

World Economy: Current Indicators – Week of August 3



Geopolitical Instability in the Middle East
Headline: Escalating tensions drive market uncertainty.
Supporting Detail: Attacks involving Iran, Jordan, and the U.S. have dampened hopes for a regional peace, increasing volatility in global stock exchanges.



U.S. Treasury Yields Hit Multi-Year Highs
Headline: 30-year bond yield reached 5.28%.
Supporting Detail: This represents a 19-year high, while the 10-year yield closed the week at 4.73% following hawkish signals and internal Fed disagreements.



Shift in Central Bank Expectations
Headline: Market shifts from "Rate Cut" to "Rate Hike" expectations.
Supporting Detail: Due to regional conflicts, expectations for 2026 have shifted toward at least one 25 basis point hike for both the Fed and the ECB.



Strong Performance in Wall Street
Headline: Nasdaq leads U.S. gains.
Supporting Detail: Optimism surrounding AI investments helped the S&P 500 and Dow Jones rise.



European Markets Rally
Headline: Germany's DAX surges.
Supporting Detail: Stronger-than-expected GDP growth in the Eurozone and positive earnings boosted indices in France, Italy, and the UK.



Mixed Outcomes in Asia
Headline: Tech volatility causes divergence in Asian indices.
Supporting Detail: While Hong Kong's Hang Seng rose, South Korea's Kospi fell 1.42% due to disappointing semiconductor earnings from SK Hynix.

Global Stock Index Summary

Region	Index	Weekly Change (%)
USA	Nasdaq	+1.59%
	S&P 500	+1.05%
Europe	DAX (Germany)	+2.11%
	CAC 40 (France)	+1.64%
Asia	Hang Seng (HK)	+3.69%
	Kospi (S. Korea)	-1.42%
	Nikkei (Japan)	-0.39%

Commodities & Currency



Sharp Decline in Oil Prices
Headline: Brent Crude fell 6.9% to \$90.1 per barrel.
Supporting Detail: Prices dropped due to weak economic activity data from China and expectations that OPEC+ will increase production targets.



Gold and Dollar Index Weakness
Headline: Gold fell slightly to \$4,046 per ounce.



Brent Crude Price Evolution
Headline: Current price stands at \$83.2.
Supporting Detail: This is down from a peak of \$119 in March, but represents a 15% increase compared to pre-conflict levels.



Japanese Yen Strengthening
Headline: USD/JPY pair fell 3.7% to 157.6.
Supporting Detail: This represents the sharpest drop since February 2024, following hints of further rate hikes from the Bank of Japan (BOJ).



European Natural Gas
Headline: Current price settled at 55.9 EUR/MW.
Supporting Detail: While down from the peak of 69.5 EUR/MW, prices remain 75% higher than the pre-conflict baseline of 32 EUR/MW.

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Geopolitics & Global Trade



U.S.-Iran Tensions De-escalate

President Trump announced a framework agreement with Iran and Middle Eastern partners to ensure the Strait of Hormuz remains open and end nuclear threats, leading to the suspension of planned military strikes.



Negotiations Resume August 3

Diplomatic talks with Iran are scheduled to restart on Monday afternoon, with U.S. leadership expressing optimism for a formal deal.



Trump-Netanyahu Summit

Both leaders reaffirmed their commitment to preventing Iran from acquiring nuclear weapons; notably, the sale of F-35 jets to Turkey was not discussed.



OPEC+ Production Increase

Seven member countries of the OPEC+ group agreed to increase daily oil production by **188,000 barrels** starting in September.

Central Bank Monetary Policy



Federal Reserve Holds Rates at 3.50%–3.75%

The FOMC voted 9-to-3 to maintain rates, though three dissenting votes for a 25-basis point hike highlight growing internal concerns regarding inflation.



Sharp Yield Curve Steepening

Following Fed Chair Warsh's hawkish tone, 30-year bond yields rose sharply while short-term rates fell, marking one of the steepest curve shifts since the mid-1990s.

U.S. Economic Performance

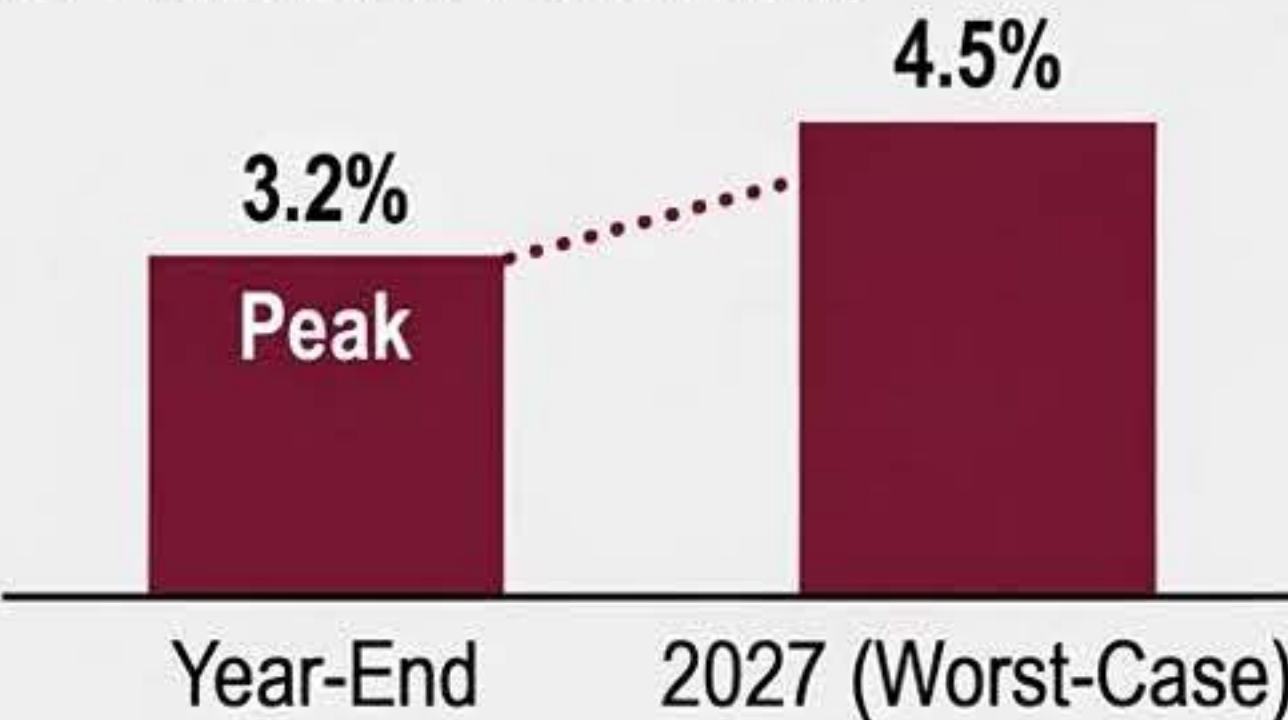
- 1.5% Annualized GDP Growth:** Second-quarter growth fell below expectations, primarily due to a 1.67-point negative drag from net exports and inventory levels.
- Strong Domestic Demand:** Despite the lower headline GDP, **internal demand remained robust** with **consumer spending rising 3.2%** and **business investments increasing 8.4%**.
- Easing Inflationary Pressures:** June PCE inflation fell by 0.1% monthly, while Core PCE rose by a lower-than-expected 0.1%, supporting the decision to hold interest rates.



Bank of England (BoE) Wait-and-See Approach

The BoE maintained its policy rate at 3.75% (6-to-3 vote), noting that while domestic inflation is easing, energy price volatility remains a significant upside risk.

BoE Inflation Forecasts



Inflation is expected to peak at 3.2% by year-end, though a worst-case “persistent energy shock” scenario could see it reach 4.5% by 2027.

Market Data Snapshot

Commodities & Currencies

Brent Crude Oil	83.2 USD
Natural Gas	55.9 EUR
Gold (Ounce)	4,068 USD
Gold (Gram)	6,218 TL
Silver	58.2 USD
USD / TRY	47.54
EUR / TRY	54.89
Dollar Index (DXY)	99.7
EUR / USD	1.1535
BIST100	13,458
Bitcoin	62,759

Regional CPI & Interest Rates

USA	CPI (Inflation): 3.5% Interest Rate: 3.75%
China	CPI (Inflation): 1.0% Interest Rate: 3.00%
Europe	CPI (Inflation): 2.9% Interest Rate: 2.25%

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Weekly Data Agenda



Monday: Inflation and Manufacturing Data

Release of July Consumer Price Index (CPI), Producer Price Index (PPI), and Turkey ISO Manufacturing PMI.



Tuesday: Currency Valuation

Release of the July Real Effective Exchange Rate (REER) Index.



Friday: Fiscal Balance

Release of the July Treasury Cash Balance data.



Tourism Sector Performance & Support



\$65.2 Billion
Annualized Revenue



Tourism revenue in Q2 2026 maintained 2025 levels despite geopolitical tensions, supported by higher average spending per person.



60 Billion TL
Support Package

A Treasury-guaranteed financing package was launched alongside a reduction in accommodation tax from 2% to 1%.



**Employment
Incentives**

Monthly supports include 1,270 TL per employee for minimum wage and 3,500 TL premium support for ministry-certified facilities.



Labor Market Trends

7.6% **June Unemployment Rate**

This represents the lowest level in the current data series.

8.1% **Average H1 Unemployment**

The seasonally adjusted average for the first half of the year decreased by 0.3 percentage points year-on-year.



Financial Market Indicators

\$162.6 Billion
Gross Reserves

The reserve composition consists of \$100.2 billion in gold and \$62.4 billion in foreign exchange.

\$38.3 Billion
Net Reserves

This figure represents total reserves excluding swap agreements.

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CDS Level

The current Credit Default Swap level reflects the market's assessment of sovereign credit risk.

Maturity	Yield Rate (%)
2-Year Benchmark Bond	42.05%
5-Year Benchmark Bond	38.97%
10-Year Benchmark Bond	34.93%

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Growth & Production Indicators

2.5% Annual GDP Growth (Q1 2026)

This follows a 3.6% growth rate for the full year of 2025, while the market forecast for 2026 stands at 3.1%.

Consumption Leads, External Demand Lags

In Q1 2026, consumption contributed +3.7% to growth, while external demand had a negative impact of -2.5%.



47.7 Manufacturing PMI

Rising from 47.1 in June, the July PMI indicates that while the sector is still contracting, the pace of weakening is slowing.



73.8% Capacity Utilization Rate

This remains below the historical average of 76.0%, signaling continued slack in industrial production.



Inflation & Market Expectations

July Inflation: 31.75% CPI and 27.83% PPI

Monthly increases were recorded at 1.78% for CPI and 1.52% for PPI in July 2026.



CBRT Intermediate Target Revised to 24%

The Central Bank has paused its inflation range communication and adjusted the intermediate target upward from 16%.



Divergent 12-Month Inflation Expectations

Market participants expect 23.95% inflation, while the real sector anticipates 32.50% and households expect 44.94%.



Long-Term Market Forecasts (Survey)

Timeline	Policy Rate Forecast	CPI (inflation) Forecast
Year-End 2026	34.70%	29.21%
12 Months Ahead	29.44%	23.95%
Year-End 2027	25.81%	21.47%
24 Months Ahead	21.76%	17.83%

External Sector & Markets

5.5 Million Foreign Visitors in June

While monthly visits rose 14% due to seasonality, the figure is down 4.02% compared to June of the previous year.



Monetary & Fiscal Policy

Policy Rate Maintained at 37%

The CBRT kept the rate constant on July 23, with an interest rate corridor of 35.5% (lower) to 40% (upper).



Improving Budget Balance

The 12-month cumulative budget deficit improved to 2.6% of GDP in June (1.7% excluding earthquake expenditures).



Historical Low Unemployment at 7.6%

The labor market remains resilient despite the broader economic cooling.



Stable Credit Ratings

Türkiye's rating remains at BB- (Stable) by Fitch and S&P, and Ba3 (Stable) by Moody's.



\$37 Billion Cumulative Current Account Deficit

The CAD/GDP ratio stands at -2.3%, which is notably lower than the 20-year historical average of 3.6%.

Continued Foreign Inflow since June 12

Foreign investors remain net buyers in stocks and bonds, with foreign shares at 32.2% in equities and 7.4% in bonds.

