

	1-Mar	8-Mar	Change		1-Mar	8-Mar	Change
BIST-100 Index	103,267	101,538	-1.7 % ▼	EUR/USD	1.1374	1.1238	-1.2 % ▼
TRY 2 Year Benchmark Rate	18.89%	18.67%	-22 bp ▼	USD/TRY	5.3732	5.4260	1.0 % ▲
Turkey 5-Year CDS	309	332	23 bp ▲	EUR/TRY	6.1105	6.1153	0.1 % ▲
MSCI EM Equity Index	1,052	1,030	-2.0 % ▼	Gold (USD/ounce)	1,293	1,298	0.4 % ▲
US 10-Year Bond Rate	2.76%	2.63%	-13 bp ▼	Brent Oil (USD/barrel)	63.7	64.5	1.2 % ▲

bp: basis point

Last week, the risk appetite in global markets decreased as China's growth target was lowered while global and Euro Area growth forecasts were revised down by OECD and ECB, respectively. The non-farm payroll data came in well below the expectations, supporting concerns about the possibility of a slowdown in the US economy. On the domestic front, GDP data demonstrated that the economy contracted by 3% yoy in 2018 Q4. The current account in January posted a deficit of 813 million USD. For global markets this week, the US inflation data and the Brexit vote in the UK Parliament stand out. In Turkey, industrial output, budget balance and employment data will be monitored.

OECD cut its global growth forecasts.

OECD lowered its global growth forecast for 2019 from 3.5% to 3.3%, citing protectionist trade policies. OECD also revised down Turkey's growth forecast for 2019. Having projected in November 2018 that Turkey would shrink by 0.4%, the Organization has revised the contraction forecast to 1.8%. OECD estimated that Turkish economy would grow by 3.2% in 2020.

The ECB did not change interest rates.

The European Central Bank (ECB) did not change the interest rates in its meeting held last week and announced the timing of rate hikes might come up in 2020 at the earliest. ECB also launched a new two-year TLTRO-III (Targeted Long-Term Refinancing Operation) program, starting in September 2019 and ending in March 2021. ECB also revised down its economic growth and inflation estimations for 2019 and 2020. Accordingly, 2019 growth forecast was cut from 1.7% to 1.1%, while the 2020 estimate was reduced from 1.7% to 1.6%. The ECB's inflation forecasts for 2019 and 2020 are 1.2% and 1.5%, respectively. Following the ECB's decision, the euro depreciated against other major currencies and declined to a 21-month low against the dollar.

Chinese economy shows signs of a further slowdown.

Speaking at the opening of the Chinese National People's Congress, Prime Minister Li Keqiang announced that the government reduced its growth target in 2019 to the range of 6-6.5%, while they were in preparations for a tax reduction plan of about 2 trillion yuan for Chinese companies. China's February exports declined by 20.7% yoy, the fastest fall since February 2016. In the same period, imports shrank by 5.2% yoy against an expectation of a 0.6% yoy drop. The foreign trade data also confirmed the slowdown in the Chinese economy.

Turkish economy contracted in the fourth quarter.

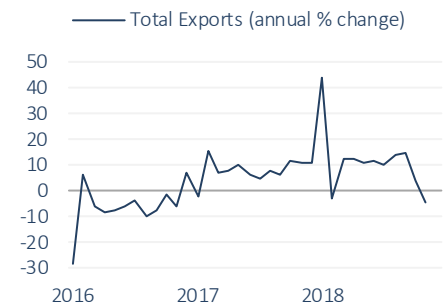
Turkish economy contracted higher-than-expected by 3% in the last quarter of 2018 compared to the same period of the previous year. This was mainly driven by the contraction in consumption and investment expenditures. Accordingly, in 2018, GDP grew at a lower rate than its long-term performance by 2.6%. Turkish economy which contracted by 2.4% in Q4 qoq according to seasonally and calendar adjusted figures, entered a technical recession ([Our Economic Growth Report](#)).

Current account deficit was 813 million USD in January.

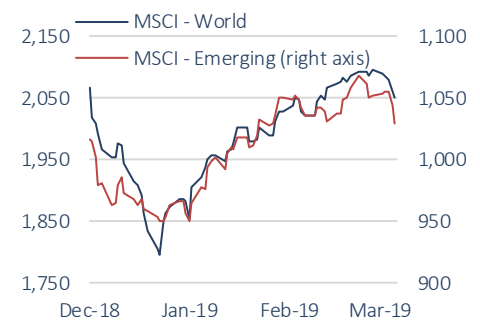
In the first month of 2019 current account deficit was realized 813 million USD in line with expectations. Thanks to the reduction in foreign trade deficit, the current account deficit narrowed by 88.4% yoy (6.2 billion USD). Gold and



China's Export Performance



Global Stock Markets



Source: Datastream

energy excluded current account posted a 2.9 billion USD surplus, in contrast to USD 1.5 billion deficit recorded in the same month of the previous year. Unlike the general trend observed in 2018, in the first month of 2019 portfolio investments recorded a robust inflow of 6.1 billion USD. In this period, non-residents' equity securities transactions recorded net purchases of USD 1.3 billion ([Our Balance of Payments Report](#))

US-Turkey trade developments were monitored.

US International Trade Commission stated that the removal of Turkey from the Generalized System of Preferences (GSP) is being considered, citing that Turkey is a developed economy. GSP provides access to the US market without being subjected to any tariffs. The statement revealed that potential exclusion would take place at least 60 days after the declarations to the US Congress and Turkish government.

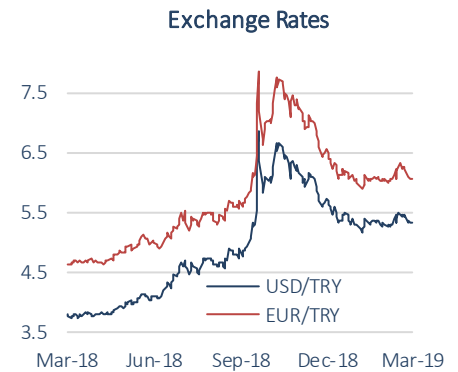
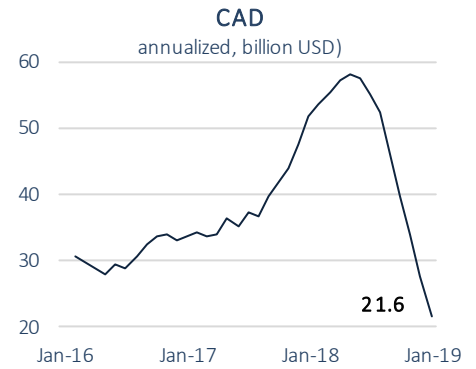
Financial markets remained under selling pressure.

While the US and European stock markets declined due to the increasing concerns about the global growth, the Shanghai stock market recorded the sharpest fall of 5 months. On the other hand, gold prices rose because of the decrease in global risk appetite. Despite the expectations of a slowdown in global growth, oil prices also increased.

The domestic markets also remained under sales pressure last week. In parallel with the decline in risk appetite and concerns about Turkey-US relations, BIST 100 index fell by 1.7%, and TL depreciated against the dollar. The compound interest rate of the 2-year benchmark bond, on the other hand, decreased by 22 basis points to 18.67.

This week's agenda...

This week, inflation data in US and Brexit vote stand out in global markets. January industrial production, February budget balance and December unemployment data will be on the focus of domestic markets.



Data Releases

		Period	Consensus	Prior
11 March	TR Current Account Balance	January	-813 million USD (A)	-1.4 billion USD
	TR GDP, yoy	2018 Q4	-3%(A)	1.6%
	US Retail Sales, monthly	January	0%	1.2%
12 March	US CPI, monthly	February	0.2%	0.0%
	13 March	Euro Area Industrial Production	January	0,9%
US Durable Goods Orders		January	-0.8%	1.2%
US PPI, monthly		February	0.2%	-0.1%
14 March	TR Industrial Production, yoy	2018 Q4	-	-9.8%
	US New Home Sales	January	-	621K
	China Industrial Production, yoy	February	5.5%	5.7%
15 March	TR Budget Balance	February	-	5.1 million TRY
	TR Unemployment Rate	December	-	12.3%

(A) Actual

Source: Datastream

Sectoral Developments

Electricity production from natural gas declined.

Energy Exchange Istanbul (EXIST) figures indicated that in the first two months of the year electricity production became 48 billion kWh. Thus, electricity production on a year over year basis did not change much. As for the sources of production, electricity creation from natural gas declined by 53%. Accordingly, share of natural gas in total production fell to 18.67%. This was driven by the rise in the share of hydroelectric plants in electricity production thanks to seasonal factors. Besides, share of wind power plants in total production rose to 8.45%.

Automotive market went on shrinking.

According to the Automotive Distributors' Association passenger car and light commercial vehicle market has shrunk by 47.1% yoy to 24,875 in February. Consequently, in the first two months of the year, contraction in the market has reached 52.2%. Special Consumption Tax reductions will be in effect until the end of March.

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