

	12-Apr	19-Apr	Change		12-Apr	19-Apr	Change
BIST-100 Index	95,977	96,861	0.9 % ▲	EUR/USD	1.1300	1.1246	-0.5 % ▼
TRY 2 Year Benchmark Rate	22.21%	20.90%	-131 bp ▼	USD/TRY	5.7683	5.8102	0.7 % ▲
Turkey 5-Year CDS	449	432*	-17 bp ▼	EUR/TRY	6.5201	6.5339	0.2 % ▲
MSCI EM Equity Index	1,089	1,093	0.3 % ▲	Gold (USD/ounce)	1,290	1,275*	-1.2 % ▼
US 10-Year Bond Rate	2.56%	2.57%*	1 bp ▲	Brent Oil (USD/barrel)	71.6	70.9*	-0.9 % ▼

bp: basis point

\*: As of 18 April 2019

The data releases in the US last week displayed a positive outlook for the US economy. Manufacturing PMI for April was below the expectations in the Euro Area, confirming the concerns about economic activity in the region. China, the world's second largest economy, grew above expectations by 6.4% in the first quarter of the year. In Turkey, annual decline in industrial production lost momentum in February while the budget continued to show a weak performance in March. Turkish lira depreciated last week due to the news on the CBRT's FX reserves. A calm data agenda will be followed throughout the week. Domestic markets will focus on the CBRT's monetary policy meeting on Thursday.

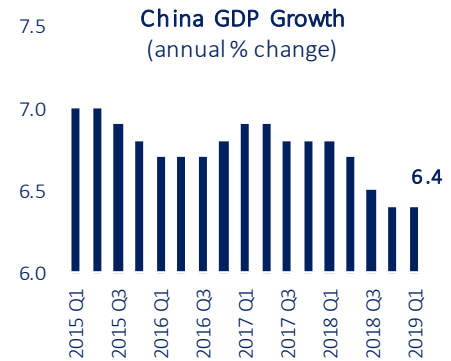
### Busy data agenda in US...

Foreign trade deficit in the US was realized at 49.4 billion USD in February, the lowest in the last 8 months. The decline of imports from China, as a result of the Trump administration's policies, was influential in this development. The export data of the country presented a positive outlook and supported the expectations that net exports will contribute to growth positively in the first quarter. On the other hand, in March, retail sales recorded the highest increase on a monthly basis since September 2017 with 1.6%, easing the concerns that economic activity has slowed in the first quarter of the year. Preliminary manufacturing PMI showed no change in April compared to March, remaining at 52.4.



### Chinese economy grew above expectations.

Chinese economy expanded above expectations with 6.4% in the first quarter of 2019. The economy, which had grown at the same rate in the last quarter of 2018, was expected to continue to lose momentum. In March, industrial production increased far above the expectations by 8.5%, the fastest rise since July 2014, while retail sales increased by 8.7%.

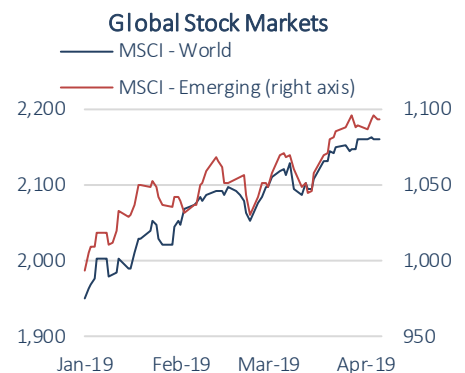


### Manufacturing PMI came in below expectations in Euro Area.

In Euro Area, PMI data could not meet the expectations in April. According to the preliminary figures, manufacturing PMI was realized at 47.9 which is below 50, signaling the contraction in the sector continued, while services PMI has decreased to 52.5 in the same month. Following the weak data releases in the Euro Area, euro has depreciated against USD on Thursday.

### Global markets and oil prices...

Global stock markets performed well overall last week. Despite lower than expected balance sheet announcements in the US, global stock markets remained strong throughout the week due to robust economic data releases in US and China. Fall of crude oil exports in Saudi Arabia and decrease in crude oil inventories in US for the first time in 5 weeks put upward pressure on oil prices. In addition, developments regarding the exemptions US granted to countries importing oil from Iran will be followed closely.



Source: IMF, Datastream

### Industrial production in Turkey declined yoy in February.

According to calendar adjusted data, industrial production index contracted for the 6th consecutive month in February with 5.1%. In this period, while production decreased in 16 out of 24 sub-sectors of the manufacturing industry, activity in automotive, steel and non-metallic minerals sectors remained weak. Furthermore, rapid decline in machinery and equipment and intermediate goods production deteriorated expectations for the coming period. On the other hand, seasonal and calendar adjusted index continued to increase on a monthly basis, suggesting a relative recovery in the economy.

### Central government budget deficit was 24.5 billion TRY in March.

Central government budget deficit increased by 21.0% yoy to 24.5 billion TRY in March. During this period, budget expenditures and budget revenues expanded by 15.2% and 12.8%, respectively. Tax revenues, playing a key role in the weak performance of the budget revenues, declined by 0.4% yoy in March. Central government budget deficit expanded by 77.1% yoy in the first quarter of this year. ([Our Budget Balance Report](#)).

### Market participants expect inflation rate to be 16.2% by the end of 2019.

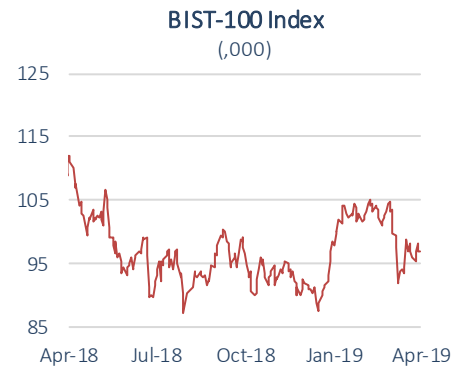
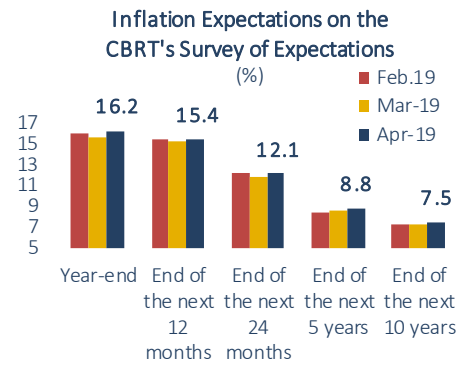
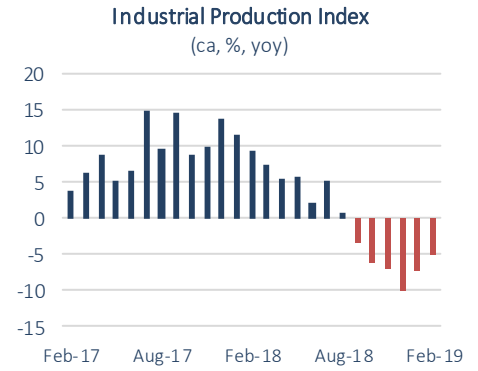
According to the CBRT's April Survey of Expectations, CPI inflation expectation of the markets for the end of the year rose from 15.64% to 16.23%. In this period, the growth forecast for 2019 fell from 1.2% to 0.6%, while the current account deficit expectation decreased from 21.4 billion USD to 17.6 billion USD. For the end of the year 2019, USD/TL expectation revised from 6.06 to 6.20. The results of the survey pointed out that the market is not expecting any interest rate hike at the CBRT meeting that will take place this week.

### Domestic markets...

Domestic markets followed a mixed course last week. In mid-week, USD/TL declined due to the increasing optimism about the relations with the US and the expectations that the uncertainty about the elections will disappear. However, in the following days, news regarding the CBRT reserves put downward pressure on the Turkish lira. Against this backdrop, USD/TL rose by 0.7% to 5,8102. On the other hand, the BIST-100 index rose by 0.9%, while the 2-year benchmark bond's interest rate fell by 131 basis points to 20.9%.

### This week's agenda...

This week global markets will follow US' first quarter GDP growth data. In domestic markets, CBRT meeting on Thursday will be monitored closely. Markets expect no change to the interest rates.



### Data Releases

		Period	Consensus	Prior
22-Apr	TR Consumer Confidence Index	April	63.5 (A)	59.4
23-Apr	US New Home Sales	March	645k	667k
24-Apr	TR Manufacturing Industry Capacity Utilization Rate	April	-	74.3%
	TR Real Sector Manufacturing Confidence	April	-	102.1
25-Apr	CBRT Interest Rate Decision	April	24%	24%
	US Durable Good Orders	March	0.8%	-1.6%
26-Apr	US GDP, (preliminary)	2019 Q1	2%	2.2%

## Sectoral Developments

### House sales declined in March.

In Turkey, house sales fell by 5.3% in March compared to the same period of the last year. During this period, mortgage sales dropped by 30.6% yoy, while other sales increased by 5.3%. The decline in mortgage sales which had been very strong since August 2018 decelerated in March. Despite having relatively small share in total, sales to foreigners remained strong during this period.

CBRT's Residential Property Price Index which measures quality adjusted price changes in Turkey increased by 1% in February mom. On an annual basis, the index increased by 3.8% in nominal terms and decreased by 13.3% in real terms.

### Ship and yacht exports rose by 50% in the first quarter.

Turkish Ship Yacht and Marine Services Exporters' Association Chairman Cem Seven told that sector's exports increased by 50% in the first quarter of 2019 yoy and reached 268 million USD. Mr. Seven also stated that half of the exports were made to Norway and annual export target of the sector in 2019 is 1.3 billion USD.

### Crude steel production declined in March.

Turkey's crude steel production declined by 11.7% to 2.99 million ton in March compared to the same month of the previous year. Crude steel production increased by 13.3% on a monthly basis. Production of electric arc furnace plants contracted by 16.6% on annual basis, while production of integrated mills decreased by 0.5%.

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