

February Started with Customs Tariffs

- U.S. President Donald Trump signed a decree imposing additional customs duties on imports from Canada, Mexico and China. Thus, 25 percent tariffs were imposed on imports from Canada and Mexico, and 10 percent on imports from China. Faced with the tariffs, countries are preparing to retaliate against the US. The trade wars started in February. In the US, the Fed kept interest rates unchanged at 4.25-4.50 percent at the first monetary policy meeting of 2025. Core Personal Consumption Expenditures (PCE) index remained unchanged at 2.8 on an annual basis. The data remained unchanged on an annual basis and showed a slight increase on a monthly basis, indicating that inflation pressures in the US remained under control. In the economic data calendar this week, manufacturing sector PMI, factory orders, durable goods orders, ADP employment report, foreign trade balance, service sector PMI, non-farm payrolls, unemployment rate, University of Michigan consumer confidence index will be closely monitored in the US.
- The European Central Bank cut interest rates by 25 basis points in line with market expectations. Economic activity in the Euro Area remained unchanged on a quarterly basis in the last quarter of 2024, below expectations. President Lagarde stated that the economy stagnated in the fourth quarter and is likely to remain weak in the near future.
- In Asia, manufacturing PMI in China fell below the threshold level of 50 and was realized as 49.1. In Japan, industrial production in December increased by 0.3 percent compared to the previous month, above expectations. Retail sales increased by 3.7 percent on an annual basis.
- Domestically, the Central Bank, TurkStat, and other institutions released various data:
 - The CBRT, Households' 12-month-ahead inflation expectations decreased by 4.3 percentage points to 58.8 percent.
 - Real Sector Confidence Index decreased by 0.1 points to 102.6 in January compared to the previous month. Services, Retail Trade and Construction Confidence Indices increased in January. Construction Confidence Index remained below the threshold level of 50.
 - According to Istanbul Chamber of Commerce (ITO) data, the monthly increase in Istanbul Consumer Price Index was realized as 5.16 percent.

Weekly Status

	24-01-25	31-01-25	Weekly Change	Change in 2025	Change in 2024	Change in 2023	Change in 2022
XK050	9.455	9.415	-0,4%	0,2%	23,2%	32,6%	210,3%
Bist100	10.105	10.004	-1,0%	1,8%	31,6%	35,6%	196,6%
USDTRY	35,66	35,84	0,5%	1,3%	20,1%	57,5%	39,6%
DXY	107,47	108,50	1,0%	0,0%	7,1%	-2,1%	8,2%
US-10Y	4,63	4,58	-1,1%	0,0%	18,0%	0,0%	156,3%
TR-10Y	26,72	26,70	-0,1%	-7,2%	7,6%	169,4%	-59,2%
TR-2Y	38,22	38,16	-0,2%	-5,9%	2,2%	298,0%	-56,1%
CDS (5Y)	260,17	253,54	-2,5%	-2,4%	-6,6%	-45,2%	-10,5%
Gold (Ounce/USD)	2.771,00	2.798,00	1,0%	6,7%	27,2%	13,1%	-0,3%
Gold (Gram/TRY)	3.180,00	3.227,00	1,5%	8,1%	52,1%	78,9%	40,4%
Silver (Gram/TRY)	35,15	36,01	2,4%	9,6%	45,3%	57,1%	44,9%

Global



In the US, the Federal Reserve kept interest rates within the range of 4.25-4.50 percent during its first monetary policy meeting of 2025. This marked the third consecutive rate cut since September 2024, but the Fed decided to pause its rate cuts. After the meeting, Fed Chairman Jerome Powell stated that the commitment to achieving the 2 percent inflation target sustainably remains strong. Powell also mentioned that the economy is generally strong and that decisions should not be rushed.

In the US, the trade balance deficit reached negative 122 billion 100 million dollars in December. According to the December Trade Balance Statistics released by the U.S. Department of Commerce, the trade balance deficit exceeded the expected value of negative 105 billion 300 million dollars, reaching a deficit of negative 122 billion 100 million dollars. When examining the subcomponents, merchandise exports decreased by 7 billion 800 million dollars compared to the previous period, dropping to 167 billion 500 million dollars, while merchandise imports increased by 10 billion 800 million dollars, reaching 289 billion 600 million dollars.

In the US, seasonally adjusted new home sales increased by 3.6 percent month-on-month and 6.7 percent year-on-year in December, reaching 698,000 units. According to the new home sales statistics for December released by the US Department of Commerce, the seasonally adjusted number of new homes sold nationwide increased by 3.6 percent month-on-month and 6.7 percent year-on-year, reaching 698,000 units. The market expectation for new home sales was 669,000 units. Additionally, the median sales price of new homes sold in the period rose by 2 percent year-on-year, reaching 427,000 dollars.

Durable goods orders in the U.S. decreased by 2.2 percent, falling below expectations. According to the durable goods orders data announced for December in the U.S., durable goods orders declined by 2.2 percent, significantly missing expectations and dropping to 276 billion 100 million dollars. During the same period, non-defense capital goods orders excluding aircraft (core capital goods orders) increased by 0.5 percent, exceeding expectations. Additionally, durable goods orders excluding transportation rose by 0.3 percent in December. Orders for

durable consumer goods are considered significant as they provide insight into the near-term performance of industrial production in the U.S.

The Consumer Confidence Index in the U.S. declined by 5.4 points compared to the previous period. According to the Consumer Confidence Index announced for January by the Conference Board in the U.S., consumer confidence dropped by 5.4 points compared to the previous month, falling to 104.1 points and remaining below expectations. During the same period, the Present Situation Index, which reflects consumers' assessments of current business and labor market conditions, decreased by 9.7 points to 134.3. Additionally, the Expectations Index, which reflects consumers' short-term outlook on income, employment, and labor market conditions, declined by 2.6 points to 83.9.

Core Personal Consumption Expenditures in the US remained unchanged on an annual basis and increased by 2.8 percent. According to the data announced by the U.S. Department of Commerce for December, the Core Personal Consumption Expenditures (PCE) index, which the Fed monitors as an inflation indicator, was recorded at 0.2 percent on a monthly basis and 2.8 percent on an annual basis. The fact that the index, excluding food and energy expenditures, remained stable on an annual basis and showed a slight increase on a monthly basis indicated that inflation pressures in the U.S. were under control.

Economic activity in the Euro Area showed no change on a quarterly basis in the fourth quarter of 2024, falling short of expectations. According to the Gross Domestic Product (GDP) data for the fourth quarter of 2024 released by Eurostat, the economic output in the Euro Area remained unchanged compared to the previous quarter, falling below expectations. When examining the subcomponents, Portugal recorded the highest growth with an increase of 1.5 percent in the last quarter of 2024, while Ireland recorded the largest decline with a decrease of 1.3 percent.

The European Central Bank (ECB) reduced the deposit rate by 25 basis points, lowering it from 3.00 percent to 2.75 percent. In line with expectations, the ECB cut its deposit rate by 25 basis points from 3 percent to 2.75 percent. It also reduced the refinancing and overnight lending rates to 2.75 percent, 2.90 percent, and 3.15 percent, respectively. In the decision statement, the bank noted that the inflation control process was progressing well, and it was stated, "Inflation has continued to evolve largely in line with staff projections, and the Governing Council expects to return to the medium-term target of 2 percent within this year."

In Germany, GDP contracted by 0.2 percent on a quarterly basis in the fourth quarter of 2024. According to the GDP data for the fourth quarter of 2024 released by Germany's Federal Statistical Office (Destatis), economic activity decreased by 0.2 percent compared to the previous quarter, falling short of expectations. As a result, Germany's economy contracted by 0.2 percent in 2024 compared to the previous year, marking a second consecutive year of contraction. Germany's economy had also shrunk by 0.2 percent in 2023.

Germany's export expectations for January decreased by 1.2 points compared to the previous period, falling to negative 7.3. According to the Export Expectations Survey results for January announced by the German Institute for Economic Research (IFO), the index declined by 1.2 points compared to the previous period, reaching negative 7.3. Thus, the Export Expectations Index fell for the seventh consecutive month, hitting its lowest level in the past year. Klaus Wohlrabe, Head of the IFO Surveys Center, commented on the survey results, stating,

"The beginning of the new year in exports was disappointing. The positive momentum abroad has so far had no significant impact on domestic exporters."

In Germany, the GFK Consumer Confidence Index decreased by 1 point to negative 22.4 in February, contrary to expectations. According to the Consumer Confidence Index for February, announced by the Nuremberg Market Decisions Institute (NIM) and GFK, the index fell by 1 point to negative 22.4. NIM Consumer Research Expert Rolf Buerkl, commenting on the data, stated that news related to factory closures and changes in production locations has caused more concern among the public, which negatively impacted the Consumer Confidence Index.

In China, the manufacturing PMI stood at 49.1 in January. According to the Purchasing Managers' Indices (PMI) for manufacturing, services, and construction sectors released by the National Bureau of Statistics of China (NBS) for January, the manufacturing PMI dropped by 1.0 points to 49.1, falling below the threshold value of 50.0 for the first time in the last three months, indicating a contraction in the manufacturing sector. Meanwhile, the construction PMI stood at 49.3, signaling contraction, while the services PMI was 50.3, indicating expansion.

In Japan, the Bank of Japan (BOJ) published the minutes of its January monetary policy meeting. According to the minutes from the BOJ's January meeting, the majority of participants expressed that an interest rate hike may be more appropriate at the next meeting, based on a data-driven approach. The minutes revealed that, with the exception of one participant, all others supported an interest rate increase due to inflation staying above the target 2 percent for about three years and labor shortages.

In Japan, December industrial production increased by 0.3 mom, while retail sales rose by 3.7 yoy. According to the industrial production and retail data announced for December in Japan, industrial production increased by 0.3 percent on a monthly basis, surpassing the market expectation of minus 0.1 percent. During the same period, retail sales increased by 3.7 percent on an annual basis. On the other hand, the unemployment rate decreased by 0.1 percent compared to November, falling to 2.4 percent.

Domestic



Household inflation expectations decreased by 4.3, falling to 58.8 percent. According to the Sectoral Inflation Expectations announced by the Central Bank of the Republic of Turkey (CBRT) for January, 12-month forward annual inflation expectations decreased by 1.7 percent to 25.4 percent for market participants and by 3.8 percent to 43.8 percent for the real sector, while decreasing by 4.3 to 58.8 percent for households. During the same period, the proportion of households expecting inflation to decrease over the next 12 months increased by 4.5 percent compared to the previous month, reaching 30.8 percent.

The Real Sector Confidence Index decreased by 0.1 points in January compared to the previous month, falling to 102.6. According to the results of the Economic Tendency Survey released by the Central Bank of the Republic of Turkey (CBRT) for January, the seasonally adjusted Real Sector Confidence Index decreased by 0.1 points compared to the previous month, reaching 102.6. When looking at the sub-indices, evaluations regarding fixed capital investment, export order volume for the next three months, current finished goods stock,

current total order volume, and production volume for the next three months positively affected the index, while evaluations regarding total order volume for the past three months, total employment for the next three months, and the general outlook negatively affected the index.

Seasonally adjusted capacity utilization rate decreased by 0.8 points in January, reaching 74.8 percent. According to the Capacity Utilization Rate in the Manufacturing Industry report released by the CBRT for January, the seasonally adjusted capacity utilization rate decreased by 0.8 points compared to the previous month, reaching 74.8 percent. When examined by product groups, the capacity utilization rate for investment goods, consumer goods, durable consumer goods, non-durable consumer goods, and intermediate goods showed a decline.

The Central Bank of the Republic of Turkey (CBRT) published the summary of its Monetary Policy Committee Meeting for January. In the summary of the meeting, it was announced that the decisive stance in monetary policy was strengthening the disinflationary process. It was stated that tight monetary policy measures would continue until a lasting decline in inflation is achieved and price stability is established. In the event of a significant and lasting deterioration in inflation, it was emphasized that monetary policy tools would be used effectively. The committee noted that decisions would be made with an inflation outlook-focused, cautious, and meeting-based approach.

Foreign investors made a net purchase of 345.4 million dollars in equities and 382.9 million dollars in Government Domestic Debt Securities (GDDS) during the week of January 24. According to the Securities Statistics released by the Central Bank of the Republic of Turkey (CBRT) for the week of January 24, foreign investors made net purchases of 345.4 million dollars in equities and 382.9 million dollars in GDDS. As a result, the market value of foreign investors' equity positions reached 34.217 billion dollars, and the market value of GDDS (Final Purchases) positions stood at 20.562 billion 500 thousand dollars.

In January, the service, retail trade, and construction confidence indices increased. According to the confidence indices for the service, retail trade, and construction sectors for January published by TurkStat, the seasonally adjusted service sector confidence index increased by 2.5 percent month-on-month, reaching 116.5; the retail trade sector confidence index increased by 1.4 percent, reaching 114.5; and the construction sector confidence index increased by 2.6 percent, reaching 91.7.

The Economic Confidence Index increased by 0.8 percent in January, rising to 99.7. According to the Economic Confidence Index published by TurkStat for January, the index increased by 0.8 percent month-on-month, reaching 99.7. In the same period, the Consumer Confidence Index decreased by 0.4 percent to 81.0, the Real Sector (manufacturing industry) Confidence Index declined by 0.1 percent to 102.6, while the Services Sector Confidence Index rose by 2.5 percent to 116.5, the Retail Trade Sector Confidence Index rose by 1.4 percent to 114.5, and the Construction Sector Confidence Index increased by 2.6 percent to 91.7.

Minister of Treasury and Finance Mehmet Şimşek made statements regarding the macroeconomic outlook on his social media account. Şimşek evaluated the Sectoral Inflation Expectations, stating, "Inflation expectations are critical for the pace of disinflation. We foresee that expectations will further support a decline in inflation in the upcoming period." Additionally, Minister Şimşek emphasized that the disinflation program would continue with the same determination, ensuring a permanent reduction in inflation and thereby increasing purchasing power.

Minister of Industry and Technology Mehmet Fatih Kacır announced that high-tech investments will be increased in the industry starting from 2025. Minister Kacır stated, "We are at the stage of bringing nearly 7 billion dollars of investment to Turkey. God willing, next month we will announce the first phase of this investment package, which will exceed 2 billion dollars." Additionally, Minister Kacır emphasized that Turkey has been the country that increased industrial production the most among OECD countries in the last 22 years and expressed that Turkey has become a manufacturing hub.

According to Istanbul Chamber of Commerce (ITO) data, the monthly increase in the Istanbul Consumer Price Index was realized as 5.16 percent. According to the Consumer Price Index announced by the Istanbul Chamber of Commerce (ITO), the Istanbul Consumer Price Index recorded a monthly increase of 5.16 percent in January. Compared to the same month of the previous year, it rose by 48.40 percent. In January, the highest increase was observed in the healthcare expenditures group, while the most significant decline was recorded in the clothing and footwear expenditures group.

Turkey's foreign trade deficit narrowed to 82 billion dollars in 2024. According to the foreign trade statistics announced by Turkstat for 2024, based on the general trade system, exports increased by 2.4 percent on an annual basis, reaching 261 billion 855 million dollars, while imports decreased by 5.0 percent, reaching 344 billion 20 million dollars. Thus, the foreign trade deficit decreased by 22.7 percent compared to the previous year, amounting to 82 billion 165 million dollars. During the same period, the share of the manufacturing industry in exports was recorded as 94.1 percent.

International credit rating agency Fitch Ratings, Turkey's credit rating remained unchanged. According to the assessment published by the international credit rating agency Fitch Ratings, Turkey's credit rating remained unchanged at BB-. Thus, the rating outlook was determined as stable. Additionally, Fitch Ratings stated that the Central Bank of the Republic of Turkey (CBRT) is expected to lower the policy rate to 28 percent by the end of the year, while the year-end inflation expectation was recorded as 32.8 percent.

Leading Indicators



	Indicator	Period	Data	Previous Data	Benchmark Value
	Industrial Production	November	1,5%	-3,1%	
	Manufacturing PMI	December	49,1	48,3	50,0
	Capacity Utilization Rate (seasonally adj.)	January	74,8%	75,6%	
	Import - (capital goods) (annually)	November	-15,5%	-9,2%	
	Import - (intermediate goods) (annually)	November	3,9%	0,1%	
	Import - (consumption goods) (annually)	November	15,5%	7,9%	
New	Credit Growth Weekly	January (Week 4)	0,4%	-0,3%	
	Consumer Confidence Index	January	81,0	81,3	100
	Real sector confidence (seasonally adj.)	January	102,6	102,7	100
New	Service sector confidence (seasonally adj.)	January	116,5	113,6	100,0
New	Retail sector confidence (seasonally adj.)	January	114,5	113,0	100,0
New	Construction sector confidence (seasonally a	January	91,7	89,4	100,0
	Car Sales (annually)	December	7,0%	5,0%	
	House sales - total (annually)	December	53,4%	63,6%	
	House sales - mortgage (annually)	December	285,3%	315,7%	
	CPI	December	44,4%	47,1%	
	CPI expectations (year-end)	January	27,1%	45,3%	
	Current Year Growth Expectations	January	3,1%	3,0%	
	Retail Sales Volume (annually)	November	16,4%	15,0%	
	Current Account Balance (billion USD)	November	-2,9	1,9	
	Unemployment Rate (seasonally adj.)	November	8,6%	8,8%	
New	Dollarization	January (Week 4)	0,59 Billion (+)	0,52 Billion (+)	

	Indicates decrease
	Indicates stability
	Indicates increase

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