

	17-May	24-May	Change		17-May	24-May	Change
BIST-100 Index	86,796	86,072	-0.8 % ▼	EUR/USD	1.1156	1.1202	0.4 % ▲
TRY 2 Year Benchmark Rate	26.10%	25.74%	-36 bp ▼	USD/TRY	6.0540	6.0815	0.5 % ▲
Turkey 5-Year CDS	485	517	31 bp ▲	EUR/TRY	6.7535	6.8127	0.9 % ▲
MSCI EM Equity Index	996	987	-1.0 % ▼	Gold (USD/ounce)	1,277	1,285	0.6 % ▲
US 10-Year Bond Rate	2.39%	2.33%	-6 bp ▼	Brent Oil (USD/barrel)	73.6	68.9	-6.5 % ▼

bp: basis point

Trade war developments and political news flow in Europe have been at the forefront of the global markets agenda last week. The OECD revised down its global growth forecast for 2019 in its “Economic Outlook” report. Parallel to this revision, PMI data on major economies stirred concerns about the slowdown of global economic activity. In Turkey, leading indicators displayed a mixed outlook. Local markets monitored the financing package “IVME” that was announced by the Minister of Treasury and Finance Berat Albayrak.

### Trade war developments continued to drive the markets.

The ongoing trade war between the US and China continued to lead the global markets last week. At the beginning of the week, news that Chinese telecom equipment manufacturer Huawei would be blocked from using some US firms’ software has put downward pressure on equities. The US Commerce Department’s announcement that they will loosen some of these restrictions for the next 90 days has only slightly alleviated the worries. Over the past week, global stock indices fell due to trade war fears. Oil prices also declined sharply as demand concerns have grown.

### Signs of slowdown in global economic activity...

In its “Economic Outlook” report, OECD revised the global growth forecast for 2019, pointing to the widespread deceleration of economic activity. Last week, weak output survey data in the leading economies heightened the worries over a further global growth slowdown. The flash figure for US manufacturing PMI fell to its lowest level since September 2009 with 50.6 in May. The lower-than-expected manufacturing PMI figure of 47.7 in Euro Area showed that the contraction in industrial production continued in May.

### Busy political agenda in Europe...

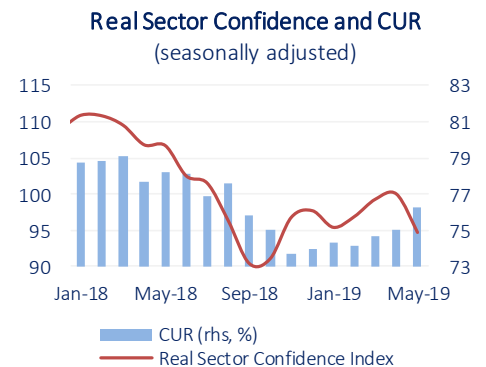
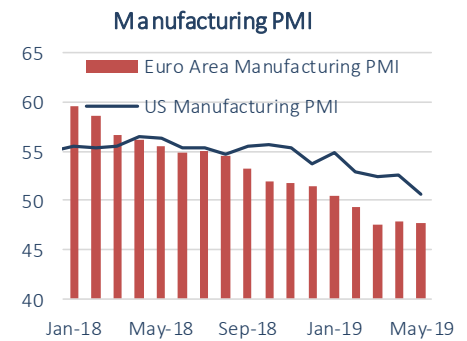
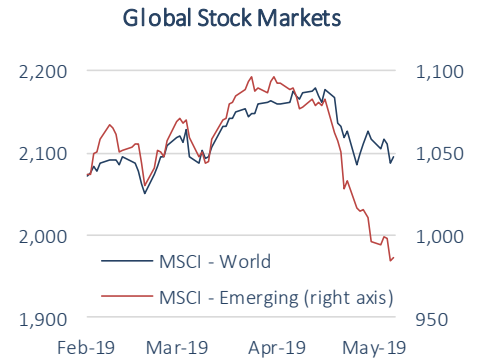
According to early results of the European Parliament elections held between 23-26 May, centrist parties have lost some power, while the number of seats in the parliament occupied by liberals, greens and far-right parties has increased. In the UK, the Brexit Party won most of the votes. This strong support for the Brexit Party and the resignation of the UK Prime Minister Theresa May increase the chance of a no-deal Brexit.

### Fed minutes signaled that patient stance will last.

In the minutes of the meeting ended on May 1, the Fed stated that patient monetary policy stance should be maintained, pointing out that the recent fall in inflation was only temporary.

### Leading indicators in the country displayed a mixed outlook.

The seasonally adjusted real sector confidence index decreased by 5.3 points mom to 94.7 in May. The decline was spread across the sub-items, particularly assessment about the general business situation and the total amount of orders for the past three months were significantly deteriorated.



Source: OECD, Datastream

On the other hand, the seasonally adjusted capacity utilization rate increased by 1.1 points to 76.1% in the same period. Having increased for third months in a row, the index reached the highest level since August 2018.

#### Consumer confidence dropped to its lowest level since 2004.

Consumer Confidence Index declined by 13% mom to 55.3 in May, falling to its lowest level since the data was first published in 2004. It was noteworthy that the deterioration was broad-based among all the sub-items. Regarding the next 12 months, the expectations for general economic situation, financial situation, the number of people unemployed and the probability of saving recorded double-digit falls and the drop in the probability of saving index exceeded 20%.

#### A new finance package announced in domestic markets.

Treasury and Finance Minister Berat Albayrak announced a new finance package "IVME". Within the scope of the package, 30 billion TRY would be provided by the three state banks to the sectors including raw material and intermediate goods, machinery and agriculture. Product-oriented approach was adopted in the package, while the main target of the package is to increase competitiveness of the said products in the international markets.

#### Domestic markets...

On Tuesday, CBRT restarted to fund market via weekly repo auctions after having suspended it for a while. Thus, as CBRT withdrew additional tightening of 150 basis points, the average cost of funding would gradually diminish to 24%. USD/TRY, having an upward trend following the CBRT's decision, reached 6.1510 last week also due to the appreciation of the USD on a global scale. USD/TRY closed the week at 6.0815, falling slightly on Friday. BIST-100 index decreased by 0.8% on a weekly basis, while the yield of 2-year benchmark bond dropped by 36 basis points to 25.74%.

#### This week's agenda...

This week, the first quarter GDP growth and PCE inflation for the US will be watched. Developments regarding trade wars will also be on the focus of global markets. In Turkey, foreign trade figures for April and GDP growth for the first quarter will be announced. According to the quarter-over-quarter figures, Turkish economy, which had contracted in the second half of 2018, is expected to emerge from recession, posting a positive growth number.

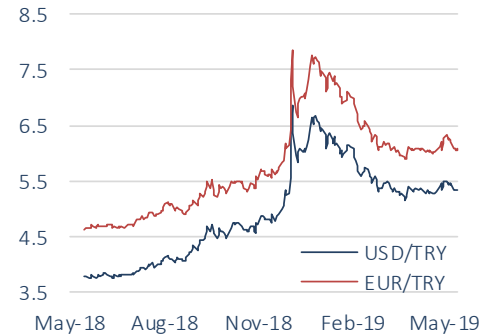
Consumer Confidence Index



BIST-100 Index  
(,000)



Exchange Rates



#### Data Releases

		Period	Consensus	Prior
28-May	US Consumer Confidence Index	May	130.0	129.2
	Euro Area Economic Sentiment	May	104.0	104.0
	TR Economic Confidence Index	May	-	84.7
30-May	US GDP, 2nd estimate	Q1	3.1%	3.2%
	US Pending Home Sales, monthly change	April	0.5%	3.8%
31-May	US Core PCE, annual change	April	1.6%	1.6%
	TR GDP, annual change	Q1	-2.5%	-3.0%
	TR Foreign Trade Balance	April	-	-2.1 billion USD
	CBRT Financial Stability Report	May	-	-

Source: Datastream, Turkstat

## Sectoral Developments

### Construction costs went up by 27% yoy in March.

Despite the slowdown in construction activities recently, the cost increases in the sector remained high. According to the data released by TURKSTAT, construction cost index surged up by 1.5% mom and by 27% yoy in March. In this period, material index drove the construction costs up, rising by 27.2% yoy. Construction costs for buildings and non-buildings surged by 27% compared to the same month of the previous year.

### White goods sales kept declining.

Even though SCT cuts were extended until end of June 2019, white goods market continued to contract. According to figures released by White Goods Manufacturers' Association of Turkey, domestic white goods sales declined by 12% compared to the same period of the previous year in April. In January-April period, domestic white goods sales fell by 8% on annual basis. During this period, exports and production in the sector decreased by 1% and 2%, respectively.

### Turkey lowered tariffs on some US imports....

After US halved its tariffs on Turkish steel and aluminum, Turkey cut additional tariffs on certain US goods which levied on August 15, 2018. In this context, tariffs were reduced to 60% for passenger cars, 70% for alcoholic beverages and 30% for leaf tobacco, beauty and makeup products.

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## Economic Research Division

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İzlem Erdem  
Chief Economist  
izlem.erdem@isbank.com.tr

Hatice Erkiletliođlu  
Asst. Manager  
hatice.erkiletlioglu@isbank.com.tr

Alper Grler  
Unit Manager  
alper.gurler@isbank.com.tr

Ayşim Kalkan  
Asst. Economist  
aysim.kalkan@isbank.com.tr

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