

	13-Dec	20-Dec	Change		13-Dec	20-Dec	Change
BIST-100 Index	110,477	111,177	0.6 % ▲	EUR/USD	1.1119	1.1078	-0.4 % ▼
TRY 2 Year Benchmark Rate	11.83%	11.97%	14 bp ▲	USD/TRY	5.8072	5.9356	2.2 % ▲
Turkey 5-Year CDS	291	284	-7 bp ▼	EUR/TRY	6.4586	6.5789	1.9 % ▲
MSCI EM Equity Index	1,087	1,108	1.9 % ▲	Gold (USD/ounce)	1,476	1,478	0.2 % ▲
US 10-Year Bond Rate	1.82%	1.92%	10 bp ▲	Brent Oil (USD/barrel)	67.8	68.8	1.5 % ▲

bp: basis point

The first-phase trade agreement reached between the US and China as well as political developments in the US drove global markets last week. While BOJ and BoE did not change interest rates at their meetings last week, the Sweden's Central Bank announced that it has abandoned its negative interest policy. Oil prices rose amid optimism over trade talks as it improves expectations for global demand. On the domestic front, the US-Turkey relations and BRSA's announcement on the regulation of derivative transactions were followed.

Strong data on the US economy...

A heavy data agenda was followed in the US last week. US economy grew by 2.1% on an annualized basis as final figures revealed. The increase in consumption expenditures, which was previously announced as 2.9%, was revised up to 3.2% in this period, while investment expenditures were revised downwards. The core personal consumption expenditures index, closely monitored by the Fed, rose by 1.6% yoy in November, while consumer confidence rose to 99.3 in December.

US manufacturing PMI came in line with expectations at 52.5 in December, while industrial production recorded the fastest increase in more than two years in November, at 1.1% on a monthly basis. Capacity utilization ratio, which was 76.7% in October, increased to 77.3% in November. Recent data on the US economic activity continued to paint a positive picture.

BoE held the policy rate at 0.75%.

Bank of England (BoE) did not change policy rate at its last meeting of the year. The Central Bank pointed out that the victory of Conservative Party headed by Boris Johnson did not completely erase the uncertainties arising from Brexit process.

Riksbank ended negative interest rates.

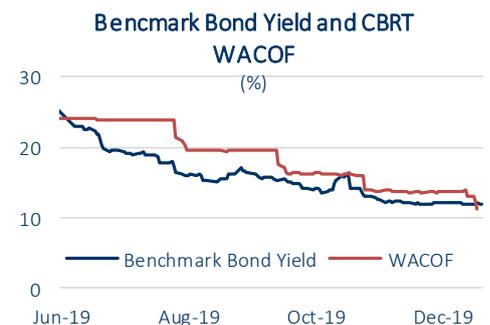
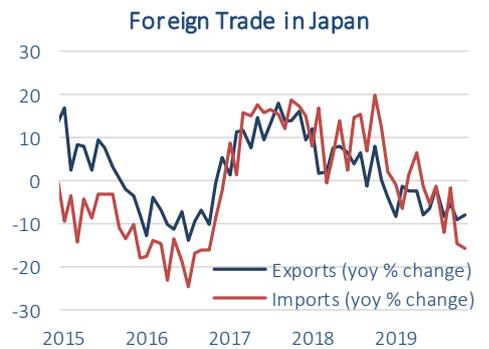
Sweden Central Bank (Riksbank) hiked its policy rate for the first time since 2018 from -0.25% to 0.0% on December 19. At its September meeting, Riksbank had signaled that monetary policy will be adjusted in accordance with the economic outlook and inflation expectations this year or early next year.

Weak foreign trade data in Japan...

Foreign trade figures in Japan demonstrated that the negative effects of trade wars on Asian economies have still been continuing. In November, export volume fell on annual basis for the 12th time in a row while import volume recorded its fastest decline since October 2016, shrinking by 15.7% yoy. Bank of Japan (BOJ) kept its monetary policy unchanged in last week's meeting.

CBRT published the summary of its December meeting.

In the summary of its last monetary policy meeting held on December 12th, CBRT stated that stable course of the Turkish lira and the current trend in



Source: Datastream

producer prices favourably affect the short-term inflation outlook in core goods group. Moreover, CBRT highlighted that uncertainties over the medium-term inflation outlook has significantly decreased.

Decline in consumer confidence index...

Seasonally adjusted consumer confidence index dropped by 1.9% mom to 58.8 in December. Index had recorded its lowest level of 2004-based series, by falling to 55.3 in May. Among the sub-indexes of consumer confidence index, deterioration in assessments on the trajectory of consumer prices and the probability of buying a car over the next 12 months were remarkable. Yet, improvement in buying time condition of durable goods for the present period and the probability of saving over the next 12 months has limited the fall in the consumer confidence.

Positive outlook in the global markets...

Positive outlook arising from the “phase one” U.S.-China trade agreement supported global equity markets last week. Nevertheless, the impact of impeachment charges against US President Trump on the markets remained limited.

Oil prices increased by 1.5% wov to 68.8 USD/barrel due to strengthening global oil demand expectations thanks to favourable news regarding trade wars as well as data showing US crude oil stocks have decreased.

Domestic markets...

Last week, domestic markets focused on political tension between US-Turkey and BRSA's announcement on the regulation of derivative transactions. Turkish Lira came under pressure as US Senate passed defense spending bill that includes sanctions against Turkey. USD/TRY reached its highest level in the last 7 months with 5.9438 on December 19. While BIST-100 index completed the week with a slight increase, 2-year benchmark bond yield rose by 14 bps to 11.97%. The 5-year CDS premiums of Turkey declined by 5 bps wov and became 284 bps.

This week's agenda...

This week, global markets will have a calm data agenda due to the Christmas holiday. In domestic markets, capacity utilization rate and real sector confidence index will be released. Also, the relations with the US will be followed after President Trump signed the 2020 National Defense Authorization Act including sanctions targeting Turkey.

Consumer Confidence Index



Global Stock Markets



CDS and BIST-100



Data Releases

		Period	Consensus	Prior
23 December	US Durable Goods	November	1.5%	0.5%
	US New Home Sales	November	0.7 million unit	0.7 million unit
	TR Treasury Domestic Debt Redemption (57 million TRY)	December	-	-
25 December	TR Treasury Domestic Debt Redemption (1 million TRY)	December	-	-
26 December	US Initial Jobless Claims	16-20 Dec	220 thousand	234 thousand
	TR Capacity Utilization Rate	December	-	77.2%
	TR Manufacturing Confidence	December	-	102.0
27 December	TR Treasury Domestic Debt Redemption (2.4 billion TRY)	December	-	-

Source: Datastream, CBRT

Sectoral Developments

Housing sales increased rapidly in November.

In November, housing sales picked up by 54.4% compared to the same period of the previous year to 138,372 units thanks to the low base effect. During the same period, mortgaged sales reached eight times the level of the previous year, supported by the decline in interest rates. It was recorded as a positive development that other sales, which has been falling on an annual basis since April, increased by 12.1%. Having declined since August, housing sales to foreigners fell by 14.6% during this period.

In October, housing prices decreased by 1.7% yoy in real terms.

According to the Residential Property Price Index published by the CBRT, housing prices increased by 0.8% in October compared to the previous month. The housing prices also rose by 6.7% on annual basis, the highest level in more than a year. However, in real terms, the prices fell by 1.7% in the same period, recording the smallest decline since January 2018. Analyzing the three major cities; housing prices decreased by 0.5% yoy in Istanbul in October and rose by 5.3% yoy and 5.9% yoy in Ankara and Izmir, respectively.

Revaluation rate for Motor Vehicle Tax was determined as 12%.

Annual tax on motor vehicles was increased by 12% for 2020, according to a presidential decree published in the Official Gazette.

Economic Research Division

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

Hatice Erkiletliođlu
Asst. Manager
hatice.erkiletlioglu@isbank.com.tr

Alper Grler
Unit Manager
alper.gurler@isbank.com.tr

Ayşim Kalkan
Asst. Economist
aysim.kalkan@isbank.com.tr

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

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