and the Turkish Statistical Institute (TurkStat) for 2023, the share of the manufacturing sector in the total number of firms was 16.3 percent. When the companies' balance sheets were consolidated, the total assets amounted to 39 trillion 46 billion 486 million Turkish Lira (TL), the total of short- and long-term foreign liabilities reached 28 trillion 435 billion 847 million TL, and the total equity amounted to 10 trillion 610 billion 639 million TL. When the companies' income statements were consolidated, the net profit for the period was 1 trillion 786 billion 23 million TL. Among the sub-sectors, the manufacturing sector achieved the highest net profit with 1 trillion 6 billion 313 million TL, while the real estate activities sector posted the highest loss with 103 billion 296 million TL.

TurkStat published Poultry Production statistics for July. According to the Poultry Production statistics for July announced by TurkStat, the amount of chicken meat produced increased by 5.5 percent on an annual basis, reaching approximately 205,700 tons. In the same period, the number of chickens slaughtered increased by 8.4 percent, rising to approximately 114.2 million. Additionally, the number of eggs produced increased by 1.4 percent on an annual basis, reaching approximately 1.7 billion units.

TurkStat published Milk and Dairy Products Production statistics for July. According to the Milk and Dairy Products Production statistics for July announced by the Turkish Statistical Institute (TurkStat), the amount of cow's milk collected by commercial dairy enterprises increased by 12.3 percent on an annual basis, reaching approximately 938,500 tons. During the same period, the amount of drinking milk produced increased by 5.5 percent, reaching approximately 107,000 tons. Additionally, the amount of yogurt produced increased by 7.6 percent on an annual basis, reaching approximately 126,800 tons.

TurkStat published the real return rates of financial investment instruments for August. According to the Financial Investment Instruments' Real Return Rates statistics published by the Turkish Statistical Institute (TurkStat) for August, when adjusted for the Consumer Price Index (CPI), the highest real return on a monthly basis was provided by gold bullion at 4.01 percent. Gold bullion was followed by the euro with 1.40 percent, deposit interest with 0.86 percent, the dollar with negative 0.18 percent, government domestic borrowing instruments with negative 1.44

percent, and the BIST100 index with negative 10.76 percent. When calculated using the same method, the highest return over the last three months was provided by deposit interest at 4.42 percent, while over the last six months and one year, gold bullion provided the highest returns at 10.77 percent and 5.54 percent, respectively.

The seasonally adjusted unemployment rate decreased by 0.4 percentage points on a monthly basis in July, falling to 8.8 percent. According to the Labor Force Statistics published by the Turkish Statistical Institute (TurkStat) for July, the number of unemployed individuals aged 15 and over across Turkey decreased by 112,000 compared to the previous month, reaching 3.167 million. Thus, the seasonally adjusted unemployment rate dropped by 0.4 percentage points on a monthly basis to 8.8 percent. During the same period, the unemployment rate among the youth population aged 15-24 decreased by 1.0 percentage points compared to the previous month, falling to 16.6 percent. The underutilized labor force rate, which consists of time-related underemployment, potential labor force, and unemployed individuals, decreased by 2.7 percentage points from the previous month, reaching 26.5 percent.

Industrial production increased by 0.4 percent on a monthly basis in July while it decreased by 3.9 percent on an annual basis. According to the Industrial Production Index announced by TurkStat for July, industrial production recorded a 0.4 percent monthly increase, but it declined by 3.9 percent on an annual basis. When examining the subcategories, industrial production showed strong growth in the mining and quarrying, and electricity, gas, steam sectors, while a sharp decline was noted in the manufacturing sector on an annual basis. When analyzing the change in goods produced during the same period on an annual basis, sharp declines were observed in intermediate goods, durable consumer goods, non-durable consumer goods, and capital goods, while a strong increase was noted in the energy sector.

The terms of trade decreased by 1.9 percentage points in July compared to the previous year, falling to 88.1 points. According to the Foreign Trade Indices announced by TurkStat for July, the export unit value index increased by 0.9 percent on an annual basis, while the import unit value index rose by 3.1 percent. During the same period, the export quantity index increased by 12.8 percent year-on-year, while the import quantity index decreased by 10.5 percent. As a result, the terms of trade, calculated by dividing the export unit value index by the import unit value index, decreased by 1.9 percentage points compared to the previous year, falling to 88.1 points.

The trade sales volume in July decreased by 0.6 percent on a monthly basis and by 3.4 percent on an annual basis. According to the Trade Sales Volume Index for July, published by the Turkish Statistical Institute (TurkStat), the trade sales volume decreased by 0.6 percent on a monthly basis and by 3.4 percent on an annual basis. During the same period, the wholesale trade sales volume decreased by 5.6 percent year-on-year, while the retail trade sales volume increased by 5.4 percent year-on-year. When examining the subcategories, the annual increase in retail trade sales volume was influenced by sectors such as computers, books, communication devices, mail or internet sales, medical products and cosmetics, non-food items, food, beverages, and tobacco.

The Construction Cost Index in July increased by 1.91 percent on a monthly basis and by 46.35 percent on an annual basis. According to the Construction Cost Index for July, published by TurkStat, the index increased by 1.91 percent on a monthly basis and by 46.35 percent on an annual basis. When examining the subcategories, the material and labor indices rose by 2.12 percent and 1.49 percent monthly, respectively, and by 41.01 percent and 58.40 percent annually. During the same period, the building construction cost index increased by 1.53 percent monthly and 46.78 percent annually, while the cost index for non-building structures increased by 3.14 percent monthly and 45.01 percent annually.

The turnover index in July decreased by 0.4 percent on a monthly basis, but increased by 39.8 percent on an annual basis. According to the Turnover Indices for July, released by TurkStat, the

total turnover index for the industry, construction, trade, and service sectors decreased by 0.4 percent on a monthly basis but increased by 39.8 percent annually. When examining the annual changes in subcategories, the industrial turnover index increased by 27.0 percent, the construction turnover index by 58.8 percent, the trade turnover index by 40.6 percent, and the services turnover index by 56.1 percent. For monthly changes, the trade turnover index increased by 0.7 percent, and the industrial turnover index rose by 0.3 percent, while the construction turnover index decreased by 8.6 percent, and the services turnover index fell by 1.3 percent.

The ISO export climate index stood at 51.3 points in August. According to the Turkey Manufacturing Sector Export Climate Index announced by the Istanbul Chamber of Industry (ISO) for August, the export climate index stood at 51.3 points, remaining above the threshold level of 50 for the eighth consecutive month, presenting a positive outlook for exporters. The export climate index was 50.8 points in July. When examining the subcomponents, it was observed that economic activity increased in most of the main export markets for Turkish manufacturers.

Leading Indicators



	Indicator	Period	Data	Previous Data	Benchmark Value
New	Industrial Production	July	-3,9%	-4,7%	
	Manufacturing PMI	August	47,8	47,2	50,0
	Capacity Utilization Rate (seasonally adj.)	August	75,7%	75,9%	
	Import - (capital goods) (annually)	July	-7,7%	-3,5%	
	Import - (intermediate goods) (annually)	July	-8,9%	-6,4%	
	Import - (consumption goods) (annually)	July	-3,2%	5,0%	
New	Credit Growth Weekly	September (Week 1)	0,0%	0,7%	
	Consumer Confidence Index	August	76,4	75,9	100,0
	Real sector confidence (seasonally adj.)	August	98,0	98,7	100,0
	Service sector confidence (seasonally adj.)	August	111,8	114,1	100,0
	Retail sector confidence (seasonally adj.)	August	107,9	107,1	100,0
	Construction sector confidence (seasonally adj.)	August	88,0	87,1	100,0
	Car Sales (annually)	August	0,8%	-17,5%	
	House sales - total (annually)	July	16,0%	-5,2%	
	House sales - mortgage (annually)	July	-20,9%	-49,4%	
	CPI	August	52,0%	61,8%	
	CPI expectations (year-end)	August	43,3%	43,0%	
	Current Year Growth Expectations	August	3,4%	3,4%	
	Retail Sales Volume (annually)	July	5,4%	8,6%	
New	Current Account Balance (billion USD)	July	0,6	0,4	
	Unemployment Rate (seasonally adj.)	July	8,8%	9,2%	
New	Dollarization	September (Week 1)	2.02 Billion (+)	0.20 Billion (+)	

	Indicates decrease
	Indicates stability
	Indicates increase

It has been prepared by Kuveyt Türk Asset Management by taking data from reliable sources.

The investment information, comments, and recommendations provided here are prepared by Kuveyt Turk Portfolio for the clients of Kuveyt Turk Private Banking and do not fall under investment advisory services. Investment advisory services are offered by authorized institutions, taking into account individuals' risk and return preferences, tailored to the individual. The comments and recommendations contained herein are of a general nature. These recommendations may not be suitable for your financial situation or your risk and return preferences. Therefore, making investment decisions based solely on the information presented here may not yield results that meet your expectations.