

	16-Aug	23-Aug	Change		16-Aug	23-Aug	Change
BIST-100 Index	95,734	97,149	1.5 % ▲	EUR/USD	1.1089	1.1144	0.5 % ▲
TRY 2 Year Benchmark Rate	15.55%	16.25%	70 bp ▲	USD/TRY	5.5775	5.7589	3.3 % ▲
Turkey 5-Year CDS	410	418	7 bp ▲	EUR/TRY	6.1851	6.4160	3.7 % ▲
MSCI EM Equity Index	970	974	0.3 % ▲	Gold (USD/ounce)	1,514	1,526	0.8 % ▲
US 10-Year Bond Rate	1.54%	1.53%	-1 bp ▼	Brent Oil (USD/barrel)	59.1	59.0	-0.2 % ▼

bp: basis point

Fed President Powell's speech at Jackson Hole was on the markets' agenda last week. Increasing the uncertainties regarding the Fed's monetary policy, Powell did not give any clues about a possible interest rate cut. The reciprocal actions by the US and China triggered trade war tensions. Preliminary manufacturing PMI data in the US and the Euro Area raised the concerns over global economic activity, while consumer confidence in Turkey recovered slightly in August. CBRT decided to change the ratio of and the remuneration applied to required reserves.

Trade war tensions weigh on markets.

The US and China have both announced new tariffs. China announced additional tariffs on 75 billion USD worth of US goods including agricultural products, automotive and oil in response to the US previously stated decision to raise additional tariffs on Chinese products in September and December. After China's announcement, Trump stated that tariffs on 550 billion USD worth of Chinese products would be increased by 5%, raising tensions over trade.

Fed Chair Powell gave no clear hint on interest rates.

Speaking in Jackson Hole symposium on Friday, Fed Chair Powell cited that US economy is in a good state and Fed would act as appropriate to sustain the economic expansion. Highlighting the importance of considering trade war related risks and Fed's targets while utilizing monetary policy; Powell gave no clue about a future rate cut.

Global markets...

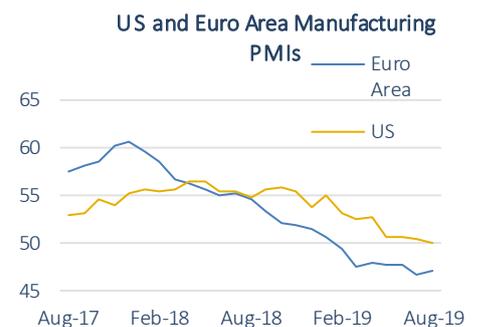
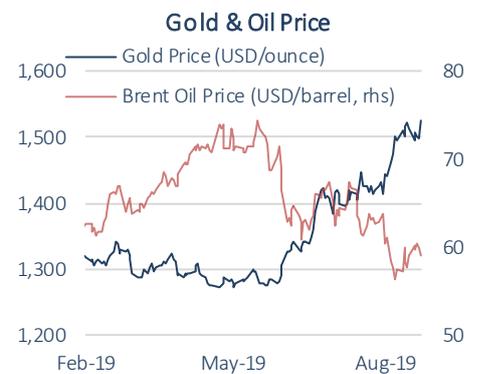
After following a positive course due to strong earnings, US stock markets closed lower on Friday due to escalating trade war. Risks over trade talks also put pressure on European stocks which rose based on ECB's meeting minutes pointing out a new monetary expansion. After having a volatile course, oil prices fell on rising risks regarding US-China trade war as well; closing at 59 USD per barrel on Friday. Remaining at 6-year highs, gold prices posted a slight increase last week.

Manufacturing PMIs in the US and Euro Area. ..

Preliminary readings of the manufacturing PMI in the US and Euro Area have heightened concerns over global economic activity. Manufacturing PMI in the US signalled a contraction for the first time since 2009 as it was realized below the 50 threshold at 49.9 in August. Euro Area PMI for manufacturing increased slightly compared to previous month but remained below the threshold.

Leading indicators in Turkey...

Seasonally adjusted real sector confidence index increased by 5.5 points to 102.1 in August compared to the previous month. The seasonally adjusted capacity utilization ratio also increased by 0.3 points to 76.2% in the same period. Consumer confidence index posted a slight recovery on a monthly



Source: Datastream

basis in August, albeit remained weak. In this period, seasonally adjusted consumer confidence index stood at 58.3, the average of the first seven months of the year. The average of the same period last year was 67.

The CBRT changed its reserve requirement policy.

The CBRT has decided to change the ratio of and the remuneration applied to required reserves. Accordingly, for banks whose loan growth is between 10% and 20%, the reserve requirement ratios for Turkish lira liabilities in all maturity brackets excluding deposits and participation funds with 1-year or longer maturity and other liabilities with longer than 3-year maturity will be set at 2%. Besides, the current remuneration rate of 13% applied to Turkish lira-denominated required reserves will be set at 15% for banks with a loan growth between 10% and 20% and at 5% to other banks. With this revision, approximately 5.4 billion TRY and 2.9 billion USD equivalent of gold and FX liquidity are expected to be provided to the market initially.

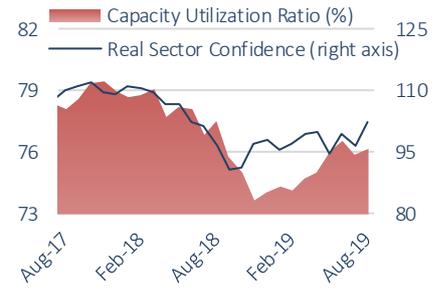
Domestic markets...

Last week domestic markets followed a mixed course. USD/TRY, which followed an upward trend during whole week, increased by 3.3% wov and reached 5.7589 on Friday. During this period, BIST-100 index was in positive territory, while the 2-year benchmark interest rate rose by 70 basis points to 16.25%.

This week's agenda...

This week, global markets will focus on developments regarding trade wars. In the US, growth in Q2 and durable goods orders will be monitored. In addition, inflation and unemployment data in the Euro Area will be followed.

Leading Indicators (seasonally adjusted)



Consumer Confidence



Exchange Rates



Data Releases

		Period	Consensus	Prior
August 26	TR Capacity Utilization Rate	August	76.6% (A)	76.2%
	TR Real Sector Confidence Index	August	102.5 (A)	98.3
	US Durable Good Orders	August	2.1% (A)	1.1%
August 27	US Housing Price Index, mom	June	-	0.1%
August 28	TR Economic Confidence Index	August	-	80.7
	US GDP, yoy	2.Quarter	2%	2.1%
August 29	TR Foreign Trade Balance	July	-	-3.2 billion USD
August 30	Euro Area CPI, yoy	August	1.1%	1.0%
	Euro Area Unemployment Rate	July	7.5%	7.5%

(A) Actual

Source: Datastream, Ministry of Treasury and Finance, Turkstat

Sectoral Developments

Housing data...

According to the Turkstat, housing sales in Turkey decreased by 17.5% yoy in July. Total house sales, which have been contracting since the beginning of 2019, decreased by 21% yoy in January-July period. The contraction in mortgaged sales was 57% in July, while the decrease in the first 7 months of the year was recorded as 59%.

According to the Residential Property Price Index published by the CBRT, in June housing prices increased by 1.72% in nominal terms and decreased by 12.1% in real terms compared to the same month of the previous year. It was observed that the index values decreased by 2.29% and 0.73% in Istanbul and Ankara, respectively, and increased by 0.3% in İzmir.

Retail sales volume declined by 1.2% yoy in June.

In Turkey, calendar adjusted retail sales volume decreased by 1.2% yoy in June in real terms. In this period, food, beverage and tobacco sales decreased by 0.7%, while non-food and automotive fuel sales decreased by 1% and by 2.3%, respectively.

Economic Research Division

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

H.Erhan Gül
Asst. Manager
erhan.gul@isbank.com.tr

Alper Gürler
Unit Manager
alper.gurler@isbank.com.tr

Batuhan Atman
Asst. Economist
batuhan.atman@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

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