

| | 6/Apr | 13/Apr | Change | | 6/Apr | 13/Apr | Change |
|---------------------------|---------|---------|----------|------------------------|--------|--------|----------|
| BIST-100 Index | 114,738 | 109,604 | -4.5 % ▼ | EUR/USD | 1.2281 | 1.2329 | 0.4 % ▲ |
| TRY 2 Year Benchmark Rate | 14.39% | 14.36% | -3 bp ▼ | USD/TRY | 4.0428 | 4.0959 | 1.3 % ▲ |
| US 10 Year Bond Rate | 2.78% | 2.83% | 5 bp ▲ | EUR/TRY | 4.9691 | 5.0507 | 1.6 % ▲ |
| EMBI+ (spread) | 338 | 335 | -3 bp ▼ | Gold (USD/ounce) | 1,333 | 1,345 | 0.9 % ▲ |
| EMBI+ Turkey (spread) | 318 | 317 | -1 bp ▼ | Brent Oil (USD/barrel) | 66.2 | 73.1 | 10.4 % ▲ |

bp: basis point

Global markets closely watched rising tensions between the US and Russia over Syria last week. New US sanctions against Russia and US President Trump's threatening expressions targeting Russia and Syria led to deterioration in markets' risk perception to a large extent. Emerging market currencies, mainly Russian ruble and TRY depreciated against the USD while oil prices followed an upward trend. Due to sharp depreciation in TRY, market expectations that CBRT will raise interest rates in its meeting next week mounted.

US-Russian tensions drove global markets.

The US unveiled new sanctions against 26 Russian businessmen and government officials with ties to Putin as well as 12 Russian companies due to the country's "malign activity" around the world. The sanctions include freezing all US assets of the targeted individuals and entities and prohibiting US citizens from doing any business with them. In addition to the sanctions, rising tensions between the US and Russia over Syria and US President Trump's threatening tweets targeting Russia and Syria led to a deterioration in markets' risk perception. Emerging markets' currencies, Russian Ruble particularly, depreciated against the US dollar while stock markets suffered sharp selloff. USD/RUB tested its highest level since November 2016. TRY was ranked as one of the worst-performing currencies.

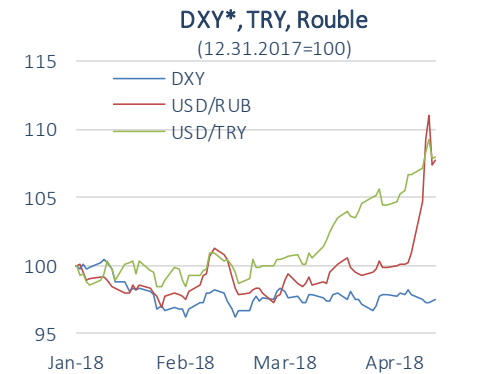
China takes a conciliatory tone on trade.

Chinese President Xi Jinping struck a conciliatory approach on trade tensions last week. Xi stated that China will cut auto import tariffs and ease restrictions on foreign ownership in automotive sector. He suggested that the country will be more open to foreign investments in the upcoming period. US President Donald Trump had complained about the 25% tariff that China imposed on imported cars pointing to the fact that the same ratio was 2.5% in the US. After Xi's recent statements, trade dispute between the US and China is expected to subside somewhat in the coming period.

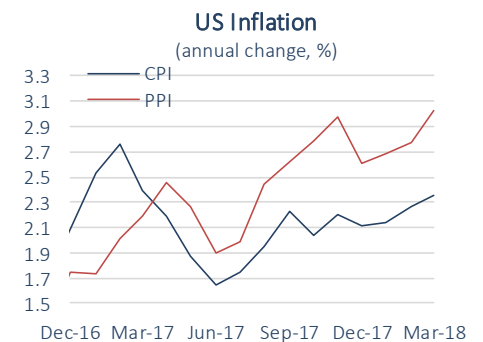
US producer prices rose more than expected.

The minutes of the Fed's last policy meeting ended on March 21 revealed that all members projected that US economy will strengthen and inflation will rise in the coming period. On the other hand, majority of the members cited the ongoing trade tensions as a risk factor for the US economy.

In March, PPI increased more than expected by 0.3% mom and annual inflation reached 3%. While rise in producer prices surpassed the expectations, consumer prices were down by 0.1% mom due to falling fuel prices. Although headline inflation declined after rising for the last 10 months, core inflation increased by 0.2% mom. Yet, consumer prices rose in line with the expectations at an annual rate of 2.4% yoy.



(*) DXY index keeps track of the US dollar's performance against a basket of six currencies (euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc. A fall in the index represents a depreciation in USD.



Source: Datastream

ECB officials were concerned about strong euro.

The minutes of the ECB's March meeting indicated that officials expressed confidence in the region's economic activity. Nevertheless, it was noteworthy to see that the worries over the course of inflation were on the rise due to the appreciation in euro. Minutes also indicated that US-led protectionist policies contributed euro's recent appreciation against dollar as well. Along with the minutes, statements from ECB and BoE officials supported euro and sterling against dollar within the last week.

Current account deficit (CAD) of Turkey was 4.2 billion USD in February.

CAD came in at 4.2 billion USD in February, posting an annual increase of 61.8%. 12-month cumulative CAD, which continued to expand in February, reached 53.3 billion USD, its highest level since April 2014. According to the preliminary data, foreign trade deficit surged by 28% in March, losing momentum compared to the previous months. This pointed to a relatively moderate CAD outlook in the next month. ([Balance of Payments Report](#))

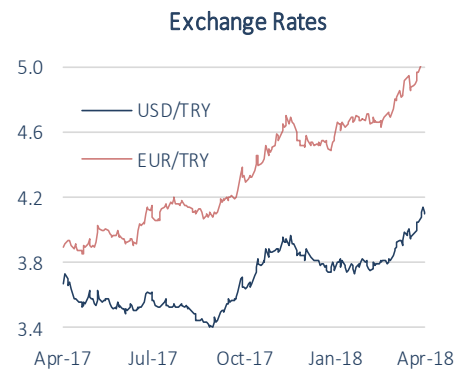
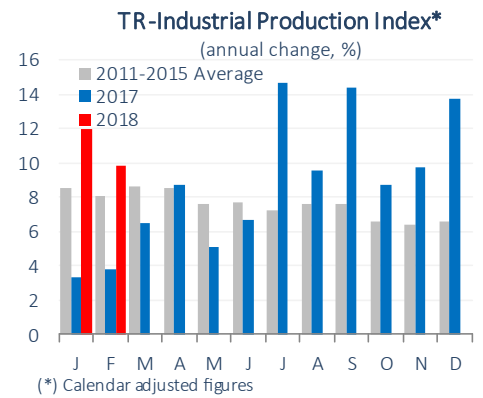
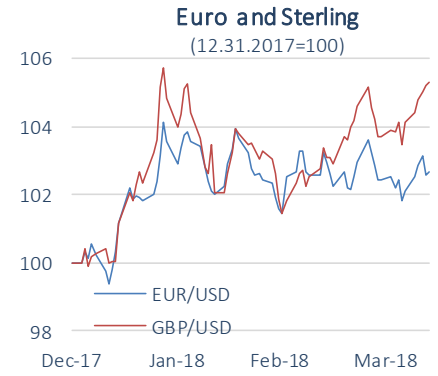
Industrial production in Turkey posted a rise of 9.9% in February.

Industrial production index grew by 9.9% yoy in February. Thus, annual increase in the first two months of the year was recorded as 10.9%, in part due to the low base last year. On the other hand, according to seasonally adjusted figures, industrial production decreased by 0.2% in monthly basis.

Domestic markets were highly volatile.

Tension between the US and Russia put pressure on domestic markets in the previous week. While BIST-100 index declined by 4.5% on weekly basis, bond yields went down slightly. USD/TRY and EUR/TRY tested record levels with 4.1920 and 5.1914, respectively. Following this development in currency market, statement by CBRT Governor Çetinkaya saying that CBRT might take additional tightening measures limited the depreciation in TRY.

This week investors will closely monitor the policies USA will follow in Syria. In addition, data regarding the economic activity in the US as well as inflation figures in Euro Area and UK will be followed. In Turkey, expectations before CBRT's meeting on April 25th will likely determine the course of TRY in the coming days.



Data Releases

| | | Period | Consensus | Prior |
|----------|--------------------------------|-------------------------|-----------|------------------|
| 16 April | TR Industrial Production | February | - | 9.9% (A) |
| | TR Unemployment Rate | January | - | 10.8% (A) |
| | TR Budget Deficit | March | - | 20.2 billion TRY |
| | US Retail Sales (mom) | March | 0.3% | -0.1% |
| | US NY Fed Manufacturing Index | April | 20.1 | 22.5 |
| 17 April | TR 5-Year Bond Reissuance | April | - | - |
| | US Industrial Production (mom) | March | 0.3% | 0.9% |
| | China GDP Growth | 1 st Quarter | 6.8% | 6.8% |
| 18 April | EA HICP Inflation (annual) | March | 1.4% | 1.4% |
| | UK CPI Inflation (annual) | March | 2.7% | 2.7% |
| 19 April | UK Retail Sales (yoy) | March | 2.0% | 1.5% |
| | TR CBRT Survey of Expectations | April | - | - |
| | US Jobless Claims | April 9-14 | - | 233k persons |
| 20 April | TR Consumer Confidence | April | - | 71.30 |
| | EA Consumer Confidence | April | -0.4% | 0.1% |

(A) Actual

Source: Datastream, Turkstat

Sectoral Developments

Duty-free live animals import permit for private sector..

The Ministry of Economy presented the regulation to import 500 thousand live animals duty-free to the Council of Ministers in order to control meat prices. According to the regulation, the private sector will be able to use the duty-free import permit directly within certain criteria. On the other hand, tariff quotas for some agricultural products from Bosnia and Herzegovina opened. Within this scope, 8 thousand tons of cattle, 2 thousand tons of sheep and goat meat will be imported duty-free. In addition, tariff quotas for 2 thousand tons of offal and 1000 tons of poultry meat were opened. The tariff quota for all meat groups will be valid until December 31, 2022 and will be reissued in every calendar year.

Trade wars and the US-Russia tension increased aluminum prices by 10%.

Following the US's additional 10% tariffs on aluminum imports, the upward trend in aluminum prices gained momentum after the recent tensions between the US and Russia. The US imposed a series of sanctions last week against on a group of Russian oligarchs. Sanctions against on Rusal's boss, one of the world's largest aluminum producers, put an upward pressure on aluminum prices. Aluminum prices rose by over 10% on a weekly basis due to the increasing uncertainties about Rusal, which produces 7% of world aluminum supply. In addition, the decline in aluminum stock in China was also influential on the increase in aluminum prices.

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