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KUVEYT TÜRK ASSET MANAGEMENT

PRIVATE BANKING

WEEKLY ECONOMIC BULLETIN

KuveytTürk | PRIVATE BANKING

GEOPOLITICAL DEVELOPMENTS REMAIN IN FOCUS, INFLATION REPORT TO BE CLOSELY WATCHED THIS WEEK

Global markets posted a positive performance last week, supported by expectations that a potential agreement between the U.S. and Iran could help end the conflict. Optimism over easing supply concerns related to the Strait of Hormuz contributed to Brent crude prices falling back below the USD 100 level, while expectations of moderating global inflationary pressures also supported risk appetite. A positive tone, led by technology stocks, continued to dominate U.S. equity markets.

However, over the weekend, U.S. President Donald Trump rejected Iran's response to the peace proposal, weakening optimism surrounding the negotiation process. As hopes for a peace agreement faded, oil prices moved back above USD 100, highlighting that geopolitical risks are likely to remain influential on global markets. Going forward, we expect news flow regarding the negotiations to continue shaping risk appetite and energy prices.

Domestically, consumer inflation rose by 4.18 percent month-on-month in April, exceeding market expectations. Amid rising geopolitical tensions in the Middle East, domestic energy prices increased by 14.40 percent on a monthly basis, bringing the cumulative increase over the last two months close to 20 percent. As a result, annual inflation climbed back above 32 percent for the first time since October 2025, reaching 32.37 percent. CBRT continues to emphasize that monetary policy could be tightened further if there is a significant and persistent deterioration in the inflation outlook.

The second Inflation Report of the year, to be released this week, will be important for markets. In particular, possible revisions to the CBRT's inflation forecasts and policy communication following recent developments in U.S.–Iran relations and rising energy prices will be closely monitored.

GLOBAL

In the US, nonfarm payrolls increased by 115 thousand in April, above the market expectation of 65 thousand, signaling that the recovery in the labor market continued. The unemployment rate came in at 4.3 percent, in line with expectations, while average hourly earnings rose by 3.6 percent year-on-year and 0.2 percent month-on-month, indicating that wage pressures remained more limited than anticipated. The data showed that despite still-weak labor demand, stability in the labor market was preserved thanks to low layoff activity and tax cuts supporting consumption and investment. Hiring increased in the construction and leisure-hospitality sectors, while staff reductions in technology companies pointed to continued sectoral divergence in the employment outlook.

In the US, the trade deficit widened by 4.4 percent month-on-month in March to 60 billion 300 million dollar, coming in slightly below the market expectation of 61 billion dollar. During the same period, exports rose by 2.0 percent to a record 320 billion 900 million dollar, while imports increased by 2.3 percent to 381 billion 200 million dollar. The rise in the US goods trade deficit with the European Union stood out, while Taiwan, Vietnam, Mexico, and China were among the largest deficit partners. The data indicated that despite strong export performance, the increase in imports continued to put pressure on the external balance.

In the US, the Michigan consumer sentiment index fell by 0.4 points in May to 48.2, reaching an all-time low. The current economic conditions index declined to 47.8, while the expectations index edged up to 48.5, showing that consumers remained more cautious about current conditions. Although short-term inflation expectations fell from 4.7 percent to 4.5 percent and long-term expectations eased from 3.5 percent to 3.4 percent, both indicators remained well above pre-war levels. The data suggested that fuel prices and broader cost pressures continued to weigh on US consumer confidence.

In the Euro Area, the investor confidence index rose from minus 19.2 points to minus 16.4 points in May, beating market expectations and signaling a limited improvement in investor sentiment. The expectations index increased from minus 15.5 points to minus 11.3 points, while the current situation index rose from minus 22.8 points to minus 21.5 points, supported by expectations that tensions in the Middle East would not escalate further in the short term. However, the fact that both the current situation and expectations indexes remained in negative territory showed that recession risk and inflation-driven caution persisted in the Euro Area. In Germany, which diverged negatively from the broader region, investor confidence fell from minus 27.7 points to minus 30.9 points, pointing to a more pronounced weakening in the economic outlook.

In Germany, industrial production declined by 0.7 percent month-on-month in March, presenting a weaker-than-expected picture against forecasts of a 0.4 percent increase. During the same period, exports rose by a limited 0.5 percent, while imports surged by 5.1 percent, particularly due to shipments from China, indicating increased pressure on the trade balance. The data suggested that the recent rise in factory orders reflected front-loaded demand caused by the war rather than a lasting recovery, while weakness in energy-intensive sectors and machinery production weighed on industry. Rising energy and intermediate goods costs due to the war in the Middle East, together with the US threat of new tariffs on European automobiles, are making Germany's growth outlook more fragile.

DOMESTIC

In April, consumer prices rose by 4.18 percent month-on-month, significantly above the 1.94 percent increase recorded in March, while annual inflation came in at 32.37 percent, exceeding expectations. During the same period, annual core inflation rose to 29.83 percent, while producer prices also accelerated, with monthly inflation reaching 3.17 percent and annual inflation rising to 28.59 percent. Food, transportation, and housing made the largest contributions to inflation, with the 7.99 percent monthly increase in the housing group standing out in particular. The data showed that the price pressures signaled by leading indicators became more pronounced in April and supported the CBRT's cautious stance regarding the inflation outlook.

Industrial production contracted again in March, showing that the recovery seen in February was not sustained. On an annual basis, mining and quarrying output declined by 5.6 percent and manufacturing output fell by 1.3 percent, while electricity, gas, steam, and air conditioning production increased by 5.8 percent. On a monthly basis, industrial production also fell by 0.8 percent, driven mainly by a 1.6 percent decline in mining and a 1.1 percent drop in manufacturing. The data pointed to a renewed weakening and contraction trend in industrial production in the first quarter under the impact of the war.

In April, the number of registered unemployed persons at İŞKUR fell by 6 thousand to 2 million 513 thousand 586 after six months of increases. Men accounted for 50.3 percent of registered job seekers, women for 49.7 percent, and young people aged 15 to 24 for 23.1 percent. During the same period, 148 thousand 849 people were placed into jobs through İŞKUR, bringing total job placements in the January-April period to 478 thousand 248. The 207 thousand 611 open positions recorded in April, most of which came from the private sector, indicated that labor demand continued, although registered unemployment remained elevated.

The ISO Türkiye Manufacturing PMI fell from 47.9 in March to 45.7 in April, signaling that the contraction in the manufacturing sector accelerated markedly at the start of the second quarter. The decline in output reached one of the sharpest levels since the Covid-19 period, while weakness in total new orders and export orders was linked to the war in the Middle East, rising cost pressures, and a deteriorating demand outlook. Input cost inflation climbed to its highest level since January 2024, while final product prices recorded their strongest increase in more than two years and supplier delivery times deteriorated significantly. Firms continued to cut employment, purchasing activity, and inventories due to weak demand, showing that the short-term outlook for the manufacturing sector has weakened considerably.

Trade Minister Ömer Bolat stated that tensions surrounding the Strait of Hormuz have rapidly increased the costs of oil, natural gas, fertilizer, and logistics, creating a more destructive pressure on global trade and inflation than previous crises. Stressing that Türkiye had not experienced supply shortages in fuel, natural gas, fertilizer, and petrochemical products during this period, Bolat said that although exports to Gulf countries fell by 35 percent in March, orders from those countries and from Europe increased as they sought alternative suppliers from Türkiye. He also noted that the disruptions in Hormuz had made alternative logistics corridors and the Development Road Project even more important. The statements emphasized that Türkiye stands out as a safe haven and strategic supply center in a period of regional uncertainty thanks to its production, logistics, and foreign trade capacity.

WEEKLY STATUS

	01.05.2026	08.05.2026	Weekly Change	Change in 2025	Change in 2024	Change in 2023	Change in 2022
XK050*	17.215	18.076	5,0%	45,8%	31,9%	23,2%	32,6%
XU100*	14.443	15.063	4,3%	33,8%	14,6%	31,6%	35,6%
USDTRY	45,2	45,4	0,4%	5,6%	21,4%	20,1%	57,5%
DXY*	98,2	97,9	-0,3%	-0,4%	-9,4%	7,1%	-2,1%
US-10Y*	4,4	4,4	-0,3%	5,1%	-9,3%	18,0%	0,0%
TR-10Y*	34,1	31,2	-8,5%	14,8%	-5,6%	7,6%	169,4%
TR-2Y*	41,5	37,9	-8,8%	10,3%	-15,4%	2,2%	298,0%
CDS (5Y)	245,9	226,9	-7,7%	10,8%	-21,1%	-6,6%	-45,2%
GOLD (OUNCE/USD)	4.615,0	4.714,9	2,2%	9,3%	64,5%	27,2%	13,1%
GOLD (GRAM/TRY)	6.703,9	6.877,7	2,6%	15,6%	99,4%	52,1%	78,9%
SILVER (GRAM/TRY)	109,5	117,2	7,0%	19,6%	198,3%	45,3%	57,1%

***XK050:** BIST Participation 50 Index
***Bist100:** BIST 100 Index
***DXY:** Dollar Index
***US-10Y:** US 10-Year Treasury Yield
***TR-10Y:** TR 10-Year Treasury Yield
***TR-2Y:** TR 2-Year Treasury Yield

LEADING INDICATORS

	Indicator	Period	Data	Previous Data	Benchmark Value
New	Industrial Production	March	-1,1%	2,2%	
New	Manufacturing PMI	April	45,7	47,9	50
	Capacity Utilization Rate (seasonally adj.)	April	74,0%	74,0%	
	Import - (capital goods) (annually)	March	0,078	15,8%	
	Service sector confidence (seasonally adj.)	March	11,2%	4,7%	
	Import - (consumption goods) (annually)	March	-5,3%	-2,2%	
New	Credit Growth Weekly	May (Week 1)	1,0%	0,4%	
	Consumer Confidence Index	April	85,5	85,0	100
	Real sector confidence (seasonally adj.)	April	98,6	100,0	100
	Service sector confidence (seasonally adj.)	April	109,7	113,2	100
	Retail sector confidence (seasonally adj.)	April	111,6	113,6	100
	Construction sector confidence (seasonally adj.)	April	83,6	80,6	100
New	Car Sales (annually)	March	-6,1%	12,7%	
	House sales - total (annually)	March	-2,1%	5,9%	
	House sales - mortgage (annually)	March	35,9%	42,3%	
New	CPI	April	32,4%	30,9%	
	CPI expectations (year-end)	April	27,5%	25,4%	
	Current Year Growth Expectations	April	3,5%	3,8%	
	Retail Sales Volume (annually)	February	15,6%	18,8%	
	Current Account Balance (billion USD)	February	-7,5	-6,8	
	Unemployment Rate (seasonally adj.)	March	8,1%	8,4%	
New	Dollarization	May (Week 1)	2,4 Billion (-)	0,6 Billion (-)	

Indicates Decrease | Indicates Stability | Indicates Increase

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

ECONOMIC CALENDAR

Date	Country	Data to be Announced
11.05.2026	China	CPI
11.05.2026	Turkey	Retail Sales
12.05.2026	Japan	Household Spending
12.05.2026	Euro Zone	Economic Sentiment
12.05.2026	US	CPI
12.05.2026	US	Federal Budget Balance
13.05.2026	Turkey	Current Account
13.05.2026	Euro Zone	Preliminary GDP
13.05.2026	Euro Zone	Industrial Production
14.05.2026	Turkey	Inflation Report
14.05.2026	US	Retail Sales
14.05.2026	US	Fed's Balance Sheet
15.05.2026	Turkey	End Year CPI Forecast
15.05.2026	US	Capacity Utilization Rate
15.05.2026	Turkey	Budget Balance

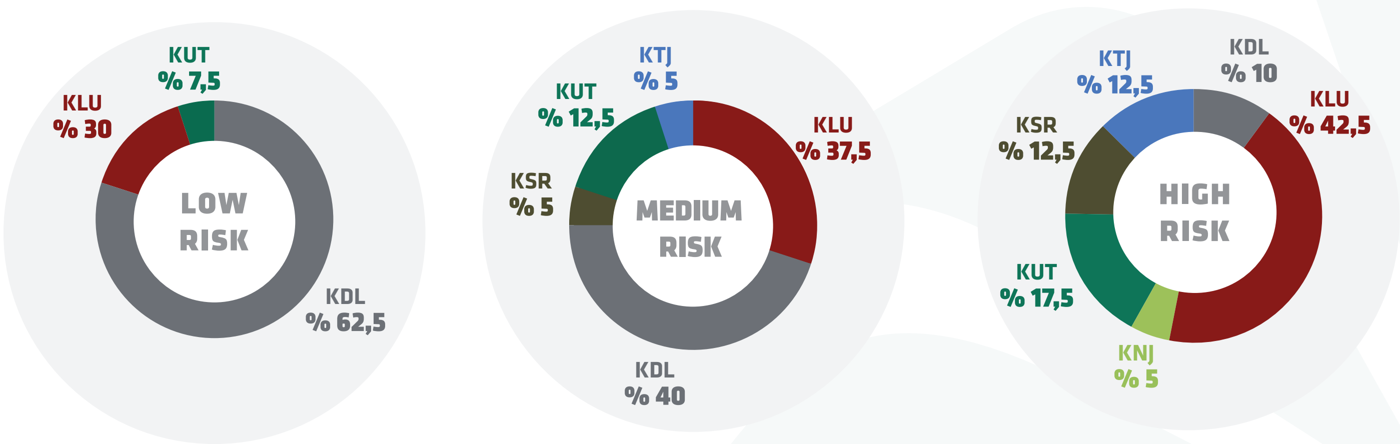
Our Fund Allocation Recommendations

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.

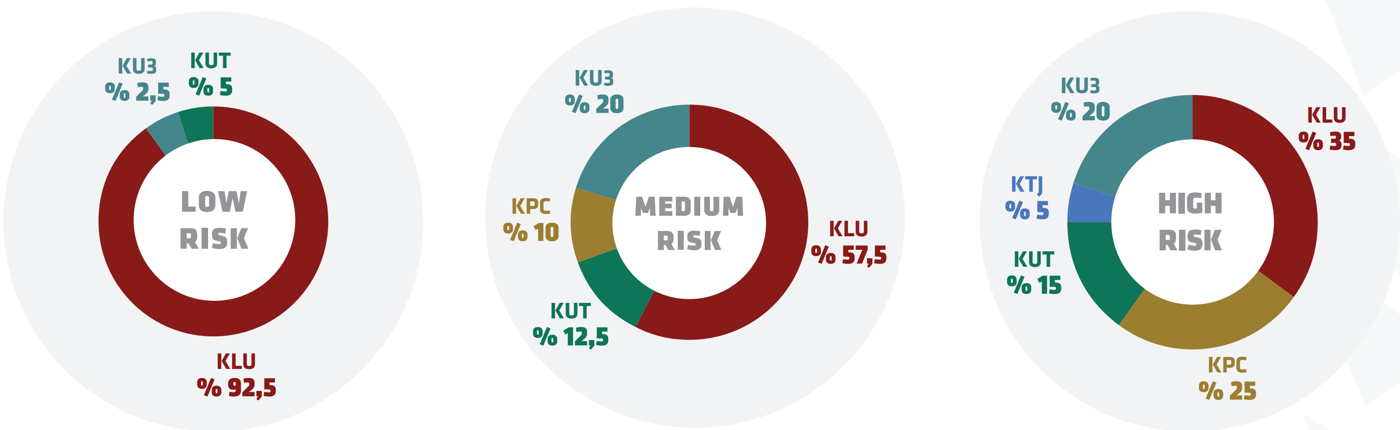
General Investment Recommendations for Those with USD as Their Base Currency

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



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)



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.

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.*
KU3 Fund:** Kuveyt Türk Asset Management Third 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.