

	10-Jan	17-Jan	Change		10-Jan	17-Jan	Change
BIST-100 Index	118,664	121,475	2.4 % ▲	EUR/USD	1.1120	1.1088	-0.3 % ▼
TRY 2 Year Benchmark Rate	11.21%	10.23%	-98 bp ▼	USD/TRY	5.8767	5.8898	0.2 % ▲
Turkey 5-Year CDS	270	248	-22 bp ▼	EUR/TRY	6.5355	6.5320	-0.1 % ▼
MSCI EM Equity Index	1,134	1,147	1.2 % ▲	Gold (USD/ounce)	1,562	1,556	-0.4 % ▼
US 10-Year Bond Rate	1.83%	1.84%	1 bp ▲	Brent Oil (USD/barrel)	66.2	64.4	-2.9 % ▼

bp: basis point

The signing of the first-phase trade agreement between the US and China was the main focus in global markets last week. In addition, receding of the US-Iran tension into background and the strong US data announcements affected the global markets positively. Meanwhile Turkey had a busy data agenda. Industrial production, automotive and housing sector's data indicated a recovery in economic activity while the budget deficit expanded by 70% yoy in 2019, reaching 124 billion TRY. At the first monetary policy meeting of the year, CBRT cut the policy rate by 75 basis points in line with expectations.

A long-awaited US-China trade agreement has been signed.

The first-phase trade agreement between the US and China was signed on Wednesday last week. Chinese Deputy Prime Minister Liu He said that two sides would work more closely together to obtain tangible results and achieve a win-win relationship. US Treasury Secretary Steven Mnuchin stated that some technology and cybersecurity issues would be resolved in the next chapter and tariffs would be rolled back after the phase two of the trade deal.

The signing of the first phase of the trade agreement resulted in an increase in the stock markets on a global scale. Thanks to the receding of the US-Iran tension as well as the ceasefire attempts in Libya geopolitical concerns eased in the global markets last week.

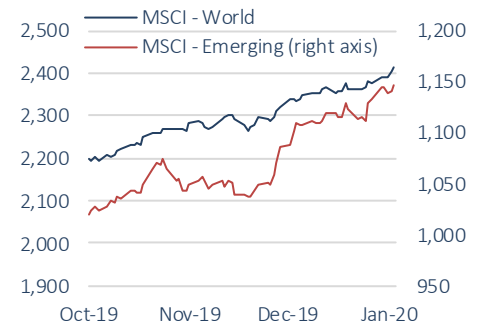
Inflation remained below expectations in the US.

Inflation data released in the US last week confirmed Fed's current stance supporting the economy. In December 2019, the monthly increase in consumer prices came in at 0.2%, which was below the market expectations of 0.3%. Annual consumer price inflation in this period, remained unchanged at 2.3% as it was in November. In December 2019, producer prices also increased less than the expectations with 0.1% on a monthly basis. Despite the weak course of inflation, the Fed's Beige Book report published last week stated that the short-term outlook in the US economy continues to be positive. December retail sales coming in line with expectations, new house sales and house starts exceeding the predictions and unemployment benefits falling for the last five weeks supported Fed's positive statements. The Philadelphia Fed index for January was also well above the expectations, signaling a favourable economic outlook.

China grew by 6.1% in 2019.

In the last quarter of 2019, Chinese economy grew by 6.0% in line with expectations. The growth rate in 2019 was realized as 6.1%, the lowest level in 29 years.

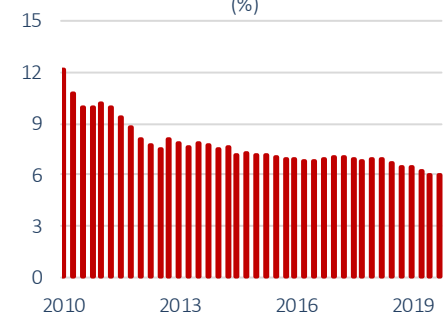
Global Stock Markets



US CPI
(annual, %)



China GDP Growth
(%)



In Turkey industrial production accelerated in November.

Calendar adjusted industrial production increased by 5.1% yoy in November 2019, thanks to the low base. The monthly increase in seasonally and calendar -adjusted industrial production was realized as 0.7%. In November 2019, calendar adjusted retail sales volume recorded its fastest increase since January 2018 with 8.5% on an annual basis. Seasonally and calendar adjusted monthly increase of 1.7% in retail sales volume also indicated the most favorable performance for the last five months.

Recovery in the automotive and housing sectors...

The figures of Automotive Manufacturers Association showed that the automotive sector's production expanded by 10% yoy in December 2019. In spite of the rise recorded in the last month of 2019, total production declined by 6% yoy throughout the year due to weak demand conditions in the domestic and external markets. In 2019, domestic automotive market shrank by 23%. In December, house sales reached their all-time high by exceeding 202K. Although rising by almost 50% yoy in December thanks to declining interest rates and tax incentives, house sales were down by 1.9% yoy throughout the year.

Central government budget deficit expanded by 70% in 2019.

In 2019, central government budget deficit expanded by 70% and became 123.7 billion TRY. Budget realizations of 2019 were in line with the estimates of the New Economy Program (NEP) released in September. Deterioration in budget outlook was partly contained by the support of one-off revenues (Our Budget Balance Report).

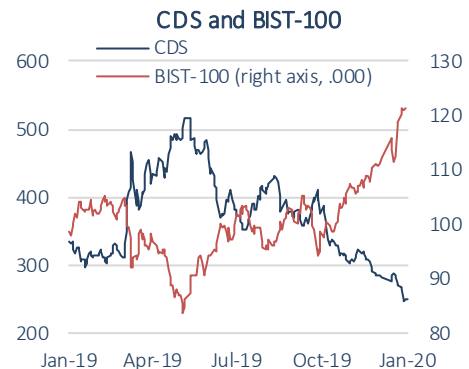
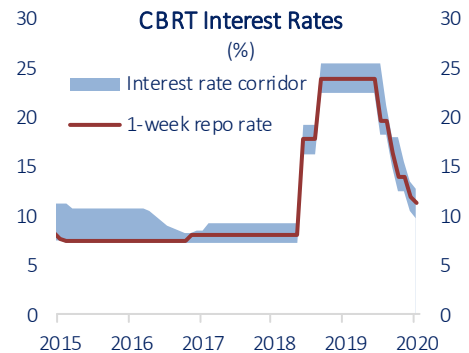
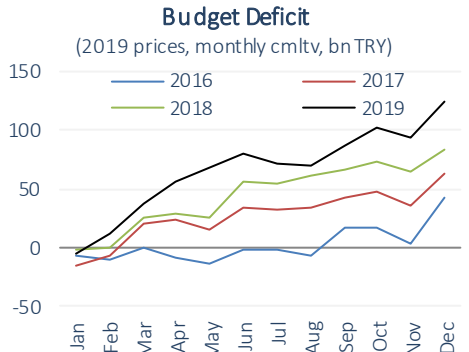
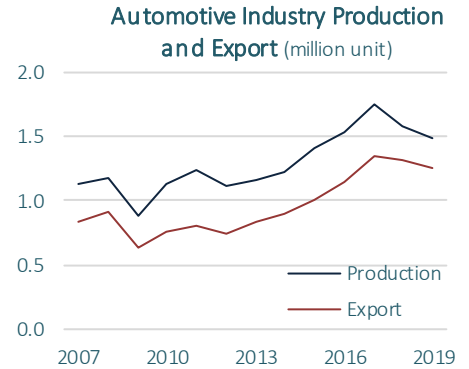
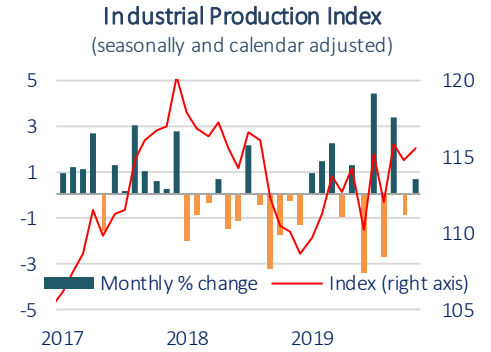
CBRT cut the policy rate by 75 bps.

In its Monetary Policy Committee meeting held on January 16th, CBRT cut the policy rate by 75 bps to 11.25% as markets' expected. Consequently, CBRT reduced the policy rate by 1,275 bps, from 24% to 11.25%, in the last 5 meetings. CBRT's statement implying the inflation outlook is considered to be broadly in line with the Bank's year-end inflation projection supports the expectations that the rate-cuts would continue in a moderate pace. By a new regulation published on January 18th, CBRT decreased the upper limit of the facility of holding standard gold from 30% to 20% of Turkish lira reserve requirements. The Bank increased the upper limit of the facility of holding standard gold converted from wrought or scrap gold collected from residents from 10% to 15% of Turkish lira reserve requirements.

Domestic markets and this week's agenda...

Last week, favourable outlook in the global markets influenced domestic markets positively as well. While BIST-100 index tested its historic highs during the week, USD/TRY rose slightly wow. 2-year benchmark treasury bill's rate dropped to 10.23% in line with the expectations of a rate cut from CBRT. Turkey's 5-year CSD premium fell below 250 for the first time after 1.5 years.

This week relatively steady data agenda will be followed both in global and domestic markets. Global markets will focus on ECB's monetary policy meeting as well as PMI figures to be released in the US and Euro Area. Domestic markets will monitor consumer confidence index. Moreover, US President Donald Trump's impeachment process and Davos Summit will also be followed in the markets.



Data Releases

		Period	Consensus	Prior
20 January	TR Central Government Debt Stock	December	-	1,274 bn
21 January	UK Unemployment Rate	November	%3.8	3.8%
	EA ZEW Index	January	-	11.2
22 January	US Existing Home Sales	December	5.43 mln	5.35 mln
23 January	TR Consumer Confidence Index	January	-	58.8
	ECB Meeting	January	-	-
8 January	US Jobless Claims	13-18 Jan.	215k person	204k person
	EA Consumer Confidence, flash	January	-7.6	-8.1
24 January	EA Manufacturing PMI, flash	January	46.8	46.3
	EA Non-Mfg PMI, flash	January	52.8	52.8
	US Manufacturing PMI, flash	January	52.5	52.4
	US Non-Mfg PMI, flash	January	52.7	52.8

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