

	1-Nov	8-Nov	Change		1-Nov	8-Nov	Change
BIST-100 Index	98,463	103,153	4.8 % ▲	EUR/USD	1.1165	1.1016	-1.3 % ▼
TRY 2 Year Benchmark Rate	12.54%	12.29%	-25 bp ▼	USD/TRY	5.6989	5.7658	1.2 % ▲
Turkey 5-Year CDS	335	315	-20 bp ▼	EUR/TRY	6.3748	6.3521	-0.4 % ▼
MSCI EM Equity Index	1,049	1,065	1.5 % ▲	Gold (USD/ounce)	1,514	1,458	-3.6 % ▼
US 10-Year Bond Rate	1.73%	1.93%	21 bp ▲	Brent Oil (USD/barrel)	61.5	62.8	2.1 % ▲

bp: basis point

Last week, the news regarding trade war were influential on the course of global markets. While data releases in US draw a positive picture of the economy, the data announced in Euro Area displayed a mixed outlook. The IMF and the EU Commission revised down the growth forecasts for Euro Area in line with ongoing concerns over the region's economy. Domestic markets had a calm data agenda last week.

### News flow on trade war was on the agenda of global markets.

Last week, developments regarding the trade war continued to be on the agenda of global markets. Statements from the US and China that supported optimistic expectations for the trade war were welcomed by global stock markets last week. Meanwhile, news claiming that US President Trump and Chinese President Xi will not meet before December to sign the first phase of the trade deal put some pressure on the markets.

On the commodity side, oil prices rose due to increase in positive expectations regarding trade dispute. On the other hand, more-than-expected increase in crude oil stocks in the US limited the rise in prices. Gold prices declined as a result of appreciation of US dollar. Brent crude oil prices finished the week at 62.8 USD/barrel, while gold prices were 1,458 USD/ounce.

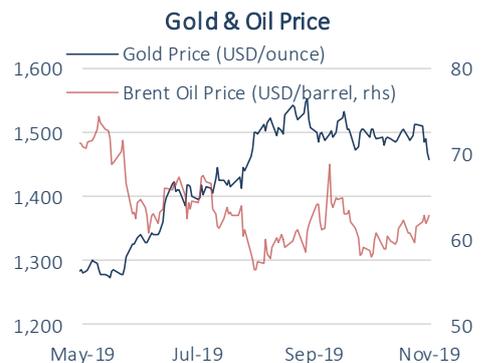
### Data releases in the US and Euro Area...

Data released in the US last week supported the positive outlook for the country's economy. The ISM non-manufacturing index was announced at 54.7 in October, exceeding both market expectation and the previous level. Foreign trade deficit was realized at the lowest level of five months as 52.5 billion USD in September.

According to final data, manufacturing PMI (45.9) in the Euro Area indicated that sector continued to contract in October. Services PMI was 52.2 in the same period. On the other hand, retail sales in the region increased by 3.1% in September compared to the same month of the previous year, exceeding the projections. Data releases presented a mixed picture for the region's economy.

### IMF and European Commission downgraded growth forecasts for Euro Area.

IMF lowered its Euro Area growth forecasts for 2019 and 2020, pointing out that the slowdown in the manufacturing sector could spill over into the services sector due to the trade tensions. The institution revised its growth forecast for 2019 down by 0.1 pps to 1.2%, while lowering its 2020 expectation to 1.4%. IMF stated that the slowdown in the region stemmed from the weak growth in Germany and the recession in Italy. European



Source: Datastream

Commission also reduced its Euro Area economic growth forecasts from 1.2% to 1.1% for 2019 and from 1.4% to 1.2% for 2020.

#### BoE kept the policy interest rates unchanged.

Bank of England (BoE) did not change the policy rate at its monetary policy meeting last week. It was noteworthy that two members voted in favor of a interest rate cut due to further signs of economic slowdown. On the other hand, other members said that if global growth does not stabilize and Brexit problems increase, interest rate cuts might be evaluated.

#### Real effective exchange rate increased by 9.8% yoy in October.

CPI-based real effective exchange rate index remained unchanged at 76.9 in October compared to the previous month. On the other hand, the index increased by 9.8% yoy. The increase in the index indicates the appreciation of Turkish lira in real terms.

#### Domestic markets...

Domestic markets displayed a positive outlook last week. BIST-100 index closed 4.8% higher on Friday at 103,153 where compound yield of 2-year benchmark bond dropped 25 bps to 12.29%. Turkey's 5-year CDS premium also fell by 20 bps to 315. Meanwhile, USD/TRY rose by 1.2% while EUR/TRY decreased due to lowering EUR/USD parity. Accordingly, USD/TRY and EUR/TRY closed the week at 5.7658 and 6.3521, respectively.

#### This week's agenda...

This week, industrial production data in the US and Euro Area as well as third quarter GDP growth in EA will be monitored in the global markets. In Turkey, balance of payments, central government budget, industrial production and employment figures will be announced. Developments in US-Turkey relations will also be followed closely. In this regard, markets will keep an eye on the upcoming meeting between two countries' presidents on November 13th.

Real Effective Exchange Rate  
(2003=100)



Exchange Rates



BIST-100 Index  
(.000)



#### Data Releases

		Period	Consensus	Prior
11-Nov	England GDP, preliminary, yoy	Q3	1.0% (A)	1.3%
12-Nov	Germany ZEW Economic Sentiment	November	-13.0	-22.8
	TR Current Account Balance	September	2 billion USD	2.6 billion USD
13-Nov	US CPI, yoy	October	1.7%	1.7%
	Euro Area Industrial Production, yoy	September	-2.5%	-2.8%
14-Nov	Euro Area GDP, revision, qoq	Q3	0.2%	0.2%
	TR Industrial Production, yoy	September	-	-3.6%
15-Nov	US Industrial Production, mom	October	-0.4%	-0.4%
	US Retail Sales, mom	October	0.2%	-0.3%
	Euro Area HICP, final, yoy	October	0.7%	0.7%
	TR Unemployment Rate	August	-	13.9%
	TR Budget Balance	October	-	-17.7 billion TRY

(A): Actual

Source: Datastream

## Sectoral Developments

### Automotive sales rose rapidly in October.

According to the data published by the Automotive Distributors Association; automobile and light commercial vehicle sales expanded by 127.5% compared to the same period of the previous year, exceeding 49 thousand units. In addition to the base effect, the fall in interest rates of vehicle loans drove the rapid rise in automotive market. Despite the strong increase in October, the contraction in the market was 32% in the first 10 months of the year. Having updated its market forecast, Automotive Distributors Association expected that total sales in automotive sector will be around 450-500 thousand units in 2019. The institution expected that domestic sales will increase by 16% in 2020, while total sales will be around 525-575 thousand units.

According to data released by the Automotive Manufacturers' Association, automotive production had a limited increase by 0.7% yoy in October reaching 132,155 units. During this period, automobile production rose by 5% to 93,575 units, while light and heavy vehicle production declined by 8.3%, falling to 42,080 units. In January-October period, automotive production and exports decreased by 8.4% and 6.2%, respectively.

### The export unit value index declined in September.

In September, export unit value index decreased by 3.4% compared to the same period of the previous year to 90.5, the lowest value in 2010-based series. The index has been declining on an annual basis since August 2018. The index increased by 1.9% yoy in food, beverages and tobacco, while it decreased by 7.2% in raw materials (excluding fuel), by 15.2% in fuels and by 4.1% in manufacturing (excluding food, beverages and tobacco).

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