

	20-Dec	27-Dec	Change		20-Dec	27-Dec	Change
BIST-100 Index	111,177	113,684	2.3 % ▲	EUR/USD	1.1078	1.1175	0.9 % ▲
TRY 2 Year Benchmark Rate	11.97%	11.68%	-29 bp ▼	USD/TRY	5.9356	5.9492	0.2 % ▲
Turkey 5-Year CDS	284	282*	-2 bp ▼	EUR/TRY	6.5789	6.6476	1.0 % ▲
MSCI EM Equity Index	1,108	1,119	1.0 % ▲	Gold (USD/ounce)	1,478	1,510	2.2 % ▲
US 10-Year Bond Rate	1.92%	1.87%	-4 bp ▼	Brent Oil (USD/barrel)	68.8	68.9	0.2 % ▲

bp: basis point

(\*) December 23

Optimism fueled by the US-China deal, which is expected to be signed in the first weeks of January, boosted global markets last week. Oil and gold prices recorded weekly increases. While a relatively calm data agenda was followed in the US, economic activity in Japan provided mixed signals. Measures to support employment were announced in China. In Turkey, manufacturing industry capacity utilization rate and real sector confidence index data were followed. Real sector confidence improved in December, while manufacturing capacity utilization rate rose to over one year high.

### Optimism over US-China deal continued to support global markets.

Last week, due to the year-end and Christmas holiday, global stock markets presented a calm outlook. While transaction volumes remained low, the optimism fueled by the US-China agreement, which is expected to be signed in the first weeks of January, helped the US stock markets to reach new record highs. The current levels suggest that the S&P 500 index in the US is preparing to end 2019 with one of the most solid performances in 20 years.

### Oil prices hit 70 USD/barrel.

With the expectations that the trade agreement will be signed soon, oil prices went above 70 USD/barrel during last week and remained close to the peak levels of last 7 months. The announcement that Saudi Arabia and Kuwait will produce oil in the neutral zone between the borders of the two countries has limited the rise in oil prices. It is stated that 500K barrels oil can be produced daily in the region and full capacity of production can be reached within 1 year.

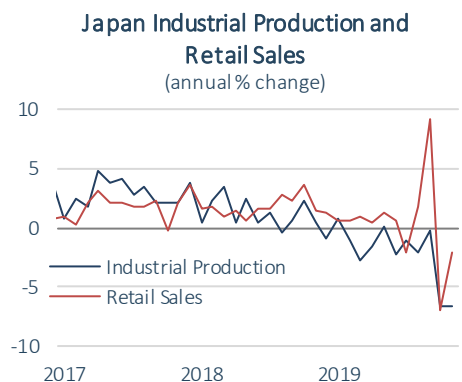
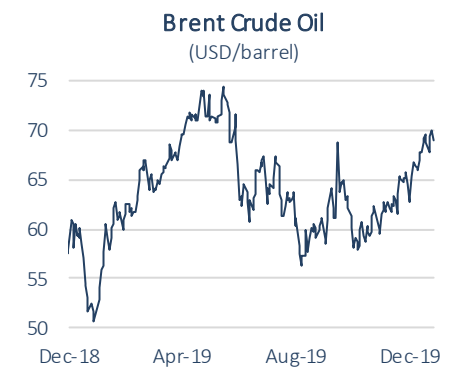
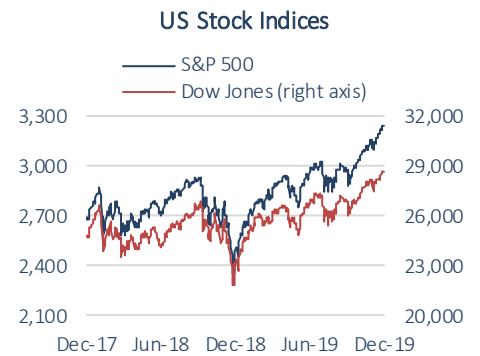
Gold prices showed the best weekly performance of the last four months. Having risen above 1,500 USD/ounce during the day on Tuesday, gold prices closed the week at two-month high with 1,510 USD/ounce. The weak course of the US dollar and concerns about the rise in global inflation were effective in this development.

### China announced measures to support employment.

In China, new measures have been announced in order to prevent the employment market from the loss of momentum in economic activity. China State Council stated that the domestic and overseas developments have negative impacts on the stability in the labor market and announced a road map to support the employment further. According to the announcement, it is aimed to increase the financial support to private and small enterprises to rise their investments as well as their employment.

### Announced data in Japan drew a mixed picture.

In Japan, industrial production contracted by 0.9% mom in November, lower than expected, while retail sales fell by 2.1% yoy, slightly above expectations. The unemployment rate declined surprisingly in the same period from 2.4% to 2.2%.



Source: Datastream

### In Turkey, real sector confidence rose in December.

In December, seasonally adjusted real sector confidence index rose to 108.7, the highest level since March 2018. Sub-index regarding the volume of production expectation for the next 3 months posted the most positive outlook since October 2017, while the sub-index of export orders continued to remain close to the highest levels for more than a year. Sectoral confidence indices also continued to recover in December. In this period, capacity utilization ratio of manufacturing industry climbed to the peak of more than a year with 76.9%.

### Securities portfolio of non-residents...

According to data released by the CBRT, in the week ended on December 20, non-residents' equity and government domestic debt securities portfolios (GDDS) -adjusted from FX and market price effects- expanded by 80 million USD and 108 million USD, respectively. Non-residents' equity portfolio increased by 402 million USD ytd, while GDDS portfolio has decreased by 2.8 billion USD in the same period.

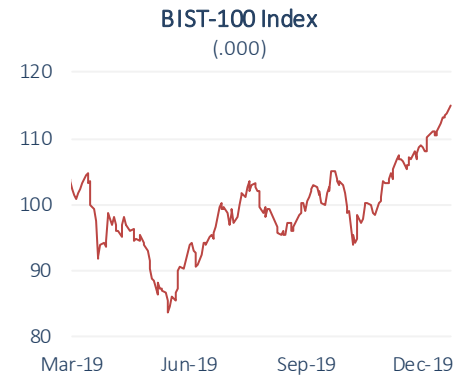
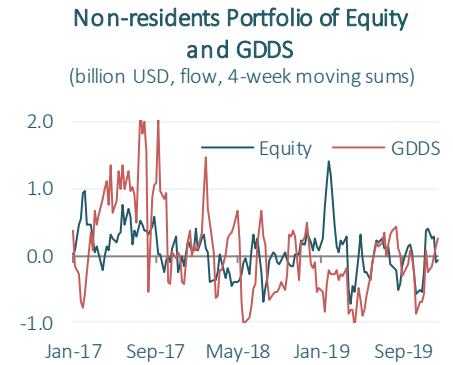
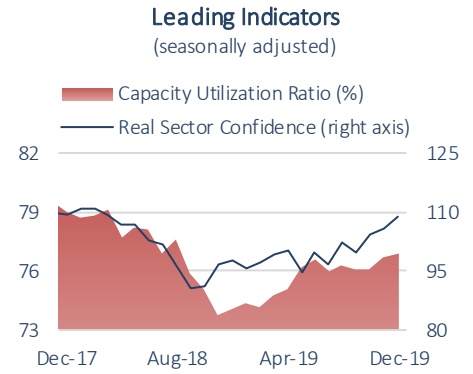
### CBRT has revised FX reserve requirement ratios.

Following the TRY reserve requirements, CBRT linked the FX reserve requirements also to real loan growth of banks. Having decided to increase the reserve requirement ratios applied to FX deposits/participation funds by 200 bp for all maturity brackets, CBRT announced that the said rates will be applied 200 bp lower for the banks which comply the TRY real loan growth conditions, in order to ensure that these banks are not affected by this increase. In August, CBRT had introduced its loan growth linked TRY reserve requirement practice and had revised the related regulation last month.

### BIST-100 is at the peak of more than 1.5 years.

BIST-100 index continued its upward trend last week and closed the week at 113,684; the highest level for more than 1.5 years. 2-year benchmark bond's yield decreased by 29 basis points weekly and fell to 11.68% on Friday. Turkish lira, which has been under downward pressure recently due to the CBRT's interest rate cut and the worries regarding the relations with the US, is diverging negatively from its peers. USD/TRY and EUR/TRY closed the week at 5.9492 and 6.6476, respectively.

This week, a relatively calm data agenda will be followed in global markets. On Thursday, Fed's minutes will be published. In domestic markets, November foreign trade figures will be announced on Tuesday and December inflation figures are expected on Friday.



### Data Releases

		Period	Consensus	Prior
<b>30 December</b>	US Pending Home Sales	November	1.1%	-1.7%
	TR Economic Confidence Index	December	93.8 (A)	91.3
<b>31 December</b>	US Consumer Confidence Index	December	128.5	125.5
	TR Foreign Trade Balance	November	-	-1.8 billion USD
<b>2 January</b>	Euro Area Manufacturing PMI	December	45.9	46.9
	UK Manufacturing PMI	December	45.7	45.3
<b>3 January</b>	US ISM Manufacturing PMI	December	49.0	48.1
	TR Consumer Price Inflation (monthly)	December	0.49%	0.38%

(A) Actual

Source: Datastream, CBRT

## Sectoral Developments

### **Turkey's first fully-domestic automobile production facility will be in Bursa.**

The details on domestically produced automobile were published in Official Gazette last week. Turkey will produce five models of its new electric car in the production facility that will be established in Bursa and will have a production capacity of 175K yearly. The facility will receive project-based state support offering customs tax exemption, value added tax exemption, support for 10 year income tax withholding, 360 million TRY qualified personnel support, investment site allocation and public purchase guarantee. The project is expected to cost 22 billion TRY over 13 years.

### **Net minimum wage will be 2,324 TRY in 2020.**

Negotiations for 2020 minimum wage, on which more than 7 million people are estimated to work, ended on Thursday with an agreement on a 15% raise. Therefore, the gross minimum wage will be 2,943 TRY in 2020 while net minimum wage will be 2,324 TRY. The cost of the minimum wage to the employer will be 3,458 TRY.

### **Construction cost index increased by 4.27% yoy in October.**

According to data released by Turkstat, construction cost index increased by 4.27% yoy in October. In this period, the annual rise in labor subindex drove the rise in the overall index. Material cost subindex fell by 3.43% yoy in October while labor cost subindex increased at the rate of 25.38% yoy.

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