

	5-Apr	12-Apr	Change		5-Apr	12-Apr	Change
BIST-100 Index	98,783	95,977	-2.8 % ▼	EUR/USD	1.1214	1.1300	0.8 % ▲
TRY 2 Year Benchmark Rate	21.19%	22.21%	102 bp ▲	USD/TRY	5.6252	5.7683	2.5 % ▲
Turkey 5-Year CDS	388	449	61 bp ▲	EUR/TRY	6.3143	6.5201	3.3 % ▲
MSCI EM Equity Index	1,085	1,089	0.4 % ▲	Gold (USD/ounce)	1,291	1,290	-0.1 % ▼
US 10-Year Bond Rate	2.50%	2.56%	6 bp ▲	Brent Oil (USD/barrel)	70.5	71.6	1.5 % ▲

bp: basis point

IMF revised its growth forecasts downwards in the April update of the Global Economic Outlook Report, which was published last week. ECB decided to maintain its monetary policy in line with expectations and EU leaders agreed to delay Brexit until the end of October. In Turkey, structural transformation steps, planned to be taken within the scope of New Economy Program, were announced. Unemployment rate posted a rapid increase in January, as the current account deficit continued to decline in February. Last week, TRY assets remained under selling pressure.

Global economic agenda...

IMF published its April 2019 World Economic Outlook report last week. Pointing to the risks facing global economy, the Fund revised its global growth forecasts down. While this move upset markets, growing expectations that the US and China negotiations will reach to a conclusion as well as solid first quarter earnings by US companies and Brexit developments led to an increase in risk appetite.

Brexit has been postponed.

At the EU summit in Brussels, EU leaders decided to postpone Brexit until October 31. According to the statement released after the summit, if the UK remains an EU member on May 23- 26 and does not approve the Brexit agreement by May 22, it will have to participate in European Parliament elections as the EU law suggests. Brexit will take place on June 1, 2019 if the UK does not fulfill this obligation.

ECB kept its monetary policy unchanged.

ECB did not change its current policy stance in line with the expectations, at its meeting held on April 10. The Central Bank also maintained its forward guidance that interest rates will remain unchanged throughout 2019. After the meeting, ECB President Mario Draghi stated that the data released since last month showed that economic growth has further slowed down and the downside risks to the economy persisted. Indeed, according to the data released on Friday, industrial production in Euro Area continued to contract on an annual basis in February despite a slower-than-expected decline on a monthly basis.

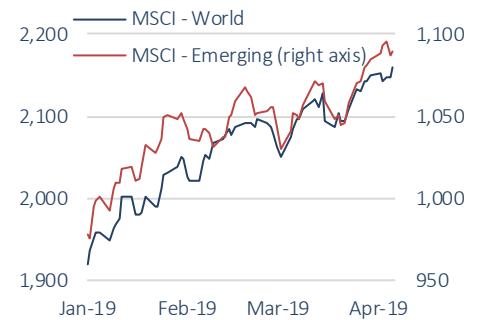
Fed members do not expect a recession in US.

According to the March meeting minutes released last week, Fed members do not foresee a recession for the US economy over the next few years. According to the minutes, the members stated that the policy interest rate forecasts may change in both directions depending on the new economic data announcements.

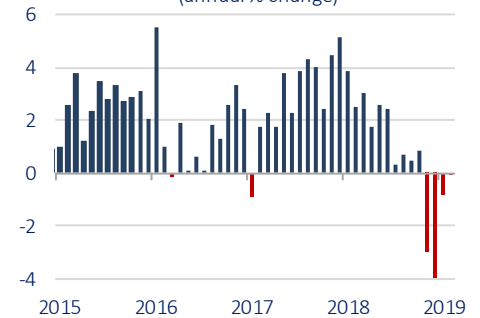
Oil prices are rising.

The supply cuts by OPEC countries, US sanctions against Iran and Venezuela, and increasing civil war worries in Libya led the upward trend in oil prices to continue last week. On the other hand, news regarding a possible ending of the supply cuts in June by OPEC and the partner countries because of the increase

Global Stock Markets



Euro Area Industrial Production
(annual % change)



Brent Crude Oil
(USD/barrel)



Source: IMF, Datastream

in oil prices and the decrease in stocks, have limited the rise in oil prices. So, last week Brent oil price rose by 1.5% w/w to 71.6 USD/barrel.

The structural transformation steps were announced.

Treasury and Finance Minister Berat Albayrak announced the structural transformation steps planned under the New Economy Program. In line with the key objectives of sustainable growth and employment, these steps are focused on the financial sector, inflation and budget areas. The structural steps of the program are; strengthening the capital structures of banks and increasing the asset quality of the sector, directing the loans to the strategically important industries such as energy, mining, petrochemical, pharmaceutical, tourism, automotive and IT sectors, combating inflation with steps to reduce volatility in food prices with "National Unity in Agriculture Project" (the details of the project will be announced in May), maintaining the tight fiscal policy and performing a tax reform.

Contraction in current account deficit continued.

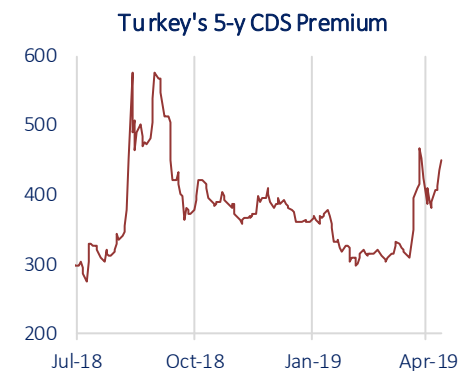
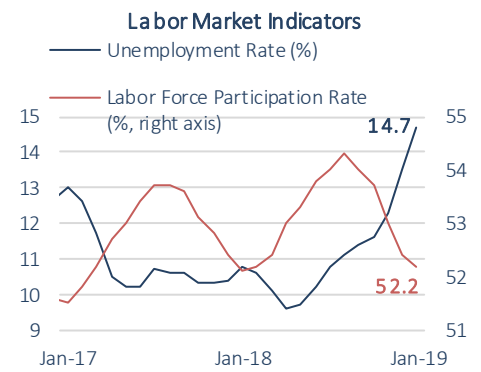
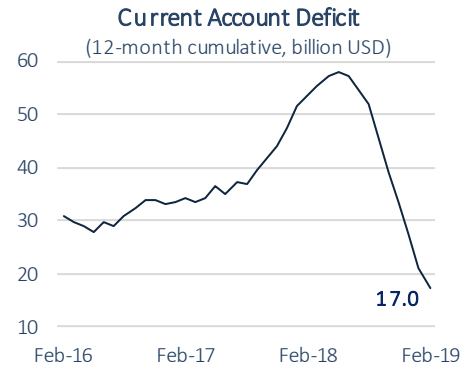
In February, current account deficit decreased by 84% yoy to 718 million USD, while 12-month current account deficit decreased to 17 billion USD, the lowest level in the last 9 years. Portfolio investments were strong in February due to eurobond issues abroad. 12-month cumulative inflows recorded under net errors and omissions item surpassed 12-month cumulative current account deficit for the first time since 2002 ([Our Balance of Payments report](#)).

Unemployment rate is 14.7%.

According to the data released by TURKSTAT, unemployment rate in January 2019 increased by 3.9 points yoy to 14.7%, the highest level since 2009. Total employment decreased by 872K people compared to January 2018. In this period, rapid decline in construction and agricultural employment is noteworthy.

Sell-off pressure in domestic markets...

Uncertainties regarding the Turkey-US relations and the local election results negatively affected Turkey's 5-year CDS; therefore, TRY denominated assets lost value. TRY depreciated against the dollar and euro also with the effect of CBRT's decision to restart funding the market through one-week repo auctions. USD/TRY and EUR/TRY climbed to their highest levels for the last 6 months. Compound interest rate of 2-year benchmark bond rose to 22.21%. BIST-100 index declined by 2.8% compared to the previous week.



Data Releases

		Period	Consensus	Prior
15-Apr	TR Unemployment Rate	January	14.7% (A)	13.5%
	TR Budget Balance	March	-24.5 billion TRY (A)	-16.8 billion TRY
16-Apr	TR Industrial Production, yoy	February	-	-7.3%
	US Industrial Production, mom	March	0.3%	0.1%
	US Capacity Utilization	March	79.1%	78.2%
17-Apr	US Foreign Trade	February	-53.7 billion USD	-51.1 billion USD
	EA HICP, final, yoy	March	1.4%	1.5%
	UK CPI, yoy	March	2.0%	1.9%
18-Apr	US Retail Sales, mom	March	0.7%	-0.2%
	UK Retail Sales, mom	March	-0.3%	0.4%
19-Apr	CBRT Survey of Expectations	April	-	-
	US Housing Starts	March	1,230 thousand units	1,162 thousand units

(A): Actual

Source: Datastream

Sectoral Developments

Automotive production kept contracting.

According to the figures published by Automotive Manufacturers Association; in March, automotive production decreased by 17.1% yoy to 132,189 units and automobile production shrank by 17.4% yoy to 87,348 units. In January-March period, total production loss of the sector was realized as 15%, while the decline in automobile production was 16% yoy. Export figures reveal that the loss of momentum in Euro Area affected the industry negatively. In the first quarter, automotive and automobile exports posted annual decreases of 7% and 11%, respectively.

According to the data announced by Heavy Commercial Vehicles Association (TAID), in the first quarter of 2019, heavy commercial vehicle market also contracted by 63% yoy. TAID President İlhami Eksin stated that unless extraordinary developments take place, the market will gradually recover starting from the second half of the year.

In February, shopping center retail sales index increased by 18.1% yoy.

In February, shopping center retail sales index announced by Council of Shopping Centers picked up by 18.1% yoy and remained below annual CPI inflation, which was 19.7%. The index decreased by 7.1% compared to January.

Raw milk price settled as 2 TRY/lit.

National Dairy Council announced the recommended price for chilled raw milk as 2 TRY/lit, starting from 1st May 2019. Recommended price of raw milk was lastly set as 1.7 TRY/lit at the end of July 2018.

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