

Daily View

Good morning. As we start the new week, the global outlook remains mixed. Following Friday's gains, U.S. futures are flat this morning, European futures are positive, while Asia is generally negative. We expect the upward momentum seen in the second half of last week on Borsa Istanbul to continue. The 10,100 / 10,300 resistance zone, which we have highlighted in previous updates, remains the short-term target. The inflow of funds and increasing volume also support the improvement in the technical outlook. The 10,150 level can be monitored as an intermediate resistance, while 9,910 and 9,850 serve as support levels. Today's agenda includes a Cabinet meeting domestically, while services PMI data will be followed in Europe and the U.S. Additionally, the U.S. Congress is expected to certify the presidential election results today. Trump is set to take the oath of office and assume the presidency on January 20. Later in the week, the focus will shift to the Federal Reserve minutes and employment data in the U.S. Turkey's 5-year CDS premiums start the day at 259 basis points.

Macro and Politics

***The CBRT will release December Real Effective Exchange Rate today @14:30 local time.** Considering the inflation realizations as well as the average Basket/TRY change, we expect REER to increase merely to 67.18 level as of December from the previous month's 67.03, indicating a limited (0.2%) real appreciation of TL.

*** The CBT will release the Monthly Price Developments report for December today @18:00 local time.** The report is a technical one and does not contain a policy message. Still, the assessment of trend core inflation will be monitored closely.

*** The monthly CPI rise for December was recorded at 1.03%, bringing the annual CPI to 44.4% by the end of 2024.** Following the latest price data, we had projected December inflation to be within the 1%-1.5% range, which was below market expectations. The deviation between market forecasts and the actual figure is largely attributable to food prices. Accordingly, in December, the food and non-alcoholic beverages category experienced a monthly rise of 1.3%, while the annual inflation rate moderated from 48.6% to 43.6%. The prices of unprocessed food saw a modest 0.9% increase on a monthly basis in December, with the annual rate of change falling from 59.8% to 50.3%. Moreover, processed food prices increased by 1.7% in December, reflecting a relatively stable trend compared to the 1.6% rise in November, while the annual increase in this category softened from 39.1% to 37.7%. Our year-end CPI forecast for 2025 stands at 28%. We project the annual CPI to gradually decline to 39.2% by the end of 1Q25, 36.2% by the end of 2Q25, 31.2% by the end of 3Q25, and finish 2025 at 28%, with upside risks attached.

*** In the week of December 20 – 27, limited foreign activity through the standard portfolio channels prevailed.** Accordingly, the equity and the bond market (excluding the repo transactions) market experienced a foreign outflow of USD101mn and USD241.6mn, respectively. Besides, the foreigners' share in total bond stock remained unchanged at 7.7% in the mentioned period. Hence, in 2024, the equity market experienced a cumulative foreign outflow of USD2.7bn, while the bond markets (excluding the repo transactions) saw a cumulative foreign inflow of USD16.2bn. Moreover, the residents' FX deposits rose slightly by USD408mn (gold accounts excluded, EUR/USD parity adjusted) in the period of December 20 – 27, while the residents' total FX deposits (including gold, price adjusted) climbed moderately by USD273mn in the week of December 20 – 27. In 2024, the residents' FX deposits slumped notably by USD20.4bn (gold accounts excluded, EUR/USD parity adjusted), while their total FX deposits (including gold, price adjusted) tumbled by USD16.3bn. The CBRT's gross FX

reserves dropped by USD1.1bn to USD155.2bn, while the net international reserves rose by USD1.8bn to USD63.6bn in the week of December 20 – 27. Net reserves excluding swaps, moreover, dropped by USD2.8bn to USD43.7bn.

* **The CBRT has introduced changes in the loan growth-based reserve requirement practice to ensure that loan growth and composition are in line with the disinflation path.** Accordingly, (i) The monthly growth limit for foreign currency commercial loans has been reduced from 1.5% to 1%. (ii) The 2% monthly growth limit for Turkish lira commercial loans has been differentiated as follows: 2.5% for SME loans, 1.5% for other commercial loans. Additionally, Turkish lira SME loans extended through the Small and Medium Enterprises Development Organization (KOSGEB) or in the scope of funding provided by international development finance institutions to support sustainability will be exempt from the loan growth limit. This decision reflects the CBRT's commitment to maintaining stringent liquidity control throughout its rate-cutting cycle, while the minor flexibility extended to SMEs appears intended to partially alleviate pressures on this front. Although the increase in SME credit growth limits cannot be classified as an easing measure, the simultaneous reduction in growth ceilings for foreign currency and commercial loans—considering their proportional weight within the overall credit stock—stands out as a net tightening measure.

Sector and Company News

- **GENIL** has signed a transition agreement to terminate its distributorship relationship with Biogen Inc. as part of its production and export-oriented growth strategy. During the transition period, sales of the relevant products will continue until the completion of the license transfer, with no expected impact on the company's 2025 operations or financial results. Official announcements will be made in accordance with the CMB Communiqué II-15.1.
- **MGROS** reported the opening of 34 new stores in December, including 18 Migros, 8 Migros Jet, 5 Macrocenter, and 3 Mion stores, as well as 3 new distribution centers.
- **MPARK** announced its decision to increase its stake in Şile CNS, whose trade name has been changed to MLP Ataşehir Sağlık Hizmetleri, from 25% to 64%.
- **SUWEN** announced that as of December 31, it reached a total of 198 stores, including 180 domestic and 18 international locations.
- **TKFEN** reported the repurchase of 55,278 shares at an average price of TL64.78. As a result of this transaction, the proportion of shares held to the company's capital increased to 2.92%.

Share Transactions

Acquirer	Seller	Company	Type (Buyback / From Market)	# of lots	Transaction Price (TL)	Share in Capital after transaction
AGESA		AGESA	Buyback	30.000	139.59	0.92%
LKMNH		LKMNH	Buyback	17.000	18.26	2.91%
GEDIK		GEDIK	Buyback	91.569	7.94	2.32%
ADGYO		ADGYO	Buyback	104.821	34.00	6.24%
FRIGO		FRIGO	Buyback	20.000	8.05	2.59%
NTHOL		NTHOL	Buyback	47.981	43.64	6.46%
CEMZY		CEMZY	Buyback	250.000	14.00	5.04%
MERKO		MERKO	Buyback	123.092	14.33	1.13%
TKFEN		TKFEN	Buyback	55.278	64.78	2.92%

Important Disclosures

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