Daily View

Good morning. Despite U.S. President Trump's continued insistence on the transfer of Greenland to the United States, recent statements in which he (i) ruled out military options, (ii) emphasized a preference for peaceful means, and (iii) stepped back from the additional tariffs announced last week on certain European countries have provided a morale boost to global markets. U.S. equities advanced by more than 1% yesterday, while U.S. and European futures, along with Asian markets, are trading broadly in positive territory this morning. In Borsa Istanbul, the BIST 100 index declined by 0.6% yesterday, largely driven by ASELS hitting the daily limit down. Excluding ASELS, however, we estimate that the index actually rose by 0.4%. Banks stood out with strong inflows and positive technical setups, as all eight banking stocks in the BIST 100 posted average gains of around 2%. Broad-based inflows and elevated trading volumes across the index also remain intact. KLRHO, AKBNK, ISCTR, THYAO and YKBNK provided the strongest positive contributions to the index, while ASELS, TUPRS, BIMAS, ASTOR and BRSAN weighed on performance. Stocks attracting consistent inflows over the past week include YKBNK, AKBNK, THYAO, CWENE and VAKBN. From a technical perspective, resistance levels are seen at 12,840, 12,900 and 13,000, while support levels are located at 12,600 and 12,520. On today's agenda, the domestic focus will be on the MPC rate decision, reserve data and foreign investor flows. We expect a 150 basis point rate cut from the MPC. In the U.S., growth and inflation data will be closely monitored. Turkey's 5-year CDS spreads start the day at 215 basis points.

Macro and Politics

*** We expect the CBT to deliver a 150bp rate cut, lowering the policy rate to 36.5%, at today's rate-setting meeting.** Yet, the current macro backdrop and the balance of risks suggest that a more cautious move also remains on the table. Accordingly, while a 150bp cut constitutes our base case, we do not rule out a 100bp reduction. We see little justification for a cut of 200bp or more at this stage. Our current high-frequency indicators suggest that monthly inflation in January is likely to come in around 4.13%. A realization in line with this view would imply a moderation in headline CPI inflation from 30.9% to 29.8% y/y. Accordingly, starting the year with such a strong monthly inflation reading is likely to encourage the CBT to adopt a more cautious stance at today's meeting, ahead of the release of January CPI data on 3 February. We expect the disinflation process to remain sluggish in the first half of the year, with headline inflation easing to around 28.9% by the end of the first quarter and to approximately 27% by the end of the second quarter. We anticipate that a "relatively" more pronounced decline in inflation will materialize mainly in the second half of the year, with year-end 2026 inflation settling at around 23%. In this context, after falling from around 40% to below 31% in 2025, we believe inflation will follow a more gradual disinflation path during 2026 as it transitions from the low-30s toward the 20s. Under this outlook, the roughly 200 basis point decline in headline inflation that we project for the first quarter supports the case for another cautious rate cut at the March MPC meeting, the first policy meeting following January. Our year-end 2026 policy rate forecast stands at 29.5%.

***The CBT will release the January Real Sector Confidence Index and Capacity Utilization Rate @ 10:00 local time today.** The Real Sector Confidence Index (RSCI) remained unchanged at 100.8 in December for the third consecutive month, while the seasonally adjusted RSCI rose from 103.2 to 103.7, marking its highest level since November 2023. As a result, over the final quarter of the year, the headline RSCI increased from 100.3 to 100.8, while the seasonally adjusted index climbed from 100.1 to 103.0. Moreover, the Capacity Utilization Rate (CUR) was flat at 74.4% in December, whereas the seasonally adjusted CUR edged up from 74.1% to 74.2%. An analysis of the diffusion indices underlying the survey suggests that expectations for production over the next three months, the general outlook, and employment prospects provided positive contributions to confidence. In contrast, assessments regarding current and past order volumes, export orders, and fixed capital investment spending weighed on the index. Looking at developments over the past three months, the share of respondents reporting increases in production and orders declined, while those reporting declines in both export and domestic orders became more prominent. Looking ahead, expectations for the next three months point to stronger optimism regarding production volumes and domestic orders, while sentiment toward export orders weakened. Employment expectations shifted back toward an expansionary bias, whereas expectations for fixed capital investment lost momentum. Overall, December data indicate that the improvement in seasonally adjusted confidence and capacity utilization remains intact, suggesting that economic activity continued to operate above potential in the final quarter of the year. Within this framework, we expect GDP growth to reach 3.8% in 2025 and to accelerate to 4.0% in 2026.

*** TURKSTAT will release January Consumer Confidence Index @ 10:00 local time.** The consumer confidence index edged down from 85 level to 83.5 level in December, which stands for the lowest level since July. As a result, the index, which averaged 83.9 in 3Q25, remained broadly unchanged in the final quarter of the year, posting an average of 84. It is important to underscore that the consumer confidence index — which ranges from 0 to 200 — signals pessimism when it falls below 100, and optimism when it exceeds that threshold. A breakdown of the December consumer confidence index reveals the following: The sub-index reflecting the financial situation of household at present decreased from 69.6 to 67.9, the sub-index measuring financial situation expectation of household over the next 12 months dropped from 85.7 to 85.2, general economic situation expectation over the next 12 months eased from 79.6 to 78.2 and the sub-index tracking assessment on spending money on durable goods over the next 12 months — a key indicator of domestic demand — retreated from 105 level to 102.6 in December. The Consumer Confidence Index, which has remained broadly flat within the 83 – 85 range since April and continues to stand below the 100 – threshold, indicates that the prevailing pessimism in consumer sentiment persists.

*** The CBT will release weekly foreign portfolio flows, money & banking statistics, and international reserves for the period of January 9 – 16 @ 14:30 local time.** Based on our calculations derived from the CBT's analytical balance sheet, we estimate that during the week of 9–16 January, the CBT's gross FX reserves rose by around USD9bn to USD205.1bn, reaching a new record high, while net international reserves increased by approximately USD8bn to USD90.8bn. We expect the official figures to broadly validate this improvement. To recall the previous week's data: Foreign investors recorded net purchases of USD237.6m in the equity and USD864.8m in in the bond market (excluding repo transactions) during the week of January 2 – 9. As a result, the foreign share in total bond stock edged up from 7.5% to 7.7%, marking its highest level since March 2025. During the same period, the residents' FX deposits retreated by USD1.77bn (excluding gold, EUR/USD parity effect adjusted), while their total FX deposits (including gold, price adjusted) eased by USD520mn. In terms of official reserves, the CBT's gross FX reserves rose by USD7bn to USD196.1bn, net international reserves increased by USD6bn to USD82.8bn and net reserves excluding swaps climbed by USD7.5bn to USD70bn.

Sector and Company News

- **ALFAS** received a new order worth approximately USD 16 million from Ecogreen Elektrik Enerji Üretim for the sale of solar panels.
- **REEDR** reported that one of its individual shareholders applied for the conversion of around 5.3 million shares, representing 0.6% of the company's capital, into tradable form on the stock exchange.

- **CVKMD** announced that the lawsuit filed for the annulment of the Environmental Impact Assessment (EIA) approval regarding the capacity increase, ore enrichment, and waste storage facility of the Sarıalan Gold Mine has been definitively concluded in favor of the company by the Council of State.
- **OZATD** signed contracts totaling USD 3.7 million (approximately TL 160.2 million) for the repair, maintenance, and overhaul of three vessels.
- **HRKET** signed a four-year contract valued at USD 3.4 million.

Share Transactions

Acquirer	Seller	Company	Type (Buyback / From Market)	# of lots	Transaction Price (TL)	Share in Capital after transaction
LKMNH		LKMNH	Buyback	20.000	17.05	5.65%
ESCAR		ESCAR	Buyback	100.000	25.91	1.30%

Important Disclosures

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