

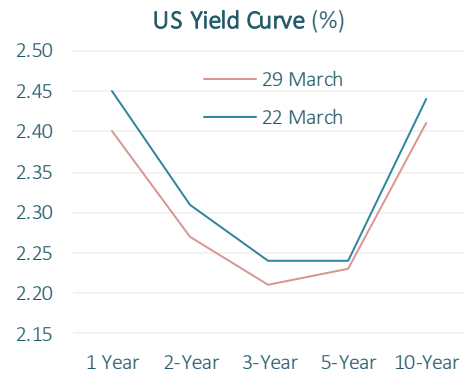
	22-Mar	29-Mar	Change		22-Mar	29-Mar	Change
BIST-100 Index	99,835	93,784	-6.1 % ▼	EUR/USD	1.1313	1.1217	-0.8 % ▼
TRY 2 Year Benchmark Rate	18.58%	21.19%	261 bp ▲	USD/TRY	5.7617	5.5405	-3.8 % ▼
Turkey 5-Year CDS	396	425	29 bp ▲	EUR/TRY	6.5179	6.2765	-3.7 % ▼
MSCI EM Equity Index	1,060	1,058	-0.1 % ▼	Gold (USD/ounce)	1,313	1,292	-1.6 % ▼
US 10-Year Bond Rate	2.46%	2.41%	-4 bp ▼	Brent Oil (USD/barrel)	66.9	68.4	2.2 % ▲

bp: basis point

Last week, growth concerns in the US and Euro Area remained in focus, while major central bank officials' statements were monitored. Brexit agreement was rejected for third time in the parliamentary vote on Friday. In the domestic markets, where local elections were watched closely, leading indicators in March pointed out a limited recovery, while weak course in the real economy continued. 12-month cumulative foreign trade deficit declined to 10-year low due to the slowdown in the economic activity. After a volatile week in the financial markets, Wednesday's inflation figures will be high on the agenda during this week.

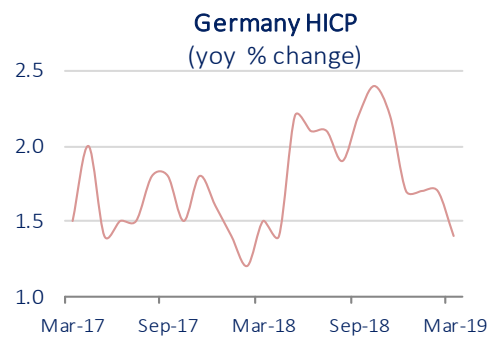
Growth concerns persist in the US.

Concerns about economic activity in the US continued to be on the agenda last week. Fed members' projection that interest rates will not be raised in 2019 increases the demand for Treasury bonds. Besides, the short-term interest rates remained higher than long term interest rates recently. This situation, which was observed before all recessions in the past 50 years in the US, kept the growth concerns alive together with the weak data releases. In February, housing starts recorded the sharpest decline in the last 8 months, while consumer confidence fell in March giving negative signals for domestic demand. The core personal consumption expenditures price index, which is considered as an indicator for inflation and closely monitored by the Fed, increased by 1.8% yoy in January, below the expectations. Also, GDP growth in the last quarter of 2018 is revised down to 2.2% from 2.4%. On the other hand, Fed officials stated that they would not be in a hurry to cut interest rates despite the downward pressures on global growth.



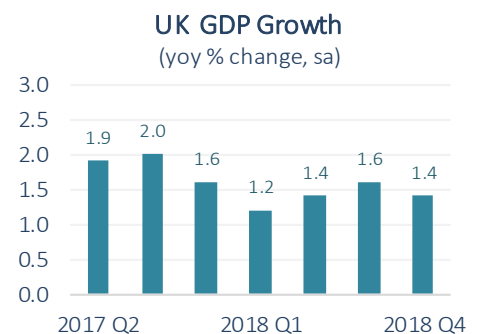
Economic confidence remains weak in the Euro Area.

Economic sentiment index in the Euro Area decreased to 105.5 in March, the lowest level since October 2016. While expectations in the industrial sector were deteriorating, consumer confidence slightly improved albeit remaining weak. In Germany, the largest economy of the region, Ifo index announced above the expectations in March signaling an increase in business confidence, while the annual CPI inflation fell to 1.4%. ECB President Draghi stated that they do not see any risk of recession adding that interest rate hikes may be postponed further if needed.



Brexit deal was rejected once again.

After the rejection of 8 different Brexit options including a new referendum proposal, the parliament voted against the current agreement for third time on Friday. As the possibility of a "no-deal" Brexit has increased, the uncertainty over the process, which was postponed until 12 April with the decision of the EU leaders, has been raised. UK economy, which grew by 1.4% in the last quarter of 2018 yoy, is estimated to be significantly damaged by a no-deal Brexit.



Source: Datastream

Foreign trade deficit is at the 10-year low.

In Turkey, exports increased by 3.4% yoy to 13.6 billion USD, while imports declined by 16.9% to 15.7 billion USD. Foreign trade deficit fell by 63.1% to 2.1 billion USD compared to the same period of the previous year. Thus, 12-month foreign trade deficit was realized as 44.8 billion USD, the lowest level in last 10 years ([Our Foreign Trade Balance Report](#)).

Weakness in manufacturing industry continues.

Capacity utilization rate (CUR) in manufacturing industry decreased by 3.5 pp to 74.3% in March compared to the same month of the previous year. In this period, significant decreases in capacity utilization in investment and intermediate goods production gave weak signals for the coming period in the manufacturing industry. Seasonally adjusted CUR increased by 0.6 points compared to the previous month. On the other hand, in March, real sector confidence surpassed the threshold for the first time after 9 months, indicating a slight improvement. Besides, manufacturing PMI in March have been the highest since July 2018 with 47.2.

Volatile course in the domestic market

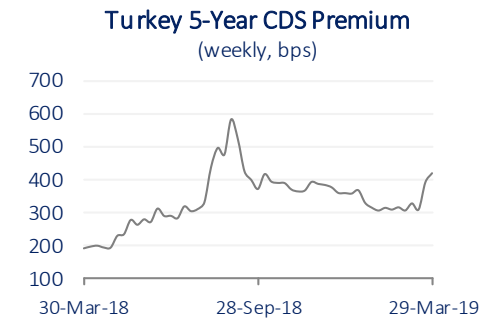
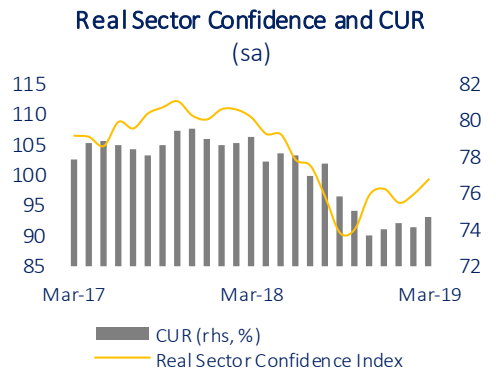
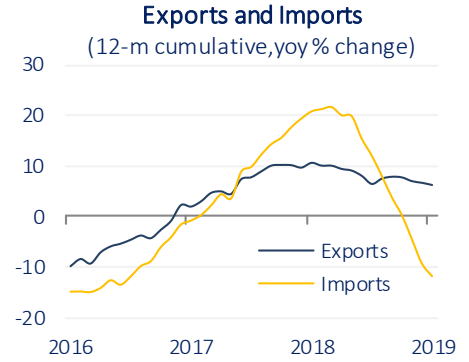
Domestic markets exhibited a volatile course in the last week. The steps taken by the CBRT in order to stabilize the volatility in the FX market led the Turkish lira to remain flat. On the other hand, the increase in TL liquidity need put the selling pressure on the both stock and bond markets. BIST-100 index decreased by 6% compared to the previous week, while the 2-year benchmark compound interest rate rose by 261 basis points on a weekly basis. Besides, Turkey's 5-year CDS risk premium reached 425 basis points.

Local election was followed closely.

Local elections in Turkey were held on Sunday. According to preliminary unofficial results the general participation rate was 84.5%.

This week's agenda...

This week, the PMI data on a global scale and US employment indicators were top of a busy global agenda. In domestic market, inflation data on Wednesday and the course of financial markets after the local elections will be closely monitored.



Data Releases

		Period	Consensus	Prior
1 April	TR ISO&Markit Manufacturing PMI	March	47.2(A)	46.4
	US ISM Manufacturing PMI	March	54.5	54.2
	US Retail Sales (less autos)	February	-0.4%(A)	0.9%
	Euro Area CPI, yoy (flash)	March	1.4%(A)	1.5%
	Euro Area Markit Manufacturing PMI	March	47.5(A)	47.6
	China Caixin Manufacturing PMI	March	50.8(A)	49.9
2 April	US Durable Goods Orders	February	-1.2%	0.3%
	3 April	TR CPI	March	0.40%
5 April	TR D-PPI	March	-	0.09%
	Treasury Debt Redemption (923 million TRY)	April	-	-
	US Non-Manufacturing PMI	March	58.7	59.7
	US Nonfarm Payrolls	March	175K	20K
	US Average Hourly Earnings	March	0.3%	0.4%
	US Unemployment Rate	March	3.8%	3.8%
	Germany Industrial Production	February	0.7%	-0.8%

(A) Actual

Source: Datastream

Sectoral Developments

Economic confidence index increased.

Economic confidence index rose by 3.1% mom to 81.9 in March. In this period, all sub-indices excluding retail trade have recovered. According to seasonally adjusted figures, sectoral confidence went up in March in the construction and services sectors while declining in retail trade. Since the beginning of this year, deterioration in the “business activity and sales expectation over the next 3 months” in retail trade was quite noticeable.

Instalment facility is back in the jewellery sector.

A new regulation has been put in place regarding the use of instalments for credit card shopping in the jewellery sector. Under the new regulation by BRSA, which had previously abolished the instalment facility in August 2018, the use of instalments up to 4 months has been allowed in ornament and jewellery sales only.

Number of foreigners visiting Turkey increased.

Culture and Tourism Ministry figures indicated that number of foreigners visiting Turkey increased by 9.4% yoy in February. In this period, the highest number of visitors came from Bulgaria, Germany and Georgia, respectively. Sector representatives expect a 20% rise in total visitors throughout 2019.

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