

	28-Sep	5-Oct	Change		28-Sep	5-Oct	Change
BIST-100 Index	99,957	94,883	-5.1 % ▼	EUR/USD	1.1608	1.1523	-0.7 % ▼
TRY 2 Year Benchmark Rate	25.82%	26.38%	56 bp ▲	USD/TRY	6.0550	6.1323	1.3 % ▲
Turkey 5-Year CDS	371	416	45 bp ▲	EUR/TRY	7.0251	7.0648	0.6 % ▲
MSCI EM Equity Index	1,048	1,001	-4.5 % ▼	Gold (USD/ounce)	1,192	1,202	0.9 % ▲
US 10-Year Bond Rate	3.06%	3.23%	17 bp ▲	Brent Oil (USD/barrel)	82.7	84.4	2.0 % ▲

bp: basis point

Last week, while data releases in US painted a positive outlook for US economy, US 10-year Treasury bond yield rose sharply and put pressure on global markets. The continuing upward trend in oil prices was high on the global markets' agenda last week. On domestic front, September inflation was realized far above expectations and markets followed a negative course due to the inflation data and declining risk appetite in global markets.

Heavy data agenda in US...

Last week, data releases in US pointed that strong course of economic activity continued. In September, PMI exceeded expectations with 55.6, while non-manufacturing ISM index came in 61.6, recording the highest figure since August 1997. In August, factory orders increased by 2.3% mom, displaying the best performance of the last 11 months. In September, while non-farm payrolls increased below anticipations (134 thousand) due to hurricane, average hourly earnings rose by 0.3% mom and 2.8% yoy parallel to expectations. The unemployment rate fell to 3.7%, the lowest level in approximately 49 years.

Global markets...

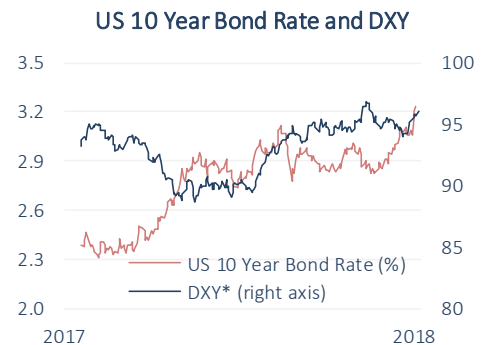
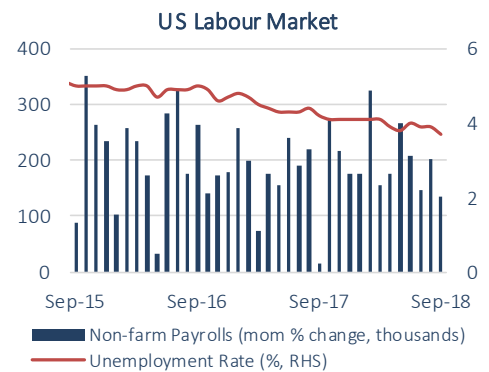
Having made a positive start with concerns regarding Italy relieved, global markets were under pressure after the favourable data releases in US and an increase in US bond yields following Fed President Powell's statements that were considered as hawkish. In addition, the concerns that tensions between US and China will be heightened after US accusations against China of putting spy chips to US-brand computer equipment reflected negatively in markets. US 10-year Treasury bond yield reached 3.2480% last week, the highest level since May 2011. DXY index, which shows the value of US dollar against other major currencies, followed an upward trend due to strong data releases.

Decrease in Euro Area unemployment...

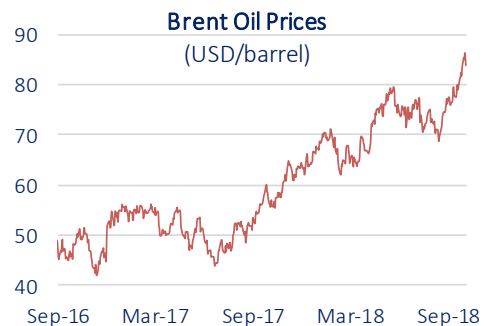
Last week, economic data released in Euro Area gave mixed signals. In September, manufacturing and services PMIs were realized slightly below expectations with 53.2 and 54.7, respectively. While retail sales in August decreased by 0.2% contrary to the expectations of an increase, the unemployment rate in the region decreased to the lowest level for the last 10 years.

Oil Prices

Last week, crude oil inventories in the US recorded the fastest increase since March 2017. Even though there was a rapid rise in inventories, the possibility that Iran's oil exports will be restrained starting from next month because of US sanctions continued to exert an upward pressure on oil prices. However, the United States' statements regarding the possibility of granting waivers in its sanctions have limited the recent rise in oil prices. Brent crude oil price rose 2% on a weekly basis and closed the week at the level of 84.4 USD.



(*) Shows the value of the US dollar against other major currencies



CPI in September is well above the market expectations...

In September, the monthly increase in CPI realised as 6.30%, well above the market expectations. Domestic PPI increased by 10.88% on a monthly basis and was double-digit for the first time in 2003-based series. Thus, annual CPI rose to 24.52%, while annual PPI reached 46.15% in September. During this period, all main expenditure groups affected the CPI upwards, while the increase in transportation and food prices was the main determinants in the inflation. The upward trend in core inflation indicators continued to accelerate, suggesting that the deterioration in pricing behaviour may be prolonged ([Our inflation report](#)).

The CPI-based real effective exchange rate continues to decrease.

The CPI-based real effective exchange rate fell sharply in September and was realised at the new low in 2003-based series with a figure of 61.6. The depreciation of the real effective exchange rate, which has been declining steadily for the last 8 months, has reached 27.7% since the beginning of the year.

Fitch downgraded 20 Turkish banks

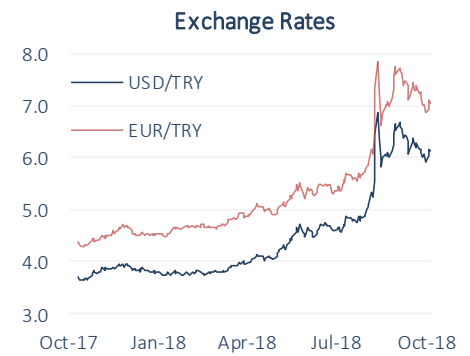
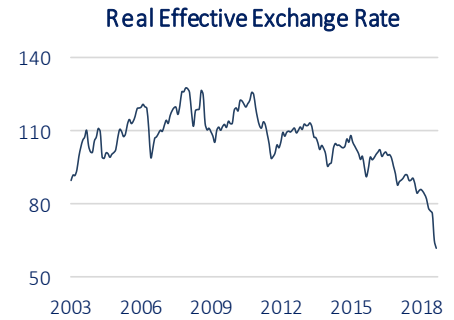
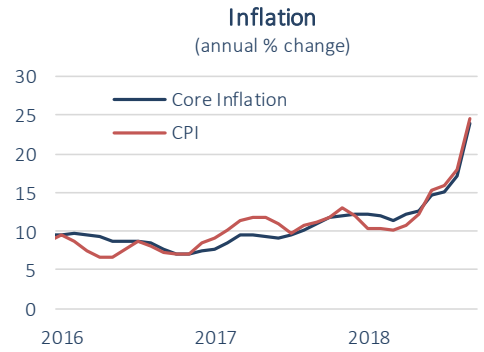
International credit rating agency Fitch downgraded the long-term foreign-currency issuer default ratings of 20 Turkish banks and its subsidiaries by one notch. The agency justified its decision by pointing out that “the banks’ performance, asset quality, capitalisation, liquidity and funding profiles were now more likely to come under pressure as a result of the further depreciation of the Turkish lira, the spike in interest rates and the weaker growth outlook”.

Domestic markets...

Last week, inflation data was effective in the course of domestic markets. In addition, the increase in US bond yields decreased the global risk appetite and put pressure on domestic markets. BIST-100 index closed the week at 94,883, decreasing by 5.1%. The compound interest rate of the 2-year benchmark bond rose by 56 basis points to 26.38% last week. USD/TRY increased by 1.3% wow due to the appreciation of the US dollar in global markets and monthly inflation data which was well above the expectations.

This week’s agenda...

This week, the US PPI and CPI data for September and Euro Area industrial production data for August will be followed in foreign markets. In domestic markets, CBRT’S announcement of balance of payments data on Thursday will be monitored closely.



Data Releases

		Period	Consensus	Prior
8 October	Euro Area Sentix Index	October	11.7	12.0
10 October	US Producer Price Index, yoy	September	2.8%	2.8%
	TR Treasury Debt Redemption (2 million TRY)	-	-	-
11 October	US Consumer Price Index, yoy	September	2.4%	2.7%
	TR Current Account Balance	August	2.5 billion USD	-1.8 billion USD
12 October	US U Mich Sentiment, flash	October	98.5	100.1
	Euro Area Industrial Production, mom	August	0.4%	-0.8%

(A) Actual

Source: Datastream

Sectoral Developments

Decline in automotive sales continued in September.

Automotive sales continued to decline in September due mainly to rising prices parallel to the depreciation in TRY. According to the sales data released by Automotive Distributors' Association, automobile and light commercial vehicle market contracted by 67.7% yoy to 23K units. In the first nine months of the year, automotive market decreased by 26.1% to 463K units. The contraction in the sector confirms the slowdown in domestic demand in the third quarter.

Natural gas and electricity prices continued to rise.

Following the rises in August and September, natural gas and electricity prices were increased in October again. Effective as of the start of October, natural gas prices for residential and industrial consumption were increased by 9% and 18.5%, respectively. Electricity prices were increased by 9%, 18.6% and 18%, for households, industries and businesses, respectively.

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