

Daily View

Good morning. We are currently navigating a market environment in which domestic political developments have moved to the forefront. The “absolute nullity” ruling concerning the Republican People’s Party created significant pressure on TRY-denominated assets yesterday, and we do not believe this pressure will reverse in the short term. The decisions expected from the Financial Stability Committee meeting chaired by Mehmet Şimşek at 08:30 this morning may help limit some of the potential downside impact; however, risk appetite is likely to remain subdued ahead of the extended holiday period. In the futures market, volatility is expected to remain elevated following a record TRY 3.6 billion margin call in VIOP. The BIST 100 Index declined 6% yesterday to 13,163 points, falling below the 13,200 / 13,300 support zone. From a technical perspective, the 12,400 / 12,500 support region is critically important. This area corresponds both to the lowest level tested during the Iran–US conflict and to the 200-day exponential moving average. A downside break below this threshold could open room for a retracement toward the 11,000 / 11,500 range. In the event of a rebound, the first resistance zone stands at 13,500 / 13,700. On today’s agenda, domestic political developments will remain the primary focus. On the macro side, markets will monitor foreign trade balance data, real sector confidence, capacity utilization, weekly foreign investor flows, and consumer confidence indicators in the United States. Türkiye’s 5-year CDS premiums start the day at 261 basis points.

Macro and Politics

*** The CBT will release the May Sectoral Inflation Expectations (SIE) Survey @ 10:00 local time.** The results of the latest April Sectoral Inflation Expectations (SIE) survey pointed to a continued rise in inflation expectations across economic units in April. Accordingly, 12-month-ahead annual inflation expectations increased by 1.22 points to 23.39% for market participants, by 0.80 points to 33.7% for the real sector, and by 1.67 points to 51.56% for households compared to the previous month. In addition, the share of households expecting inflation to decline over the next 12 months fell by 0.57 points to 14.57%, while the proportion expecting inflation to increase rose by 1.84 points to 71.12%. Recall that the March survey had already pointed to a broad-based increase in expectations across all segments. Taken together, the latest readings suggest that the impact of heightened geopolitical risks and rising energy prices is increasingly feeding through to expectations, with the deterioration in inflation expectations persisting. On the other hand, according to the Household Expectations Survey (HES), released along with SIE, the exchange rate, housing prices, and investment behavior, the product/service groups that households identified as having experienced the highest price increases over the past year—and those expected to record the strongest increases over the next 12 months—were “food” and “fuel and energy.” In this context, the share of respondents identifying food as the product group with the highest price increases rose by 0.2 points to 40.7%. Meanwhile, 12-month-ahead USD/TRY expectations edged down slightly by TL0.03 to TL52.12. Despite the rise in inflation expectations, the relatively contained outlook in FX expectations, coupled with the weak course of residents’ FX deposits, suggests that there is no pronounced domestic FX demand at this stage. All in all, we assess that upside risks to the inflation path remain firmly in place. Reflecting this outlook, we have recently revised our year-end 2026 inflation forecast to 28% and continue to see the balance of risks tilted to the upside.

*** TURKSTAT will release April foreign trade figures @ 10:00 local time.** Preliminary April data released by the Ministry of Trade point to an improvement in the foreign trade balance. According to the advance figures, exports increased by 22.3% y/y to USD25.4bn in April, while imports rose by 3.1% y/y to USD33.9bn. Within this framework, the foreign trade deficit narrowed to USD8.5bn in April from USD11.2bn in March, while the rolling 12-month deficit declined to USD94.5bn from USD98.1bn. However, despite the recent improvement in the foreign trade deficit, upside risks to our year-end current

account deficit forecast of USD45bn (2.6% of GDP) have become more pronounced. Amid persistently elevated global energy costs and the ongoing uncertainty environment, we expect the increase in the energy import bill to continue exerting pressure on the current account balance in the period ahead.

***The CBT will release the May Real Sector Confidence Index and Capacity Utilization Rate @ 10:00 local time today.**

The unadjusted Real Sector Confidence Index (RSCI) declined by 0.4 points in April to 100.6, marking its lowest level since September. The seasonally adjusted index fell by a more pronounced 1.4 points to 98.6, dropping below the critical 100 threshold for the first time since July. As a reminder, the unadjusted RSCI had already posted a sharp 3.1-point decline in March to 101, its steepest monthly drop since November 2023, while the seasonally adjusted measure fell by 4.1 points to 100. It's worth noting that readings below the 100 threshold signal a deterioration in confidence among real sector participants regarding economic activity. A breakdown of the diffusion indices indicates that, in April, assessments related to fixed investment spending and current total orders provided some support to the headline index. However, this was more than offset by negative contributions from evaluations of total orders over the past three months, the general business outlook, export orders and production expectations for the next three months, current finished goods inventories, and employment expectations. On the capacity side, the Capacity Utilization Rate (CUR) increased to 73.8% in April from 73.3%, while the seasonally adjusted measure remained broadly unchanged at 74%. As global conditions remain shaped by the ongoing US – Iran conflict, we observe a continued weakening in real sector confidence. Reflecting the anticipated drag on activity from the global supply shock and tighter domestic financial conditions, we have recently revised our growth forecast for this year down to 3.2% from 4.0%. We continue to see downside risks to the growth outlook.

*** The CBT will release weekly portfolio flows and money & banking statistics for the period of May 8 – 15 @14:30 local time.**

Weekly foreign portfolio flows and money & banking statistics, which are typically released alongside the CBT's official reserves data every Thursday, will instead be published today due to the 19 May holiday. According to the reserve statistics released yesterday, the CBT's gross FX reserves declined by USD3bn to USD168.7bn in the week of 8 – 15 May, while net FX reserves fell by USD2.9bn to USD52.1bn. Over the same period, the swap stock decreased by USD907mn to USD14.9bn, while the net reserves excluding swaps declined by USD2bn to USD37.1bn. To recall the previous week's data: Foreign investors recorded net inflows of USD214.5mn into the equity market and USD181.7mn into the bond market (excluding repo transactions) during the week of April 30 – May 8. Meanwhile, foreigners' share in the total government bond stock remained unchanged at 5.9% over the same period. During the same period, residents' FX deposits (excluding gold, EUR/USD parity effect adjusted) declined by USD256mn, while their total FX deposits (including gold, price-adjusted) posted a net decline of USD56mn in the week of April 30 – May 8. In terms of official reserves, the CBT's gross FX reserves climbed by USD6bn to USD171.6bn, net FX reserves increased by USD1.4bn to USD54.9bn and net reserves excluding swaps rose by USD2bn to USD39.1bn.

Sector and Company News

Share Transactions

Acquirer	Seller	Company	Type (Buyback / From Market)	# of lots	Transaction Price (TL)	Share in Capital after transaction
ENERY		ENERY	Buyback	500.000	8.47	3.91%
AHGAZ		AHGAZ	Buyback	360.000	31.36	2.66%
GLYHO		GLYHO	Buyback	450.000	14.49	1.64%
MAVI		MAVI	Buyback	500.000	41.42	1.83%

Important Disclosures

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