

Fed Lowers Policy Rate by 50 Basis Points

- The Federal Reserve (Fed) in the U.S. has voted to lower the policy interest rate by 50 basis points, moving it from the range of 5.25-5.50 percent to 4.75-5.00 percent, in line with market expectations. The rationale for this rate cut was the roughly balanced risks of inflation and unemployment, along with a strong commitment to achieving maximum employment. Fed officials anticipate an additional total of 50 basis points in rate cuts during the remaining two meetings of 2024, while the long-term interest rate expectation has risen from 2.8 percent to 2.9 percent. Additionally, the core PCE forecast for the end of 2024 has been revised downward to 2.6 percent, and the real GDP change has also been updated downward to 2.0 percent. The Philadelphia Fed Manufacturing Index stood at 1.5 points in September, exceeding expectations and indicating expansion in the manufacturing sector. August retail sales data showed a monthly increase of 0.1 percent, above expectations, indicating sustained consumer demand. Despite the positive data on production and consumption, the Fed's rate cut decision strengthens expectations of a soft landing for the economy. This week's economic calendar in the U.S. includes the Manufacturing Purchasing Managers' Index (PMI) for September, the Services PMI for September, a speech by FOMC member Bowman, the Conference Board (CB) Consumer Confidence Index for September, Building Permits for August, New Home Sales for August, Durable Goods Orders (monthly) for August, Gross Domestic Product (GDP) (quarterly) for Q2, a speech by Fed Chair Powell, the Core Personal Consumption Expenditures Price Index (annual) for August, the Goods Trade Balance for August, and the Michigan Consumer Expectations for September. In the Eurozone, the Manufacturing PMI for September, Services PMI for September, a speech by ECB's McCaul, a speech by ECB President Lagarde, the Germany Ifo Business Climate Index for September, and the GfK Consumer Confidence Index for October will be closely monitored.
- In the Eurozone, consumer inflation for August was reported at 0.1 percent month-on-month and 2.2 percent year-on-year. European Central Bank (ECB) President Christine Lagarde stated in her remarks regarding the macroeconomic outlook that the implemented decisive policy actions have successfully stabilized inflation expectations and that inflation is expected to return to 2 percent in the second half of next year.
- In Asia, the People's Bank of China (PBOC) did not change the benchmark lending rates (LPR) in line with market expectations. Similarly, in Japan, the Bank of Japan (BOJ) maintained its policy interest rate at 0.25 percent, in line with expectations.
- Domestically, the Central Bank, TurkStat, and other institutions released various data:
 - The Central Bank of the Republic of Turkey (CBRT) kept the policy interest rate unchanged at 50.0 percent.
 - In August, housing sales increased by 9.9 percent year-on-year, reaching 134,155 units in Turkey.
 - Consumer confidence rose by 2.4 percent in September, reaching a level of 78.2.

Weekly Status

	13.09.2024	20.09.2024	Weekly Change	Change in 2024	Change in 2023	Change in 2022	Change in 2021
XK050	9.309	9.459	1,6%	24,0%	32,6%	210,3%	22,5%
XU100	9.685	9.900	2,2%	32,5%	35,6%	196,6%	25,8%
USDTRY	33,95	34,12	0,5%	15,8%	57,5%	39,6%	80,3%
DXY	101,11	100,74	-0,4%	-0,6%	-2,1%	8,2%	6,4%
US-10Y	3,660	3,730	1,9%	-3,9%	0,0%	156,3%	65,1%
TR-10Y	28,78	28,43	-1,2%	6,3%	169,4%	-59,2%	88,5%
TR-2Y	40,60	40,02	-1,4%	0,9%	298,0%	-56,1%	51,7%
CDS (5Y)	267,90	252,90	-5,6%	-9,0%	-45,2%	-10,5%	84,8%
Gold (Ounce)	2.578,00	2.622,00	1,7%	27,2%	13,1%	-0,3%	-3,7%
Gold (Gram)	2.814,00	2.877,00	2,2%	46,6%	78,9%	40,4%	72,1%
Silver (Gram)	33,52	34,20	2,0%	51,3%	57,1%	44,9%	57,4%

Global



In the U.S., the Fed lowered its policy interest rate by 50 basis points. This decision was made with a majority vote, reducing the rate from the range of 5.25-5.50 to 4.75-5.00. In the accompanying statement, the rationale for the interest rate cut was noted as the roughly balanced risks to employment and inflation targets, along with the bank's strong commitment to support maximum employment while bringing inflation back to target. Additionally, Fed officials expect a total reduction of 50 basis points in the remaining two rate meetings of 2024, while the long-term interest rate expectation increased from 2.8 percent to 2.9 percent.

Following the interest rate decision, Fed Chairman Jerome Powell made remarks regarding the macroeconomic outlook. Powell stated that a lot of data has come in since the last meeting and that, based on this data, the decision to lower the rate by 50 basis points was deemed appropriate. He referenced keeping interest rates stable for an extended period, saying, "We have been patient about the cut, and we are now reaping the rewards." With this decision, Powell warned that the markets should not expect a return to a world of ultra-low interest rates.

The Philadelphia Fed Manufacturing Index recorded negative 1.5 points in September, falling short of expectations. According to the Manufacturing Index data released by the Philadelphia Fed for September in the United States, the manufacturing index rose from negative 7 points to negative 1.5 points but remained below expectations. Thus, the negative manufacturing index indicates a contraction in the production sector. During the same period, the new orders index decreased by 16 points to negative 1.5 points. The shipments index also dropped by 23 points to negative 14.3 points, marking its lowest level since March 2023.

Retail sales in the U.S. increased by 0.1 percent monthly in August, surpassing expectations. According to retail sales data announced by the U.S. Department of Commerce for August, retail sales increased by 0.1 percent monthly, surpassing expectations, indicating that consumer demand remained strong before the Federal Reserve's interest rate decision. During the same period, retail sales excluding automobiles and gasoline increased by 0.2 percent monthly, slightly

below expectations. In this period, sales increased in various store retailers, non-store retailers, and health and personal care stores, while sales decreased in gasoline stations, electronics, food and beverage, furniture, and clothing stores.

European Central Bank (ECB) President Christine Lagarde provided insights regarding the macroeconomic outlook. Lagarde stated that the shocks experienced in recent years have altered the structure of the economy and have posed challenges in assessing the impact of monetary policy. Regarding the implemented monetary policy, she noted that decisive policy actions have successfully stabilized inflation expectations, with inflation projected to return to 2 percent in the second half of next year.

European Central Bank (ECB) Board Member Peter Kazimir made statements regarding the macroeconomic outlook. Kazimir commented on the next interest rate cut, saying, "We need to wait until December to see a clear picture for our next move. There must be a major turnaround, a strong signal in the economic outlook, for me to support a cut in October. However, we may not have much information by that time."

ZEW Economic Sentiment Index in Germany fell below expectations to 3.6 points. According to the ZEW Economic Sentiment Index for September, announced by the Centre for European Economic Research (ZEW), investor confidence in Germany, the locomotive economy of the Eurozone, fell below expectations, reaching 3.6 points, the lowest level in a year. In the previous month, investor confidence had stood at 19.2 points. During the same period, the Current Conditions index increased by 7.2 points, rising to minus 84.5 points.

In China, the People's Bank of China (PBOC) has kept the benchmark lending rates (LPR) unchanged, in line with market expectations. Thus, the basic loan interest rates (LPR) remain at 3.35 percent for a one-year term and 3.85 percent for a five-year term for August. Additionally, in recent weeks, President Xi Jinping has emphasized the need for further steps to support the weakening economic recovery, which has raised expectations for the country to meet its annual economic and social development targets.

The Bank of Japan (BOJ) kept its policy interest rate unchanged at 0.25 percent, in line with expectations. Following this decision, BOJ board members emphasized that they would continue to normalize policy as data allows, but noted the need to monitor the impact of the interest rate decision on markets and the economy for the time being.

Domestic



The Central Bank of the Republic of Turkey (CBRT) kept the policy interest rate unchanged at 50.0 percent. In the accompanying statement, it was noted that the underlying trend of inflation had not shown a significant change, but domestic demand continued to slow, reducing its inflationary effects. The CBRT reiterated its cautious stance against the upward risks to inflation and stated that it would effectively use monetary policy tools in the event of a clear and lasting deterioration in inflation. Additionally, the CBRT indicated that liquidity conditions would be closely monitored and that sterilization tools would continue to be effectively utilized as needed.

Official Reserve Assets increased by 1.0 percent on a monthly basis in August, reaching 149 billion 400 million dollars. According to the International Reserves and Foreign Currency Liquidity Developments report released by the CBRT for August, when examining changes in sub-items, foreign currency assets decreased by 1.8 percent to 81 billion 700 million dollars, while gold-denominated reserve assets increased by 5.1 percent to 60 billion dollars.

The net International Investment Position (IIP) deteriorated to negative 357 billion 700 million dollars in July. According to the International Investment Position (IIP) developments report released by the CBRT for July, Turkey's foreign assets increased by 4.8 percent compared to the end of 2023, reaching 348 billion 800 million dollars, while liabilities rose by 8.9 percent to 706 billion 500 million dollars. Thus, the net IIP, defined as the difference between Turkey's foreign assets and liabilities, worsened from negative 316 billion 200 million dollars to negative 357 billion 700 million dollars since the end of 2023.

The short-term external debt stock reached 176 billion 100 million dollars in July. According to the Short-Term External Debt Statistics announced by the Central Bank of the Republic of Turkey (TCMB) for July, the short-term external debt stock remained relatively unchanged compared to the end of 2023, at a level of 176 billion 100 million dollars. When examining the subcomponents during this period, the short-term external debt stock of banks increased by 12.7 percent, reaching 77 billion 100 million dollars, while the short-term external debt stock of other sectors decreased by 1.7 percent to 60 billion 300 million dollars.

The CBRT published the data on the Developments in Private Sector's External Debt for July. According to the data on the Developments in Private Sector's External Debt published by the Central Bank of the Republic of Türkiye (CBRT) for July, the private sector's total external debt increased by 9.5 billion dollars compared to the end of 2023, reaching 173 billion dollars. When the total external debt of the private sector is analyzed by its maturity for the same period, it is observed that long-term external debt increased by 6.4 billion dollars, reaching 160.7 billion dollars, while short-term external debt rose by 3.1 billion dollars, reaching 12.3 billion dollars.

The Central Bank of the Republic of Turkey (CBRT) has made new decisions regarding the Macroprudential Framework. Accordingly, the required reserve ratios have been increased for short-term TL deposits from 12 percent to 15 percent, and for long-term TL deposits from 8 percent to 10 percent, while the ratio for foreign currency deposits has been decreased from 8 percent to 5 percent. Additionally, the condition for the transition rate to TL for the interest applied to required reserves for TL deposits has been lifted, and the maximum commission rate applied according to the transition rate to TL has been raised from 5 percent to 8 percent.

Consumer confidence increased by 2.4 percent in September, reaching a level of 78.2. According to the Consumer Confidence Index announced for September by TurkStat, consumer confidence has increased by 2.4 percent. When examining the subcomponents: the expectation of the general economic situation over the next 12 months increased by 4.2 percent to 74.5, the current household financial situation rose by 2.8 percent to 64.8, the intention to spend on durable goods over the next 12 months grew by 2.0 percent to 96.2, and the expectation for the household financial situation over the next 12 months increased by 1.0 percent to 77.4.

The Agricultural Input Price Index (Agriculture-GFE) recorded a monthly increase of 3.4 percent and an annual increase of 41.6 percent in July. According to the Agriculture-GFE published by TurkStat for July, the Agriculture-GFE showed a monthly increase of 3.4 percent and an annual increase of 41.6 percent. When examining the main groups, the index for goods and services used in agriculture increased by 3.6 percent monthly, while the index for goods and services contributing to agricultural investment rose by 2.3 percent. In the subgroups, monthly increases were recorded as follows: energy and lubricants up by 12.4 percent, other goods and services up by 4.9 percent, and machine maintenance costs up by 3.5 percent.

House sales increased by 9.9 percent annually in August, reaching 134,155 units. According to the Housing Sales Statistics announced by the Turkish Statistical Institute (TurkStat) for August, house sales across the country increased by 9.9 percent annually, reaching 134,155 units. When broken down further, mortgaged house sales decreased by 17.1 percent annually, reaching 16,375 units. During the same period, first-hand house sales increased by 18.7 percent annually, reaching

35,310 units, while second-hand house sales rose by 6.3 percent annually, reaching 86,781 units. Additionally, total house sales to foreigners decreased by 26.2 percent annually, reaching 2,257 units.

TurkStat announced the International Trade in Services Statistics for 2023. According to the International Trade in Services Statistics announced by TurkStat for 2023, excluding travel, service exports increased by 19.2 percent annually, reaching 56.5 billion dollars, while service imports rose by 15.3 percent annually, reaching 41.4 billion dollars. When broken down further, transportation services accounted for the largest share of service exports with 68.9 percent, followed by other business services and telecommunications, computer, and information services.

The Agricultural PPI decreased by 1.56 percent on a monthly basis in July, while it increased by 32.10 percent on an annual basis. According to the Agricultural Producer Price Index (Agricultural-PPI) published by the Turkish Statistical Institute (TurkStat) for July, the Agricultural-PPI decreased by 1.56 percent on a monthly basis, while it increased by 32.10 percent on an annual basis. When the subcategories are examined, the annual rise in the main groups of the index was driven by perennial (long-lived) plant products, live animals and animal products, fish and other fishing products, aquatic products, supportive services for fishing, agricultural and hunting products, and related services. In the same period, the monthly decline in the subcategories was influenced by vegetables and melons-watermelons, roots and tubers, oilseeds, and fiber crops.

Service production decreased by 0.2 percent on a monthly basis and by 0.1 percent on an annual basis in July. According to the Service Production Index published by TurkStat for July, service production decreased by 0.2 percent on a monthly basis and by 0.1 percent on an annual basis. When the subcategories are examined on an annual basis, transportation and storage services decreased by 0.6 percent, accommodation and food services by 1.1 percent, real estate services by 5.7 percent, and professional, scientific, and technical services by 5.4 percent, while information and communication services increased by 5.7 percent and administrative and support services increased by 4.8 percent.

The number of paid employees increased by 3.4 percent annually in July, reaching 15,889,385 people. According to the Paid Employee Statistics published by TurkStat for July, the number of paid employees in the total of the industry, construction, and trade-service sectors increased by 3.4 percent annually, reaching 15,889,385 people. When the subcategories are examined, the number of paid employees in the industry, construction, and trade-service sectors increased by 0.0 percent, 8.6 percent, and 4.3 percent, respectively.

TurkStat published Life Tables Statistics for the years 2021-2023. According to the Life Tables Statistics compiled by TurkStat based on data from 2021 to 2023, the expected life expectancy at birth in Turkey is 77.3 years. During this period, the expected life expectancy at birth for men is 74.7 years, while for women it is 80 years. Thus, it has been determined that women live longer than men, with a life expectancy gap of 5.3 years between men and women. Additionally, the expected life expectancy for individuals at age 15 is 63.5 years, for those at age 30 is 49.1 years, and for those at age 50 is 30.1 years.

The Ministry of Treasury and Finance has deepened its investigations into 4,500 large taxpayers. As part of its efforts to combat tax evasion and prevent the use of fake invoices, the ministry has identified 3 billion lira worth of fake invoices. Regarding these efforts, Minister of Treasury and Finance Mehmet Şimşek stated, "All of our work contributes to our goal of increasing fairness and efficiency in taxation. We are using artificial intelligence to detect those who issue fake invoices."

Minister of Treasury and Finance Mehmet Şimşek made statements regarding the macroeconomic outlook. Şimşek stated that Turkey had exited the gray list, the country's risk premium had decreased, its reputation had increased, and its vulnerability had lessened. Şimşek mentioned that with the risk premium falling from around 700 to below 270, Turkey now has the opportunity to borrow more cheaply and for longer terms. He also stated that citizens would begin to feel noticeable relief starting from the second half of 2025.

Leading Indicators



	Indicator	Period	Data	Previous Data	Benchmark Value
	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 2)	0,0%	0,0%	
New	Consumer Confidence Index	September	78,2	76,4	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%	
New	House sales - total (annually)	August	9,9%	16,0%	
New	House sales - mortgage (annually)	August	-17,1%	-20,9%	
	CPI	August	52,0%	61,8%	
New	CPI expectations (year-end)	September	43,1%	43,3%	
New	Current Year Growth Expectations	September	3,2%	3,4%	
	Retail Sales Volume (annually)	July	5,4%	8,6%	
	Current Account Balance (billion USD)	July	0,6	0,4	
	Unemployment Rate (seasonally adj.)	July	8,8%	9,2%	
New	Dollarization	September (Week 2)	2,67 Billion (-)	0,85 Billion (+)	

	Indicates decrease
	Indicates stability
	Indicates increase

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