

	16-Nov	23-Nov	Change		16-Nov	23-Nov	Change
BIST-100 Index	93,616	93,003	-0.7 % ▼	EUR/USD	1.1418	1.1340	-0.7 % ▼
TRY 2 Year Benchmark Rate	20.19%	20.87%	68 bp ▲	USD/TRY	5.3308	5.2865	-0.8 % ▼
Turkey 5-Year CDS	367	393	26 bp ▲	EUR/TRY	6.0870	5.9980	-1.5 % ▼
MSCI EM Equity Index	986	969	-1.7 % ▼	Gold (USD/ounce)	1,221	1,222	0.1 % ▲
US 10-Year Bond Rate	3.07%	3.05%	-2 bp ▼	Brent Oil (USD/barrel)	64.9	58.0	-10.6 % ▼

bp: basis point

Last week, developments regarding Brexit process continued to be the focus of the markets. EU rejected Italy's budget proposal for a second time. In addition to the political uncertainty in Euro Area, trade war worries put pressure on global markets, while oil prices continued to decline. In the minutes of the ECB's October meeting, some members stated that the risks on region's economic growth increased. In Turkey, while domestic economic agenda was calm, markets followed a fluctuating course. OECD anticipates that Turkish economy will contract by 0.4% in 2019. Consumer confidence index rose by 4% in November.

### Developments regarding Brexit process...

Developments in Brexit process continued to be high on the agenda. European Council President Donald Tusk said that UK and EU agreed in principle on the draft which determines the future relationship between two parties after Brexit. The draft contains establishing a free trade area between the two parties, co-operation in customs and arrangements to ensure fair competition. While Fabian Picardo, Chief Minister of Gibraltar, said Spain had reached an agreement on status of Gibraltar on the last trading day of the week, Brexit agreement and draft political declaration was approved at Brussels Summit held on Sunday. Having declined at the beginning of the week due to the uncertainties regarding the process, GBP/USD rose rapidly thanks to the positive news on Brexit negotiations. In the coming period, Brexit agreement must be endorsed by the parliaments of the UK and the EU.

Concerns regarding the budget draft have been increasing in Italy. European Commission took the step towards disciplinary procedures against Italy after rejecting Italy's budget draft for a second time. While Five Star Movement, a significant political force in Italy, stated that they will not step back, Deputy Prime Minister Salvini signaled that limited revisions could be made in Italy's 2019 budget deficit target.

### Global markets...

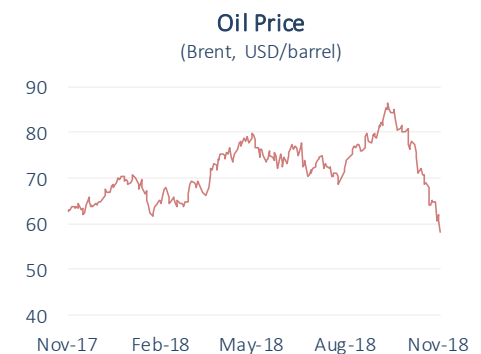
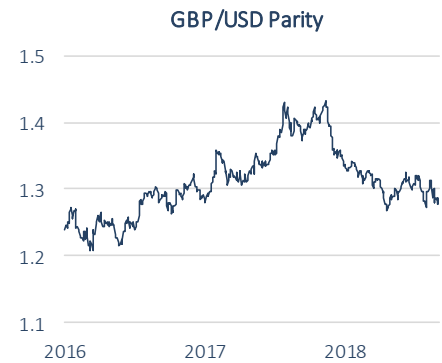
Last week, in addition to the concerns over trade war, ongoing political uncertainties in Europe put pressure on global markets. VIX, known as fear index, remained above 20 throughout the week.

### Oil prices continue to decline.

Russian Energy Minister's statements which signalled that they do not have an intention to reduce oil supply and rise in US crude oil inventories, which exceeded expectations reaching the highest level since December 2017 and pulled oil prices down. Having declined by 10.6% on a weekly basis, Brent crude oil price per barrel fell below 60 USD for the first time since November 2017 and closed the week at 58 USD.

### ECB minutes...

Minutes of European Central Bank's (ECB) meeting held on October 24-25 were published. Some ECB members argued in the minutes that the risks on economic growth were escalating. They also highlighted that Euro Area's outlook was still consistent with broad-based economic growth and gradually increasing inflation despite the weak data flow.



Source: Datastream

**OECD cut its 2019 growth forecast.**

The Organisation for Economic Co-operation and Development (OECD) published second "Economic Outlook" report of this year. In the report, while global growth forecast for 2018 was kept at 3.7%, the growth forecast for 2019 was revised down by 0.2 pps to 3.5%. OECD, which cut the Euro Area's growth forecasts for 2018 and 2019 to 1.9% and 1.8%, respectively, predicted that the US would grow by 2.9% and 2.7% during the same period. OECD raised 2018 growth forecast for Turkey by 0.1 pp to 3.3% and predicted that Turkish economy would contract by 0.4% in 2019. The Organization's average inflation forecasts for Turkey were 16.8% in 2018 and 19.5% in 2019.

**Consumer confidence rose in November.**

According to the figures announced by TURKSTAT, consumer confidence index, which was its at lowest level for about 10 years in October, rose by 4% in November and became 59.6. While perception of buying time condition of durable goods for present rose rapidly, the expectations for the upcoming period recovered slightly. Current financial situation of households sub-index continued to decline. Consumer confidence has fallen by 17.6% since the beginning of the year.

**Domestic markets...**

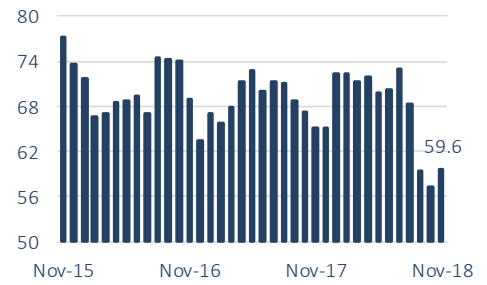
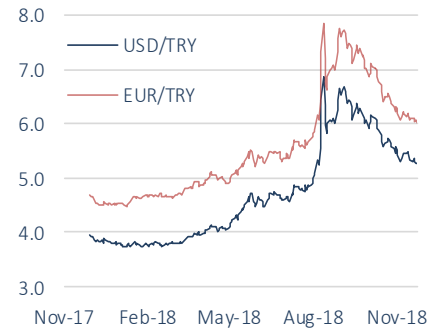
On Tuesday, deterioration in global risk sentiment weighed on domestic markets. Even though markets pared some of their losses in the following days, BIST-100 index declined by 0.7% on a weekly basis. 2 year benchmark bond yield increased by 68 basis points to 20.87%. Fluctuating in a wide band, USD/TRY ended the week at 5.29 level. Treasury and Finance Ministry issued a TRY denominated 2-year fixed rent rate lease certificates and made a borrowing of 3.2 billion TRY. With this issuance, Treasury borrowed 6.3 billion TRY under its November borrowing program.

**New regulation by the BRSA...**

According to the draft announced by the BRSA on Friday, the installment limits of domestic expenditures for airlines, travel agencies and accommodations will be increased from 6 months to 9 months. Also, the maximum maturity of mobile phone loans below 3,500 TRY was raised to 12 months from 6 months while mobile phone loans above 3,500 TRY could have a maturity of 12 months until January 2019. After this date, the maximum maturity of mobile phone loans above 3,500 TRY will be decreased back to 6 months.

**This week's agenda...**

This week, the news flow on the Brexit process, as well as the Trump-Xi meeting which is expected to take place at the G20 summit in Argentina on Friday, will be high on the agenda of the global markets. In addition, the minutes of the Fed's November meeting and flash inflation figures for November in the Euro Area will be closely monitored. In Turkey, October foreign trade data will be watched.

**Consumer Confidence in Turkey****BIST-100 Index**  
(,000)**Exchange Rates****Data Releases**

		Period	Consensus	Prior
<b>26 November</b>	TR Capacity Utilization	November	74.1% (A)	75.4%
	TR Manufacturing Confidence	November	92.8 (A)	87.6
<b>27 November</b>	US Consumer Confidence	November	135.5	137.9
<b>28 November</b>	US GDP, 2nd Estimate	Q3	3.5%	3.5%
	US New Home Sales	October	0.6 million unit	0.6 million unit
<b>29 November</b>	US Core PCE, yoy	October	1.9%	2.0%
	US Personal Income, mom	October	0.4%	0.2%
	US FOMC Minutes	November	-	-
	TR Economic Confidence	November	-	67.5
<b>30 November</b>	Euro Area HICP, flash, yoy	November	2.1%	2.2%
	Euro Area Unemployment Rate	October	8.0%	8.1%
	TR Foreign Trade Balance	October	-	-1.9 billion USD

(A) Actual

Source: Datastream, OECD

## Sectoral Developments

### House sales increased by 19.2% in October.

House sales increased by 19.2% compared to the same period of the previous year to 147 thousand units in October. Rising house demand due to the expectation that VAT and title deed fees cuts will end on October 31, sector campaigns and increase in foreign demand were effective on this development. In this period, other sales increased by 64.3%. On the other hand, decline in mortgage sales gained pace in October. Thus, the share of mortgage sales, which shrank by 79.1% yoy, was realized as 5.5%, the lowest level since 2013.

### Construction costs continued to rise.

According to TURKSTAT, construction cost index rose by 5.9% on a monthly basis and by 40% annually in September. It is noteworthy that material index surged up by 50% in this period. Compared to the same month of the previous year, building and civil engineering equipment costs increased by 48% and 56.5%, respectively.

### White goods sales continued to decline.

Contraction in domestic sales of white goods continued in October. According to White Goods Manufacturers' Association of Turkey, white good sales declined by 29% yoy in October. During this period, rising exports (11%) was recorded as a positive development. In January-October period, while domestic white goods sales fell by 16.5% to 6.3 million units, exports rose by 6.6% to 18.1 million units.

### Retail sales decreased by 4.6% in September.

Momentum loss in economic activity also reflected in retail sales in September. Seasonal and calendar adjusted retail sales volume index decreased by 4.6% mom in September. During this period, food, drinks and tobacco sales fell by 2.1% and non-food (except automotive fuel) sales declined by 6.6%.

---

## Economic Research Division

---

İzlem Erdem  
Chief Economist  
izlem.erdem@isbank.com.tr

H. Erhan Gül  
Asst. Manager  
erhan.gul@isbank.com.tr

Alper Gürler  
Unit Manager  
alper.gurler@isbank.com.tr

Ayşim Kalkan  
Asst. Economist  
aysim.kalkan@isbank.com.tr

---

Our reports are available on our website <https://research.isbank.com.tr>

### **LEGAL NOTICE**

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.

---