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KUVEYT TÜRK ASSET MANAGEMENT
PRIVATE BANKING
WEEKLY ECONOMIC BULLETIN



KUVEYT TÜRK |  PRIVATE BANKING

INFLATION EXPECTATIONS AND CBRT'S CAUTIOUS APPROACH



The agreement reached between the U.S. and the European Union in talks related to Greenland and the suspension of proposed additional tariffs have, for now, pushed negative global market scenarios off the table. However, it remains difficult to say that uncertainty has fully disappeared. Despite a relative easing in geopolitical risks, President Trump's unpredictable actions and the broader global uncertainty environment continue to sustain safe-haven demand. Spot gold started the week above the USD 5,000 level.

Domestically, the focus remains on the inflation outlook. Although a limited easing was observed in the underlying trend of inflation in December, expectations have strengthened that monthly inflation may rise noticeably in January, led by food prices. Market expectations suggest that January inflation could exceed 4 percent. Under this outlook, which poses risks to the disinflation process, the CBRT took a more cautious step than the market expectation of a 150-basis-point cut, lowering the policy rate from 38 percent to 37 percent. The Central Bank's commitment to maintaining a tight stance while pursuing a gradual easing path continues to support the outlook for TL-denominated assets.

GLOBAL

In the US, the manufacturing PMI rose by 0.1 points to 51.9 in January, in line with expectations, signaling expansion in the sector. During the same period, the services PMI remained at 52.5, falling short of market expectations. In addition, the composite PMI covering both manufacturing and services increased by 0.1 points on a monthly basis to 52.8. PMI readings above 50 indicate expansion in economic activity.

In the US, consumer confidence increased by 3.5 points month on month in January to 56.4, reaching its highest level in the past five months. The index exceeded market expectations of 54.0. At the same time, the current economic conditions index rose by 5 points to 55.4, pointing to an improvement in consumers' financial perceptions. Short term inflation expectations declined to 4.0, while five year long term inflation expectations edged up to 3.3.

In the Euro Area, the composite PMI remained at 51.5 for the second consecutive month, staying in expansion territory but below market expectations. By country, Germany outperformed with a recovery in both manufacturing and services, while France posted weak performance due to budget related political uncertainty weighing on demand. The ECB expects growth to remain limited and inflation to stay close to target, although rising service prices pose questions for monetary policy.

In Japan, the central bank kept its policy rate unchanged at 0.75, in line with expectations. The bank stated that growth and inflation risks are broadly balanced and revised up its growth forecasts for fiscal years 2025 and 2026. The BOJ maintained confidence that a moderate recovery could justify further increases in borrowing costs, while warning that a weak yen could fuel inflation through higher import costs, making it a key factor for the timing of future rate hikes.

China's economy grew by 5.0 in 2025, meeting the official target. Gross domestic product exceeded 140 trillion yuan for the first time, with export growth acting as the main engine of expansion, while consumption, investment and especially the real estate sector remained weak. Consumer prices were flat amid the absence of inflationary pressure, while declining producer prices and elevated youth unemployment stood out. The trade surplus reached a record high by year end, while rising geopolitical risks and US policies deepened the decline in foreign direct investment.

DOMESTIC

The Central Bank of the Republic of Türkiye cut its policy rate by 100 basis points to 37.0. Market expectations had pointed to a cut to 36.50. The decision statement noted that inflation eased in December but increased in January led by food prices, while the rise in the underlying trend remained limited. It was emphasized that although the support from demand conditions to the disinflation process has weakened, it continues, while inflation expectations and pricing behavior still pose risks.

Moody's made no change to Türkiye's credit rating, while Fitch upgraded the country's rating to BB-. Fitch revised the outlook from stable to positive, citing strong reserve accumulation and declining external vulnerabilities. Both agencies stated that economic growth is expected to remain around 3.5 during the 2025 to 2026 period and emphasized that the disinflation process will continue to be critical for the credit outlook.

The consumer confidence index rose by 0.3 points in January to 83.7. During the same period, the index for households' current financial situation increased by 1.3 points to 68.2, while expectations for the next 12 months declined by 1.9 points to 83.3. In contrast, expectations for the general economic situation improved, with the index rising from 78.2 to 81.5.

In January, the seasonally adjusted Real Sector Confidence Index declined by 0.7 points on a monthly basis to 103.0. While the non seasonally adjusted index increased by 0.8 points to 101.6. During the same period, the seasonally adjusted capacity utilization rate in the manufacturing industry rose by 0.2 points to 74.4. The non seasonally adjusted capacity utilization rate, however, fell by 0.3 points month on month to 74.1.

According to domestic tourism data for the third quarter of 2025, 21.5 million people traveled within the country, while the total number of trips increased by 5.5 year on year to 27.1 million. During this period, 230.8 million overnight stays were recorded, with an average stay of 8.5 nights. Food and beverage, accommodation and transportation accounted for the largest shares of total travel expenditures, with accommodation spending showing a notable increase. Most trips were made for visiting relatives or holidays, and staying with friends or relatives was the most preferred accommodation type.

In 2024, gross fixed investment expenditures on tangible goods reached approximately 5.6 trillion Turkish lira. Manufacturing accounted for the largest share of investments, while spending on machinery and equipment amounted to around 2.8 trillion Turkish lira, representing about half of the total. The share of spending on buildings and structures stood at 28.7, while trade and transportation sectors also stood out. The study was prepared based on revised data for the 2009 to 2024 period and enterprises' financial statements.

Treasury and Finance Minister Mehmet Simsek announced that Fitch Ratings revised Türkiye's credit rating outlook to positive, signaling a potential future upgrade. Simsek also stated that with the expiration of all foreign currency and gold indexed deposit maturities, regulations related to the FX protected deposit scheme have been fully abolished. To support monetary policy, reserve requirement ratios were increased to limit short term foreign capital inflows. Simsek emphasized that the main objective of the economic program is to reduce vulnerabilities and ensure lasting financial stability.

WEEKLY STATUS

	16.01.2026	23.01.2026	Weekly Change	Change in 2025	Change in 2024	Change in 2023	Change in 2022
XK050*	14.066	14.269	1,4%	15,1%	31,9%	23,2%	32,6%
XU100*	12.669	12.993	2,6%	15,4%	14,6%	31,6%	35,6%
USDTRY	43,3	43,4	0,2%	1,0%	21,4%	20,1%	57,5%
DXY*	99,4	97,6	-1,8%	-0,7%	-9,4%	7,1%	-2,1%
US-10Y*	4,2	4,2	0,2%	2,1%	-9,3%	18,0%	0,0%
TR-10Y*	28,1	27,4	-2,5%	0,8%	-5,6%	7,6%	169,4%
TR-2Y*	33,7	32,2	-4,4%	-6,2%	-15,4%	2,2%	298,0%
CDS (5Y)	217,5	210,8	-3,1%	2,9%	-21,1%	-6,6%	-45,2%
GOLD (OUNCE/USD)	4.595,1	4.982,9	8,4%	15,5%	64,5%	27,2%	13,1%
GOLD (GRAM/TRY)	6.506,6	6.956,3	6,9%	16,9%	99,4%	52,1%	78,9%
SILVER (GRAM/TRY)	125,4	143,9	14,8%	46,8%	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
Industrial Production	November	2,4%	2,2%	
Manufacturing PMI	December	48,9	48,0	50
Capacity Utilization Rate (seasonally adj.)	January	74,4%	74,2%	
Import - (capital goods) (annually)	November	15,3%	20,2%	
Service sector confidence (seasonally adj.)	November	1,5%	7,3%	
Import - (consumption goods) (annually)	November	-3,7%	-4,3%	
Credit Growth Weekly	January (Week 3)	0,2%	-0,1%	
Consumer Confidence Index	January	83,7	83,5	100
Real sector confidence (seasonally adj.)	January	103,0	103,7	100
Service sector confidence (seasonally adj.)	December	112,3	111,8	100
Retail sector confidence (seasonally adj.)	December	115,4	114,2	100
Construction sector confidence (seasonally adj.)	December	84,5	84,9	100
Car Sales (annually)	December	10,5%	9,8%	
House sales - total (annually)	December	19,8%	-7,8%	
House sales - mortgage (annually)	December	25,2%	-1,4%	
CPI	December	30,9%	31,1%	
CPI expectations (year-end)	January	23,2%	31,2%	
Current Year Growth Expectations	January	3,9%	3,5%	
Retail Sales Volume (annually)	November	14,2%	7,4%	
Current Account Balance (billion USD)	November	-4,0	0,5	
Unemployment Rate (seasonally adj.)	November	8,6%	8,5%	
Dollarization	January (Week 3)	0,5 Billion (+)	0,5 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
26.01.2026	US	Dallas Fed PCE
26.01.2026	US	Durable Goods Orders
27.01.2026	Japan	Core CPI
27.01.2026	US	Conference Board Consumer Confidence
28.01.2026	Germany	GFK Consumer Climate
28.01.2026	US	Fed Interest Rate Decision
29.01.2026	Turkey	Unemployment Rate
29.01.2026	Turkey	Economic Confidence Index
29.01.2026	Euro Zone	Consumer Inflation Expectation
29.01.2026	US	Trade Balance
29.01.2026	US	Factory Orders
30.01.2026	US	Fed's Balance Sheet
30.01.2026	Japan	Unemployment Rate
30.01.2026	Japan	Preliminary Industrial Production
30.01.2026	Turkey	Trade Balance
30.01.2026	Turkey	Tourism Revenues
30.01.2026	Germany	Preliminary GDP

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.

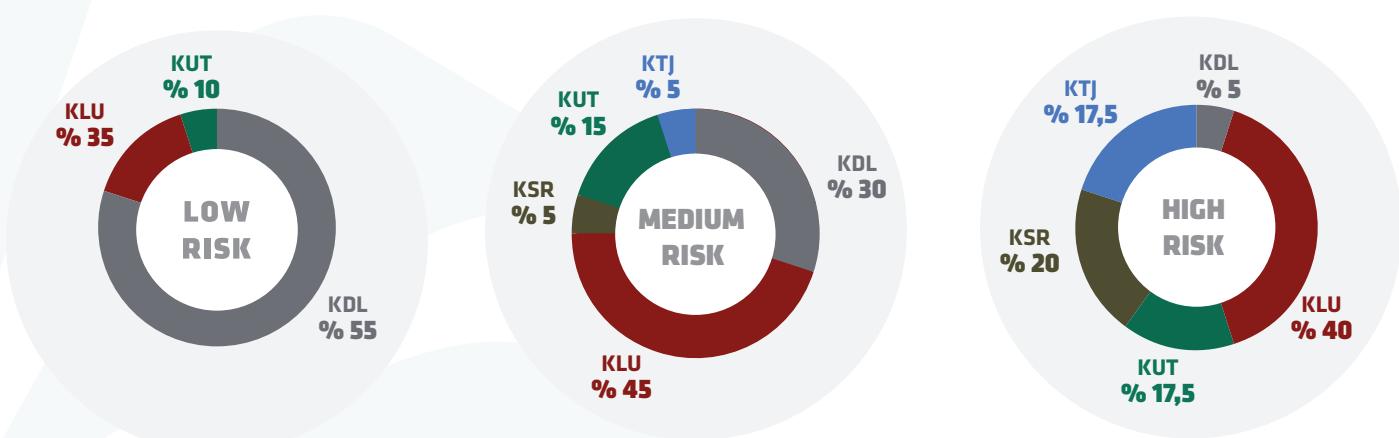
Our Fund Allocation Recommendations

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.

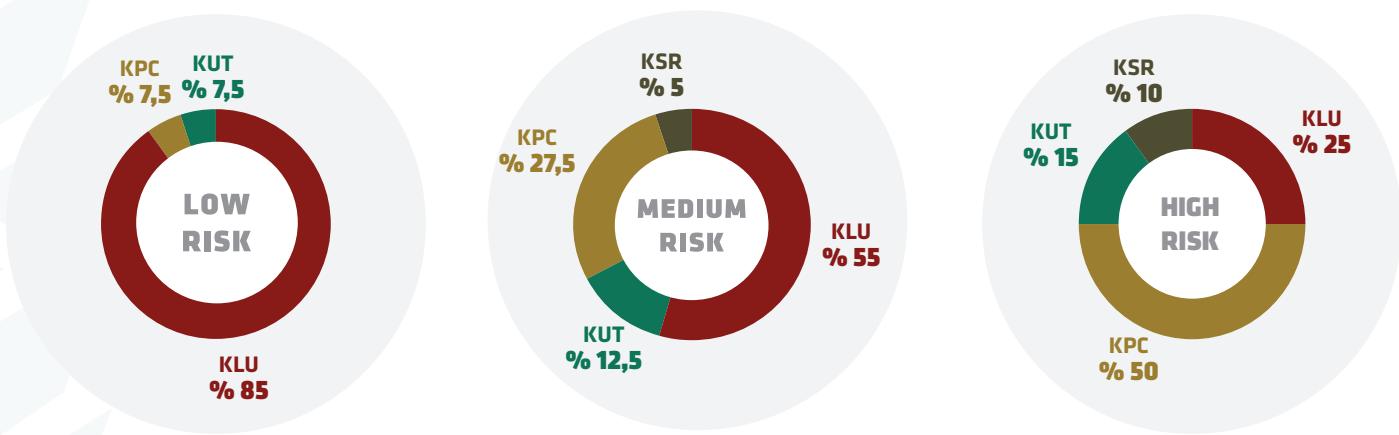
General Investment Recommendations for Those with USD as Their Base Currency

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)



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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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