

	15-Mar	22-Mar	Change		15-Mar	22-Mar	Change
BIST-100 Index	103,304	99,835	-3.4 % ▼	EUR/USD	1.1325	1.1313	-0.1 % ▼
TRY 2 Year Benchmark Rate	18.73%	18.58%	-15 bp ▼	USD/TRY	5.4457	5.7617	5.8 % ▲
Turkey 5-Year CDS	314	396	82 bp ▲	EUR/TRY	6.1699	6.5179	5.6 % ▲
MSCI EM Equity Index	1,057	1,060	0.2 % ▲	Gold (USD/ounce)	1,301	1,313	0.9 % ▲
US 10-Year Bond Rate	2.59%	2.46%	-14 bp ▼	Brent Oil (USD/barrel)	66.4	66.9	0.7 % ▲

bp: basis point

Last week, global markets' focus turned towards Fed meeting, ongoing trade negotiations between US and China, and Brexit process. Although Fed's dovish stance supported the risk appetite, global risk perception deteriorated subsequently due to uncertainties about the future of the trade negotiations and the Brexit process. Data releases in Euro Area in the last day of the week confirming economic slowdown also affected global markets. In Turkey last week, where economic measures were on top of the headlines, financial markets experienced high volatility.

Global growth forecasts...

In its Global Economic Outlook report, Fitch did not anticipate a global recession despite acknowledging the deterioration in economic outlook. Fitch revised down its global growth forecasts for both 2019 and 2020, from 3.1% to 2.8% and from 2.9% to 2.8%, respectively.

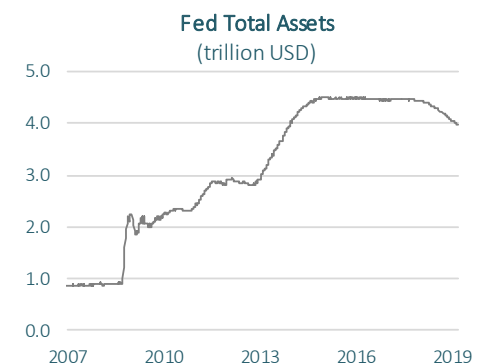
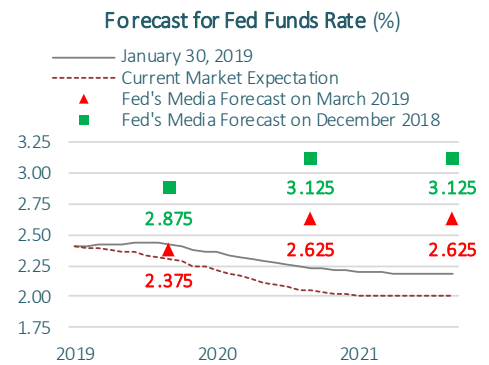
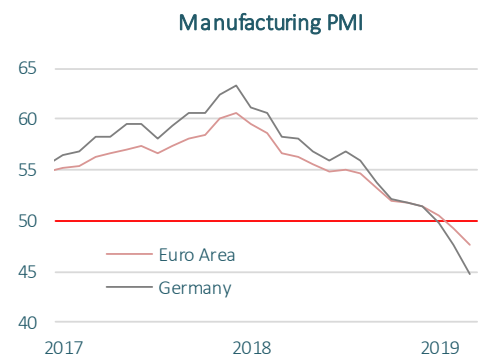
Manufacturing PMI in Euro Area came in below expectations at 47.6, the lowest level in six years. The largest economy of the region, Germany's manufacturing PMI became 44.7, signaling contraction in the sector for the third month in a row. These PMI prints intensified growth concerns both for the region and for the global economy.

Fed foresees no rate hikes in 2019.

At its meeting ended on March 20, Fed held the policy rate unchanged at 2.25-2.50%. In its statement released after the meeting, it is pointed out that labor market preserved its strength and economic activity has lost momentum in the last quarter of 2018. In addition, it was stated that consumption and investment expenditures slowed down in the first quarter of this year. Fed lowered growth projections to 2.1% for 2019 and to 1.9% for 2020. Fed also cut its annual PCE inflation forecasts for 2019 and 2020, to 1.8% and 2.0%, respectively. Median policy rate projections declined to 2.4% for 2019 and 2.6% for 2020, indicating that FOMC members project no rate hikes in 2019. On the balance sheet front, Fed announced that they will reduce the cap on monthly redemptions from the current level of 30 billion USD to 15 billion USD beginning in May, aiming a lower speed of normalization. Balance sheet unwinding process will end in September. Fed members' projections also added to the concerns over global growth.

Fears over trade wars...

The news that US senior executives will go to China next week for trade negotiations supported expectations that an agreement could be reached between the two countries. However, in addition to the postponement of March meeting between the US President Donald Trump and Chinese President Xi Jinping until at least the end of April, Trump's statement that additional customs duties will continue to be implemented to ensure that China remains committed to a possible trade agreement raised concerns again.



Source: Datastream

The uncertainties over the Brexit process continue to be effective.

Developments regarding the Brexit continue to be the main focus of global markets. While Prime Minister May has requested the EU to postpone the Brexit process to June 30th, the EU approved the postponement of the Brexit conditionally. According to the EU's decision, if the British Parliament approves the Brexit agreement this week, Britain's exit date will be delayed to 22 May; and if the Parliament fails to approve the deal, the EU has set a deadline of 12 April. In addition, it is added that the separation agreement reached between the UK and the EU in November 2018 will not be negotiated once again. Before the approval of the postponement, it was expected that Britain would leave the EU on March 29th.

The Bank of England emphasized the uncertainties over the Brexit.

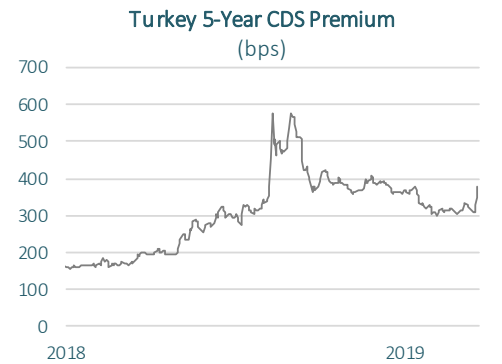
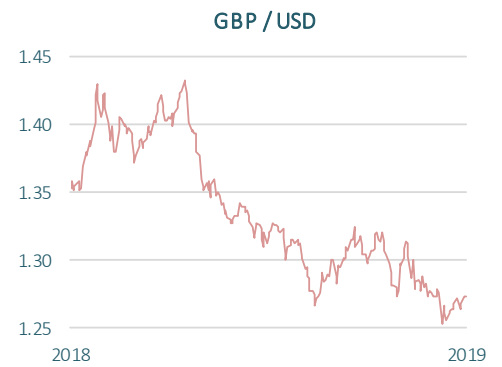
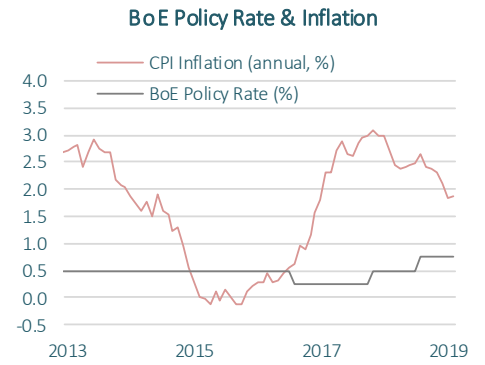
In its meeting last week, The Bank of England (BoE) left its policy rate unchanged at 0.75%. In the minutes of the meeting, it was stated that the Brexit process can cause the monetary policy to go in both directions, while the uncertainties about the Brexit put pressure on economic activity and investments in the short term.

Volatility has increased in domestic markets.

Domestic markets became volatile throughout the previous week. In the middle of the week the Turkish lira appreciated against the dollar and the euro after the Fed's "dovish" statements. On the last trading day of the week, due to the concerns about international relations and the downward pressure on the currencies of emerging countries, Turkish lira also depreciated. USD/TRY, which decreased to the 5.40 level after the Fed's statements, tested 5.85 on Friday and closed the week with a 5.8% decline. The CBRT decided to suspend the one-week repo auctions for a period of time and thus supported the Turkish lira. On the other hand, BIST-100 index decreased by 3.4% last week. Also, the 2-year benchmark bond yield rose by 15 bps to 18.58%, despite increasing by 30 bps on Friday. Moreover, the deterioration in risk perception has caused Turkey's 5-year CDS risk premium to increase to 396 basis points, the highest level since December 2018.

This week's agenda...

This week foreign trade data and the course of the domestic financial markets will be followed closely before the local elections on 31 March. On the other hand, developments regarding the Brexit are expected to be the focus of the global markets.



Data Releases

		Period	Consensus	Prior
25 March	TR Manufacturing Capacity Utilization Rate	March	74,3% (A)	74.0%
	TR Real Sector Confidence	March	102.1 (A)	97.2
26 March	Re-opening of 2-Year Fixed Coupon Treasury Bond	March	-	-
	Re-opening of 6-Year Floating Coupon Treasury Bond	March	-	-
	USA Housing Starts	February	1,2M units	1,23M units
	USA Consumer Confidence	March	132.5	131.4
27 March	Treasury Debt Redemption	March	9,808 million TRY	-
28 March	TR Economic Confidence	March	-	79.4
	USA GDP Growth, final	2018Q4	2.4%	2.6%
29 March	TR Foreign Trade Balance	February	-	-2.5 billion USD
	UK GDP Growth, final	2018Q4	1.3%	1.3%

(A) Actual

Source: Datastream

Sectoral Developments

In January, house prices fell by 13.6% in real terms.

House price data for January 2019 confirmed the ongoing weak outlook in the housing market. Hedonic price index increased by 4.0% in January compared to the same month of the previous year, while house prices in real terms fell by 13.6%. Looking at the developments in three major cities in this period; it was observed that housing prices in real terms decreased by 17.7% in Istanbul, 15.9% in Ankara and 12.3% in Izmir.

Automotive and white goods sales continue to contract.

According to the data released by the Automotive Manufacturers Association (OSD), automotive production decreased by 15.5% year-on-year to 119,473 units in February. In the same period, domestic passenger car market shrank by 46.5%. Automotive exports also declined by 12.6% to 106,084 in this period. In January-February period, automotive production decreased by 13.7% compared to the same period of the previous year, while automotive exports decreased by 7.5% in terms of units.

In February, domestic sales of white goods contracted by 14.4% compared to the same month of the previous year, while the contraction in January-February was 13.9%. In this period, exports of white goods decreased by 0.8%, while decrease in production was realized as 4.6%.

Tax cuts have been extended.

With the decision published in the Official Gazette; SCT and VAT reduction on automotive, white goods and furniture goods which was put into effect at the end of October of 2018 and was planned to be ended on March 31st, has been extended until the end of June. Reduction for house sales and title deed fees will expire at the end of 2019.

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