

	19-Jul	26-Jul	Change		19-Jul	26-Jul	Change
BIST-100 Index	101,849	102,837	1.0 % ▲	EUR/USD	1.1220	1.1125	-0.8 % ▼
TRY 2 Year Benchmark Rate	17.68%	16.35%	-133 bp ▼	USD/TRY	5.6531	5.6708	0.3 % ▲
Turkey 5-Year CDS	371	352	-19 bp ▼	EUR/TRY	6.3450	6.3066	-0.6 % ▼
MSCI EM Equity Index	1,057	1,049	-0.8 % ▼	Gold (USD/ounce)	1,425	1,418	-0.5 % ▼
US 10-Year Bond Rate	2.05%	2.08%	3 bp ▲	Brent Oil (USD/barrel)	61.3	62.7	2.3 % ▲

bp: basis point

Last week, the weakening of the expectations for an aggressive rate cut from Fed and the ECB's expansionary signals for the coming period were effective in the course of global markets. While IMF lowered its global growth forecasts, new prime minister of the UK pledged to finalize the Brexit by October 31st. In Turkey, CBRT cut the policy interest rate by 425 bps to 19.75%. This week, Fed's meeting is on the agenda of the global markets. In Turkey, CBRT's Inflation Report and its presentation will be closely monitored.

Data releases in the US...

Data released last week in the US gave mixed signals regarding economic activity. In the second quarter of the year, GDP growth was realized at 2.1% ahead of the market expectation of 1.8%, while manufacturing PMI declined to 50 in July, the lowest level since September 2009. New home sales in the country increased by 7% in June compared to the previous month and reached 646 thousand units. Despite the rapid increase in new home sales, the downward revision of sales in the last three months kept the concerns alive regarding housing sector. Existing home sales also declined faster than expected. On the other hand, durable goods orders increased by 2% mom and exceeded expectations.

IMF lowered global growth forecast.

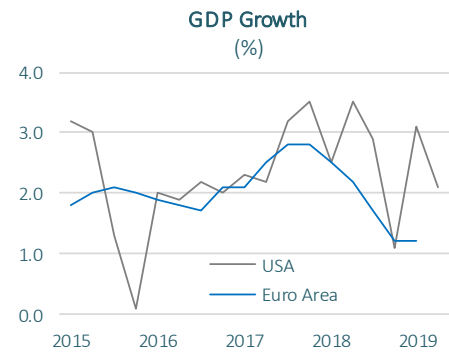
In World Economic Outlook Report, International Monetary Fund (IMF) cut its global growth forecast for 2019 and 2020 by 0.1 points to 3.2% and 3.5%, respectively. IMF also lowered its forecast for global trade volume growth. Having stated in its report that downside risks have increased, IMF indicated that the impact of escalation in US and China trade war and no-deal Brexit would decelerate global growth and risk appetite.

ECB signals for more monetary easing ahead.

At its meeting last week, ECB kept policy rate unchanged and signaled further easing in monetary policy in the coming period. While ECB's wording of keeping interest rates "at their present or lower levels" at least through the first half of 2020 was interpreted as a rate cut signal and the removal of 2% inflation target from the statement has strengthened expectations for rate cut. In the statement, it was indicated that options for further monetary easing were requested from relevant units. This expression was interpreted that the current monetary policy could be supported by not only rate cuts but also other expansionary measures such as an asset purchase program.

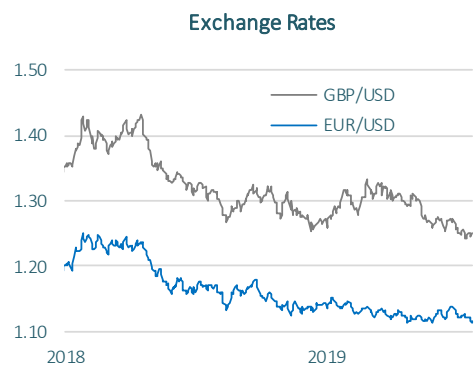
Britain's new Prime Minister indicated that the UK will leave the EU on October 31st.

Boris Johnson, who was elected as the new chairman of the ruling Conservative Party and became the UK prime minister, pledged that the Brexit process will be finalized on October 31st. Johnson's statement has been interpreted that Brexit will happen in any case. Rating agencies and analysts warn that a possible no-deal Brexit might adversely affect the competitiveness and access of UK economy to markets.



IMF Forecasts (July 2019)

	2019	2020
World Output	3.2 %	3.5 %
Difference from April Projections	-0.1	-0.1
USA	2.6 %	1.9 %
Difference from April Projections	0.3	0.0
Euro Area	1.3 %	1.6 %
Difference from April Projections	0.0	0.1
Emerging Markets	4.1 %	4.7 %
Difference from April Projections	-0.3	-0.1
China	6.2 %	6.0 %
Difference from April Projections	-0.1	-0.1
World Trade Volume	2.5 %	3.7 %
Difference from April Projections	-0.9	-0.2



Source: Datastream, IMF

CBRT cut the policy rate by 425 basis points.

CBRT cut the policy rate, one-week repo rate, from 24% to 19.75%. CBRT stated that “keeping the disinflation process in track with the targeted path requires the continuation of a cautious monetary stance. In this respect, the extent of the monetary tightness will be determined by considering the indicators of the underlying inflation trend to ensure the continuation of the disinflation process” in the press release of the MPC decision. In addition, it was noted that recently released data indicate a moderate recovery in the economic activity and the gradual recovery is likely to continue with the help of the disinflation trend and the partial improvement in financial conditions.

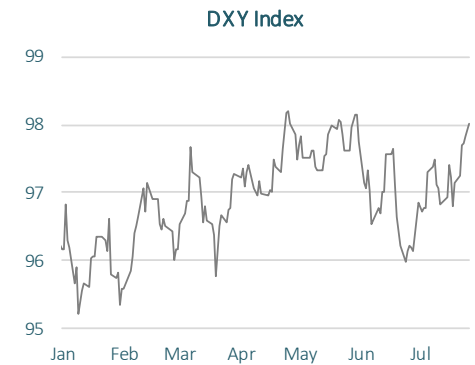
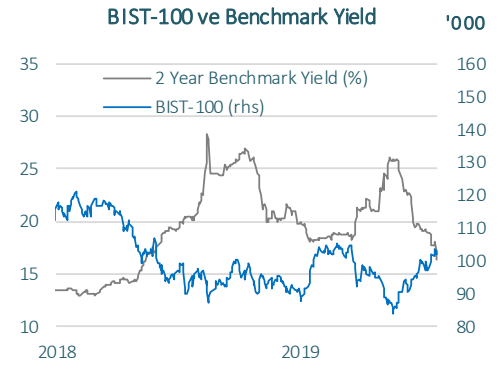
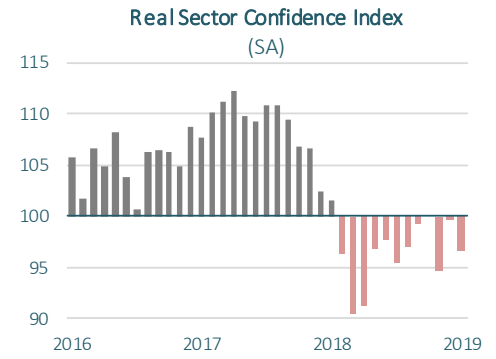
Leading indicators pointed out a slowdown in economic activity in July.

According to seasonally adjusted figures, real sector confidence index decreased by 3 points to 96.6 in July on a monthly basis and kept its recent volatile course. In the same period, seasonally adjusted capacity utilization rate dropped by 0.7 points to 75.9%. Also, consumer confidence index decreased by 1.1 points mom to 56.5 in July.

Financial markets...

DXY Index, which is used to measure the value of the dollar against developed countries' currencies, rose to the peak of two months due to the weakening of expectations for an aggressive Fed rate cut at the end of July. The euro fell to a 2-year low against the dollar, with the expectation that ECB will take additional expansionary measures in the monetary policy. Thus, the Turkish Lira appreciated against euro while it depreciated against the dollar. 2-year benchmark bond's interest rate decreased by 133 basis points on a weekly basis to 16.35% while Turkey's CDS dropped by 19 basis points to 352. The BIST-100 index rose %1 on a weekly basis.

This week, Fed's meeting will be closely monitored in global markets. In Turkey, the third Inflation Report of the year on July 31st will be on the top of the agenda.

**Data Releases**

		Period	Consensus	Prior
July 30	TR Economic Confidence Index	July	-	83.4
	USA Core PCE, yoy	June	1.7%	1.6%
	USA Consumer Confidence Index	July	125.0	121.5
	USA Pending Home Sales, mom	June	0.5%	1.1%
	Eurozone Economic Confidence Index	July	102.7	103.3
July 31	CBRT Inflation Report	2019-III	-	-
	TR Trade Balance	June	-	-1.8 billion USD
	Fed FOMC Meeting	July	-	-
	USA ADP Employment Report	July	150K	102K
	Eurozone GDP Growth	2019 Q2	1.0%	1.2%
August 01	Eurozone HCPI, yoy	July	1.1%	1.3%
	USA ISM Manufacturing Index	July	52.0	51.7
August 02	BoE Meeting	August	-	-
	USA Nonfarm Payrolls	June	165K	224K
	USA Average Hourly Earnings, mom	June	0.2%	0.2%
	USA Factory Orders, mom	June	0.8%	-0.7%
	USA Trade Balance	June	-54.7 billion USD	-55.5 billion USD
	Eurozone PPI, yoy	June	0.8%	1.6%
	Eurozone Retail Sales, yoy	June	1.3%	1.3%

Source: Datastream, CBRT, TURKSTAT

Sectoral Developments

Domestic sales of white goods decreased by 9.3% in the first half of the year.

Domestic sales of white goods contracted by 9.3% in January-June period. However, there was an increase of 3.9% on annual basis in June. Exports in the sector increased by 1.3% in the first half of the year, while total production remained flat. TURKBESD President Can Dinçer said in a meeting that pulled-forward demand because of tax incentives was effective in the increase in June. Having said that contraction might have been higher if there had been no tax incentive, Dinçer expressed that decline in domestic white goods market might be around 15% in 2019. Stressing that production cost increased around 50%, Dinçer said that the inability to reflect this increase to the domestic prices has negatively affected the industry.

Contraction in the European automotive market accelerated.

Automotive sales in Europe fell by 6.4% yoy in June, while contraction in the first six months of the year was 1.9% compared to the same period last year. According to data from the European Automobile Manufacturers Association, Turkey ranked tenth in the European market with 200,901 car sales in the first 6 months of the year.

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