

Daily View

Good morning. Global markets continue to draw support from the agreement between the United States and Japan. The U.S. also appears to be moving toward a separate negotiation process with the European Union, which is contributing to positive sentiment in European equities. This morning, U.S. and European futures, as well as Asian stock markets, are generally trading higher. On Borsa Istanbul, the index has remained in a balanced wait-and-see mode around the 10,600 level for the past three days ahead of the expected interest rate cut by the Monetary Policy Committee (MPC). Despite supportive news flow during this period, the market's reaction has been relatively muted. Should the MPC deliver a rate cut in the range of 250–350 basis points and signal the continuation of the easing cycle in the statement, we would expect the positive trend on Borsa Istanbul to persist. However, a smaller-than-expected rate cut or a strong emphasis on “data-dependent, meeting-by-meeting decisions” may trigger some profit-taking. In such a scenario, we would still expect any pullbacks to remain limited, with the index maintaining its position within the medium-term upward trend channel. On a long-term valuation basis, the BIST 100 index is once again approaching target levels near 14,000. Provided that non-economic risks do not resurface, we believe Borsa Istanbul could return to its primary upward trend. In terms of short-term technical levels, the 10,800–11,000 range is seen as the initial resistance zone, while the 10,300–10,400 range is considered the first support area. On today's agenda, alongside the MPC decision, the European Central Bank (ECB) interest rate decision will be closely monitored, although no change is expected. On the data front, PMI figures from both Europe and the U.S. will be in focus. Turkey's 5-year CDS spread starts the day at 282 basis points.

Macro and Politics

*** We expect the Monetary Policy Committee (MPC) to deliver a 250bps rate cut at today's rate-setting meeting, in line with the market consensus.** We also expect the upper bound of the interest rate corridor to remain asymmetrically positioned, maintaining a 300bps spread above the policy rate. We anticipate the decision note to retain the statement that “All monetary policy tools will be used effectively in case a significant and persistent deterioration in inflation is foreseen,” and that the Committee will maintain a cautious stance along the rate-cutting path. Additionally, the tone of the inflation-related language in the communiqué will provide valuable signals regarding the policy outlook. Following the recent increase in withholding tax on short-term deposits and mutual funds, market participants have scaled back expectations for a more aggressive easing cycle. While a 250bps cut appears to be the median expectation, some survey participants are leaning toward a more substantial easing of 300–350bps, a view largely premised on a return to the pre-March 19 policy rate level of 42.5%. That said, we believe the fact that macro-financial conditions have yet to fully normalize compared to the pre-March environment remains the key constraint against a cut exceeding 250bps. For the CBT to move beyond the 250bps pace observed in early 2025, a more favorable backdrop would be required. In our view, such conditions are not yet in place. In fact, although the reserve accumulation process continues, we note that net FX reserves excluding swaps remain at USD 41bn – still well below the USD 65bn peak recorded in mid-March. This underscores the need for a prudent policy stance. Overall, we expect the easing cycle to begin with a 250bps cut in July, paving the way for the policy rate to decline to 36% by year-end.

*** The consumer confidence index dropped from 85.1 to 83.5 level in July, indicating the lowest level since February.** 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 July consumer

confidence index reveals the following: The sub-index reflecting the financial situation of household at present decreased from 69.3 to 68.2, while the sub-index measuring financial situation expectation of household over the next 12 months eased from 85.8 to 84.6. Moreover, general economic situation expectation over the next 12 months decreased from 82.4 to 79 and finally, the sub-index tracking assessment on spending money on durable goods over the next 12 months — a key indicator of domestic demand — edged down from 102.6 to 102.3 level in July.

*** The CBT will release weekly foreign portfolio flows, money & banking statistics, and international reserves for the period of July 11 – 18 @ 14:30 local time.** To recall the data from previous week: In the week of July 4 – 11, foreign investors were the net buyer in the equity market at an amount of USD178.6mn, while registering net outflow of USD493mn from government bonds (excluding repo transactions). Thus, the foreigners' share in total bond stock decreased from 6.3% to 6.2%. Moreover, during the mentioned week, residents' total FX deposits (including gold, price adjusted) climbed by USD1.4bn. Besides, the CBT's gross FX reserve rose by USD1.8bn to USD166.4bn, while net international reserves surged by USD2.3bn to USD59.7bn. Net reserves excluding swaps also soared by USD2.9bn to USD41bn.

Sector and Company News

- **Automotive SCT update published in Official Gazette. A new Special Consumption Tax (SCT) regulation for passenger vehicles has been published in the Official Gazette. Key changes include:**
 - SCT rates for passenger cars have been revised to range between 70% and 220%. Two notable increases were made for electric vehicles:
 - For EVs with a motor power of 160 kW or below and a tax base not exceeding TL 1.65 million, the SCT rate was raised from 10% to 25%.
 - For the same power level but with a tax base above TL 1.65 million, the SCT rate increased from 40% to 65%.
- **EBEBK** has announced that it will release its 2Q25 financial results on 7 August.
- **EGEPO** announced that shareholders Necip Nasır, Servet Nasır, and Nuri Nasır have each applied to the Capital Markets Board to make TL 25 million worth of shares available for sale on the stock exchange, while Aslan Nasır applied for TL 10 million — totaling TL 85 million in nominal value.
- **EKOS** has resolved to increase its paid-in capital by 300% through a bonus issue.
- **LKMNH** announced that the tender regarding real estate in Ankara Cayyolu will not remain under its subsidiary's control.

Share Transactions

Acquirer	Seller	Company	Type (Buyback / From Market)	# of lots	Transaction Price (TL)	Share in Capital after transaction
LKMNH		LKMNH	Buyback	68.500	16.26	3.55%
OFSYM		OFSYM	Buyback	15.651	54.25	0.36%
AHGAZ		AHGAZ	Buyback	50.000	27.31	1.36%
ENERY		ENERY	Buyback	100.000	7.74	2.40%

Important Disclosures

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