

	4-Oct	11-Oct	Change		4-Oct	11-Oct	Change
BIST-100 Index	103,464	99,028	-4.3 % ▼	EUR/USD	1.0976	1.1040	0.6 % ▲
TRY 2 Year Benchmark Rate	13.58%	15.23%	165 bp ▲	USD/TRY	5.6952	5.8833	3.3 % ▲
Turkey 5-Year CDS	361	391	30 bp ▲	EUR/TRY	6.2521	6.4976	3.9 % ▲
MSCI EM Equity Index	997	1,012	1.5 % ▲	Gold (USD/ounce)	1,504	1,489	-1.0 % ▼
US 10-Year Bond Rate	1.51%	1.75%	24 bp ▲	Brent Oil (USD/barrel)	59.1	60.7	2.7 % ▲

bp: basis point

The trade negotiations between the US and China began last week, and a partial agreement was reached on Friday between the two countries. In the minutes of Fed and ECB meetings, the differences between the views regarding the future monetary policy were noteworthy. Oil prices ended the week with an increase after an oil tanker explosion in Iran. Geopolitical developments were influential in the course of the domestic markets, while macro data regarding August were closely monitored. In this period, the current account balance posted a surplus, while industrial production contracted by 3.6% compared to the same period of the previous year.

Trade war developments continued to be high on the agenda.

In the first face-to-face talks between US and China since July, both countries were represented at high level. Besides, partial agreement was announced on trade talks in Friday. The final agreement, which is expected to include a reduction of US custom duties against China and a pledge by China to buy more agricultural products from the US, might be signed by US President Trump and Chinese President Xi at a summit scheduled for next month.

Inflation data were followed in the US.

The CPI inflation, which was closely monitored to get a hint about the monetary policy to be implemented in the US, was realized below the expectations in September. CPI had a flat course compared to the previous month, while annual inflation was realized as 1.7%. Producer price index unexpectedly fell in September by 0.3%, recording the sharpest decline in the last 8 months.

Fed and ECB's meeting minutes were released.

According to the minutes of the Fed meeting on September 17-18, it was observed that all members were concerned about trade wars, slowing global growth and global risks such as Brexit. However, it was understood that the members had different opinions about the measures to be taken against these risks. This indicated the uncertainty about when interest rate cuts would end. On the other hand, the Fed, which completed its balance sheet reduction process in July, announced on Friday that it will begin to buy Treasury bonds worth 60 billion USD on a monthly basis starting from October 15. Fed officials have indicated that the decision is to support the reserves of the banking sector rather than expanding the balance sheet as some analysts suggested that it is a quantitative easing.

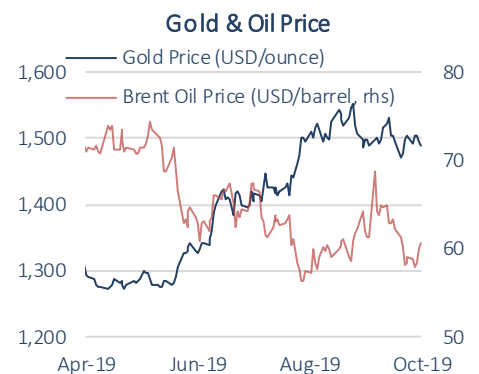
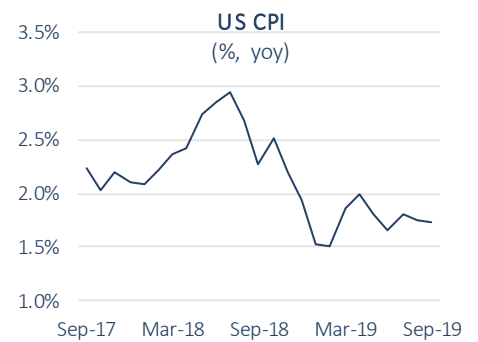
ECB minutes showed that members agreed on the need for additional stimulus, citing low growth and inflation. However, some members did not support restarting bond purchases.

Oil and gold prices...

Oil prices rose sharply after the news of an attack on an Iranian oil tanker, ending the week with an increase. Thus, Brent crude oil price increased by 2.7% to 60.7 USD/barrel. Meanwhile, gold prices decreased by 1% to 1,489 USD/ounce.

Current account surplus came in at 2.6 billion USD.

Current account balance has also posted a surplus in August. In this period, current account surplus increased by 27% compared to the same period of the previous year and came in at 2.6 billion USD. The course of the general merchandise trade and the rise in tourism revenues were behind this



Source: Datastream

development. 12-month cumulative current account balance which has been posting a surplus since June rose to a historically high level with a surplus of 5.1 billion USD in August. Excluding net energy trade, 12-month current account surplus reached to 41.2 billion USD, while current account surplus excluding gold trade increased to 10.7 billion USD. ([Our Balance of Payments Report](#))

Moody's reviewed the New Economic Program.

Moody's drew attention to the 5% growth forecast in the Turkey's New Economic Program and assessed that the economic incentives needed to achieve this target could create upward pressure on the current account deficit and inflation. Stating that the economy will grow stronger than expected this year with the support of financial incentives, Moody's predicted that GDP growth in 2019 will be 0.25%.

Contraction in the industrial production continued in August.

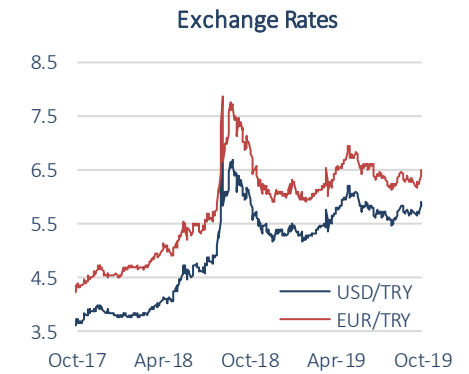
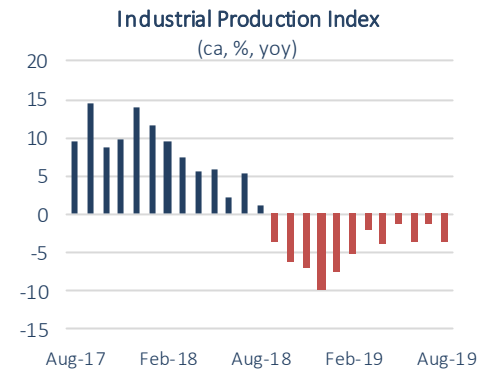
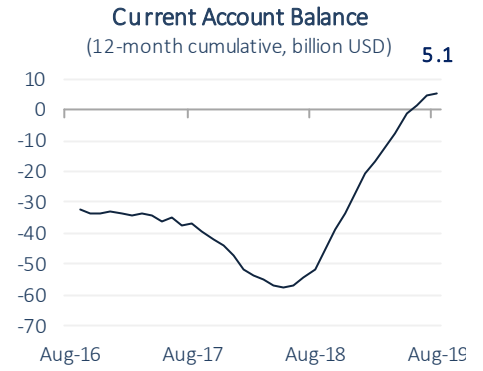
Calendar adjusted industrial production index decreased by 3.6% yoy in August, contracting for 12 consecutive months. During this period, it was noteworthy that fall in manufacturing industry has lost some momentum. The production in 18 of 24 sub-sectors of manufacturing industry decreased. While the production in automotive, basic metals and non-metallic mineral products continued to display a weak outlook during this period, the 46.6% increase in manufacture of computer, electronic and optical products stood out. Moreover, the annual fall in manufacture of machinery-equipment (8.6%) and intermediate goods (6.5%) had an adverse impact on production expectations for the upcoming period.

Domestic markets...

Increased geopolitical concerns due to the Turkey's military operation in Syria were influential on the course of the domestic markets last week. While USD/TRY rose by 3.3% to 5.8833, BIST-100 index fell under 100 thousand level, decreasing by 4.3% on a weekly basis. The compound interest rate of the 2-year benchmark bond surged up by 165 basis points to 15.23%.

This week's agenda...

Global markets will be following a busy data agenda this week. In the US, industrial production and retail sales figures for September will be at the forefront. In the Euro Area, September CPI and August industrial production are on the agenda. On the other hand, China's September inflation and third quarter growth data will also be followed in the global markets. In domestic markets, budget and unemployment figures will be monitored.



Data Releases

		Period	Consensus	Prior
14 October	TR Industrial Production, yoy	August	-3.6% (A)	-1.2%
	Euro Area Industrial Production, yoy	August	-2.8% (A)	-2%
15 October	TR Budget Balance	September	-	576 million TRY
	TR Unemployment Rate	July	-	13%
10 October	China CPI inflation, yoy	September	2.9%	2.8%
	China PPI inflation, yoy	September	-1.2%	-%0.8
16 October	US Retail Sales, mom	September	0.3%	0.4%
	Euro Area CPI inflation, yoy	September	0.9%	0.9%
17 October	US Housing Starts, mom	September	1.32 million units	1.64 million units
	US Industrial Production, mom	September	0.1%	0.6%
18 October	China GDP, quarterly	3. Quarter	1.5%	1.6%

(A) Actual

Source: Datastream

Sectoral Developments

The export unit value index declined in August.

According to the Turkstat, export unit value index decreased by 3.6% yoy in August. The index increased by 0.7% in food, beverages and tobacco and decreased by 5.9% in raw materials (excluding fuel), by 19.2% in fuels and by 4.2% in manufacturing (excluding food, beverage, tobacco).

Automotive Manufacturers' Association announced the production data for September.

According to data released by the Automotive Manufacturers' Association, automotive production increased by 2.5% yoy in September reaching 136,236 units. In the first nine months of the year, production decreased by 9.5% compared to the same period of 2018 and was realized as 1,057,384 units. Exports declined by 6% in units during this period. Automotive exports decreased by 4% in USD terms, while it increased by 2% in euro terms.

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