

	21-Jun	28-Jun	Change		21-Jun	28-Jun	Change
BIST-100 Index	94,022	96,485	2.6 % ▲	EUR/USD	1.1366	1.1368	0.0 % ▲
TRY 2 Year Benchmark Rate	19.92%	19.68%	-24 bp ▼	USD/TRY	5.8204	5.7873	-0.6 % ▼
Turkey 5-Year CDS	444	397	-47 bp ▼	EUR/TRY	6.6163	6.5857	-0.5 % ▼
MSCI EM Equity Index	1,053	1,055	0.2 % ▲	Gold (USD/ounce)	1,399	1,409	0.7 % ▲
US 10-Year Bond Rate	2.07%	2.00%	-7 bp ▼	Brent Oil (USD/barrel)	65.9	67.3	2.1 % ▲

bp: basis point

Last week, US relations with Iran and China, US President Trump's and Fed officials' statements and the G20 summit were high on global market's agenda. Trump's signing of an executive order imposing new sanctions on Iran, his statements that additional tariffs may be imposed on Chinese imports, and his pressure on Fed to cut the policy rate were influential on the course of the markets. After the renewal of the election in Istanbul, the mitigated political uncertainties affected the domestic markets positively.

G20 summit was followed.

Last week, global markets focused on G20 summit in Osaka, which ended on Saturday. Following China's President Xi and US President Trump's meeting, it was announced that trade talks would restart and US would not impose new tariffs on Chinese imports. In the press conference on Turkey-US relations, Trump mentioned that Turkey was not treated fairly over its decision to buy S-400 missile defense system. The statements made after both meetings had a positive impact on market sentiment. Besides, Russia has agreed with Saudi Arabia to extend oil output cut for at least six months.

US-Iran relations also stood out in global markets.

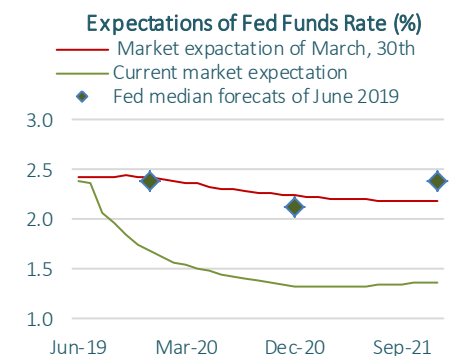
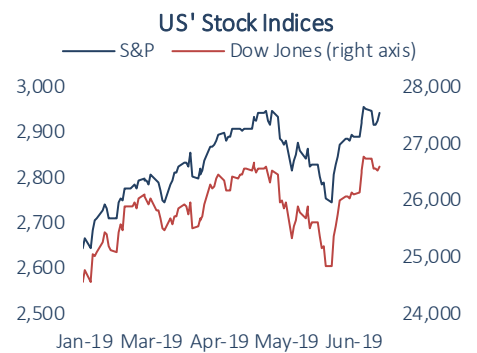
Trump signed an executive order imposing new sanctions on Iran in response to the downing of US drone. Geopolitical concerns in global markets grew with the sanctions targeting Iran's religious leader and high-level officials.

Trump pressures Fed for a rate cut.

Trump reiterated his criticism of Fed President Jerome Powell last week, calling on the Fed to lower interest rates. Fed President Powell, on the other hand, stressed Fed's independence from political pressures. Pointing to the uncertainty created by the Trump administration's trade policy, Powell said that they will consider whether weak inflation will require an interest rate cut this year or not. Stating that inflation remained below the 2% target in 2019, Powell suggested that the fall in inflation might be more persistent than expected as it has been mirrored in Fed members' growing expectations for interest rate cuts. Data released in the US last week supported the views that economic activity in the country has lost momentum. While US equity markets declined on a weekly basis, the US dollar lost some value against the major currencies.

Oil and gold...

Increasing tensions between the US and Iran, as well as strengthening expectations that OPEC will continue the production cuts, put upward



Source: Fed, Datastream

pressure on oil prices last week. Although the weakening global oil demand due to the trade war limited the supply-side concerns, the barrel price of Brent crude oil closed the week with a 2.1% increase. Gold prices hit the highest level in 6 years reaching 1,438 USD/ounce at the beginning of the week due to the strengthening of Fed's interest rate cut expectations in addition to the trade war and increasing geopolitical tensions. However, gold prices declined to 1,409 USD/ounce after the Fed officials' statements that have eased expectations for interest rate cuts.

Turkey's manufacturing PMI is at 11-month high.

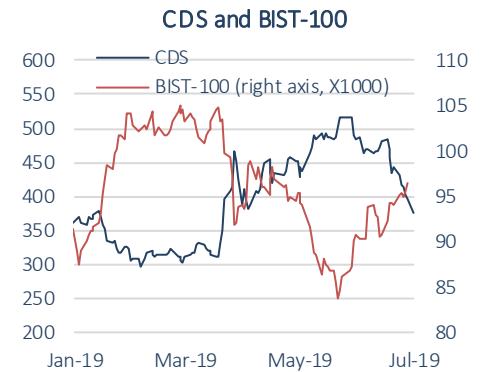
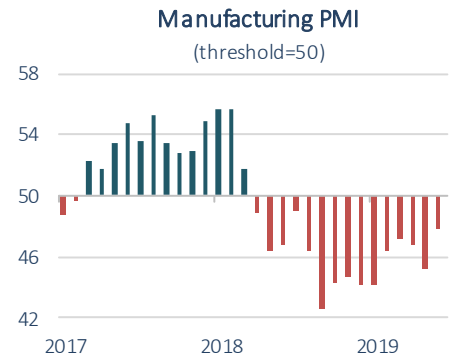
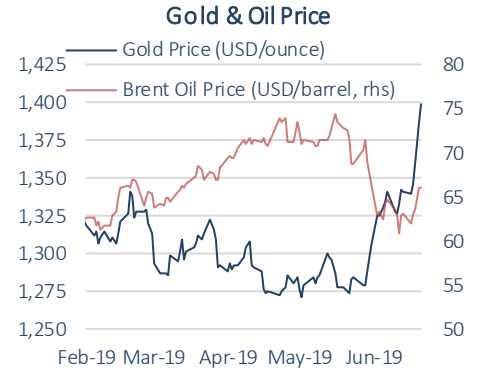
In June, domestic manufacturing PMI rose to 47.9, the highest level since July 2018. However, PMI, remaining under 50 threshold, pointed out that the slowdown in the sector has been continuing for 15 months. At the end of second quarter, contraction in production and employment sub-indices was lower than the first quarter. The increase in input costs and final product prices slowed down in June, while export orders increased for the first time in the last 4 months.

Domestic markets...

Last week, despite the selling pressure on the global markets, the domestic markets decoupled positively from other emerging markets due to disappearance of election uncertainty. Uncertainties regarding the relations between Turkey and the US, on the other hand, limited the recovery in the markets. BIST-100 index closed the week with a 3% increase. USD/TL and 5-year CDS premiums fell to 5.97 and 397, respectively. Following the G20 summit held at the weekend, domestic markets made a positive start to the new week.

New week's agenda...

A heavy data agenda will be followed this week. Global PMI data and US non-farm payrolls on Friday will be on the focus of investors. On domestic side, inflation data on Wednesday and developments regarding Turkey-US relations will be monitored.



Data Releases

		Period	Consensus	Prior
July 1	TR Manufacturing PMI	June	47.9 (A)	45.3
	EA Manufacturing PMI, final	June	47.6 (A)	47.7
	EA Unemployment Rate	May	7.5% (A)	7.6%
	US Manufacturing PMI	June	50.1	50.5
July 2	EA PPI Inflation (annual)	May	1.6	2.6%
	July 3	TR CPI Inflation (monthly)	June	-
July 3	US Foreign Trade Balance	May	-53.5 billion USD	-50.8 billion USD
	US Factory Orders (mom)	May	-0.5%	-0.8%
	July 4	EA Retail Sales (mom)	May	0.4%
July 5	US Non-farm Payroll (thousand person)	June	160	75
	US Unemployment Rate	June	3.6%	3.6%
	US Average Earnings (mom)	June	0.3%	0.2%
	TR Treasury Cash Balance	June	-	-14.7 billion TRY

(A) Actual

Source: CBRT, Datastream, Turkstat

Sectoral Developments

Real sector confidence index and CUR rose in June.

According to seasonally adjusted figures, real sector confidence index increased by 4.9 points on monthly basis to 99.6 in June. While the recovery in expectations for fixed investment expenditures, current total orders and general course of business became more evident in this period, the decline in the total employment sub-index for the next 3 months was remarkable. The capacity utilization rate (CUR) in the manufacturing industry also recovered slightly in June. Seasonally adjusted CUR increased by 0.5 points to 76.6% compared to the previous month. While the recovery in CUR was broadbased, the increase in the capacity utilization rate for the production of investment goods came to the forefront.

Recovery in sectoral confidence indices...

Sectoral confidence indices, which followed a downward trend recently in line with the slowdown in economic activity, recovered slightly in June. According to seasonally adjusted data, services, retail trade and construction confidence indices rose by 7.5%, 3.7% and 1.3%, respectively in June. The increase in the construction sector was driven by the improvement total employment expectations for the next 3 months, while the deterioration in the assessments regarding the current overall order books limited the increase. In the retail trade sector, the business activity-sales index over the past three months rose by 12% on a monthly basis, which supported the gradual recovery of the sector in the second quarter.

White goods sales continued to shrink.

According to figures released by White Goods Manufacturers' Association of Turkey, domestic sales of four main categories of white goods; refrigerators, washing machines, dishwashers and ovens, decreased by 20% in May compared to the same month of the previous year. In the January-May period, domestic white goods sales declined by 12.2% yoy despite the SCT cut. Production of the sector increased by 8.1% year-on-year in May, but remained flat in the first five months of the year compared to the same period of the previous year.

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