



MAY 26, 2025

KUVEYT TÜRK ASSET MANAGEMENT

PRIVATE BANKING

**WEEKLY
ECONOMIC
BULLETIN**



KUVEYTTÜRK



PRIVATE BANKING

DOMESTIC DEMAND WEAKENS AMID ONGOING MONETARY TIGHTNESS



In its second Inflation Report of the year, the Central Bank of the Republic of Türkiye (CBRT) kept its year-end inflation forecast for 2025 unchanged at 24%. While the forecast range was maintained at ± 5 percentage points as in the previous report, the year-end inflation expectation for 2026 was also reaffirmed at 12%. Although no upward revision was made to the projections, the Bank explicitly emphasized that a tight monetary policy stance will be maintained to ensure the continuation of the disinflation process. Statements from CBRT Governor Fatih Karahan signaled continued determination in monetary policy. Meanwhile, according to the Market Participants Survey, year-end inflation expectations have risen to 30.35%, exceeding the upper bound of the CBRT's forecast range, which stands at 29%.

Despite the deterioration in inflation expectations, we believe that the perception of maintaining a tight monetary policy stance has strengthened. In this context, the likelihood of postponing the start of an interest rate cut cycle to July has increased. The reduced exchange rate pass-through and the limited impact of exchange rate movements on inflation support this assessment. Under the current conditions, we believe that money market participation funds may continue to generate USD-based returns.

The effects of the tight monetary policy stance on economic activity continued to be felt in May. The seasonally adjusted real sector confidence index declined by 2.2 points to 98.6 during the month, falling below the critical threshold of 100 for the first time since the fourth quarter of 2024, signaling a negative outlook. The capacity utilization rate in the manufacturing industry rose by 0.5 points to 75.1% in May. However, the second-quarter average remains below that of the first quarter, pointing to increasing downside risks for the industrial sector's performance. While non-manufacturing sector confidence indices recorded an increase in May, the second-quarter average remains weaker compared to the first quarter. The loss of momentum in domestic demand is also being closely monitored. This outlook leads us to maintain a cautious stance toward the domestic equity market.

Trade policy developments continue to dominate the global market agenda. The reciprocal tariff reductions announced by the U.S. and China had previously provided short-term relief to global markets. However, last Friday, U.S. President Trump stated that trade negotiations with the European Union had reached an impasse and proposed a 50% tariff on EU goods effective from June 1. At the beginning of this week, he announced that the decision would be postponed to July. While the postponement was welcomed positively by global markets in the short term, uncertainties surrounding trade policies persist. U.S. eq-

uity indices have recovered a significant portion of their year-to-date losses with the gains recorded over the last month. Meanwhile, the U.S. dollar index remains under pressure, and we continue to maintain a cautious stance toward foreign equity assets. Precious metals, on the other hand, continue to have a limited allocation in our overall investment strategy due to their safe haven function.

WEEKLY STATUS

	16.05.2025	23.05.2025	Weekly Change	Change in 2025	Change in 2024	Change in 2023	Change in 2022
XK050	10.244	10.068	-1,7%	7,1%	23,2%	32,6%	210,3%
XU100	9.668	9.356	-3,2%	-4,8%	31,6%	35,6%	196,6%
USDTRY	38,67	38,91	0,6%	10,0%	20,1%	57,5%	39,6%
DXY	101,01	99,11	-1,9%	-8,6%	7,1%	-2,1%	8,2%
US-10Y	4,44	4,52	1,8%	-1,3%	18,0%	0,0%	156,3%
TR-10Y	4,44	33,36	-1,9%	15,9%	7,6%	169,4%	-59,2%
TR-2Y	4,44	45,11	0,0%	11,2%	2,2%	298,0%	-56,1%
CDS (5Y)	4,44	301,69	3,6%	16,2%	-6,6%	-45,2%	-10,5%
GOLD (OUNCE/USD)	4,44	3.358,00	4,8%	28,0%	27,2%	13,1%	-0,3%
GOLD (GRAM/TRY)	4,44	4.199,00	5,0%	40,7%	52,1%	78,9%	40,4%
SILVER (GRAM/TRY)	4,44	41,82	3,6%	27,3%	45,3%	57,1%	44,9%

GLOBAL

Fed officials emphasized that due to uncertainties, interest rate decisions should be cautious and data-driven. San Francisco Fed President Mary Daly and Cleveland Fed President Beth Hammack stated at an event that a “wait and see” approach should be adopted before policy decisions. Daly mentioned that the Fed should stay centered and act only when sufficient information is available, while Hammack pointed to uncertainties about the effects of tariffs on inflation and stressed that decisions should be based on extensive data analysis.

In May, the manufacturing, services, and composite Purchasing Managers’ Indices (PMIs) in the United States rose by 2.1, 1.5, and 1.5 points, respectively. According to data released by the Institute for Supply Management (ISM) for May, the manufacturing PMI increased by 2.1 points from the previous month, exceeding market expectations, and reached 52.3 points. During the same period, the services index rose by 1.5 points to 52.3 points. As a result, the composite PMI increased by 1.5 points to reach 52.1 points.

In the Eurozone, the preliminary composite Purchasing Managers’ Index (PMI) fell by 0.9 points to 49.5 in May compared to the previous month. According to the preliminary composite PMI data released by S&P Global and Hamburg Commercial Bank (HCOB) for May, the composite PMI declined by 0.9 points from the previous period to 49.5, remaining below the threshold level of 50.0, indicating contraction. As a result, the composite PMI dropped to its lowest level in the last six months. During the same period, the manufacturing PMI increased by 0.4 points to 49.4, marking the highest level in the past 33 months. Additionally, the services PMI declined by 1.2 points to 48.9.

In Germany, the preliminary composite PMI for May decreased by 1.5 points to 48.6 points. According to preliminary PMI data released by S&P Global for May, the manufacturing PMI increased by 0.4 points on a monthly basis to reach 48.8 points, while the services PMI fell by 1.8 points to 49.6. During the same period, the composite PMI dropped by 1.5 points to 48.6, significantly below market expectations and reaching the lowest level in the last five months.

Germany’s GDP grew by 0.4 percent quarter-on-quarter in the first quarter of 2025. According to the Gross Domestic Product (GDP) data announced by the Federal Statistical Office (Destatis) for the first quarter of 2025, economic activity grew by 0.4 percent compared to the previous quarter, exceeding market expectations. Destatis President Ruth Brand stated that manufacturing output and exports recorded stronger-than-expected growth at the beginning of March.

In Japan, the core CPI rose by 3.5 percent year-on-year in April. According to the Core Consumer Price Index (CPI) data released by the Bank of Japan (BOJ) for April, the prices of products excluding fresh food increased by 3.5 percent year-on-year, exceeding expectations. During the same period, headline inflation also rose by 3.6 percent year-on-year.

DOMESTIC

The CBRT maintained its year-end inflation forecast for 2025 at 24.0 percent. According to the inflation report published by the CBRT, the central bank kept its current year-end inflation estimate at 24 percent without changing the upper band of the forecast range. The food inflation forecast was raised from 24.5 percent to 26.5 percent. The oil price expectation for 2025 was revised down from 76.5 dollars to 65.8 dollars. Inflation forecasts for 2026 and 2027 were kept constant at 12 percent and 8 percent, respectively. The CBRT also stated that it continues its tight monetary stance in line with its price stability goal.

In May, the 12-month ahead inflation expectation for households increased by 0.6 points year-on-year, reaching 59.9 percent. According to the Sectoral Inflation Expectations report published by the Central Bank of the Republic of Turkey (CBRT) for May, the 12-month ahead annual inflation expectations decreased by 0.5 points to 25.1 percent for market participants and by 0.7 points to 41.0 percent for the real sector, while for households, it increased by 0.6 points to reach 59.9 percent. During the same period, the proportion of households expecting inflation to decrease in the next 12 months rose by 0.6 points compared to the previous month, reaching 27.8 percent.

In May, the Manufacturing Industry Capacity Utilization Rate rose by 0.5 points month-on-month to 75.1 percent. According to the May report by the CBRT, the seasonally adjusted capacity utilization rate increased by 0.5 points compared to the previous month, reaching 75.1 percent. The unadjusted capacity utilization rate also rose by 0.7 points to 75.0 percent. During the same period, capacity utilization increased across all goods groups, including consumer goods (durable and non-durable), intermediate goods, and investment goods.

The Consumer Confidence Index rose by 1.1 percent monthly in May, reaching 84.8. According to the Consumer Confidence Index published by TurkStat for May, the index increased by 1.1 percent month-on-month, reaching 84.8. In its subcomponents, the expectation for the household's financial situation in the next 12 months and the intention to spend on durable goods in the next 12 months rose by 1.2 percent and 3.3 percent respectively on a monthly basis, while the expectation for the general economic situation in the next 12 months declined by 0.7 percent. Meanwhile, the current financial situation of households remained unchanged compared to the previous month.

The Real Sector Confidence Index dropped by 2.2 points in May to 98.6. Based on the Economic Tendency Survey results published by the CBRT for May, the seasonally adjusted Real Sector Confidence Index fell by 2.2 points compared to the previous month, reaching 98.6. In its subcomponents, expectations for general business conditions and total employment in the next three months contributed positively to the index, while assessments related to total orders in the last three months, current stock levels, export orders, fixed capital investments, and future production volumes had a negative impact.

In May, Confidence Indices in Services, Retail Trade, and Construction increased by 0.9, 0.6, and 3.9 percent, respectively. According to the confidence indices published by the Turkish Statistical Institute (TurkStat) for May, the Services Sector Confidence Index rose by 0.9 percent to 110.5, the Retail Trade Confidence Index increased by 0.6 percent to 112.2, and the Construction Sector Confidence Index climbed by 3.9 percent to 88.4.



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%	
	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 3)	0,2%	0,2%	
New	Consumer Confidence Index	May	84,8	83,9	100
New	Real sector confidence (seasonally adj.)	May	98,6	100,8	100
New	Service sector confidence (seasonally adj.)	May	110,5	109,5	100
New	Retail sector confidence (seasonally adj.)	May	111,2	110,6	100
New	Construction sector confidence (seasonally adj.)	May	88,4	85,1	100
	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)	February	12,2%	12,5%	
	Current Account Balance (billion USD)	February	-4,1	-4,4	
	Unemployment Rate (seasonally adj.)	March	7,9%	8,2%	
New	Dollarization	May (Week 3)	0,87 Billion (+)	0,71 Billion (-)	

Indicates Decrease

Indicates Stability

Indicates Increase

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

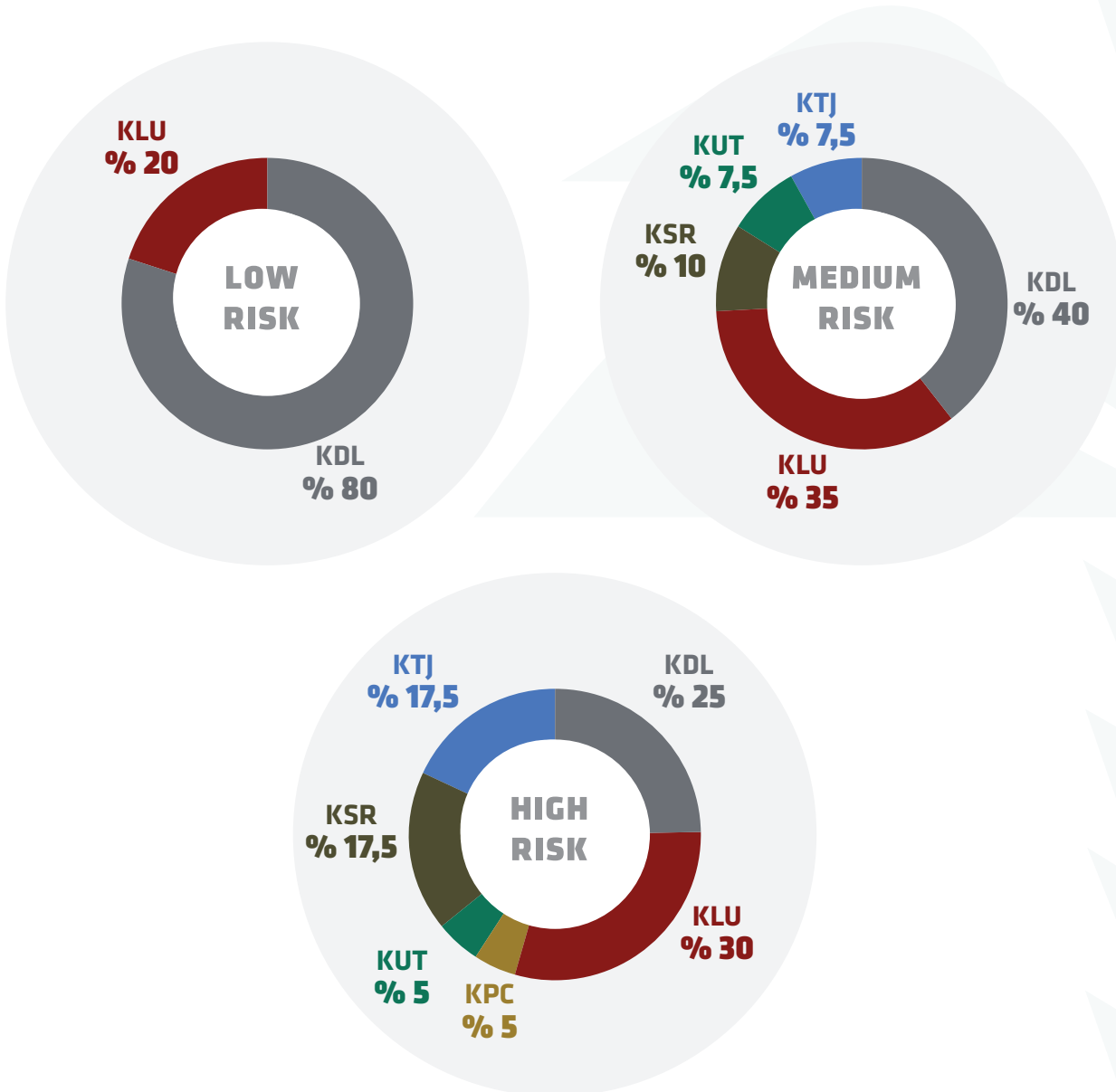
Our Fund Allocation Recommendations

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

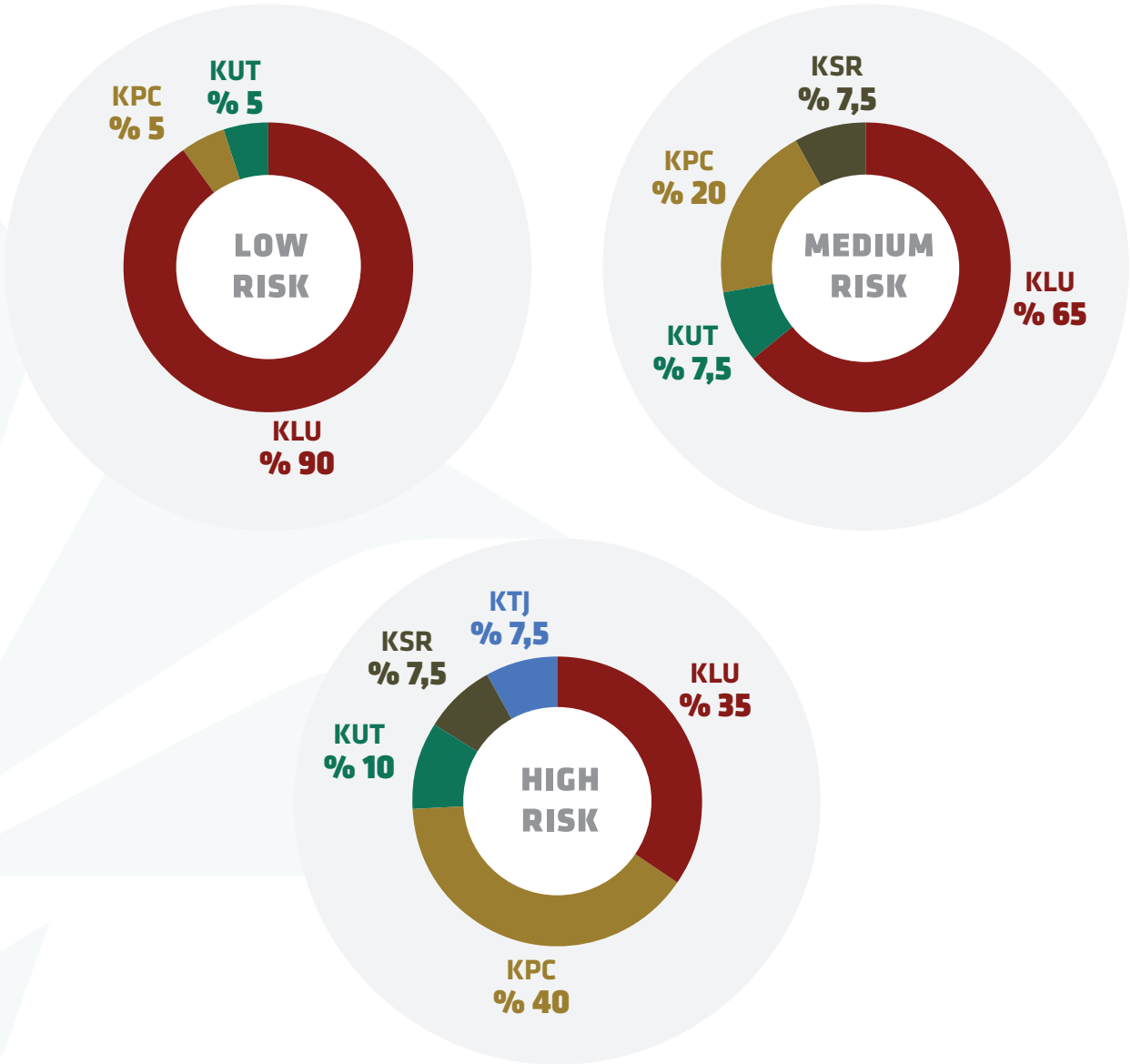
Figure 1. Fund Allocation Recommendations (For Those with USD as Their Base Currency)



The investment, information, comments, and recommendations presented here are prepared by Kuveyt Türk Portfolio for Kuveyt Türk Private Banking clients and are not within the scope of investment advisory services. Investment advisory services are provided by authorized institutions based on individuals' risk and return preferences and are tailored to each person. The comments and recommendations here are of a general nature. These recommendations may not be suitable for your financial situation or risk and return preferences. Therefore, making investment decisions based solely on the information provided here may not yield results that align with your expectations.

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.

