Daily View

Good morning. Following U.S. President Trump's announcement that a 25% tariff will be imposed on automobiles not manufactured in the U.S., a selling trend is dominating global markets. However, U.S. futures are seeking a rebound this morning, while European futures remain negative, and Asia presents a mixed outlook. At Borsa Istanbul, we observed a decline below 9,700 yesterday, along with approximately 500 million TL in outflows from active institutions. Momentum remains weak, and the market continues to react to politically driven developments, which is expected to keep volatility high. On today's agenda, the Central Bank of Turkey (CBRT) will release its reserve data and foreign investors' equity and government bond transactions at 14:30. During last week's currency fluctuations, an estimated $25 billion in reserves was utilized. Today's data will reveal the official figures. A higher-than-expected reserve loss could negatively impact TL assets, while a lower-than-expected usage may have a positive effect. Externally, key U.S. data releases include Q4 2024 GDP growth figures, weekly jobless claims, and pending home sales. Turkey's 5-year CDS premiums start the day at 308 basis points. CDS levels have risen compared to yesterday, but this increase is largely attributed to the U.S. Congressional Budget Office's (CBO) warning that the country may run out of debt payment capacity by August or September, effectively signaling a potential default risk. This development has negatively affected CDS levels across all countries.

Macro and Politics

*** CBT Governor Karahan reaffirmed his commitment to decisive policy action.** Speaking at the German-Turkish Chamber of Commerce and Industry meeting yesterday, CBT Governor Karahan highlighted that recent market developments have led to depreciation in financial assets and emphasized that the observed volatility is temporary. He noted that swift policy measures have been implemented to minimize its short-term impact on the economy. He underscored that there has been no deterioration in the economy's underlying fundamentals and reiterated the CBT's commitment to utilizing all policy instruments within the framework of market principles with unwavering determination. Karahan also pointed to rising upside risks to April inflation, citing the impact of Ramadan on food prices and the spillover effects of recent financial market dynamics on overall price levels. Moreover, he noted that backward indexation tendencies in services inflation—particularly in components such as education and rent—continue to exert upward pressure. Given the market volatility observed since last week, we assess that the probability of a rate cut at the April 17 MPC meeting has largely diminished. However, should the recent fluctuations in the TL assets intensify further, we believe additional tightening could be introduced through the upper band of the interest rate corridor.

*** February Employment figures will be released @ 10:00 local time.** The adjusted unemployment rate dropped merely to 8.4% from 8.5% in January, yet the broad-based unemployment calculations remained higher. The rate of composite measure of labor underutilization – including time related underemployment, potential labor force and unemployment— rose slightly to 28.1% from 28%, remaining near its highest levels in the past 4 years. The combined rate of time-related underemployment and unemployment climbed to 18.8% from 18.4% while the combined rate of unemployment and potential labor force edged down to 18.9% from 19.3%. We expect growth dynamics to gain some momentum starting in the second half of 2025 after a stagnant period, although we forecast GDP growth for 2025 to be lower than in 2024, at 2.6%. As a result, we expect the high levels of composite measure of labor underutilization to sustain its rising tendency.

***TURKSTAT will release February foreign trade figures 10:00 local time.** Preliminary data released by the Ministry of Trade indicates an increase in the foreign trade deficit in February. According to the preliminary figures for February, exports increased by 1.5% y/y, reaching USD20.8.bn, while imports rose by 3.8%, reaching USD28.9bn. Based on these preliminary data, the foreign trade deficit climbed from USD7.5bn to USD8.2bn in February, while the annual deficit climbed from USD83.4bn to USD84.8bn. We estimate that the current account balance will record a deficit of approximately USD4.8bn in February. We would like to reiterate that we have recently revised our 2025 year-end current account deficit forecast from USD 15bn (1% of GDP) to USD 22bn (1.5% of GDP).

*** The CBT will release weekly foreign portfolio flows, money & banking statistics, and international reserves for the period of March 14 – 21 @ 14:30 local time.** Based on our calculations upon the CBT's analytical balance sheet, we estimate that during the week of March 14 – 21, the net international reserves slumped by USD12bn to USD61.8bn and the gross FX reserves slid by USD8bn to USD163.2bn. We anticipate that today's official reserve data will likely reflect a similar trend in line with our calculations. To recall the data from the previous week: During the week of March 7 – 14, foreign investors recorded a net purchase of USD480.1mn in the equity market, marking the strongest foreign inflow since the week of December 8th, 2023. Meanwhile, they were also net buyers in the bond market (excluding repo transactions), registering an inflow of USD1.46bn, which led to an increase in their share of the total bond stock to 8.3% from 8.1%. Moreover, during the period of March 7 – 14, the residents' FX deposits climbed by USD608mn (excluding gold accounts and adjusted for the EUR/USD parity effect), while their total FX deposits (including gold, price adjusted) increased by USD667mn. Moreover, the CBT's gross FX reserves rose by USD1.2bn to USD171.2bn, while net international reserves dropped by USD0.4bn to USD73.8bn. Total swap stock posted no palpable change compared to a week ago at USD8.5bn, while net reserves excluding swaps eased by USD0.3bn to USD65.3bn.

*** According to the results of the March Sectoral Inflation Expectations survey, 12-month ahead inflation expectations continued to decline among market participants and the real economy, while household expectations increased for the second consecutive month, albeit modestly.** Hence, as per the March survey results, 12-month-ahead annual inflation expectations, compared to the previous month, decreased by 0.7 points to 24.6% for market participants, by 0.8 points to 41.1% for real sector, while increased by 0.1 points to 59.3% for households. As the March survey does not reflect the turbulence in domestic markets experienced since last week, we expect to observe the impact of volatility on the inflation expectations of economic units in the upcoming April survey results. We anticipate that inflation expectations among market participants, the real sector, and households are likely to rise in next month's survey.

Sector and Company News

- **ASELS's** three critical investments in the defense and advanced technology sectors, with a total value of USD616mn, have been included in the super incentive program by the Ministry of Industry and Technology.

- **ANSGR** will distribute a gross cash dividend of TL4.20 (net TL3.57) per share from 2024 earnings, to be paid in a single installment on April 3, 2025. Additionally, a bonus share distribution amounting to TL1.5mn will be made in the form of a capital increase via share issuance.

- **AGESA** announced that it has decided to apply to the Insurance and Private Pension Regulation and Supervision Agency (SEDDK) on March 26, 2025, for a license to operate in the health insurance segment.

- **ALFAS's** application for establishing an integrated production facility, including cell manufacturing, has been positively received by the ministry. The total investment size is projected to be around USD400mn.

- **BIMAS** announced a gross cash dividend of TL12.85 (net TL10.92) per share from 2024 earnings, to be paid in three installments. If the capital reduction is approved at the General Assembly, the amount corresponding to the cancelled shares will be redistributed to the remaining shareholders, raising the gross dividend to TL13.00 per share.

- **CWENE's** application for cell manufacturing has been positively received by the ministry. The cell investment capacity is planned to reach up to 5 GW in stages, with the total investment expected to be approximately USD520mn.

- **EUPWR** has won a tender worth TL160mn, which corresponds to 2% of its 2024 revenues.

Share Transactions

Acquirer	Seller	Company	Type (Buyback / From Market)	# of lots	Transaction Price (TL)	Share in Capital after transaction
Cemtigin Sipahi		GLCVY	Market	32,950	44.50	0.02%
ALARK		ALARK	Buyback	1,615,000	92.60	2.70%
Agesa Hayat ve Emeklilik A.Ş.		KRDMD	Market	6,325,000	27.93	5.35%
PCILT		PCILT	Buyback	20,000	12.08	7.60%
DOHOL		DOHOL	Buyback	760,000	14.91	1.57%
AGROT		AGROT	Buyback	1,000,000	9.01	0.08%
ENERY		ENERY	Buyback	236,181	3.30	1.28%
ASGYO		ASGYO	Buyback	186,580	10.45	0.07%
TERA		TERA	Buyback	100,000	48.90	0.13%
FRIGO		FRIGO	Buyback	20,000	7.45	3.41%
OZGYO		OZGYO	Buyback	5,685,646	4.80	2.27%
NTHOL		NTHOL	Buyback	48,000	36.70	6.67%
HALKB		HALKB	Buyback	602,051	21.50	

Important Disclosures

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