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KUVEYT TÜRK ASSET MANAGEMENT

PRIVATE BANKING

**WEEKLY
ECONOMIC
BULLETIN**



KUVEYTTÜRK



PRIVATE BANKING

THE EFFECTS OF THE TIGHT MONETARY STANCE ARE BECOMING MORE APPARENT



The Turkish economy grew by 2% year-on-year in the first quarter of 2025. This figure, which came in below market expectations, reveals the pressure that tight monetary policy is placing on economic activity. In particular, the weakening in the contribution of consumption expenditures to growth is noteworthy. Considering the additional tightening measures implemented by the Central Bank of the Republic of Türkiye at the end of March, the weak trend in consumption expenditures is likely to continue in the second quarter. A weakening in domestic demand is being observed due to the decline in consumption and investments.

The effects of the tight monetary stance on economic activity continue to be felt in the second quarter as well. The ISO Manufacturing PMI fell to 47.2 in May, remaining clearly below the threshold level. When evaluated together with other leading indicators such as the real sector confidence index and the capacity utilization rate in manufacturing, it is observed that the downside risks regarding the industrial sector's performance in the second quarter continue to increase.

Türkiye's inflation data will be released on Tuesday. An inflation print of around 2% on a monthly basis could bring the annual inflation rate closer to 36%, down from the previous level of 37.86%. While the possibility of a policy rate cut in June remains a topic of discussion, we believe that the real return potential of Turkish lira-denominated fixed-income assets would be preserved even under such a scenario. During the week ending May 23, non-resident investors continued to purchase Turkish government bonds (DIBS), albeit in limited amounts. In the same period, residents' FX deposits declined by USD 1.3 billion. Despite a deceleration in momentum, money market funds recorded weekly inflows exceeding TRY 20 billion.

Uncertainty surrounding trade policies continues to influence global markets. The European Union's decision to accelerate trade negotiations with the United States is perceived as a positive signal for the markets; however, the rising tensions regarding the trade agreement between the U.S. and

China overshadow this optimism. While the U.S. administration claims that China has violated the terms of the agreement, the Chinese side argues that the violation originated from the U.S. In addition, the possibility of raising the 25% U.S. import tariff on steel—which came into effect in March—to 50% is further fueling concerns over global trade.

Moreover, the International Trade Court ruled that President Trump had exceeded his legal authority in implementing tariffs and ordered the suspension of the additional duties. However, the U.S. Federal Court of Appeals temporarily halted the enforcement of this decision. Given the prevailing uncertainty, we maintain our cautious stance toward international markets. Precious metals, on the other hand, continue to hold a limited place in our general investment recommendations due to their safe haven function.

WEEKLY STATUS

	23.05.2025	30.05.2025	Weekly Change	Change in 2025	Change in 2024	Change in 2023	Change in 2022
XK050	10.068	9.607	-4,6%	2,2%	23,2%	32,6%	210,3%
XU100	9.356	9.020	-3,6%	-8,3%	31,6%	35,6%	196,6%
USDTRY	38,91	39,21	0,8%	10,8%	20,1%	57,5%	39,6%
DXY	99,11	99,33	0,2%	-8,4%	7,1%	-2,1%	8,2%
US-10Y	4,52	4,40	-2,7%	-3,9%	18,0%	0,0%	156,3%
TR-10Y	33,36	33,52	0,5%	16,5%	7,6%	169,4%	-59,2%
TR-2Y	45,11	44,06	-2,3%	8,6%	2,2%	298,0%	-56,1%
CDS (5Y)	301,69	320,00	6,1%	23,2%	-6,6%	-45,2%	-10,5%
GOLD (OUNCE/USD)	3.358,00	3.289,00	-2,1%	25,4%	27,2%	13,1%	-0,3%
GOLD (GRAM/TRY)	4.199,00	4.146,00	-1,3%	38,9%	52,1%	78,9%	40,4%
SILVER (GRAM/TRY)	41,82	41,38	-1,1%	25,9%	45,3%	57,1%	44,9%

GLOBAL

In the U.S., Core Personal Consumption Expenditures increased by 0.1 percent on a monthly basis in April. According to data published by the U.S. Department of Commerce for April, the Core Personal Consumption Expenditures Index increased in line with market expectations by 0.1 percent monthly and 2.5 percent annually. During the same period, personal income rose by 0.8 percent, surpassing market expectations of 0.3 percent.

FOMC members chose to remain cautious by keeping interest rates steady and renewing swap lines against inflation risks. According to the minutes released from the Federal Open Market Committee's (FOMC) May meeting, participants stated that a cautious stance would be maintained in an environment of continued economic uncertainty. Officials emphasized that inflation might be more persistent than expected and agreed that keeping interest rates unchanged was appropriate. Additionally, FOMC members voted in favor of renewing dollar and foreign exchange swap lines.

In the U.S., Conference Board consumer confidence rose by 12.3 points to 98.0, exceeding market expectations. According to the Consumer Confidence Index announced by the Conference Board for May, consumer confidence rose by 12.3 points compared to the previous month, significantly surpassing market expectations and reaching 98.0. This increase marked the largest monthly gain in the past four years. In the same period, the Present Situation Index rose by 4.8 points to 135.9.

In Germany, consumer confidence increased by 0.9 points in June compared to the previous month, rising to minus 19.9 points. According to the Consumer Confidence Index for June announced by GfK and Nuremberg, consumer confidence increased by 0.9 points compared to the previous month, in line with market expectations, reaching minus 19.9 points and marking the third consecutive month of increases. Nonetheless, consumer confidence remained well below the long-term average of 10 points.

In Japan, the Consumer Price Index (CPI) for May rose by 0.1 percent monthly and 2.1 percent annually. During the same period, Tokyo Core CPI increased by 0.2 percent monthly and 3.6 percent annually, exceeding market expectations of 3.5 percent. Additionally, the CPI excluding energy and food, which is monitored by the Bank of Japan (BoJ) as a broad inflation indicator, rose by 0.1 percent monthly and 3.4 percent annually.

DOMESTIC

In the first quarter of 2025, GDP increased by 2.0 percent. According to the Gross Domestic Product (GDP) data announced by TurkStat for the first quarter of 2025, GDP rose by 2.0 percent compared to the same quarter of the previous year. In the breakdown by sectors, the highest annual increases were observed in the construction sector at 7.3 percent and the information and communication sector at 6.1 percent.

In April, the foreign trade deficit increased by 22.3 percent year-on-year to 12 billion 92 million dollars. According to Foreign Trade Statistics announced by TurkStat for April, exports under the general trade system increased by 7.8 percent annually to 20 billion 801 million dollars, while imports rose by 12.7 percent to 32 billion 893 million dollars. As a result, the foreign trade deficit increased by 22.3 percent compared to the previous year, reaching 12 billion 92 million dollars. In the same period, the foreign trade deficit excluding energy products and non-monetary gold amounted to 6 billion 166 million dollars.

In May, economic confidence rose to 96.7 while real sector confidence declined to 98.6. According to the Economic Confidence Index published by TurkStat for May, economic confidence increased by 0.05 percent monthly to 96.7. In the same period, consumer confidence rose by 1.1 percent to 84.8; construction sector confidence increased by 3.9 percent to 88.4; services sector confidence rose by 0.9 percent to 110.5; retail trade sector confidence increased by 0.6 percent to 111.2; while real sector (manufacturing industry) confidence fell by 2.2 percent to 98.6.

In April, the seasonally adjusted unemployment rate was recorded at 8.6 percent. According to the Labor Force Statistics published by TurkStat for April, the seasonally adjusted unemployment rate was recorded at 8.6 percent. During the same period, the number of unemployed people aged 15 and over increased by 203 thousand monthly, reaching 3 million 63 thousand. The seasonally adjusted employment rate decreased by 0.5 percentage points monthly to 48.8 percent.

In April, the S-PPI increased by 37.15 percent annually. According to the Services Producer Price Index (S-PPI) published by TurkStat for April, S-PPI increased by 4.24 percent monthly and 37.15 percent annually. In the annual breakdown, the highest increases were recorded in Information and Communication Services at 43.04 percent, Administrative and Support Services at 41.82 percent, and Professional, Scientific, and Technical Services at 41.73 percent, contributing significantly to the overall index rise.



LEADING INDICATORS

	Indicator	Period	Data	Previous Data	Benchmark Value
	Industrial Production	March	2,5%	-1,9%	
	Manufacturing PMI	April	47,3	47,3	50
	Capacity Utilization Rate (seasonally adj.)	April	74,6%	75,2%	
New	Import - (capital goods) (annually)	April	14,5%	3,9%	
New	Import - (intermediate goods) (annually)	April	12,5%	-0,4%	
New	Import - (consumption goods) (annually)	April	10,3%	12,4%	
New	Credit Growth Weekly	May (Week 4)	1,1%	0,2%	
	Consumer Confidence Index	May	84,8%	83,9%	100,0
	Real sector confidence (seasonally adj.)	May	98,6	100,8	100
	Service sector confidence (seasonally adj.)	May	110,5	109,5	100
	Retail sector confidence (seasonally adj.)	May	111,2	110,6	100
	Construction sector confidence (seasonally adj.)	May	88,4%	85,1%	100,0
	Car Sales (annually)	April	38,8%	6,4%	
	House sales - total (annually)	April	56,6%	5,1%	
	House sales - mortgage (annually)	April	147,0%	41,5%	
	CPI	April	37,9%	38,1%	
	CPI expectations (year-end)	May	30,4%	29,9%	
	Current Year Growth Expectations	May	2,9%	3,0%	
	Retail Sales Volume (annually)	March	9,2%	12,2%	
	Current Account Balance (billion USD)	March	-4,1	-4,4	
New	Unemployment Rate (seasonally adj.)	April	8,6%	7,9%	
New	Dollarization	May (Week 4)	1,34 Billion (-)	0,87 Billion (+)	

Indicates Decrease

Indicates Stability

Indicates Increase

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

Our Fund Allocation Recommendations

We make our fund recommendations based on our investors' base currencies. The base currency is the currency in which investors track their savings. An investor who tracks USD as their base currency prefers their investments to grow in U.S. dollars rather than in Turkish Lira. Conversely, an investor who looks at their investments in TL aims for an increase in their savings in Turkish Lira.

Below are our General Investment Recommendations based on base currencies.

General Investment Recommendations for Those with USD as Their Base Currency

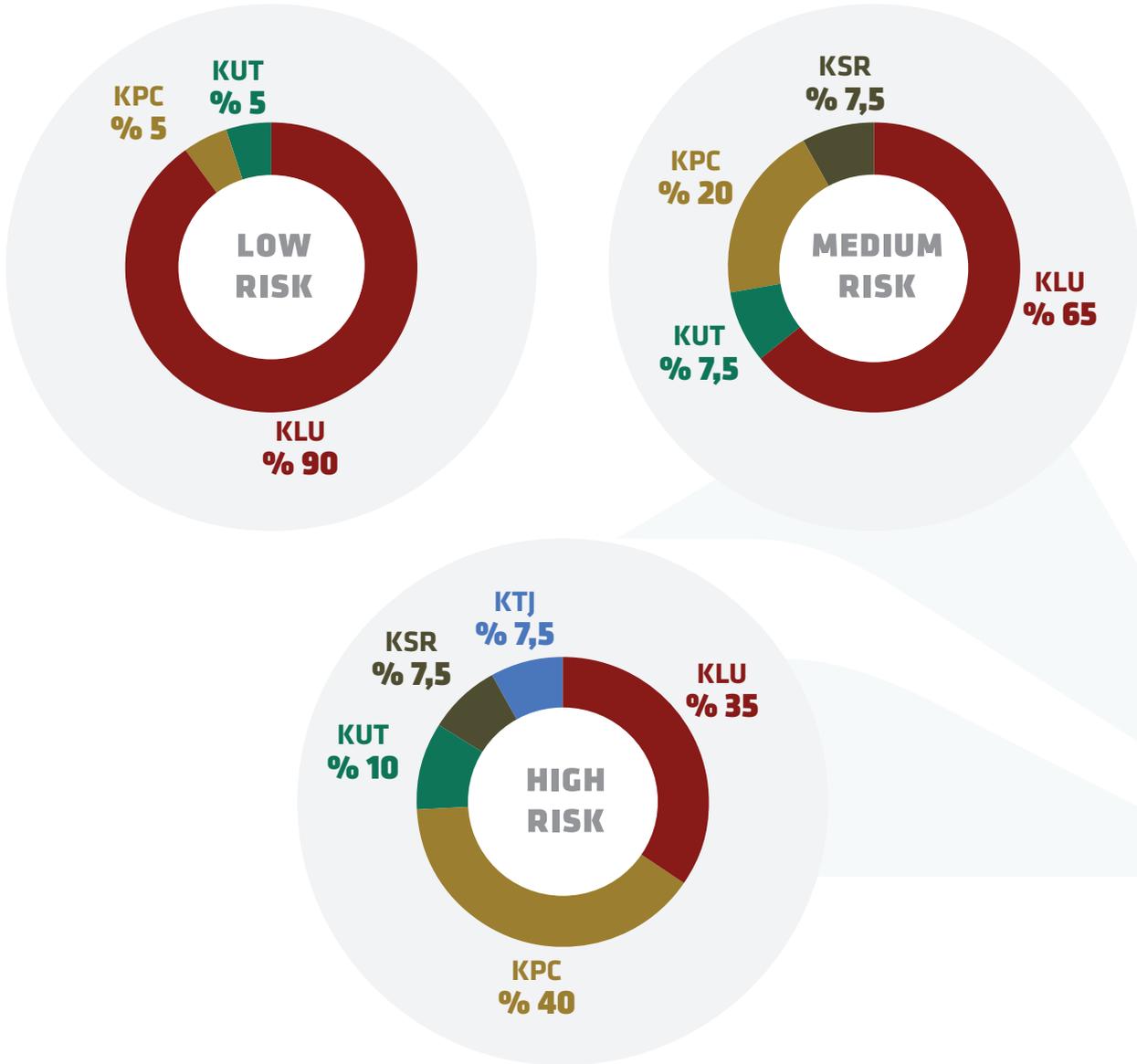
Figure 1. Fund Allocation Recommendations (For Those with USD as Their Base Currency)



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General Investment Recommendations for Those with Turkish Lira as Their Base Currency

Figure 2. Fund Allocation Recommendations (For Those with Turkish Lira as Their Base Currency)



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Information Regarding Funds:

KLU Fund: Kuveyt Türk Asset Management Money Market Participation Fund

KUT Fund: Kuveyt Türk Asset Management Precious Metals Participation Fund

KPC Fund: Kuveyt Türk Asset Management Equity Participation Fund

KDL Fund: Kuveyt Türk Asset Management Fifth Participation Hedge (Currency) Fund

KSR* Fund: Kuveyt Türk Asset Management Sustainability Participation Fund

KNJ* Fund: Kuveyt Türk Asset Management Energy Participation Fund

KTJ* Fund: Kuveyt Türk Asset Management Technology Participation Fund

** These funds may hold up to 80% foreign equities.*

Explanations of Risk Levels:

Relatively Low Risk: Refers to investors who are not keen on experiencing losses to their principal and have limited knowledge and experience regarding investment products.

Medium Risk: Refers to investors who are willing to accept some level of loss to their principal and have some knowledge and experience regarding investment products.

High Risk: Refers to investors who are willing to take on high risk for the potential of high returns, accepting the possibility of significant losses to their principal and possessing substantial knowledge and experience regarding investment products.

Disclaimer Notification:

Warning Note Published in Accordance with the Capital Markets Board's "Regulation on Principles Related to Investment Services and Activities and Ancillary Services":

The information, comments, and recommendations regarding the investment products presented here do not constitute investment advisory services. Investment advisory services are provided by authorized institutions tailored to individuals based on their risk and return preferences. The comments and recommendations offered here are general and may not be appropriate for your specific financial situation or risk-return profile. Therefore, making investment decisions solely based on this information may not yield results that meet your expectations. By confirming your understanding and acceptance of this information, you may proceed with your transactions.

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