

	19-Apr	26-Apr	Change		19-Apr	26-Apr	Change
BIST-100 Index	96,861	94,783	-2.1 % ▼	EUR/USD	1.1246	1.1148	-0.9 % ▼
TRY 2 Year Benchmark Rate	20.90%	20.92%	2 bp ▲	USD/TRY	5.8102	5.9372	2.2 % ▲
Turkey 5-Year CDS	432*	458	26 bp ▲	EUR/TRY	6.5339	6.6178	1.3 % ▲
MSCI EM Equity Index	1,093	1,078	-1.3 % ▼	Gold (USD/ounce)	1,271*	1,286	0.9 % ▲
US 10-Year Bond Rate	2.56%*	2.50%	-6 bp ▼	Brent Oil (USD/barrel)	70.9*	71.3	0.6 % ▲

bp: basis point
(*) As of 18 April 2019

As data releases in the US last week displayed a positive outlook regarding the US economy, the DXY index rose to a 2-year high. On the other hand, recent data on Euro Area and Asian economies indicated a loss of momentum. Oil prices have climbed to 6-month high due to the US announcement to end sanctions waivers on countries importing oil from Iran by May. On the domestic front, leading indicators posted a moderate recovery in April, while markets came under additional pressure following the CBRT meeting. This week, a heavy data agenda will be followed both in domestic and foreign markets.

US economy grew by 3.2% in the first quarter.

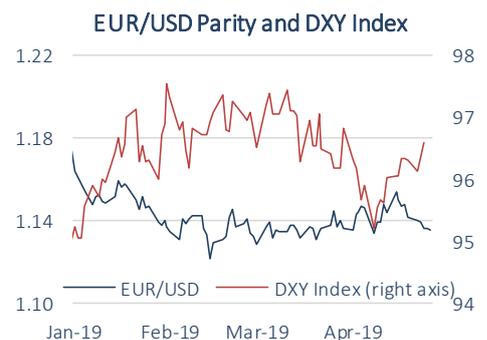
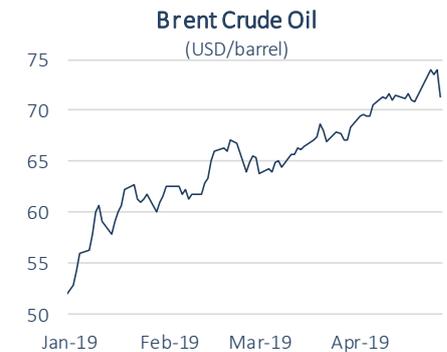
In the first quarter of the year, US economy expanded by 3.2% on an annualized basis. The improvement in net exports and sharp rise in inventories was the main driver of this development. On the other hand, increase in consumer spending slowed down during this period. While durable goods orders surpassed the expectations by rising 2.7% in March, new home sales climbed to 16-month high in the same period. Although weekly jobless claims posted the fastest weekly increase of more than 1.5 years and became 230,000, the downward trend in 4-week moving average has persisted, indicating that labor market maintained its strong course. The data releases last week alleviated concerns that US growth has been weakening. The DXY index, which shows the value of the US dollar against other major currencies, rose to a 2-year high due to the strong data flow as well as depreciation in euro.

Oil prices...

Oil prices recorded a rapid increase last week after the US announcement regarding the end of the waivers from Iran oil sanctions, including the one granted to Turkey, when they expire in May. Thus, the price of Brent crude oil surged to 74 USD/barrel, the highest level in the last 6 months. However, the rise in oil prices was curbed by the following news flow during the week. Oil producer Arab countries have announced that they will fill Iran supply gap if there is sufficient demand while crude oil inventories in the US have reached the highest level since October 2017. Trump's call for OPEC to cut oil prices has also limited the upward momentum in oil prices.

Ongoing concerns over the global economic activity...

Despite the strong data flow in the US, weak data on the Euro Area and Asian economies fed concerns about global growth. A lower-than-expected Ifo index in Germany showed that confidence for the upcoming period remained weak in the largest economy of the Euro Area. Following this data, EUR/USD parity declined to as low as 1.1110. The contraction of the South Korean economy in the first quarter despite the positive growth expectations and the decline in March industrial production in Japan suggested that "trade wars" have a negative impact on Asian economies.



Source: Datastream

Holding the policy rate intact, CBRT modified its policy statement.

In the Monetary Policy Committee meeting held on April 25, CBRT left the policy rate unchanged at 24% in line with the expectations. The Central Bank pointed out that the rebalancing in the economy has been ongoing and the current account balance will continue to improve. In statement published after the meeting, the expression that “further monetary tightening would be delivered if needed” was removed while the expression that “the monetary stance will be determined to keep inflation at levels consistent with the targeted path” was added.

Moderate recovery in leading indicators...

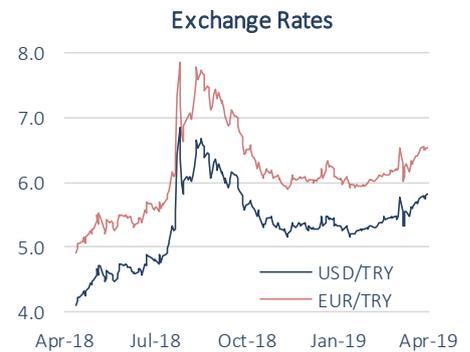
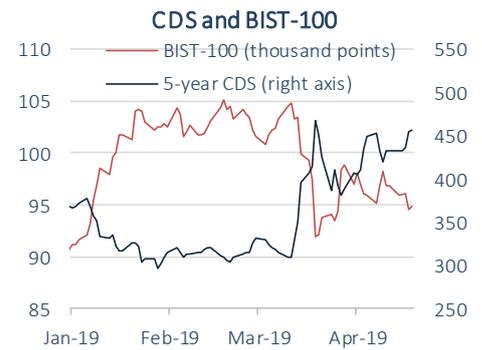
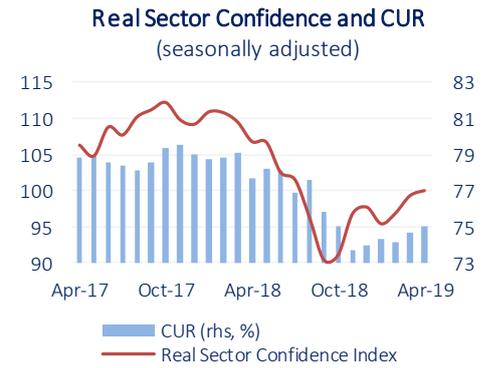
Having followed a weak course recently, leading indicators showed signs of moderate recovery in April. The seasonally adjusted capacity utilization rate rose by 0.3 point to 75% in April. In this period, real sector confidence index increased by 0.7 point to 100. Also, seasonally adjusted consumer confidence index surged up by 6.9% to 63.5 in the same period.

Weakness in domestic markets...

The ongoing uncertainties over the US-Turkey relations and local elections in Istanbul were influential on domestic markets. Domestic markets remained under selling pressure as the change that CBRT made in its statement was interpreted as a softening of the tight monetary policy tone on Thursday. On a weekly basis, Turkey's 5-year CDS spread increased by 26 bps to 458 bps. In addition to that the appreciation of the USD in global markets led the USD/TRY to test 5.9786 on Thursday. USD/TRY closed the week at 5.9372 while BIST-100 index decreased by 2.1% wov.

This week's agenda...

The market focus this week will be on Wednesday's FOMC meeting. PMI data for the major economies, US non-farm payroll data and 1st quarter GDP growth in the Euro Area will also be followed. In Turkey, April manufacturing PMI and inflation figures will be announced. The Inflation Report that will be published by the CBRT on April 30 will be closely monitored.



Data Releases

		Period	Consensus	Prior
29-Apr	US Core PCE, yoy	March	1.7%	1.8%
	TR Economic Confidence Index	April	84.7 (A) ▲	81.9
30-Apr	Euro Area GDP, flash preliminary, qoq	Q1 2019	0.3%	0.2%
	Euro Area Unemployment	March	7.8%	7.8%
	TR Foreign Trade Balance	March	-	-2.1 billion USD
	CBRT Inflation Report	April	-	-
1-May	US ISM Manufacturing PMI	April	55.0	55.3
	FOMC Meeting	May	-	-
2-May	Euro Area Manufacturing PMI, final	April	47.8	47.8
	BoE Meeting	May	-	-
	TR Manufacturing PMI	April	-	47.2
3-May	US Non-farm Payrolls	April	180k	196k
	Euro Area HICP, flash, yoy	April	1.6%	1.4%
	TR CPI, mom	April	-	1.03%

(A) Actual

Source: Datastream, CBRT

Sectoral Developments

Construction costs went up by 27.2% yoy in February.

Despite the slowdown in construction activities recently, the cost increases in the sector remained high. According to the data of TURKSTAT, construction cost index surged up by 0.9% mom and by 27.2% yoy in February. In this period, material index drove the construction costs up, rising by 27.5% yoy. Construction costs for buildings and non-buildings increased by 27.4% and 26.5%, respectively, compared to the same month of the previous year.

White goods sales declined slightly.

According to figures of White Goods Manufacturers' Association of Turkey (TURKBESD), the decline in white goods sales continued in March albeit with some loss of momentum. During this period, domestic sales of white goods posted a slight decline of 1% yoy, while the annual contraction in exports was 6%. In January-March period, domestic white goods sales decreased by 7% yoy to 1.4 million units, while exports fell by 3% yoy to 4.2 million units. White goods production which increased by 2% yoy in March, declined by 3% in January-March period.

Sectoral confidence indices displayed a mixed outlook in April.

The seasonally adjusted sectoral confidence indices showed a mixed outlook in April. Confidence index for the services sector, which plays an important role in economic growth, rose by 1.9% mom in April. On the other hand, retail trade and construction sector confidence indices declined slightly. Sub-indices of retail sales and construction sectors painted an adverse picture regarding the current period whereas expectations over the next 3 months boosted confidence in these sectors.

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