

Daily View

Good morning. Global equity markets are starting the first trading day of 2026 on a mixed but broadly optimistic note. Ongoing expectations of rate cuts by the Fed, upward revisions to growth forecasts, generally solid corporate financials, and positive revisions to profitability expectations continue to support equity markets. Sensitivity to geopolitical developments and the macroeconomic outlook, and the resulting volatility, are expected to persist. The BIST 100 Index closed 2025 with a return of close to 15% in TRY terms, marking its seventh consecutive year of gains. However, when assessed on an inflation-adjusted or USD basis, the index declined by 12% and 7%, respectively. In addition, we calculate that BIST 100 underperformed the MSCI Emerging Markets and MSCI World indices by 29% and 22%, respectively. For this reason, it can be argued that investors in Borsa Istanbul have not felt like investors in a "market that has been rising for seven consecutive years." For 2026, we expect this picture to turn more favorable and anticipate positive performance in BIST across TRY, FX, and inflation-adjusted metrics. Our detailed expectations can be reviewed in our "2026 Outlook" report. On today's agenda, PMI data will be monitored domestically, in Europe, and in the US. Domestically, CBRT reserves and foreign investor flows will also be in focus. In this context, we note that, according to Borsa Istanbul data, Turkey recorded a year of net foreign inflows for the first time since 2017. Finally, turning to CDS levels, Turkey's 5-year CDS premiums start the new year at 204. We highlight that the decline in Turkish CDS spreads observed in 2025 was broadly in line with the emerging markets average, while CDS levels have reached their lowest levels since 2018. Once again, we wish all investors a healthy, happy, and peaceful year ahead.

Macro and Politics

***Istanbul Chamber of Industry (ICI) Turkey December Manufacturing PMI will be announced @ 10:00 local time.** The ICI Turkey Manufacturing PMI rose from 46.5 to 48.0 in November, marking its highest reading since February. yet, the index remained below the 50-threshold for the 20th consecutive month, signaling that the deterioration in manufacturing activity conditions persisted. The PMI reading suggests that the manufacturing sector has been losing momentum for more than a year, pointing to a prolonged period of subdued activity. The accompanying note underlined that while the contraction in activity continued in November, the declines in new orders and employment moderated, indicating tentative signs of stabilization at the margin. Moreover, sectoral PMI survey results further reinforce this view. Detailed industry-level data for November point to a relatively more favorable picture compared with previous months. Output expanded in two out of ten sectors - Non-Metallic Mineral Products and Electrical & Electronic Products - while production contracted across the remaining eight sectors. By contrast, October had seen output decline in all ten sectors. Overall, the November sectoral PMI survey paints a less adverse picture than in October, a development we attribute largely to a broad-based easing in cost inflation pressures, which appears to have provided some relief to manufacturing firms.

*** The CBT will release weekly foreign portfolio flows, money & banking statistics, and international reserves for the period of December 19 – 26 @ 14:30 local time.** Based on our calculations using the CBT's analytical balance sheet, we estimate that during the week of December 19 – 26, the CBT's gross FX reserves increased by USD2bn to USD194.4bn, while net international reserves eased a tad by USD0.3bn to USD80bn. We expect today's official figures to confirm a change broadly in line with our estimates. To recall the previous week's data: Foreign investors recorded net purchases of USD354.5mn in the equity and USD202.8mn in the bond market (excluding repo transactions) during the 12–19 December period. Moreover, the foreign share in the total government bond stock edged up from 7.3% to 7.4%. Following USD2bn of bond purchases throughout November, foreign investors have continued to add exposure in December, with cumulative inflows reaching

USD520mn since the start of the month. Additionally, equity market inflows have also remained robust, exceeding USD500mn on a cumulative basis since early December. Moreover, during the week of December 12 – 19, the residents' FX deposits rose by USD139mn (excluding gold, EUR/USD parity effect adjusted), while their total FX deposits (including gold, price adjusted) surged by USD479mn. In terms of official reserves, the CBT's gross FX reserves increased by USD1.5bn to USD192.4bn, net international reserves rose by USD0.8bn to USD80.3bn and net reserves excluding swaps edged up by USD0.6bn to USD66.6bn.

* **According to TURKSTAT's foreign trade data, exports increased by 1.3% y/y to USD22.5bn in November, while imports rose by 2.6% y/y to USD30.5bn.** As a result, the monthly trade deficit widened from USD7.6bn to USD8.0bn, while the 12-month rolling deficit edged up from USD90.9bn to USD91.3bn. Looking at core trade dynamics, exports excluding energy and gold rose by 3.2% y/y to USD21.4bn, while imports in the same category increased by 6.0% y/y to USD23.3bn. Accordingly, the energy- and gold-excluded trade balance recorded a deficit of USD1.8bn in November. Following four consecutive months of surplus, we expect the current account balance to revert to a deficit in the final two months of 2025. Driven by seasonal weakness in travel revenues and a pickup in energy imports, we estimate that the cumulative current account deficit in November–December could reach approximately USD5.5bn. Accordingly, we expect the current account deficit to close 2025 at around USD20bn, corresponding to roughly 1.3% of GDP, while our year-end 2026 forecast stands at USD25bn, or around 1.5% of GDP. Foreign trade data also provide important signals for industrial production. In November, imports of intermediate goods excluding energy and gold declined by 3.4% m/m, while posting a 6.8% y/y increase. Another key leading indicator, the Istanbul Chamber of Industry (ICI) Turkey Manufacturing PMI, rose from 46.5 to 48.0, marking its highest level since February. Based on these leading indicators, we expect seasonally adjusted monthly industrial production to remain in negative territory in November, while calendar-adjusted industrial production is likely to post a y/y increase of around 4%.

Sector and Company News

- **AHGAZ** announced that its subsidiary Enerya Enerji (**ENERY**) has terminated negotiations regarding the acquisition of nine mining licenses and will continue exploring new domestic and international investment opportunities in the mining sector.
- **AKSA** commissioned the production line for its approximately USD 20 mn Mithra Ultra High Molecular Weight Polyethylene (UHMWPE) investment and started commercial shipments.
- **ANELE** announced that the arbitration process related to the Abu Dhabi International Airport project was concluded against its subsidiary. The arbitration decision is expected to have a negative impact of USD 73.9 mn on consolidated financials, while legal proceedings related to the letters of guarantee are still ongoing.
- **ASELS** established a new subsidiary in Gaziantep with a 51% ownership stake to expand production capacity in electromechanical systems. The new entity will focus on manufacturing critical components, particularly slip rings.
- **BIMAS** announced that the General Assembly resolution approving the transition to the registered capital system with a ceiling of TL 5 bn has been officially registered.

- **SISE** announced that its subsidiary Şişecam Investment B.V. participated in ICRON's capital increase with USD 4 mn, and that upon completion of the registration process, its stake in ICRON rose to 31.78%.
- **TEHOL**'s subsidiary Barikat Internet Guvenligi received new cybersecurity orders totaling TL 650 mn from both public and private sector clients in December.

Share Transactions

Acquirer	Seller	Company	Type (Buyback / From Market)	# of lots	Transaction Price (TL)	Share in Capital after transaction
LKMNH		LKMNH	Buyback	50.000	19.21	5.49%
ENERY		ENERY	Buyback	1.200.825	9.64	3.43%
JANTS		JANTS	Buyback	44.497	18.66	0.08%
LIDER		LIDER	Buyback	25.000	69.20	1.26%

Important Disclosures

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