

	15-Jun	22-Jun	Change		15-Jun	22-Jun	Change
BIST-100 Index	94,541*	95,852	1.4 % ▲	EUR/USD	1.1607	1.1655	0.4 % ▲
TRY 2 Year Benchmark Rate	19.12%*	19.18%	6 bp ▲	USD/TRY	4.7291	4.6763	-1.1 % ▼
Turkey 5-Year CDS	312	289	-22 bp ▼	EUR/TRY	5.4913	5.4512	-0.7 % ▼
MSCI EM Equity Index	1,114	1,088	-2.3 % ▼	Gold (USD/ounce)	1,279	1,268	-0.8 % ▼
US 10-Year Bond Rate	2.92%	2.90%	-2 bp ▼	Brent Oil (USD/barrel)	72.2	74.6	3.3 % ▲

bp: basis point. Data dated (\*) June 14<sup>th</sup>

During the election week, Turkish equity and foreign exchange markets were relatively calm. Data flow was also weak. We saw that consumer confidence showed some recovery in June. After a first round victory in the presidential election, financial markets displayed some volatility today. Global agenda, on the other hand, was dominated by the escalating tensions between the US and its major trading partners, particularly China. Signs that trade wars have actually begun caused global risk perception to remain under pressure. OPEC decision was also monitored closely last week.

### The initial impact of the election results on markets was positive.

According to the provisional results of the presidential and parliamentary elections held yesterday, President Recep Tayyip Erdogan is the winner. AK Party and MHP's Cumhur Alliance achieved the majority of parliamentary seats. As the first results of the elections were announced in Sunday evening, TRY appreciated in exchange markets. We see some volatility in local markets on the first day of the week.

Last week, financial markets remained relatively calm despite the rise in risk premiums. Although Turkey's 5-year CDS spread touched 340 basis points on Tuesday, the highest level in 3 years, declined rapidly in the following days. BIST-100 index increased by 1.4% on a weekly basis. TRY appreciated against both USD and EUR.

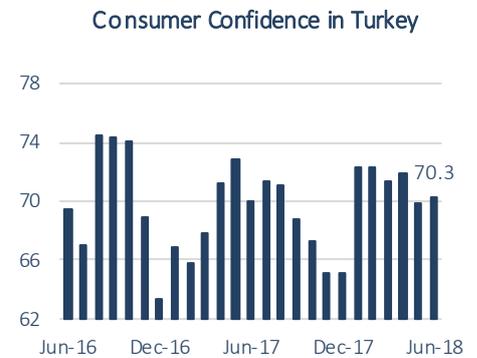
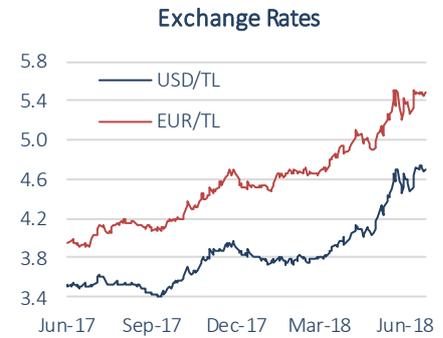
### Consumer confidence recovered slightly in June.

In Turkey, consumer confidence improved slightly in June. Consumer confidence index, which was 69.9 in May, became 70.3 in June. While the deterioration in the buying time condition of durable goods for present period was noteworthy, the probability of buying a car increased for the next 12 months.

### Trade wars...

Developments regarding trade tensions between the US and China as well as other major trading partners of the US continue to be high on the global agenda. After China retaliated to the US at the beginning of the week, Trump extended protectionist measures and announced that they would impose a 10% extra tariff on 200 billion USD worth of imports from China. Similar to China, Canada and Mexico, EU also retaliated to US tariffs putting 25% retaliatory duty on imports from US worth 3.2 billion USD. Russia has also announced that they will respond to the US's recent decisions in a similar way.

Last week, the announcements from the summit of the leading central banks' governors drew attention to the trade war threat facing global economy. Fed Chairman Powell noted that the recent developments had a negative impact especially on investor confidence and delayed investment decisions are worrisome.



Source: Datastream

### Global risk appetite was under pressure.

Global stock market indices were under pressure due to escalating trade tensions led by the US. Emerging markets, especially China, displayed a negative performance. The People's Bank of China (PBoC) took measures to boost liquidity in order to prevent volatility in the financial markets. In addition, PBoC cut required reserve ratios this morning.

### OPEC decided to increase oil production.

At its meeting on June 22-23, OPEC decided to ease production cuts by 1 million barrels a day despite strong opposition from Iran. Having declined before the decision, oil prices found support in comments that the daily target for the output increase will not be reached immediately.

### Flash PMI data from leading economies...

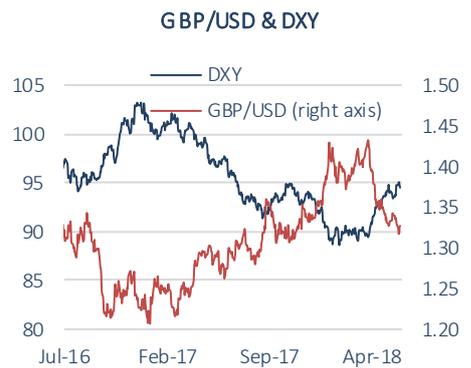
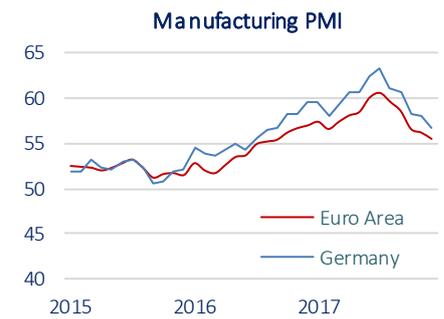
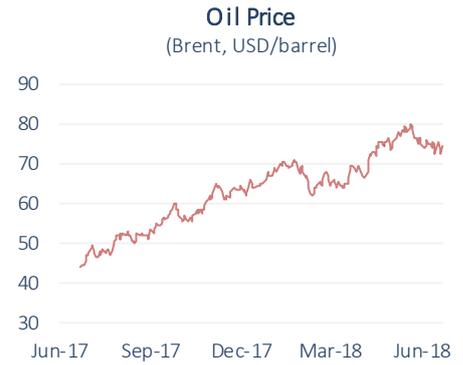
According to June's flash PMI data released on Friday, economic activity in the US and Euro Area strengthened in the services sector, while manufacturing industry lost some momentum. Euro Area's services PMI exceeded forecasts with 55. Manufacturing PMI in Germany, the largest economy in the region, was realized as 55.9, the lowest level in 18 months. Having deteriorated in manufacturing sector, confidence indicators in services sector improved in France.

### BoE's rate hike probability for August meeting is above 50%.

At last week's meeting, Bank of England (BoE) held policy rate at 0.5% in a 6-3 vote as Chief Economist Andy Haldane voted to raise the policy rate different from previous meeting. BoE stated that it would not sell government bonds until the interest rate have reached around 1.5%. Following the meeting, BoE's rate hike expectations at the August meeting increased above 50%. While weak economic data decreased interest rate hike probability recently, downward trend in pound pushed it up.

### The new week's agenda...

In Turkey, seasonally adjusted capacity utilization ratio remained almost flat while real sector confidence declined according to data announced today. Trade figures will be followed on Friday. In the US, final reading for the first quarter GDP and PCE data are awaited.



### Data Releases

	Period	Consensus	Prior
<b>25 June</b> CBRT Capacity Utilization Ratio (sa, %)	June	-	78.1% (A)
CBRT Real Sector Confidence Index	June	-	104.6 (A)
US New Home Sales	May	0.67 million	0.66 million
<b>26 June</b> US Consumer Confidence Index	June	128	128
<b>27 June</b> US Durable Goods Orders	May	-0.6%	-1.6%
US Pending Home Sales	May	-	-1.3%
<b>28 June</b> Turkstat Economic Confidence Index	June	-	93.50
US GDP (final)	Q1	2.2%	2.2%
<b>29 June</b> Turkstat Foreign Trade Balance	May	-	-6.7 billion USD
UK GDP	Q1	0.1%	0.1%
US Personal Income	May	0.4%	0.3%
US Core PCE	May	0.2%	0.2%
US Chicago PMI	June	60.0	62.7
US Michigan Consumer Confidence Index (final)	June	99.3	99.3

(A) Actual

Source: Datastream, Turkstat, CBRT

## Sectoral Developments

### Recovery in housing sales...

Having recorded annual falls in the last three consecutive months, domestic house sales posted an annual rise of 2.7% in May. With the help of the measures taken to support housing market, the contraction in mortgaged house sales slowed down to 11.7% from 30%. Other sales recorded the sharpest annual increase in four months with 10.7%. New home sales surged by 4.8% yoy while existing home sales registered a limited rise of 0.9%. Sales to foreigners maintained its upward trend and increased by 36.1% yoy in May.

### White goods sales rose by 10% yoy in May.

According to the figures of White Goods Manufacturers' Association of Turkey, domestic white goods sales went up by 10% yoy in May. Recovery in the housing sector supported this performance. In January-May period, domestic sales fell by 15% yoy. Exports of white goods rose by 6% yoy in May while total production increased by 2%.

### Turkey imposed import tariffs on US goods.

As retaliation to the US tariffs levied on steel and aluminum since March 23, Turkish government imposed tariffs of 266.5 million USD on 1.8 billion USD worth of U.S. goods ranging from coal and petrochemicals to automobiles and machinery and equipment. Tariffs came into effect in June 21.

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