

Daily View

Good morning. Global risk appetite appears balanced this morning. U.S. equity futures are slightly negative, European futures are marginally positive, while Asian markets are generally trading on a positive note. In Borsa Istanbul, expectations of a new Credit Guarantee Fund triggered a nearly 2% intraday rebound yesterday from the session lows, with the BIST 100 index closing near the 9500 level. We are observing foreign inflows and increased activity from local institutional investors; however, momentum indicators are not yet strong enough to confirm a sustainable uptrend. Unless the 9700 / 9800 resistance range is decisively breached, it would be premature to speak of a lasting recovery. In the interim, the 9530 level may be monitored as a minor resistance, while the 9350/9400 band serves as a short-term support zone. The primary support area remains within the 9000/9100 range. From a valuation perspective, downward revisions in target prices due to weak Q1 earnings and rising interest rates have materialized, albeit to a lesser extent than anticipated. Consequently, the BIST 100 index target has been revised down from 14,400 to 13,800 over the past month. For the index to approach this target, which currently implies an upside potential of approximately 46%, catalysts such as a decline in interest rates, a pickup in economic growth, and reduced non-economic risks both domestically and globally will be required. Therefore, we do not foresee a significant short-term rally under current conditions. On today's domestic agenda, the Central Bank of the Republic of Turkey (CBRT) will release its weekly data on foreign transactions. While we have observed an inflow of \$670 million over the past four weeks into Borsa Istanbul, we anticipate a notable outflow for the week of May 12–16. Turkey's 5-year CDS spread starts the day at 298 basis points.

Macro and Politics

*** The CBT will release the May Sectoral Inflation Expectations survey @ 10:00 local time.** According to the results of the April survey, 12-month-ahead annual inflation expectations have increased by 1pp to 25.6% for market participants and by 0.6pp to 41.7% for the real sector, while remaining unchanged at 59.3% for households. For May, we observed that the 12-month ahead inflation expectations declined merely to 25.06% from 25.56% in the May Market Participants' Expectations Survey. Hence, today's survey will focus on tracking the evolution of inflation expectations across the real sector and households.

*** The CBT will release the weekly portfolio flows and money & banking statistics for the period of May 9 – 16@ 14:30.** Due to this week's public holiday, weekly portfolio flows and money & banking statistics data, typically released alongside the reserves data in every Thursday, will be published today.

*** The inflation forecasts remained unchanged during the 2nd Quarterly Inflation Report of the year, delivered today by the CBT Governor Karahan.** Accordingly, inflation is projected to be between 19% and 29% (with a midpoint of 24%) at end of 2025. Karahan noted that although the forecast range should have been mechanically narrowed as the year-end approaches, the Bank opted to keep it unchanged mainly on the back of heightened uncertainties in recent months. While we do not expect a rate cut from the CBT in June, the messages conveyed today appear broadly in line with our expectations. Ahead of any potential rate cuts, we believe it is critical that (i) the reserve accum. process continues in a sustainable manner, and (ii) the trend in FX deposit does not turn against the lira. In this context, we do not foresee a rate cut in June, while approaching the July meeting with caution. Our base scenario anticipates the start of a rate-cutting cycle in September, culminating in a year-end policy rate of 38.5%–40%.

*** In the week of May 9 – 16, the CBT’s reserves exhibited an increase consistent with our calculations based on the analytical balance sheet.** Accordingly, the CBT’s net international reserves increased by USD2.4bn to USD40bn, while gross FX reserves rose by USD1.3bn to USD145.8bn. Moreover, net reserves excluding swaps climbed by USD5.3bn to USD23.4bn.

***The unadjusted Real Sector Confidence Index (RSCI) slid further to 101.4 level in May from the previous month’s 103.2, while the seasonally adjusted RSCI declined to 98.6 from 100.8, easing below the 100-threshold for the first time since September.** Meanwhile, the capacity utilization rate (CUR) edged up to 75% from 74.3% and the seasonally adjusted CUR increased to 75.1% from 74.6% level in May. "It is worth reiterating that we have started to observe the adverse impact of heightened political tensions and market volatility—particularly since March 19—on leading indicators as of April. Moreover, the deteriorating confidence environment in the real sector persisted and deepened further in May. While our GDP growth forecast for 2025 remains at 3.1%, we assess that downside risks to this projection are mounting. Additionally, we observe from the CBT’s forecast charts that the output gap is projected to remain in negative territory through 2028, with a deeper negative reading expected in 2025. Hence, amid tighter financial conditions and recent domestic developments, we assess that the likelihood of sub-3% growth in 2025 has increased considerably.

Sector and Company News

- **ENTRA** announced a net loss of TL 1,225 million in 1Q25. In the same period last year, it had reported a net profit of TL 447 million, while in the previous quarter it had posted a net loss of TL 245 million. The reported net loss was driven by a decline in operational profitability, along with expenses from investment activities and tax charges.
- **KOZAL** reported a Q1 2025 net profit of TL506mn, falling 64% short of market expectations. The company had recorded a net loss of TL252mn in the same period last year and a TL60mn profit in the previous quarter. Revenue came in at TL4,220mn, broadly in line with expectations and flat year-on-year. Despite stable top-line performance, EBITDA declined by 40% YoY to TL650mn.
- **AKSA** received approval from EMRA (Energy Market Regulatory Authority) to consolidate its energy operations under a newly established 100%-owned subsidiary, Akset Enerji Uretim A.S. as part of the spin-off process initiated in December 2024.
- **ALARK** announced that it has submitted a share-sale information form to the Capital Markets Board (CMB) for approval to convert the 1,080,000 shares it owns in Alarko Carrier’s capital into exchange-traded shares and to sell them on the stock exchange.
- **DOAS** announced that the second hearing for the lawsuit filed to annul the board resolutions related to its acquisition of shares in Doğuş REIT from Dogus Holding has taken place. The next hearing is scheduled for November 12, 2025.
- **EKOS** reported that it received a sales order totaling EUR3.5mn from its Tunisia-based business partner for the production of medium-voltage switchgear to be used in distribution centers.

- **EREGL** commissioned the modernized No. 4 coke oven battery, one of its ongoing investment projects. With an annual capacity of 800k tons, the upgrade is expected to improve environmental performance, reduce reliance on imported coke, and enhance cost efficiency.
- **ISDMR** completed its No. 1 blast furnace investment online. With a production capacity of 2.8mn tons of liquid pig iron per year, the project is designed to boost operational efficiency and reduce production costs.

Share Transactions

Acquirer	Seller	Company	Type (Buyback / From Market)	# of lots	Transaction Price (TL)	Share in Capital after transaction
INVES		INVES	Buyback	13.224	217.18	0.71%
REEDR		REEDR	Buyback	50.000	12.20	0.08%
LKMNH		LKMNH	Buyback	62.000	16.60	1.81%
BOSSA		BOSSA	Buyback	300.000	6.15	2.76%
FRIGO		FRIGO	Buyback	50.000	7.12	3.21%
ENERY		ENERY	Buyback	950.000	5.67	2.10%
ADESA MAĞAZACILIK TEKSTİL VE DERİ SAN.TİC. A.Ş.		DESA	Market	100.000	10.26	1.32%

Important Disclosures

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