



MAY 20, 2025

KUVEYT TRK ASSET MANAGEMENT

PRIVATE BANKING

**WEEKLY
ECONOMIC
BULLETIN**



KUVEYTTRK



PRIVATE BANKING

U.S. ASSETS REMAIN RESILIENT FOLLOWING MOODY'S DOWNGRADE, DOMESTIC FOCUS TURNS TO CBRT'S INFLATION REPORT



Moody's, the international credit rating agency, downgraded the United States' long-term sovereign credit rating by one notch from its highest level, "Aaa". The downgrade was attributed to the rising public debt burden, resulting in the U.S. losing its top-tier rating from all three major credit agencies. Despite a moderate uptick in U.S. Treasury yields and gold prices following the announcement, markets have not experienced the kind of significant reaction observed during previous rating downgrades. Investors do not appear to perceive the fiscal deterioration emphasized by Moody's as a new risk factor, and therefore, demand for safe-haven assets has not increased significantly.

Last week's U.S. inflation data showed that the annual CPI fell to 2.3%, marking the lowest level since 2021. Despite this improvement in inflation dynamics, the Federal Reserve is not expected to implement rate cuts in the near term. Market expectations remain focused on September, in line with the latest communication from Fed officials. On the other hand, consumer inflation expectations, as measured by the University of Michigan survey, rose to 7.3% in May, indicating a continued deterioration in inflation sentiment. Uncertainty surrounding trade policy also appears to be feeding into consumer expectations. Against this backdrop, we maintain our cautious stance toward international markets.

Domestically, the Market Participants Survey published last week showed that year-end inflation expectations rose from 29.98% to 30.35%. The Central Bank of the Republic of Turkey (CBRT) will publish its second Inflation Report of the year on Thursday. In the first report released in January, the year-end inflation forecast was set at 24%. Even if an upward revision is introduced in the upcoming report, it is not expected to trigger a surprise reaction in the markets. CBRT Governor Fatih Karahan has repeatedly emphasized that the tight monetary policy stance will be maintained with determination until a permanent decline in inflation and price stability is achieved.

In the current period, during which pressure on the U.S. dollar index persists, we believe that money market participation funds may continue to generate USD-based returns. Although the domestic equity market posted gains last week—supported by optimism in trade policy and easing geopolitical risks—we do not have a strong outlook due to the subdued state of economic activity.



WEEKLY STATUS

	9.05.2025	16.05.2025	Weekly Change	Change in 2025	Change in 2024	Change in 2023	Change in 2022
XK050	10.125	10.244	1,2%	9,0%	23,2%	32,6%	210,3%
XU100	9.391	9.668	3,0%	-1,7%	31,6%	35,6%	196,6%
USDTRY	38,76	38,67	-0,2%	9,3%	20,1%	57,5%	39,6%
DXV	100,34	101,01	0,7%	-6,9%	7,1%	-2,1%	8,2%
US-10Y	4,39	4,44	1,1%	-3,1%	18,0%	0,0%	156,3%
TR-10Y	34,73	33,99	-2,1%	18,1%	7,6%	169,4%	-59,2%
TR-2Y	46,97	45,11	-4,0%	11,2%	2,2%	298,0%	-56,1%
CDS (5Y)	328,42	291,19	-11,3%	12,1%	-6,6%	-45,2%	-10,5%
GOLD (OUNCE/USD)	3.291,00	3.203,00	-2,7%	22,1%	27,2%	13,1%	-0,3%
GOLD (GRAM/TRY)	4.145,00	3.998,00	-3,5%	34,0%	52,1%	78,9%	40,4%
SILVER (GRAM/TRY)	40,73	40,36	-0,9%	22,8%	45,3%	57,1%	44,9%

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GLOBAL

U.S. President Donald Trump and Russian President Vladimir Putin held a phone call. As a result of the two-hour-long call, a decision was made to start negotiations between Russia and Ukraine, while U.S. President Trump stated that he believed the meeting went very well and that Russia and Ukraine would end the war. On the other hand, Russian President Putin stated that they are ready to discuss the terms of the agreement.

International credit rating agency Moody's downgraded the credit rating of the United States. International credit rating agency Moody's downgraded the long-term credit rating of the United States by one notch from the highest level of AAA to AA1. At the same time, Moody's revised the outlook from negative to stable. It was stated that the rapidly increasing public debt over the past 10 years played a role in the decision.

In the U.S., mortgage applications for home purchases increased by 2.0 percent in the week ending May 9. According to the weekly mortgage application statistics released by the Mortgage Bankers Association (MBA) for the week ending May 9, applications for home purchases rose by 2.0 percent, while refinancing applications declined by 0.4 percent. During the same period, the average interest rate for 30-year fixed mortgages increased from 6.84 percent to 6.86 percent.

The U.S. and China reached a temporary agreement to reduce mutual tariffs significantly for 90 days and to establish a mechanism for discussing trade relations. Following two days of negotiations, the U.S. and China agreed to a temporary reduction in tariffs. China will lower its tariffs on U.S. goods from 125 percent to 10 percent, while the U.S. will reduce its tariffs on Chinese goods from 145 percent to 30 percent for a 90-day period. U.S. Treasury Secretary Scott Bessent stated that both parties will set up a mechanism to continue discussions on economic and trade relations.

U.S. retail sales rose by 0.1 percent monthly and 5.2 percent annually in April. According to data released by the U.S. Department of Commerce for April, retail sales increased by 0.1 percent on a monthly basis, surpassing market expectations, and rose by 5.2 percent annually. Excluding automobiles, retail sales declined by 0.4 percent month-over-month during the same period.

In April, the U.S. Producer Price Index (PPI) decreased by 0.5 percent monthly but increased by 2.4 percent annually. According to the PPI data announced by the U.S. Department of Labor for April, the index fell by 0.5 percent monthly and rose by 2.4 percent annually, coming in below market expectations. Core PPI, which excludes volatile food and energy prices, declined by 0.4 percent on a monthly basis while increasing by 3.1 percent annually, aligning with expectations.

The U.S. Manufacturing Index fell from minus 8.2 to minus 9.2 points in May. According to data released by the Philadelphia Fed for May, the Manufacturing Index dropped from minus 8.1 points to minus 9.2 points, indicating contraction in the manufacturing sector. In the same period, the new orders index jumped by 41.7 points to reach 7.5 points.

Trump stated he might directly contact Xi Jinping to discuss the details of the tariff agreement, emphasizing that China opening up to U.S. businesses would be a major opportunity for both countries. In a recent interview, U.S. President Donald Trump shared his thoughts on the U.S.-China tariff agreement, indicating that he could directly negotiate with Chinese President Xi Jinping. He stated that China's openness to U.S. business is the most important aspect of the agreement and would benefit both nations. He also underlined that economic openness from China would present a great opportunity for both countries.

Trump and Assad met face-to-face for the first time in 25 years, and also held an online meeting with Erdoğan and the Crown Prince; Trump announced the lifting of U.S. sanctions on Syria. In Riyadh, U.S. President Trump and Syrian President Bashar al-Assad had their first in-person meeting in 25 years. Additionally, President Erdoğan, Trump, Saudi Crown Prince Mohammed bin Salman, and Assad participated in an online meeting. Following discussions with Erdoğan and the Crown Prince, Trump announced that the U.S. would lift sanctions imposed on Syria.

Fed Chair Jerome Powell stated that changes to the monetary policy framework are being considered, with the aim of reducing uncertainty and increasing transparency. Speaking at a conference, Federal Reserve Chair Jerome Powell said that they are evaluating potential changes in certain areas of the monetary policy framework. He acknowledged that the current framework was designed during a period of low interest rates and inflation, adding, "We will ensure that our new statement of consensus is robust across a wide range of economic conditions and developments." Powell emphasized their goal of reducing uncertainty and enhancing transparency.

In the United States, exports and imports increased by 0.1 percent and 0.1 percent respectively on a monthly basis in April. According to the Export and Import Price Indices announced by the U.S. Department of Labor regarding the month of April; export and import prices increased by 0.1 percent and 0.1 percent respectively on a monthly basis. Thus, the export and import price indices recorded an increase above market expectations.

Eurogroup President Donohoe emphasized the EU's desire for zero-tariff trade with the U.S. and welcomed progress in U.S.-China talks. Before a meeting of Eurozone finance ministers, Eurogroup President Paschal Donohoe stated that the European Union aims to maintain zero-tariff trade with the U.S., in response to tariffs imposed by President Trump. He welcomed the progress in trade talks between the U.S. and China as a positive development.

Preliminary data shows the Eurozone's economic activity grew by 0.3 percent quarterly and 1.2 percent annually in the first quarter. According to preliminary Gross Domestic Product (GDP) data released by Eurostat for the first quarter, the Eurozone economy is expected to grow by 0.3 percent on a quarterly basis and 1.2 percent annually. Among member states, Spain is expected to record the highest growth with 0.6 percent quarterly and 2.8 percent annually in the first quarter of 2025.

Eurozone industrial production rose by 2.6 percent monthly and 3.6 percent annually in March. According to March industrial production data published by Eurostat, the Eurozone's

industrial output increased by 2.6 percent on a monthly basis and 3.6 percent annually, surpassing market expectations. Among Eurozone countries, the highest monthly increase was recorded in Ireland at 14.6 percent, while the largest decline was observed in Luxembourg at minus 6.3 percent.

In Germany, the Consumer Price Index (CPI) in April rose by 0.4 percent monthly and 2.1 percent annually. According to April data published by the Federal Statistical Office of Germany (Destatis), consumer inflation matched market expectations, rising by 0.4 percent month-over-month and 2.1 percent year-over-year. The EU-harmonized CPI increased by 0.5 percent monthly and 2.2 percent annually during the same period.

In Japan, economic activity contracted by 0.2 percent in the first quarter of 2025. According to the preliminary Gross Domestic Product (GDP) data for the first quarter of 2025 announced by the Japan Cabinet Office; economic activity contracted by 0.2 percent on a quarterly basis and 0.7 percent on an annual basis, significantly exceeding market expectations. Thus, for the first time in a year, the Japanese economy signaled a risk of technical recession. In the same period, personal consumption showed no change on a quarterly basis.

DOMESTIC

In March, the total turnover index for the industry, construction, trade, and services sectors increased by 4.2 percent on a monthly basis and by 33.4 percent on an annual basis. According to the Turnover Indices for March released by the Turkish Statistical Institute (TurkStat), the total turnover index for the industry, construction, trade, and services sectors rose by 4.2 percent monthly and 33.4 percent annually. When examining annual changes in sub-sectors, the information and communication turnover index increased by 50.5 percent, mining and quarrying by 48.0 percent, professional, scientific and technical services by 46.1 percent, real estate activities by 40.0 percent, accommodation and food services by 39.9 percent, trade by 37.8 percent, and services by 35.9 percent.

The Construction Cost Index increased by 1.53 percent on a monthly basis and 23.23 percent on an annual basis in March. According to the Construction Cost Index for March published by TurkStat, the index rose by 1.53 percent monthly and 23.23 percent annually. Among the sub-components, material and labor indices rose by 1.95 percent and 0.80 percent monthly, and 18.80 percent and 31.72 percent annually, respectively. During the same period, the building construction cost index increased by 1.45 percent monthly and 23.60 percent annually, while the index for non-building structures rose by 1.79 percent monthly and 22.05 percent annually.

In March, the trade sales volume rose by 5.0 percent monthly and 10.8 percent annually. According to the Trade Sales Volume Index for March released by TurkStat, the trade sales volume increased by 5.0 percent monthly and 10.8 percent annually. During the same period, retail sales volume decreased by 1.4 percent monthly but increased by 9.2 percent annually. Subgroup analysis shows that annual increases in retail sales volume were driven by computers, books, communication devices, textiles, clothing and footwear, medical products, and cosmetics.

In March, the amount of cow's milk collected increased by 2.9 percent annually, reaching 1 million 15 thousand 647 tons. According to the Milk and Dairy Products Production statistics for March released by TurkStat, the amount of cow's milk collected by commercial dairy enterprises rose by 2.9 percent annually, totaling 1 million 15 thousand 647 tons. In the same period, the production of drinking milk increased by 6.2 percent, reaching approximately 148 thousand 525 tons, while yogurt production declined by 1.0 percent annually, falling to 104 thousand 713 tons.

In April, the Agricultural Producer Price Index (Agricultural-PPI) decreased by 0.45 percent monthly, while increasing by 27.50 percent annually. According to the Agricultural Producer Price Index for April released by TurkStat, the index dropped by 0.45 percent monthly but rose by 27.50 percent annually. Subgroup analysis indicates that the annual increase was driven by fish and other fishery products; water products; services to support fishing; perennial (long-lasting) plant products; agricultural and hunting products and related services; and livestock and animal products sectors. On a monthly basis, the decline was primarily due to non-perennial (short-lived) plant products and agricultural and hunting products and related services.

The Service Production Index increased by 0.1 percent monthly and 0.4 percent annually in March. According to the Service Production Index for March released by TurkStat, service production rose by 0.1 percent monthly and 0.4 percent annually. Annual sub-sector analysis reveals that transportation and storage services decreased by 1.3 percent, accommodation and food services by 2.5 percent, and real estate services by 3.3 percent, while information and communication services increased by 6.3 percent, professional, scientific and technical services by 3.7 percent, and administrative and support services by 2.8 percent.

The Construction Production Index increased by 10.5 percent annually in March, but decreased by 2.5 percent monthly. According to the Construction Production Index for March released by TurkStat, construction production dropped by 2.5 percent monthly but rose by 10.5 percent annually. On an annual basis, the building construction sector, non-building structures sector, and private construction activities increased by 12.9 percent, 5.8 percent, and 6.0 percent, respectively. On a monthly basis, the same sectors decreased by 3.2 percent, 0.5 percent, and 1.2 percent, respectively.

In March, the number of paid employees across industry, construction, and trade-services sectors rose by 0.6 percent annually, reaching 15 million 320 thousand 987 people. According to the Paid Employees Statistics for March released by TurkStat, the number of paid employees in the combined sectors reached 15 million 320 thousand 987, marking a 0.6 percent increase compared to the same month last year. Sub-sector data show that the number of paid employees in the construction sector remained unchanged, declined by 2.6 percent in the industry sector, and rose by 2.7 percent in the trade and services sector.

In the first quarter of 2025, the number of unemployed people aged 15 and over decreased by 183 thousand on a quarterly basis, recording at the level of 2 million 884 thousand people. According to the Labour Force Statistics announced by the Turkish Statistical Institute (TurkStat) regarding the 1st quarter; the number of unemployed people aged 15 and over decreased by 183 thousand compared to the previous quarter, falling to the level of 2 million 884 thousand people, while the seasonally adjusted unemployment rate decreased by 0.5 percentage points to 48.9 percent. In the same period, the seasonally adjusted labour force participation rate decreased by 0.8 percentage points compared to the previous quarter, falling to 53.3 percent. In addition, the unemployment rate among the young population aged 15-24 decreased by 0.9 percentage points compared to the previous quarter, recording at the level of 15.0 percent.

In April, house sales across the country increased by 56.6 percent on an annual basis, reaching the level of 118 thousand 359 units. According to the Housing Sales Statistics announced by TurkStat regarding the month of April, house sales across the country increased by 56.6 percent on an annual basis, reaching the level of 118 thousand 359 units. When sub-categories are examined, mortgaged house sales increased by 147.0 percent on an annual basis, reaching the level of 17 thousand 465 units. In the same period, first-hand house sales increased by 43.8 percent on an annual basis, reaching the level of 34 thousand 633 units,

and second-hand house sales increased by 62.6 percent, reaching the level of 83 thousand 726 units. In addition, total house sales to foreigners increased by 13.2 percent on an annual basis, recording at the level of 1 thousand 440 units.

Minister Şimşek emphasized at the EBRD meeting that Turkey's economic program is being implemented decisively, inflation is declining, and with the end of the PKK, the east and southeast will become new growth centers. Treasury and Finance Minister Mehmet Şimşek gave a presentation in London at the European Bank for Reconstruction and Development's (EBRD) annual meeting about Turkey's economic transformation. In his presentation, Şimşek stated that Turkey's economic program continues to be implemented and that inflation has declined from 75 percent to 38 percent, and this downward trend is ongoing. He also stated that with the dissolution of the PKK, the economic development of the eastern and southeastern regions would accelerate, turning them into new engines of growth.

Minister Vedat Işıkhhan stated that it is too early to discuss a mid-year increase in the minimum wage, emphasizing that their priority is to maintain purchasing power and focus on public sector contracts. Minister of Labor and Social Security Vedat Işıkhhan responded to questions posed in the Turkish Grand National Assembly. He reiterated that protecting citizens' purchasing power is a priority and said, "It is too early to talk about a mid-year raise for the minimum wage." Last week, he had indicated that if inflation does not fall as expected, a mid-year adjustment might be considered in July. He also mentioned that the ministry is currently focusing on public sector contracts.



LEADING INDICATORS

	Gösterge	Dönem	Veri	Önceki Veri	Referans Noktası
	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%	
	Import - (capital goods) (annually)	March	3,9%	-21,0%	
	Import - (intermediate goods) (annually)	March	-0,4%	8,2%	
	Import - (consumption goods) (annually)	March	12,4%	-0,8%	
New	Credit Growth Weekly	May (Week 2)	0,2%	1,0%	
	Consumer Confidence Index	April	83,9	85,9	100
	Real sector confidence (seasonally adj.)	April	100,8	103,2	100
	Service sector confidence (seasonally adj.)	April	109,5	114,4	100
	Retail sector confidence (seasonally adj.)	April	110,6	113,4	100
	Construction sector confidence (seasonally adj.)	April	85,1	88,9	100
	Car Sales (annually)	April	38,8%	6,4%	
New	House sales - total (annually)	April	56,6%	5,1%	
New	House sales - mortgage (annually)	April	147,0%	41,5%	
	CPI	April	37,9%	38,1%	
New	CPI expectations (year-end)	May	30,4%	29,9%	
New	Current Year Growth Expectations	May	2,9%	3,0%	
	Retail Sales Volume (annually)	February	12,2%	12,5%	
New	Current Account Balance (billion USD)	February	-4,1	-4,4	
	Unemployment Rate (seasonally adj.)	March	7,9%	8,2%	
New	Dollarization	May (Week 2)	0,71 Billion (-)	0,83 Billion (-)	

Indicates Decrease

Indicates Stability

Indicates Increase

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

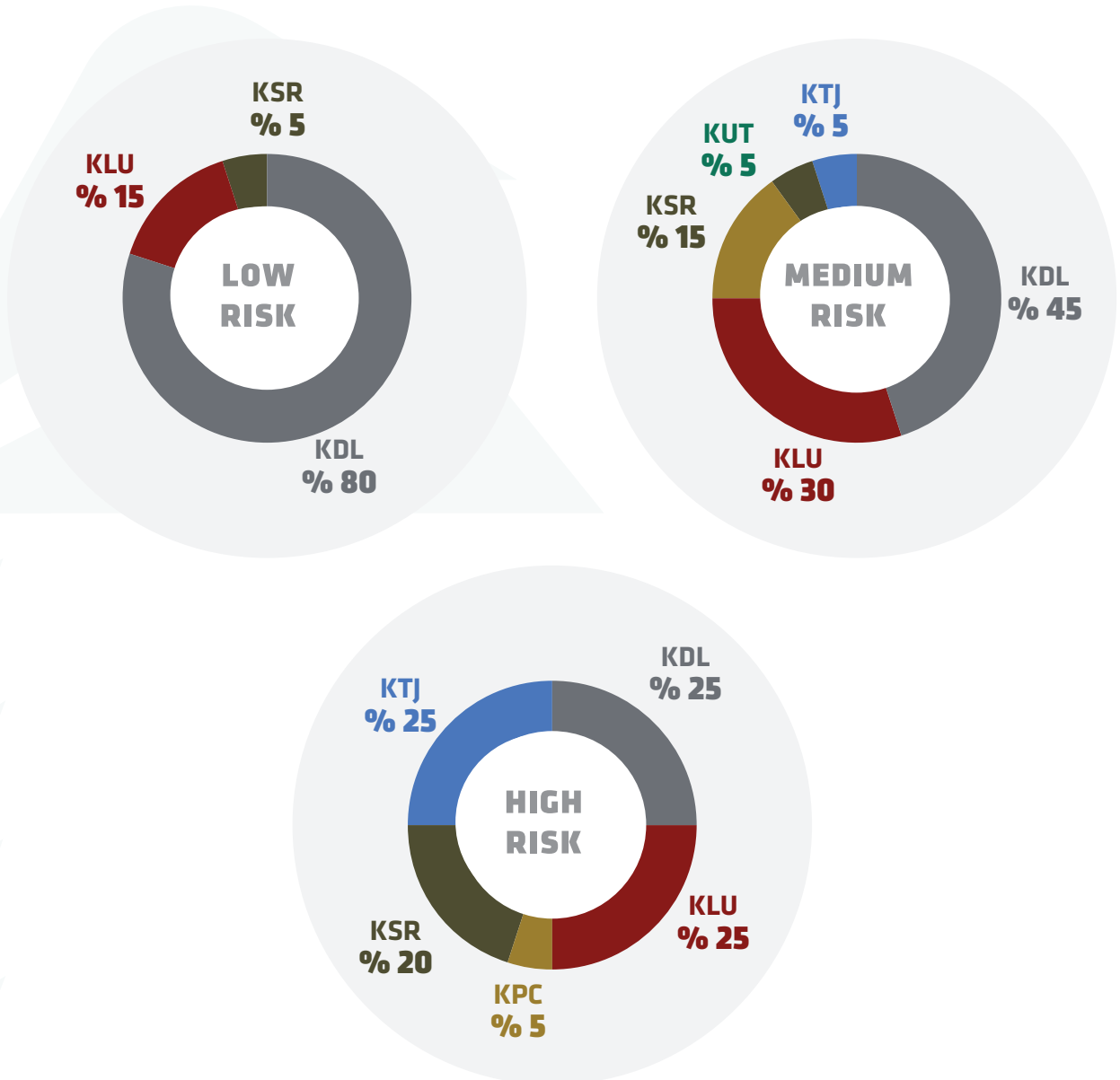
Our Fund Allocation Recommendations

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

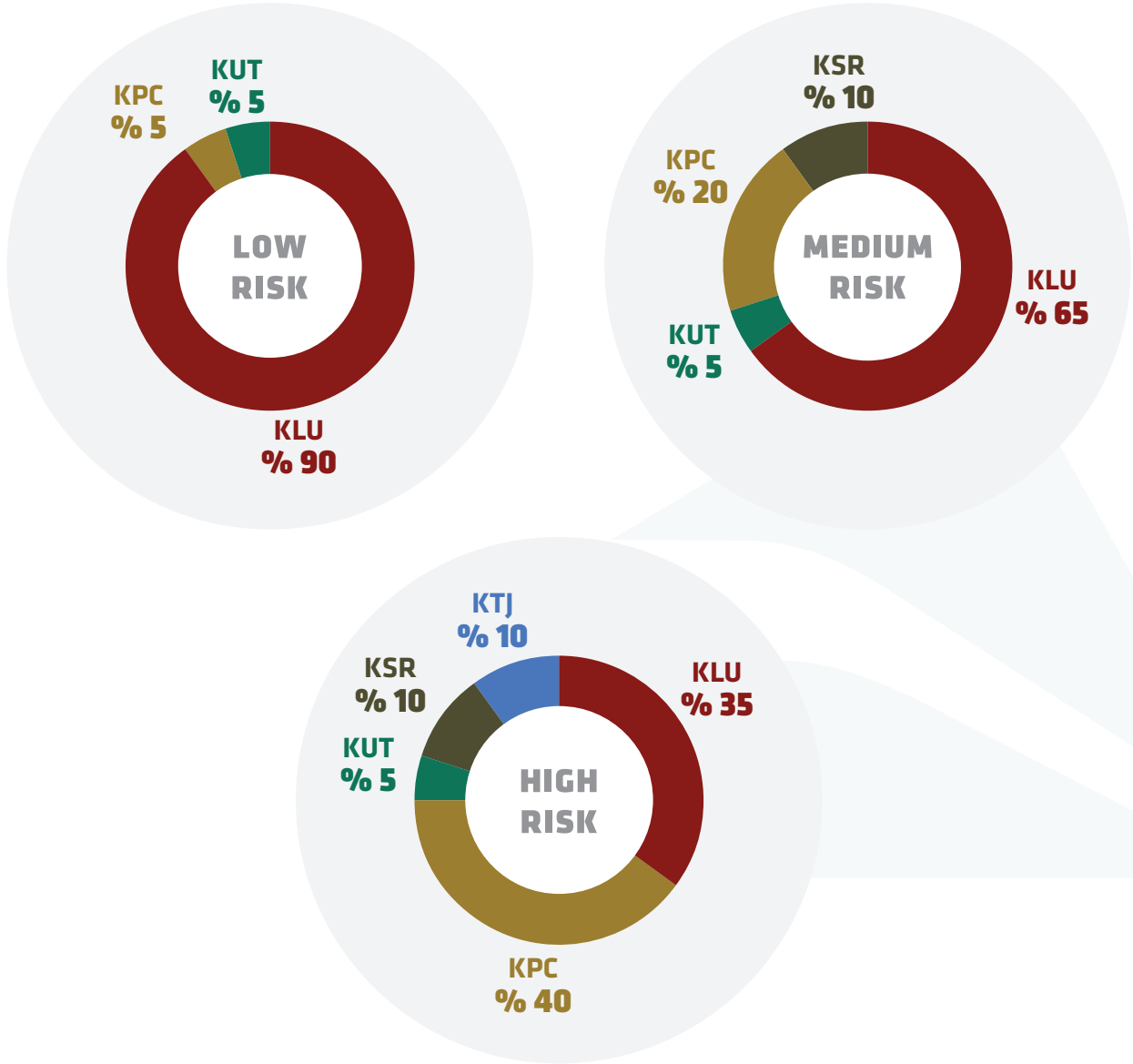
Figure 1. Fund Allocation Recommendations (For Those with USD as Their Base Currency)



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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":

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