

| | 3-Jan | 10-Jan | Change | | 3-Jan | 10-Jan | Change |
|---------------------------|---------|---------|----------|------------------------|--------|--------|----------|
| BIST-100 Index | 113,684 | 118,664 | 4.4 % ▲ | EUR/USD | 1.1158 | 1.1120 | -0.3 % ▼ |
| TRY 2 Year Benchmark Rate | 11.77 % | 11.21 % | -56 bp ▼ | USD/TRY | 5.9713 | 5.8767 | -1.6 % ▼ |
| Turkey 5-Year CDS | 279 | 269 | -10 bp ▼ | EUR/TRY | 6.6620 | 6.5355 | -1.9 % ▼ |
| MSCI EM Equity Index | 1,124 | 1,134 | 0.9 % ▲ | Gold (USD/ounce) | 1,551 | 1,562 | 0.7 % ▲ |
| US 10-Year Bond Rate | 1.79 % | 1.83 % | 4 bp ▲ | Brent Oil (USD/barrel) | 69.7 | 66.2 | -5.0 % ▼ |

bp: basis point

Tension between the US and Iran has driven the global markets last week. At the beginning of the week, rising concerns deteriorated the risk perception; however, the statements made in the following days eased the concerns. In UK, the Brexit bill was approved in the House of Commons. While data in the Euro Area presented a mixed outlook, World Bank revised its global growth forecasts downwards. According to Turkstat, unemployment rate was realized as 13.4% in October. This week, the CBRT's interest rate decision will be closely monitored in domestic markets.

US labor market...

Employment data in the US were on the agenda last week. According to ADP reports, in December private sector employment rose well above expectations by 202,000 jobs, the highest level within eight months. On the other hand, non-farm payrolls increased below expectations by 145,000 in December. In this period, average hourly earnings rose 0.3% compared to the previous month. Thus, annual increase in the earnings decreased to 2.9% from 3.1% in November. In December, unemployment rate remained unchanged at 3.5%.

Data releases in the Euro Area...

Annual consumer inflation in the Euro Area was realized as 1.3% in December, the highest level in the last eight months. In the same period, consumer confidence index decreased to the lowest level in almost three years, while unemployment rate was realized as 7.5% in November in line with the expectations.

Brexit bill was approved.

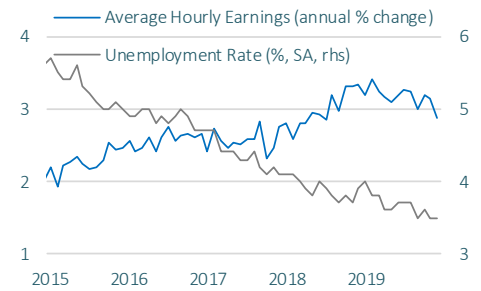
The Brexit bill was approved in the House of Commons, the lower house of the parliament. With the adoption of the bill, it is considered that the uncertainty over Brexit conditions, which has been ongoing for more than three years, is over. The bill is expected to be discussed in the House of Lords, the upper house of parliament, until January 22, and to be enacted with the approval of the Queen. Thus, Brexit process is expected to finalize on January 31.

Mark Carney, the Governor of the Bank of England, said that the Bank could take action if economic growth does not accelerate anytime soon, signaling a possible interest rate cut in the coming period. Carney pointed out that inflation remained below the target level of 2%.

World Bank revised its global growth forecasts downwards.

World Bank published its Global Economic Prospects report last week. Revising global economic growth forecasts downwards due to the slower-than-expected recovery in trade volume and investment expenditures; World Bank kept its growth forecasts for Turkish economy unchanged. Accordingly, global economic growth forecast was reduced from 2.7% to 2.5% for 2020 and from 2.8% to 2.6% for 2021. Economic activity in Turkey is projected to remain unchanged in 2019. Growth forecasts for 2020 and 2021 were kept as 3% and

USA Labor Market



Euro Area Consumer Confidence



Euro Area Consumer Inflation (annual, %)



Source: Datastream

4%, respectively. Pointing out the fact that recovery in Turkish economy proved to be faster than previously expected as domestic demand conditions improved, World Bank emphasized that the economic recovery in the country has still been fragile because of the weak course in investments.

Current account posted a deficit of 518 million USD in November.

After posting a surplus for 4 consecutive months, current account balance recorded a deficit of 518 million USD in November. Consequently, current account surplus in January-November period was realized as 4.2 billion USD and 12-month cumulative current account surplus became 2.7 billion USD.

Market expectation for the year-end inflation stood at 10.01%.

CBRT published its Survey of Expectations for January 2020. According to that the survey, annual CPI inflation expectation for 2020 stood at 10.01%. Participants' expect a GDP growth of 3.4% for this year and 3.7% for 2021.

Unemployment rate was realized as 13.4%.

In October 2019, unemployment rate increased by 1.8 pps yoy and was realized as 13.4%. Employment declined in construction, agriculture and industry sectors by 305K, 207K and 20K persons respectively. Employment in the services sector increased by 78K persons. On the other hand, seasonally adjusted unemployment rate declined by 0.3% mom to 13.6%.

Construction sector is expected to grow by 1-2% in 2020.

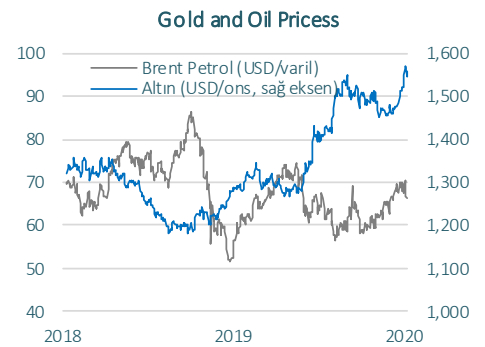
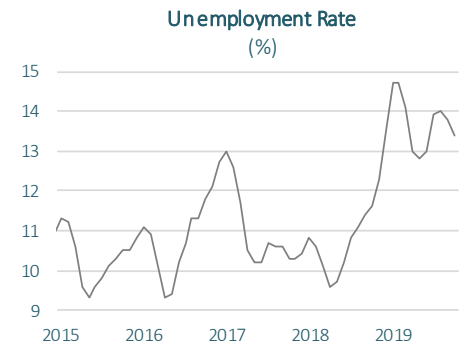
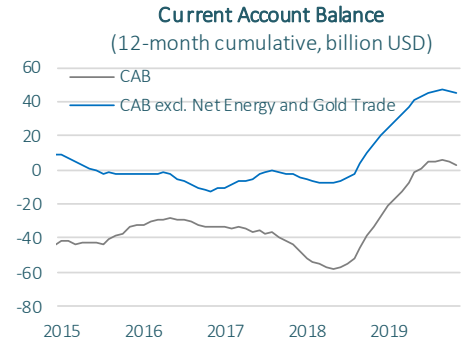
The report published by Association of Turkish Construction Material Producers suggested that the construction sector is expected to expand at a more modest rate than 4%. During this period, construction material sector is anticipated to expand by 1-2%, the same rate with the construction sector. According to the said report, housing demand will be higher than 2019 in 2020. That being said, this demand will contribute to sales of existing houses rather than new ones.

Financial markets...

Rising tension between the US and Iran over the last week has driven global markets. Heightened concerns led to a sharp sell-off in the first days of the week while gold prices exceeded 1,600 USD/ounce in intra-day trading as demand for safe haven assets increased. Also, oil prices tested 72 USD/barrel level during this period. In the following days, global risk sentiment recovered as tensions eased.

Volatility was also high in Turkish financial markets. BIST-100 index rose by 4.4% compared to the previous week. Turkish lira appreciated against the US dollar and euro. 2-year benchmark bond yield declined 56 bps to 11.21% during this period.

In addition to the US-China first phase trade agreement and geopolitical developments, December inflation data in the US and China's last quarter growth performance will be monitored this week. In Turkey, CBRT meeting will be high on the agenda. Market expects CBRT to cut the policy rate by 50-100 bps. Industrial production data and budget figures will also be released this week.



Source: Datastream

Data Releases

| | | Period | Consensus | Prior |
|-------------------|--------------------------------------|----------|---------------------|------------------|
| 13 January | TR Balance of Payments | November | 518 million USD (A) | 1,6 billion USD |
| 14 January | TR Industrial Production, yoy | November | - | 3.8% |
| | New Issuance of Zero Coupon Bond | January | - | - |
| | Re-opening of Floating Coupon Bond | January | - | - |
| | China Trade Balance | December | 48 billion USD | 37,9 billion USD |
| | USA CPI Inflation, yoy | December | 2.3% | 2.1% |
| 15 January | TR Budget Balance | December | - | 7,8 billion TL |
| | TR House Sales | December | - | 138K |
| | TR Treasury Debt Redemptions | January | 18,4 billion TL | - |
| | Euro Area Industrial Production, yoy | November | -1.3% | -2,2% |
| | USA PPI Inflation, yoy | December | 1.3% | 1.1% |
| | USA Fed Beige Book | January | - | - |
| 16 January | CBRT Monetary Policy Meeting | January | - | - |
| 17 January | TR Housing Price Index | November | - | 6.7% |
| | TR Treasury Debt Redemptions | January | 106 million TL | - |
| | China GDP Growth | 2019 Q4 | 5.9% | 6.0% |
| | USA Industrial Production, mom | December | -0.3% | 1.1% |
| | USA Capacity Utilization Rate | December | 77.1% | 77.3% |
| | USA Housing Starts | December | 1.373M | 1.365M |

(A) Actual

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