

	18-Oct	25-Oct	Change		18-Oct	25-Oct	Change
BIST-100 Index	98,415	100,216	1.8 % ▲	EUR/USD	1.1169	1.1078	-0.8 % ▼
TRY 2 Year Benchmark Rate	14.29%	13.02%	-127 bp ▼	USD/TRY	5.7909	5.7738	-0.3 % ▼
Turkey 5-Year CDS	374	338	-36 bp ▼	EUR/TRY	6.4687	6.3905	-1.2 % ▼
MSCI EM Equity Index	1,024	1,036	1.2 % ▲	Gold (USD/ounce)	1,490	1,504	1.0 % ▲
US 10-Year Bond Rate	1.75%	1.80%	5 bp ▲	Brent Oil (USD/barrel)	59.8	62.2	4.1 % ▲

bp: basis point

Last week, ECB did not change interest rates in line with expectations, and signaled that it will continue its expansionary policies. Data released in the US depicted a mixed outlook regarding the economy, while Euro Area PMI data demonstrated that activity in the Area remained weak. Developments regarding the trade war were optimistic, while EU accepted UK's request for Brexit to be delayed. In Turkey, geopolitical developments and CBRT's rate cut decision, which exceeded the market expectations, were the focus. Also, leading indicators for October indicated a recovery in production and consumption. This week, FOMC meeting of the Fed and employment data in US will be followed in global markets. In Turkey, foreign trade statistics and the last Inflation Report of the year will be closely monitored.

### Data releases in US and Euro Area...

Last week, flash PMI data for October in the US and Euro Area were monitored. While manufacturing PMI rose to 51.5 in US, services PMI came in line with expectations at 51. On the other hand, durable goods orders contracted more than expected in September, giving a negative signal regarding the activity in manufacturing. In the Euro Area, manufacturing PMI data remained below the threshold of 50 at 45.7, while data releases in Germany, the region's largest economy, confirmed the weak course in economic activity.

### ECB signaled to continue monetary easing policy.

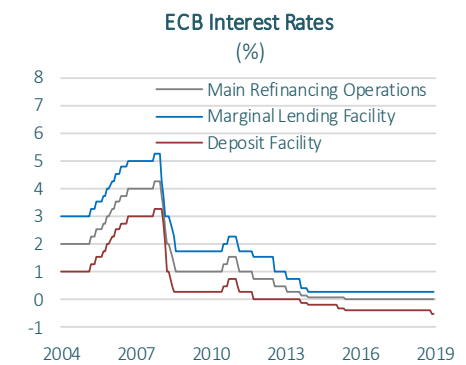
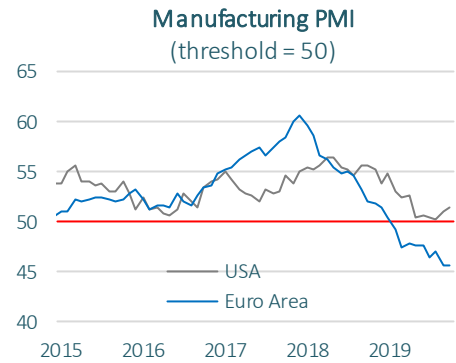
The European Central Bank (ECB), which cut the interest rate on the deposit facility at its previous meeting, left interest rates unchanged in October, in line with market expectations. Thus, policy rate, interest rates on marginal lending facility, and the deposit facility remained at 0%, 0.25%, and -0.5%, respectively. In the statement released after the meeting, it is pointed out that interest rates are expected to remain at present or lower levels until it has seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2%. Also, it is stated that a series of monetary easing measures, including asset purchase program announced at the September meeting, will run for as long as necessary. ECB President Draghi, indicating the downside risks to the economic outlook, said that expansionary monetary policy should be supported by fiscal policies.

### Latest developments regarding Brexit...

The EU agreed to UK's request to delay Brexit. While the EU officials did not specify for how long the Brexit was delayed in their early statement, Prime Minister Johnson called for general elections on 12 December.

### Positive developments in trade war.

Earlier this week, US President Donald Trump stated that the ongoing trade negotiations with China were positive and that China had begun to purchase agricultural products that were previously promised. White House economic adviser Larry Kudlow said additional custom duties on Chinese goods, which are scheduled to be implemented in December, could be withdrawn if the talks go well.



Source: Datastream

### CBRT cut policy rate by 250 basis points.

At the Monetary Policy Committee meeting last week, the CBRT has reduced the policy rate, the one-week repo auction rate, from 16.50% to 14%. In the statement of the decision, it has been predicted that the recent moderate recovery in economic activity is expected to continue with the downward trend in inflation and the improvement in financial conditions. Also, while emphasizing the weak course of global economic activity and the expansionary monetary policies implemented by the central banks of developed countries, it is pointed out that by the end of the year, inflation might remain “significantly” below the forecasts given in July Inflation Report. Thus, the policy rate declined by 10 points in 2019 because of the cuts in July, September, and October. Expectations regarding CBRT's December meeting are awaited to materialize after the publishing of the Inflation Report this week, and the inflation data on November 4th.

### Leading indicators pointed out a monthly recovery.

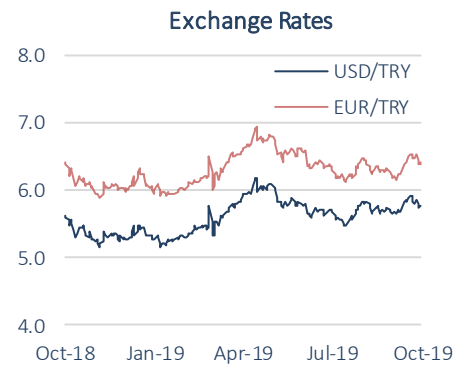
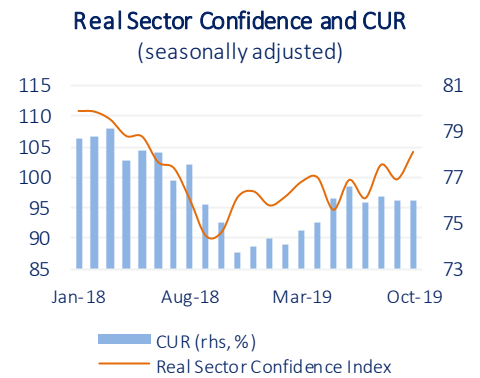
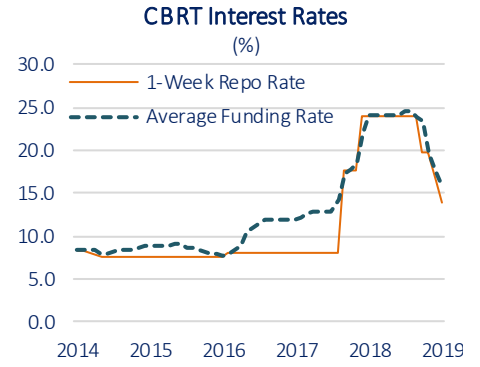
According to seasonally adjusted data, real sector confidence index rose by 4.5 points to 104.2, mostly driven by the recovery in overall order expectations. In the same period, seasonally adjusted capacity utilization rate remained flat at 76%. Consumer confidence index increased by 2.1% in October compared to the previous month and was realized at 57. Despite the monthly recovery in the index, upward trend in unemployment rate and inflation estimations, awaited to rise to double digits at the end of the year, are expected to restrain the recovery in consumption expenditures.

### Domestic markets...

Last week, US President Trump's statement that sanctions against Turkey will be lifted and the deal reached between Turkey and Russia affected the domestic markets positively. CBRT's rate cut, which exceeded the market expectations, pressured TL. USD/TL, which fluctuated throughout the week, closed at 5.77 on Friday.

### This week's agenda...

Fed's FOMC meeting and employment data in the US will be closely monitored in global markets. It is expected that Fed will cut interest rates by 25 bps further at its meeting this week. In domestic markets, which will remain closed for 1.5 days due to the national holiday for Republic Day, foreign trade statistics, and the last Inflation Report of the year will be on the agenda.



### Data Releases

		Period	Consensus	Prior
<b>29 October</b>	US Consumer Confidence Index	October	128.6	125.1
	US Pending Home Sales, mom	September	1.7%	1.6%
<b>30 October</b>	TR Domestic Debt Redemption (370 million TRY)	October	-	-
	TR Economic Confidence Index	October	-	86
	US GDP Growth, qoq (preliminary)	Q3	1.7%	2.0%
<b>31 October</b>	Fed Policy Meeting	October	-	-
	TR Foreign Trade Balance	September	-	-2.5 billion USD
	CBRT Inflation Report	2019/IV	-	-
	US Core PCE, yoy	September	1.7%	1.8%
	Euro Area GSP Growth, qoq (preliminary)	Q3	0.2%	0.2%
<b>1 November</b>	Euro Area CPI, yoy (preliminary)	October	1.0%	0.8%
	US Nonfarm Payrolls, mom	October	93K	136K
	US Unemployment Rate	October	3.6%	3.5%
	US ISM Manufacturing PMI	October	48.4	47.8
	China Caixin Manufacturing PMI	October	50.2	51.4

Source: Datastream

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