

U.S. Industrial Production Below Expectations

- Recently released data on industrial production and capacity utilization in the U.S. indicated a monthly decline of 0.3% in industrial production, which was below market expectations, while the capacity utilization rate fell by 0.3 percentage points to 77.5%, signaling a contraction in production. Mortgage applications also saw a significant drop of 17% compared to the previous week, influenced by the recent increase in mortgage interest rates. During the same period, Atlanta Fed President Raphael Bostic and Fed Board Member Christopher Waller commented on the macroeconomic outlook, stating that the pace of interest rates next year would depend on inflation fluctuations and the strength of employment. They emphasized that, regardless of short-term developments, the fundamental situation still requires a gradual reduction of the policy interest rate in the coming year. This week's economic data calendar includes the U.S. Leading Index (Monthly) (Sep), speeches from FOMC Members Kashkari and Harker, Existing Home Sales (Monthly) (Sep), Building Permits (Sep), S&P Global Composite Purchasing Managers' Index (PMI) (Oct), New Home Sales (Sep), Leading Durable Goods Orders (Monthly) (Sep), Michigan Consumer Sentiment (Oct), and Atlanta Fed GDPNow (Q3).
- In the Eurozone, European Central Bank (ECB) President Christine Lagarde, in her comments on the macroeconomic outlook, stated that Europe should leverage the challenges posed by a fragmented world order and geopolitical conflicts as an opportunity to strengthen the foundations of its internal market. ECB Governing Council Member Francois Villeroy de Galhau also commented on the macroeconomic outlook, saying, "We are on a good path to overcome inflation, which is actually good news. There may be some temporary recoveries in the coming months, but these are technical effects. Unless there are significant external shocks, we will likely reach 2% inflation next year, probably early in the year."
- In Asia, Chinese President Xi Jinping urged government officials to make every effort to achieve the annual growth target of 5%. In response to these calls, the People's Bank of China (PBOC) made a larger-than-expected adjustment to its benchmark lending rate (LPR), lowering the 1-year lending rate from 3.35% to 3.10%. Meanwhile, in Japan, consumer inflation was reported to be in line with expectations, at an annual rate of 2.5%.
- Domestically, the Central Bank, TurkStat, and other institutions published various data:
 - The Central Bank of the Republic of Turkey (CBRT) maintained the policy interest rate at 50.0%, without making any changes.
 - In September, housing sales increased by 37.3% year-on-year, reaching 140,919 units.
 - However, real housing prices decreased by 14.7% year-on-year in September.

Weekly Status

	11.10.2024	18.10.2024	Weekly Change	Change in 2024	Change in 2023	Change in 2022	Change in 2021
XK050	8.454	8.465	0,1%	11,0%	32,6%	210,3%	22,5%
XU100	8.876	8.794	-0,9%	17,7%	35,6%	196,6%	25,8%
USDTRY	34,28	34,26	-0,1%	16,3%	57,5%	39,6%	80,3%
DXY	102,92	103,46	0,5%	2,1%	-2,1%	8,2%	6,4%
US-10Y	4,08	4,08	0,0%	5,2%	0,0%	156,3%	65,1%
TR-10Y	29,12	29,62	1,7%	10,7%	169,4%	-59,2%	88,5%
TR-2Y	42,42	42,81	0,9%	7,9%	298,0%	-56,1%	51,7%
CDS (5Y)	274,02	274,04	0,0%	-1,4%	-45,2%	-10,5%	84,8%
Gold (Ounce)	2.657,00	2.722,00	2,4%	32,0%	13,1%	-0,3%	-3,7%
Gold (Gram)	2.928,00	2.995,00	2,3%	52,7%	78,9%	40,4%	72,1%
Silver (Gram)	34,77	37,12	6,8%	64,2%	57,1%	44,9%	57,4%

Global



Christopher Waller, a member of the Board of Governors of the Federal Reserve (Fed), made statements regarding the macroeconomic outlook. Waller referred to recent data indicating an increase in inflation and a stronger-than-previously-thought U.S. economy and labor market, calling for more caution regarding interest rate cuts on Monday. He stated, "Regardless of what happens in the near term, the fundamental situation still requires a gradual reduction of the policy interest rate next year."

In the United States, mortgage applications decreased by 17 percent compared to the previous week. According to the mortgage data announced by the Mortgage Bankers Association (MBA) for the first week of October, mortgage applications decreased by 17 percent compared to the previous week. In the same period, applications for home purchases fell by 7 percent, and refinancing applications dropped by 26 percent. The average interest rate for a 30-year mortgage increased from 6.36 percent to 6.52 percent nationwide. Following the announced data, it was commented that demand among first-time homebuyers continues to some extent, but the recent increase in mortgage interest rates has negatively impacted applications.

Atlanta Fed President Raphael Bostic made statements regarding the macroeconomic outlook. Bostic noted that there could be some fluctuations in the downward trend of inflation, forecasting that GDP growth would be around 2 percent in 2025. Regarding the pace of interest rate cuts, Bostic stated, "The question everyone is asking us is 'how fast?' I think this depends on what happens in the labor market and what happens with inflation. In fact, I believe inflation will be volatile, and I expect employment to remain robust."

In the U.S., the federal government's total budget deficit for the fiscal year 2024 increased by 8 percent year-on-year, reaching 1 trillion 800 billion dollars. The budget

balance report released by the U.S. Department of the Treasury for September indicated that the federal government recorded a budget surplus of 64 billion dollars. Government revenues increased by 13 percent year-on-year, reaching 528 billion dollars, while government expenditures fell by 27 percent to 463 billion dollars. The total budget deficit for the federal government in the fiscal year 2024 represents the third-largest budget deficit in the country's history.

In the United States, industrial production decreased by 0.3 percent on a monthly basis in September. According to the industrial production and capacity utilization data announced by the Fed, the decline was influenced by the strike at Boeing, a major aircraft manufacturer, and two hurricanes that hit the country. During the same period, the capacity utilization rate fell by 0.3 percentage points to 77.5 percent.

European Central Bank President Christine Lagarde made statements regarding the economic outlook. Lagarde emphasized that Europe should use the challenges posed by the disintegrating global order and geopolitical conflicts as an opportunity to strengthen the foundations of its internal market. She stated, "A less favorable global economy could enable us to complete our internal market." Tougher external competition could encourage us to develop new technologies. More volatile geopolitics could lead us to greater energy security and self-sufficiency in our supply chains.

Francois Villeroy de Galhau, a member of the European Central Bank (ECB) Governing Council, provided insights regarding the macroeconomic outlook. He stated, "We are on a good path to defeat inflation, which is actually good news. There may be some temporary recoveries in the coming months, but this is a technical effect. Unless there are significant external shocks, we will likely reach 2 percent inflation by the beginning of next year." The ECB's latest forecast anticipated reaching the 2 percent level starting from the last quarter of next year.

Chinese President Xi Jinping called on government officials to make every effort to achieve the annual growth target of 5 percent. This marked the second time in a month that Jinping urged officials to support economic growth. Despite the announced stimulus packages, recent economic data indicate that the country's economy is still weak and facing persistent pressures.

The Chinese government is considering a tax on ultra-rich individuals for overseas investment gains. This tax initiative is justified by the increased urgency to expand government revenue sources due to a decline in land sales and slowing growth. Additionally, this tax aligns with President Xi Jinping's campaign for common prosperity, which advocates for a more equitable distribution of wealth. Moreover, China is monitoring global information-sharing systems aimed at preventing tax evasion alongside the tax implementation.

The People's Bank of China (PBOC) made changes to its benchmark lending rates (LPR) that exceeded market expectations. The 1-year LPR was lowered from 3.35 percent to 3.1 percent, while the 5-year LPR, which serves as a reference for mortgage loans, was also reduced from 3.85 percent to 3.6 percent. Chinese policymakers had called for significant cuts in interest rates and measures to halt further declines in the real estate market during the Politburo meeting in September

Bank of Japan (BOJ) Board Member Seiji Adachi made comments on the macroeconomic outlook. Adachi stated, "A gradual interest rate hike process is a topic we need to pay attention to; we should keep financial conditions supportive until price trends reach 2 percent, and we should raise interest rates in a very gradual manner." He also added, "Although economic data may require policy normalization, there is a risk that a rapid interest rate hike could push the economy back into deflation."

In Japan, consumer inflation stood at 2.5 percent year-on-year, in line with expectations. According to the inflation data for September, consumer inflation was recorded at 2.5 percent year-on-year. During the same period, consumer inflation excluding fresh food slowed to 2.4 percent year-on-year. The slowdown in price increases during this time was largely attributed to government subsidies.

Domestic



President Erdoğan made statements regarding current issues at the General Assembly of the Turkish Metal Industrialists' Union. Erdoğan emphasized that significant progress has been made in the fight against inflation, but that the progress is not sufficient. He stated, "We will need to be patient regarding inflation; then we will see much better results." Additionally, Erdoğan mentioned that there has been no compromise on fiscal discipline, highlighting that savings consciousness is prioritized in all expenditures except for those related to earthquake relief.

Cevdet Akçay, Deputy Governor of the Central Bank of the Republic of Turkey (CBRT), shared his views on the macroeconomic outlook for an article to be published in a magazine. Akçay stated that the tight monetary policy would continue until inflation enters a sustainable downward trend. He characterized exporters' expectations of a depreciation of the Turkish Lira (TL) as a dead-end. Akçay also emphasized that the real appreciation of the TL is a result of the policies they implement, not their targets.

In September, housing prices decreased by 14.7 percent in real terms on a yearly basis. According to the Housing Price Index announced by the Central Bank of the Republic of Turkey (CBRT), housing prices increased nominally by 1.0 percent on a monthly basis and 27.4 percent on a yearly basis. In the same period, housing prices decreased by 14.7 percent in real terms on a yearly basis. When evaluating the developments in the housing price indices of major cities, it was observed that in Istanbul, Ankara, and Izmir, monthly increases were 1.2 percent, 2.2 percent, and 0.8 percent, respectively, while yearly increases were 23.4 percent, 30.4 percent, and 23.1 percent.

The CBRT announced the developments regarding the external credit debt of the private sector for August. According to the data, the total credit debt of the private sector from abroad reached 175.4 billion dollars, increasing by 11.2 billion dollars compared to the end of 2023. When examined by maturity, it was observed that long-term credit debt increased by 8.6 billion dollars to 163.6 billion dollars, while short-term credit debt excluding commercial loans increased by 2.6 billion dollars to 11.8 billion dollars compared to the end of 2023.

The net International Investment Position (IIP) stood at -327 billion 100 million dollars in August. According to the International Investment Position developments report published by the Central Bank of the Republic of Turkey (CBRT) for August, Turkey's foreign assets increased by 5.8 percent year-on-year, reaching 351 billion 900 million dollars, while its liabilities rose by 4.2 percent, amounting to 679 billion dollars. As a result, the net IIP, defined as the difference between foreign assets and foreign liabilities, decreased from -318 billion 600 million dollars at the end of 2023 to -327 billion 100 million dollars by the end of August 2024

The Central Bank of the Republic of Turkey (CBRT) maintained the policy interest rate at 50.0 percent without making any changes. In the statement regarding the interest rate decision, it was emphasized that the main trend of inflation rose slightly in September, and indicators for the third quarter suggested that domestic demand continued to slow down, approaching levels that would support a decrease in inflation. It was noted that the decisive stance in monetary policy would continue until a balance in domestic demand and a decline in the main trend of monthly inflation were observed.

Housing sales in September showed a year-on-year increase of 37.3 percent, reaching 140,919 units. According to the Housing Sales Statistics announced by the CBRT, when examining the subcategories, mortgage sales showed an annual increase of 87.4 percent, totaling 15,825 units, while other sales increased by 32.8 percent, reaching 125,094 units. In this period, 96,061 units of sales were second-hand, while 44,858 units were first-hand.

The CBRT published Securities Statistics for the first week of October. According to these statistics, foreign residents sold stocks worth 125 million 700 thousand dollars, while they purchased government domestic borrowing securities worth 200 million 500 thousand dollars. As a result, the total market value of the stocks in the portfolios of foreign residents reached 31 billion dollars, while the market value of government domestic borrowing securities was 15 billion 900 million dollars.

TurkStat published the dairy production statistics for August. According to the statistics released by TurkStat, the amount of cow's milk collected by commercial milk enterprises increased by 13.5 percent year-on-year, reaching approximately 934,400 tons. During the same period, the production of drinking milk rose by 9.7 percent, reaching around 124,900 tons. Additionally, the produced yogurt amount decreased by 0.6 percent year-on-year, totaling approximately 124,300 tons.

TurkStat also released the poultry production statistics for August. According to the statistics, chicken meat production increased by 5.6 percent year-on-year, reaching about 214,400 tons. The number of chickens slaughtered rose by 6.2 percent, reaching approximately 118 million 700 thousand. Furthermore, the production of chicken eggs increased by 2.8 percent year-on-year, totaling around 1 billion 808 million.

Service production showed a decline of 0.2 percent month-on-month and 0.1 percent year-on-year in August. According to the Service Production Index published by TurkStat for August, service production decreased by 0.2 percent on a monthly basis and 0.1 percent on an annual basis. When examining the annual changes in the subcategories, transportation and storage services decreased by 4.1 percent, accommodation and food services decreased by 0.2 percent, while information and communication services

increased by 6.3 percent, real estate services increased by 14.8 percent, professional, scientific and technical services increased by 0.4 percent, and administrative and support services increased by 0.9 percent.

The number of paid employees showed an annual increase of 2.6 percent in August, reaching 15,883,831. According to the Paid Employees Statistics announced by TurkStat for August, the total number of paid employees in the industrial, construction, and trade-service sectors increased by 2.6 percent year-on-year, reaching 15,883,831. When examining the subcategories, paid employees in the industrial sector decreased by 0.8 percent, while the construction sector increased by 6.9 percent and the trade-service sector increased by 3.7 percent.

Agricultural Producer Price Index (Tarım-ÜFE) showed an increase of 2.0 percent month-on-month and 31.1 percent year-on-year in September. According to the Agricultural Producer Price Index (Tarım-ÜFE) announced by TurkStat for September, agricultural producer prices increased by 2.0 percent on a monthly basis and 31.1 percent on an annual basis. The monthly increase in Tarım-ÜFE was influenced by annual (non-perennial) plant products and fish and other fishery products, while the annual increase was influenced by fish and other fishery products, aquatic products, supportive services for fisheries, and live animals and animal products.

Leading Indicators



Indicator	Period	Data	Previous Data	Benchmark Value
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 2)	0,1%	0,0%	
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%	
New House sales - total (annually)	September	37,3%	9,9%	
New House sales - mortgage (annually)	September	87,4%	-17,1%	
CPI	September	49,4%	52,0%	
CPI expectations (year-end)	October	44,1%	43,1%	
Current Year Growth Expectations	October	3,1%	3,2%	
Retail Sales Volume (annually)	August	13,3%	5,4%	
Current Account Balance (billion USD)	August	4,3	0,6	
Unemployment Rate (seasonally adj.)	August	8,5%	8,8%	
New Dollarization	October (Week 2)	2,77 Billion (-)	0,05 Billion (+)	

	Indicates decrease
	Indicates stability
	Indicates increase

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