



GOLDERA

MANAGEMENT | INVESTMENT | BUSINESS DEVELOPMENT

MARKETS ECONOMY POLITICS

MONTHLY BULLETIN ON TÜRKİYE

OCTOBER 14, 2024

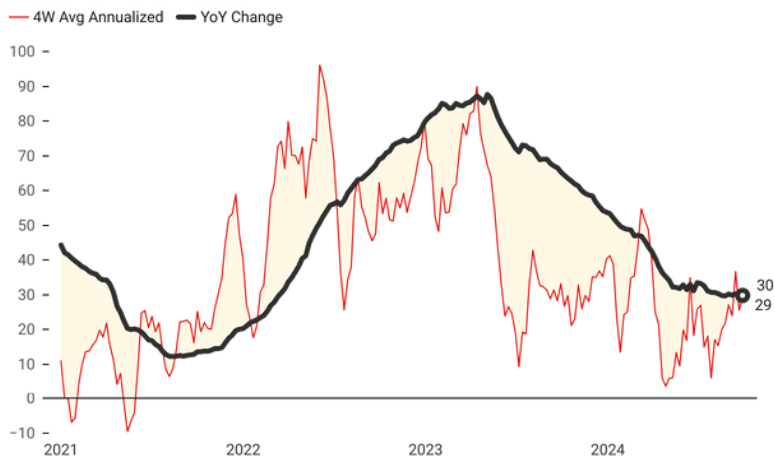
1- Central Bank Gross FX Reserves (Bio USD, Sept 30, Daily)



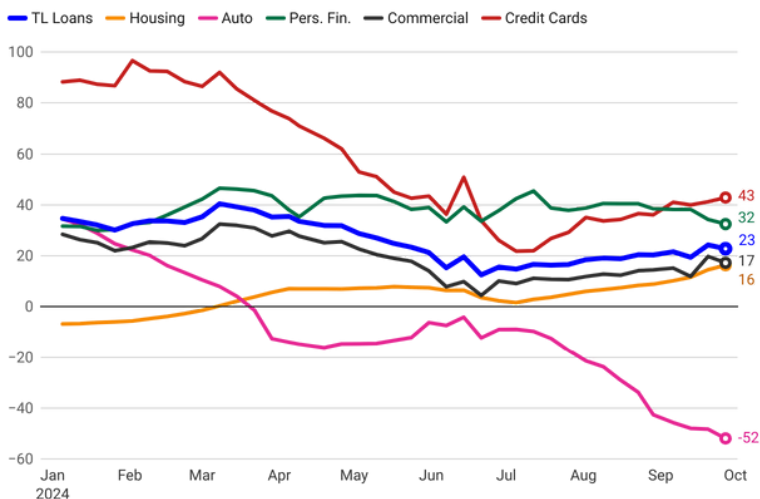
Assets (Bio USD)	29/12/23	29/09/24	YTD
Gold	47.68	63.43	+15.75
FX Banknotes	3.56	1.53	+2.03
Securities + Deposits	5.90	20.32	+14.42
Other FX Balance	87.43	71.62	-15.81
TOTAL	144.57	156.90	+12.33

Liabilities (Bio USD)	29/12/23	29/09/24	YTD
To Turkish Banks	74.92	79.76	+4.84
To IMF & International Insti.	29.89	23.38	-6.51
To Turkish Treasury	9.41	7.63	-1.78
To Turkish Banks in Swap Contract	48.75	0	-48.75
To Foreign Central Banks	23.35	21.67	-1.68
TOTAL	186.32	132.44	-53.88

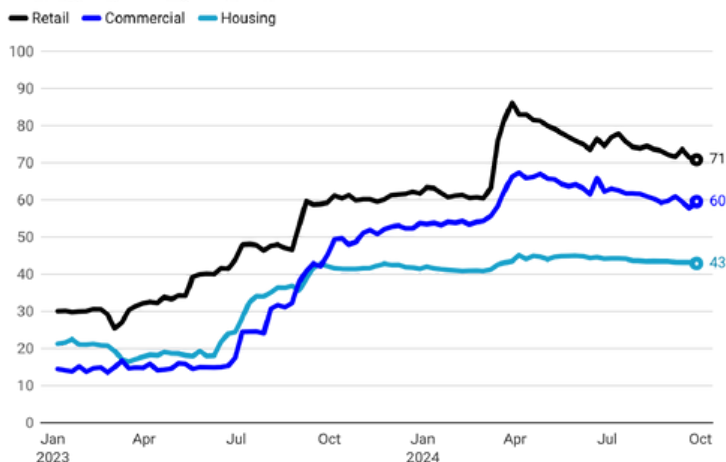
2- TL Loan Growth (as of Sept 27, YoY, %)



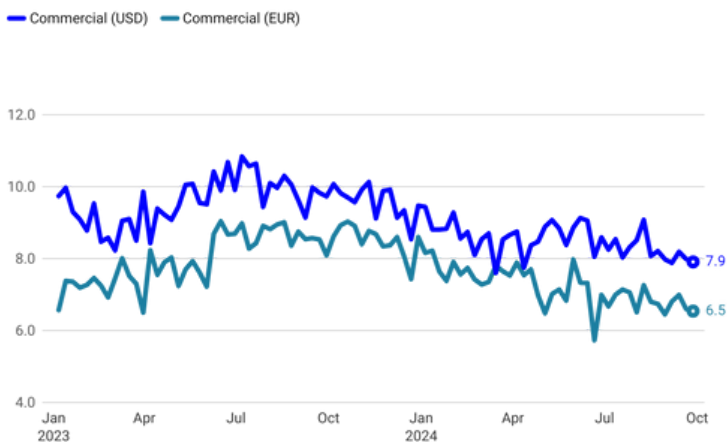
2.1- TL Loan Growth Momentum (Sept 27, 13W Ann., YoY %)



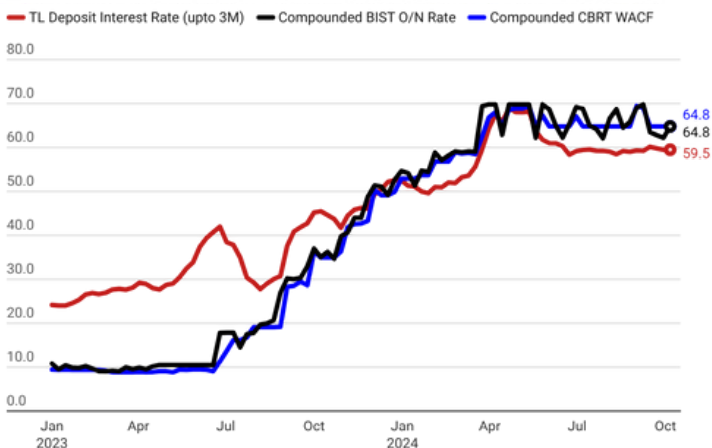
3- TL Loan Interest Rates (% , Sept 27)



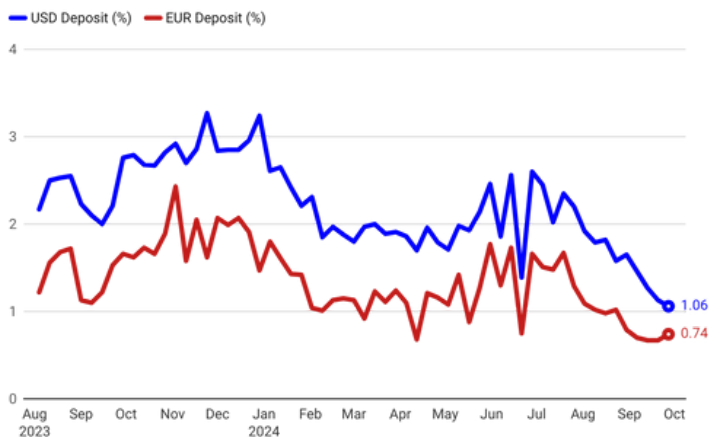
3.1- FX Loan Interest Rates (% , Sept 27)



4- TL Rates (% , Sept 27)



4.1- FX Deposit Interest Rates - 3M Maturity (% , Sept 27)



5- Retail FX Deposits (Bio USD, Sept 27)



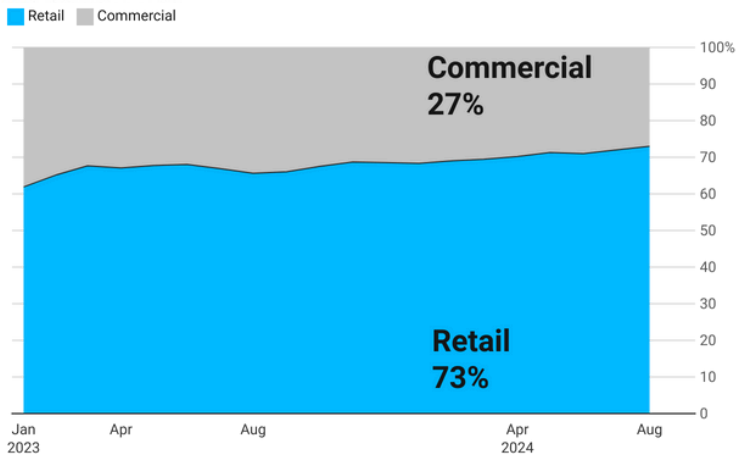
5.1- Commercial FX Deposits (Bio USD, Sept 27)



6- FX Protected TL Deposits (Bio USD, Sept 27)



6.1- Breakdown of FX Protected Deposits (as of Aug 2024)



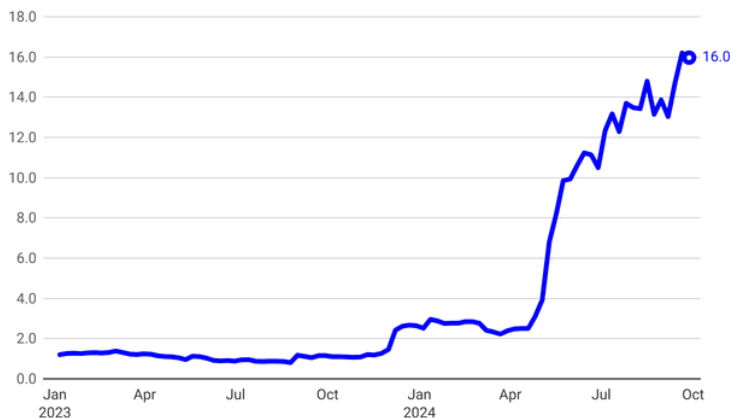
7- Sovereign Credit Risk (bps, Sept 30)



7.1- Ishares TUR ETF (AUM, Mio USD, Sept 30)



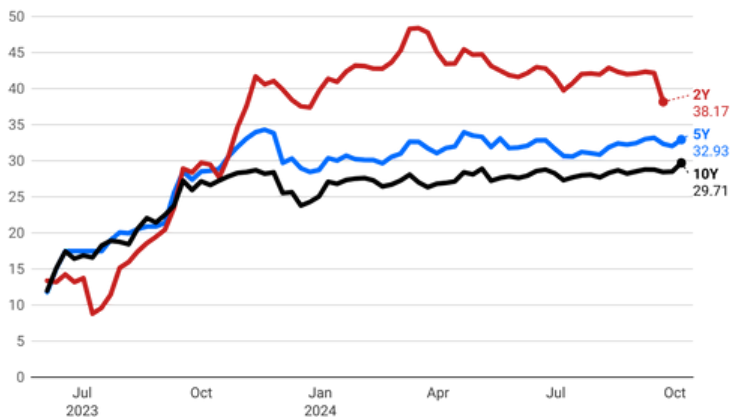
8- TL Bonds - Foreign Ownership (Bio USB, Sept 27, Mcap.)



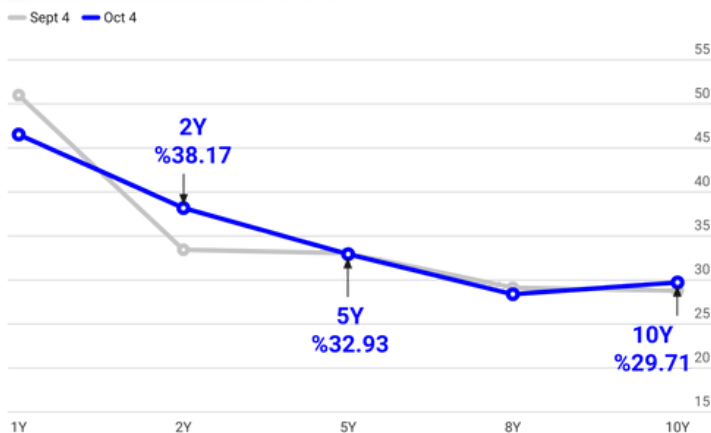
8.1- TL Equity - Foreign Ownership (Bio USD, Sept 27, Mcap.)



9- Turkish Lira Sovereign Bonds (% , Sept 30)



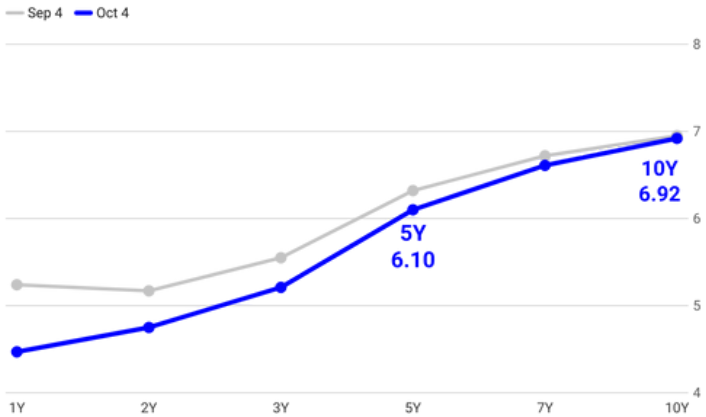
9.1 TL Sovereign Yield Curve



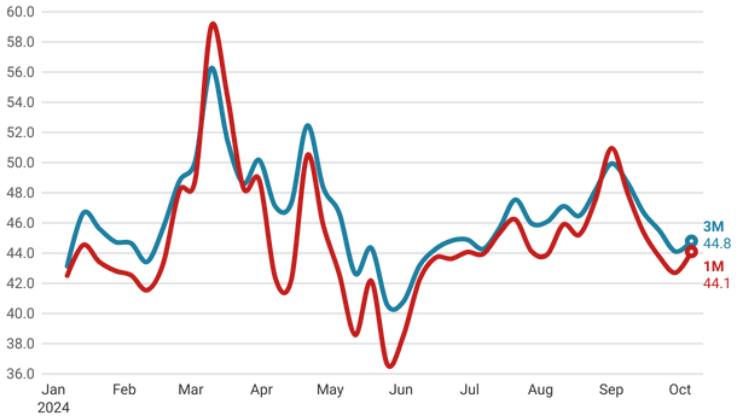
10- Turkey USD Sovereign Bonds (% , Sept 30)



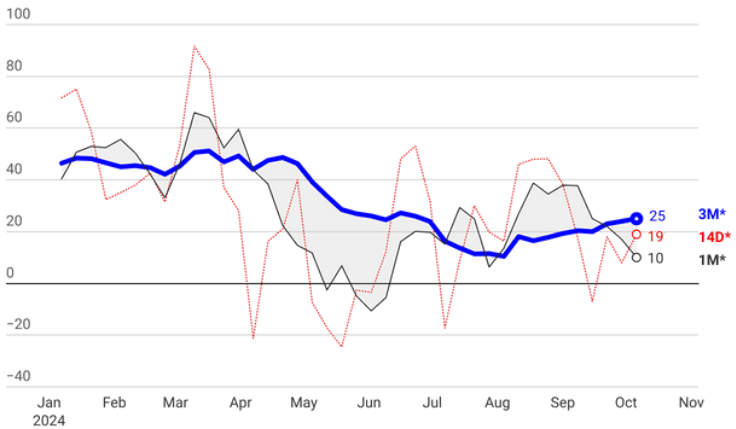
10.1- Turkey Sovereign Yield Curve (% , USD)



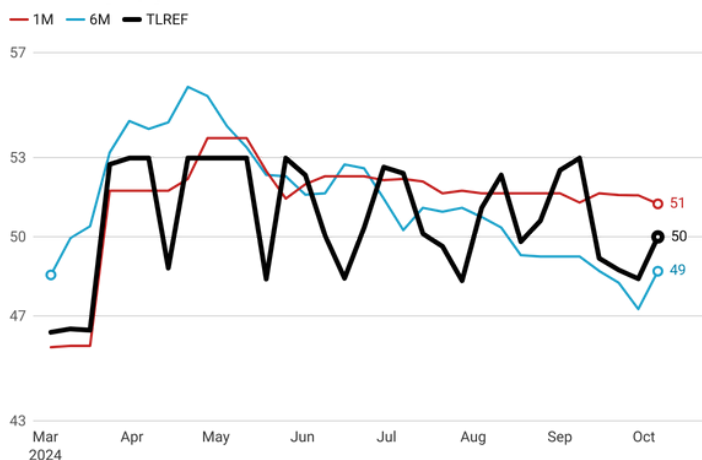
11- Swap Rates (% , Sept 30)



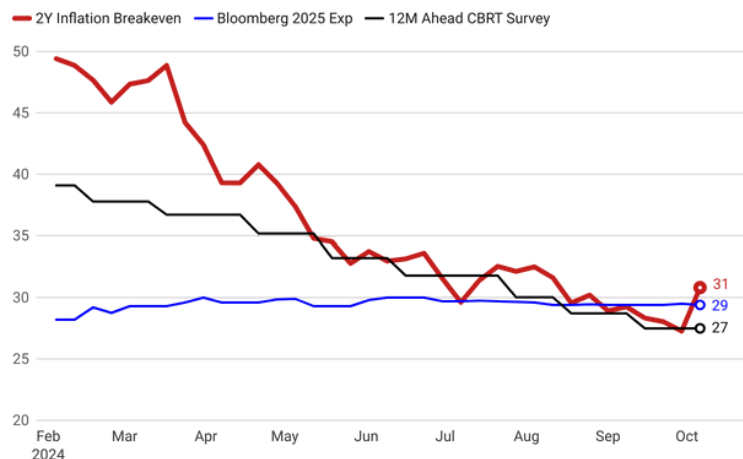
11.1- USD/TRY Change (% , Annualized)



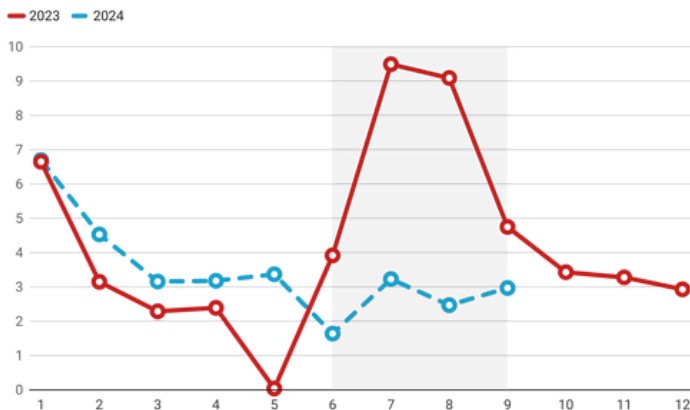
12- TLREF Rate Expectations (%)



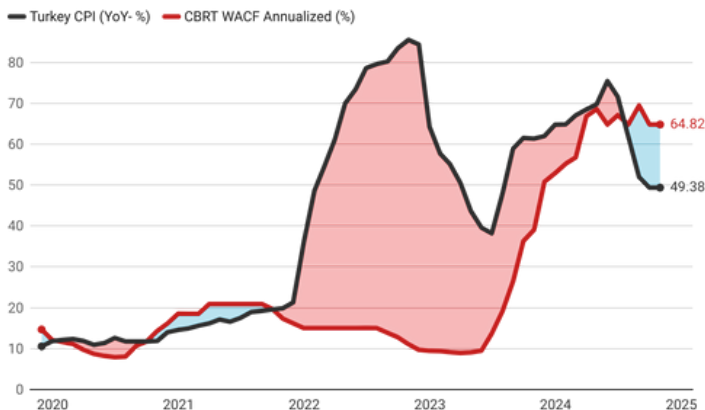
12.1- Inflation Expectations (%)



Monthly Headline CPI Türkiye



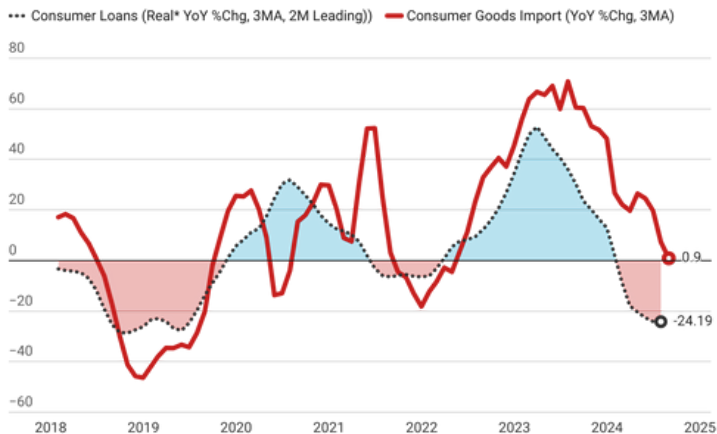
Real Policy Rates Policy in Play



Trade Deficit (Aug 2024, 12 Month Accumulated)



Expensive Consumer Loans Curb Imports



TURKEY REACT: Inflation Miss May Delay Expected Easing Cycle

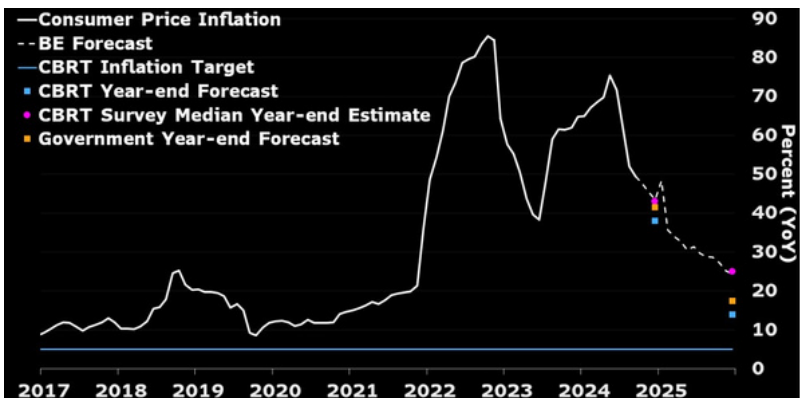
By Selva Bahar Baziki (Economist)

OUR TAKE:

The smaller-than-expected drop in Turkey's September inflation rate — even when stripped of seasonal factors — is **bad news** for the central bank. Even so, we are maintaining our call for policymakers to launch a rate cut cycle in November. Escalating risks suggest pricing dynamics may remain hot ahead, which would like delay the pace of cuts.

Turkey's year-on-year CPI inflation slipped to 49.4% for September from 52% in August. We were expecting a bigger drop to 48.6%, while the median consensus call from a Bloomberg survey went even further to 48.3%.

A large part of the gap between our forecast and the final print was due to higher- than-expected gains in baskets item related to the start of the school year — a risk we had highlighted. Monthly inflation for the education category was north of 14%. Even when adjusted for this seasonality, monthly gains remained high at 3%, only slightly down from August's 3.2%. That puts the average monthly inflation rate for the third quarter at 3.2% in our seasonally adjusted series, which is higher than the 2.5% the central bank was expecting.



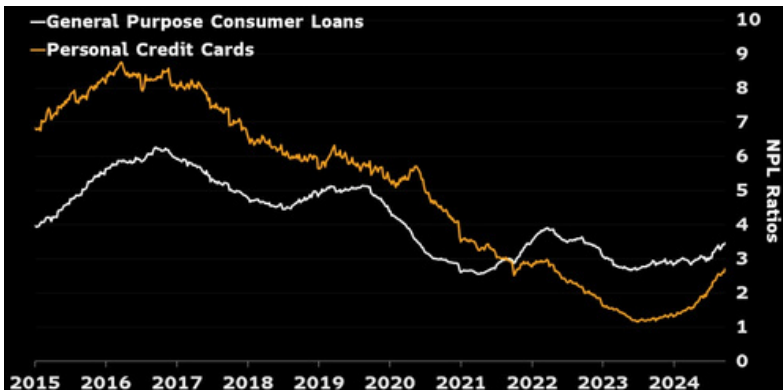
NSIGHT: Restructuring Move to Support Commercial Banks

By Selva Bahar Baziki (Economist)

(Bloomberg Economics) -- The Banking Regulation and Supervision Agency's action to establish restructuring facilities for some consumer credits may be seen by some as an expansionary move. The reality, though, is any boost to credit growth will likely be small. Supporting vital bank balance sheet metrics may be the real aim of the step ahead of the sector's fall/winter transactions in external debt markets.

The BRSA's move, announced Sept. 26, allows overdue personal credit card and consumer general-purpose loans to be restructured for a period of up to 60 months. This will help indebted individuals' debt servicing capacities. The move may be seen as expansionary by design, which goes against the central bank's hawkish communication and tight stance.

In practice, however, we expect other regulations (the BRSA's requirement of a minimum 50% pay back on restructured card balances before limits can be expanded and the central bank's 2% monthly credit growth cap), as well as currently high borrowing costs, to contain any loan-balances growth stemming from these steps.



TURKEY INSIGHT: Central Bank Move Lacks Liquidity, Rates Punch

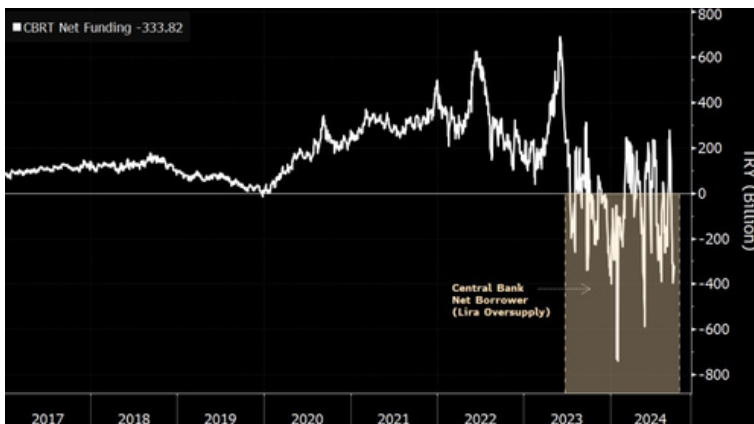
By Selva Bahar Baziki (Economist)

(Bloomberg Economics) -- Turkey's central bank has once again turned to alternative tools to tighten financial conditions and reduce the market's lira oversupply – in line with our expectations – but this time the move falls short on both accounts. The wins may be concentrated elsewhere, however, including a faster draw-down of foreign- currency protected accounts and a boost to commercial bank's balance sheets. The latter case is also supported by recent steps – related to risk weights on consumer loans – taken by the regulatory authority.

The timing of these steps is opportune, arriving just in time for the banking sector's fall/winter transactions on external debt markets, which are likely to improve their financing terms.

The key actions in the Central Bank of the Republic of Turkey's Sept. 21 announcement were raising the reserve requirement ratios on lira deposits and cutting the ratio of lira reserves required for foreign-currency deposits.

The liquidity punch of the move is rather limited. Netting the contractionary move on lira deposits with the expansionary step in FX accounts, we calculate 90.3 billion liras being withdrawn from the market – less than a third of the 333.8 billion lira oversupply in the market, as of Sept. 24.



Global Banks Rush to Recast Calls for Turkish Interest-Rate Cuts

By Beril Akman

- Some global banks see officials delaying rate cuts to 2025
- Analysts push back forecasts after September inflation miss

(Bloomberg) -- Wall Street banks are having to rewrite their forecasts for the timing of Turkey's first interest-rate cut after higher-than-expected inflation prints in September.

Over the past day, a wave of analysts who anticipated the first cut as early as next month pushed their forecasts out to next year. Among them was JPMorgan Chase & Co., whose economists now see **250 basis-point cuts in each month from January through August**, ultimately bringing borrowing costs down to 30% from the current 50%.

"We see risks for smaller rate cuts and pauses in case of significant inflationary pressures" from increases to the minimum wage and other administered price hikes, said JPMorgan economists including Fatih Akcelik. They revised their end-2024 inflation forecast by a full percentage point to **43.5%**.

Goldman Sachs Group Inc. economists also moved their November call to January, while raising their year-end inflation forecast to **44% from 40%**.

Annual inflation was 49.4% last month and monthly inflation, officials' preferred indicator, saw an unexpected uptick to 2.97%, according to the data released on Thursday.

Central Bank Governor Fatih Karahan is scheduled to provide updated projections on his inflation outlook on Nov. 8, where he'll also provide more details on the direction of monetary policy. Karahan said on Thursday that policy would remain tight until price stability is achieved.

The central bank's inflation target for year-end is 38%, with the upper end of the outlook at 42%. Rates have been on hold at 50% for the past six meetings.

"Rate cut pricing for November saw a harsh correction" with markets now shifting expectations to December, said Tufan Comert, emerging-market strategist at BBVA in London. Citing Karahan's remarks, Comert said that even a December cut is now a "low possibility."



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