

	8-Nov	15-Nov	Change		8-Nov	15-Nov	Change
BIST-100 Index	103,153	105,380	2.2 % ▲	EUR/USD	1.1016	1.1050	0.3 % ▲
TRY 2 Year Benchmark Rate	12.29 %	12.11 %	-18 bp ▼	USD/TRY	5.7658	5.7443	-0.4 % ▼
Turkey 5-Year CDS	312	308	-4 bp ▼	EUR/TRY	6.3521	6.3508	0.0 % ▼
MSCI EM Equity Index	1,065	1,049	-1.5 % ▼	Gold (USD/ounce)	1,458	1,467	0.6 % ▲
US 10-Year Bond Rate	1.93 %	1.83 %	-10 bp ▼	Brent Oil (USD/barrel)	62.8	63.3	0.9 % ▲

bp: basis point

The data released in the US last week gave mixed signals regarding the outlook for the economy, but the fact that inflation indicators demonstrated an upward trend is interpreted as the Fed will not continue to cut interest rates. Third-quarter growth data in the Euro Area was realized in line with the expectations, while September industrial production data provided positive signals regarding the course of the manufacturing industry. In Turkey, while the current account balance continued to post a surplus, budget deficit exceeded TL 100 billion in the first ten months of the year.

### Producer prices in the US rose above expectations in October.

The producer price index recorded its fastest increase since April with 0.4%, while the consumer price index also registered its fastest rise since March with 0.4%. In his testimony to the US Congress last week, Fed Chairman Powell reiterated that the current monetary policy stance is appropriate as long as the economy has a moderate growth trend, strong employment outlook and inflation that converges to 2%. The Fed had cut the policy rate by 25 basis points at its October meeting. The meeting notes showed that the Fed would not plan a new rate cut unless economic activity deteriorated.

### Euro Area economy grew by 1.2% yoy in the third quarter.

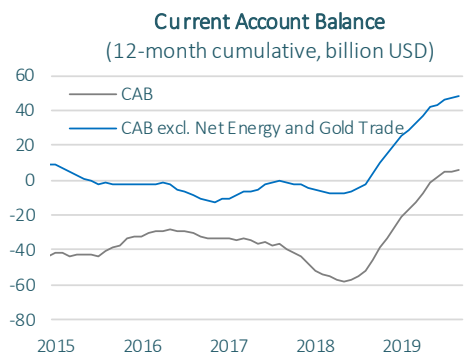
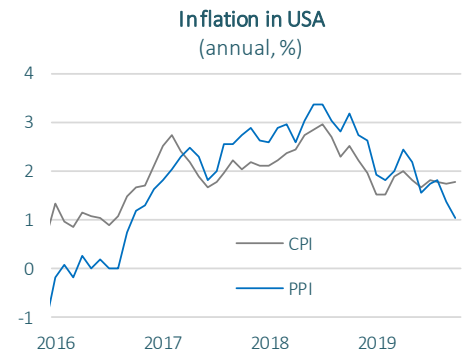
According to the preliminary data, the Euro Area economy grew by 0.2% on a quarterly basis in the third quarter in line with the expectations, while the annual growth rate became 1.2%. Industrial production rose by 0.1% mom in September, contrary to expectations for a decline. The better-than-expected performance of industrial output that has increased for two consecutive months by beating expectations signaled that a possible recovery in the manufacturing industry might be underway. However, the weak economic activity across Europe, particularly in the region's largest economy, Germany, and the US threat of tariffs on European automotive products suggests that it may be too early to raise expectations.

### Current account posted a surplus in September.

Relatively weak course of economic activity continued to be effective on the current account balance in September. Current account surplus widened by 31.9% yoy and became 2.48 billion USD. 12-month cumulative current account reached its new historically high level with 5.9 billion USD. When net energy and gold trade are excluded, the 12-month current account surplus became 47.7 billion USD, also marking a record high level. We anticipate that the current account balance will post a deficit in the last quarter of the year due to the moderate recovery in economic activity and the expected seasonal decline in tourism revenues. We foresee that the Turkish economy will register a current account surplus at the end of 2019 for the first time since 2001, albeit at a limited level ([Our Balance of Payments report](#)).

### Moody's revised up economic growth forecasts for Turkey.

Moody's revised up growth forecasts for the Turkish economy in its global outlook report and indicated that global economic growth would remain



Source: Datastream

sluggish in the next two years, although it does not expect the global economy to enter a recession. While Turkey's economic growth forecast for 2019 was increased to 0.2%, growth forecasts for 2020 and 2021 were revised up to 3% each. Regarding the global economy, Moody's stated that the weak growth and low inflation environment that limit the margin of action made the economies more vulnerable to risks and expected that the deceleration in the US and Chinese economies would continue in the next year.

#### Budget balance posted a deficit of 14.9 billion TL in October.

Central government budget deficit expanded by 176.7% yoy and was realized as 14.9 billion TRY in October. In this period, budget revenues increased by 5.2%, while budget expenditures surged up by 18.9%. Primary budget balance, which posted a deficit of TL 1.2 billion in October 2018, booked a deficit of 8.1 billion TRY billion in the same month of this year. Deterioration in budget figures continued in October. Budget deficit, exceeding 100 billion TRY in the first ten months of the year, is in line with the objectives of the New Economy Program in general. In the last two months of the year, we think that the decline in borrowing costs and the expected recovery in economic activity might support budget performance ([Budget Balance report](#)).

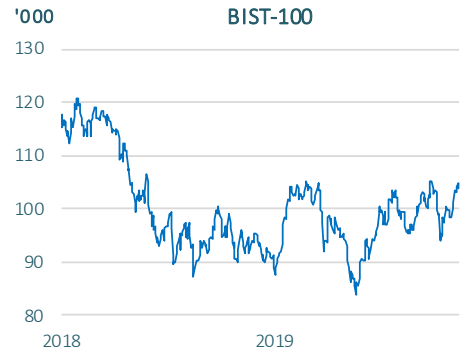
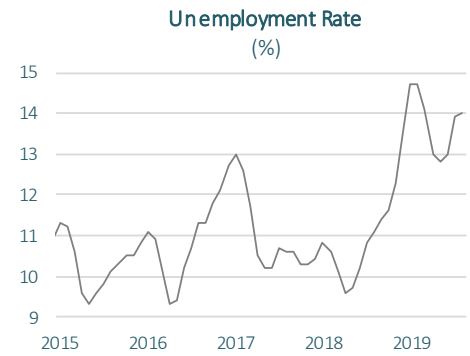
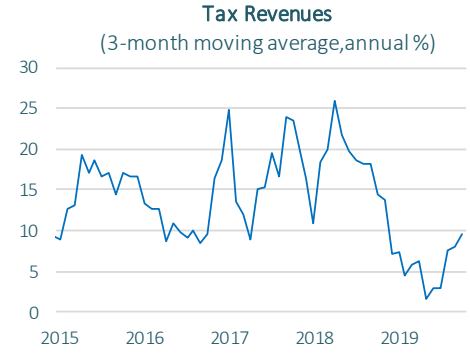
#### The unemployment rate in August was 14%.

The unemployment rate rose to 14% in the period of August 2019 due to the weak course of economic activity. Non-agricultural unemployment rate was recorded at 16.7% in the same period. The number of unemployed persons in Turkey increased by 980k persons to 4.65 million persons, compared to the same period of the last year.

#### Markets...

Developments related to the trade war remained high on the agenda. Despite statements that an agreement was reached approximately one month ago, conflicting statements from both sides are interpreted as the deal negotiations may have stalemated. This development increased volatility in global stock markets. On the other hand, the People's Bank of China reduced borrowing costs in short-term open market transactions for the first time since October 2015. China's interest rate cut supports the view that further support for the economy will be provided.

TL appreciated against dollar and euro in FX markets, where volatility remained low throughout the week. 2-year benchmark bond yield decreased by 18 basis points to 12.11%, while the BIST-100 index rose by 2.2% on a weekly basis. This week, while a relatively quiet data agenda is expected at home and abroad, PMI data will be followed closely.



#### Data Releases

		Period	Consensus	Prior
<b>19 November</b>	USA Housing Starts	October	1.32 million unit	1.256 million unit
<b>20 November</b>	TR Treasury Debt Redemptions	November	1.635 million TRY	-
	Fed Minutes	October	-	-
<b>21 November</b>	TR Consumer Confidence Index	November	-	57.0
	USA Existing Home Sales, mom	October	2.1%	-2.2%
	Euro Alanı Tüketici Güven Endeksi	November	-7.3	-7.6
<b>22 November</b>	USA Manufacturing PMI, flash	November	51.6	51.3
	Euro Area Manufacturing PMI, flash	November	46.4	45.9

Source: Datastream

## Sectoral Developments

### Industrial production increased by 3.4% in September.

Calendar adjusted industrial production increased by 3.4% yoy in September in Turkey. Following a 12-month contraction, industrial production supported by the low base effect points to a gradual recovery in economic activity. Calendar-adjusted industrial production overall fell by 0.4% in the third quarter yoy. When the subsectors of the industry are examined, it is observed that the recovery is not widespread and there is decoupling among sectors. Industrial production declined in 10 of the 24 sectors in the manufacturing industry, while production increased in 14 sectors. Production in the minerals and base metal sectors, which provide input to the construction sector, declined by 10.1% and 7.2% respectively, while the high growth rates in the apparel, white goods, and fabricated metal products sectors were noteworthy.

### The private sector's outstanding loans received from abroad continue to decline.

Regarding private sector's outstanding loans received from abroad, long-term loans were recorded at USD 195.3 billion as of September, decreasing by USD 14.2 billion, whereas short-term loans (excluding trade credits) were realized at USD 11.9 billion, decreasing by USD 3.5 billion in comparison to the end of 2018. As of the end of September, of the total long-term loans, 46.5% consist of liabilities of the financial institutions, whereas 53.5% consists of the liabilities of the non-financial institutions. In this period, the top three sectors with the highest debt are the construction with 22 billion USD, the logistics with 17 billion USD, and the electricity sector with 11.4 billion USD.

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