

	17-Jan	24-Jan	Change		17-Jan	24-Jan	Change
BIST-100 Index	121,475	122,142	0.5 % ▲	EUR/USD	1.1088	1.1023	-0.6 % ▼
TRY 2 Year Benchmark Rate	10.23%	10.07%	-16 bp ▼	USD/TRY	5.8898	5.9381	0.8 % ▲
Turkey 5-Year CDS	248	237	-11 bp ▼	EUR/TRY	6.5320	6.5468	0.2 % ▲
MSCI EM Equity Index	1,147	1,119	-2.4 % ▼	Gold (USD/ounce)	1,556	1,570	0.9 % ▲
US 10-Year Bond Rate	1.84%	1.68%	-16 bp ▼	Brent Oil (USD/barrel)	64.4	59.6	-7.4 % ▼

bp: basis point

Global markets have remained under pressure due to the coronavirus emerged in China and spreading to other countries. While the ECB and BoJ did not change their current monetary policies, they reaffirmed their commitment to support economic activity. Davos summit was also watched closely last week. While climate change was at the top of the summit agenda, US President Trump's statements on relations with China were followed. Last week, data agenda was calm in Turkey. Domestic markets showed a broadly positive performance.

Coronavirus weighed on global risk sentiment.

Global markets remained under pressure last week due to the coronavirus emerged in China and spreading to other countries. Increasing concerns about the Chinese economic growth and global aviation fuel demand led to a rapid fall in oil prices. The price of Brent crude oil finished the week with a fall of 7.4% to 59.6 USD/barrel. Gold prices rose as risk sentiment deteriorated. Although the World Health Organization states that the virus that has killed about 80 people as of today has not become a global threat, China's holiday starting from January 24 raises risk of a serious epidemic.

ECB and BoJ left their monetary policies unchanged.

European Central Bank (ECB) kept its policy on hold at the first monetary policy meeting of the year. ECB reaffirmed its pledge to make monthly bond purchases of 20 billion euro and hold interest rates at historically low levels or even cut them until it reaches the inflation target. ECB also announced that they have launched strategic review. As Lagarde struck a relatively more dovish tone than markets expected, euro remained under downward pressure.

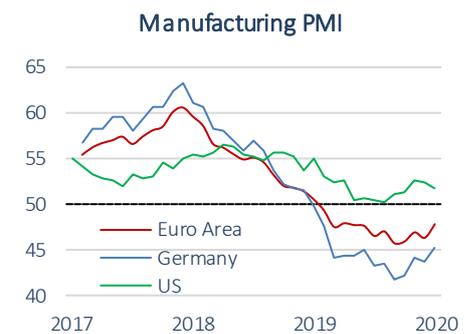
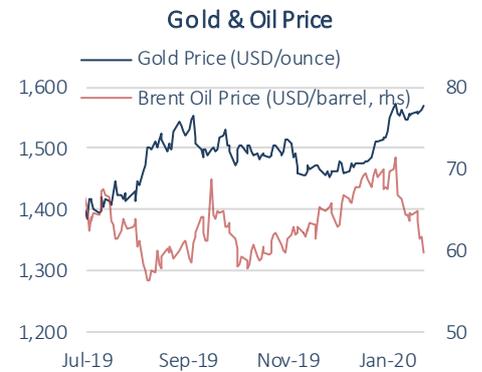
Bank of Japan (BoJ) kept the policy rate at -0.1% and did not change its asset purchase program. BoJ raised its GDP growth forecast for this year to 0.9% from 0.7% due to the fiscal stimulus package of 120 billion USD announced last month.

PMI data in advanced economies...

Manufacturing PMI in Euro Area was realized at the highest level since April 2019 with 47.8 in the first month of this year. Services PMI also remained above the threshold level of 50, coming in at 52.2. In Germany, manufacturing PMI reached its highest level since February 2019 with 45.2, while services PMI came in at 54.2, above the market expectations. The said data signaled a partial recovery for region's economy. According to PMI figures of US, manufacturing PMI decreased to 51.7, the lowest level of the last three months while services PMI climbed to the highest reading since March 2019 with 53.2.

IMF lowered its global growth forecasts.

In the January update of the World Economic Outlook, the IMF lowered its global growth forecasts for 2019 and 2020 by 0.1 point to 2.9% and 3.3%, respectively. IMF also cut its 2021 growth forecast by 0.2 point to 3.4% while revising its world trade growth projections downward. It is stated that the



Source: Datastream

deterioration in outlook primarily reflects negative surprises to economic activity in a few emerging economies, especially India.

Davos summit...

Climate change and geopolitical developments were the most discussed issues in Davos summit. In his speech, US President Donald Trump stated that second phase of trade agreement with China would start soon and many tariffs applied to China would be removed after finishing phase two.

Consumer confidence remains weak.

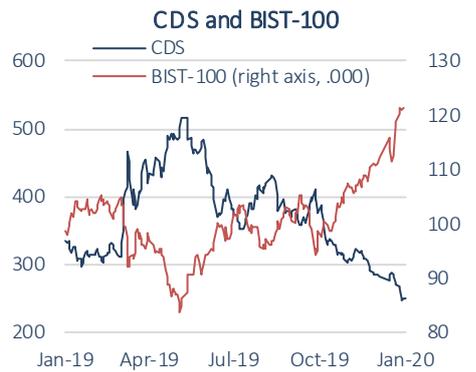
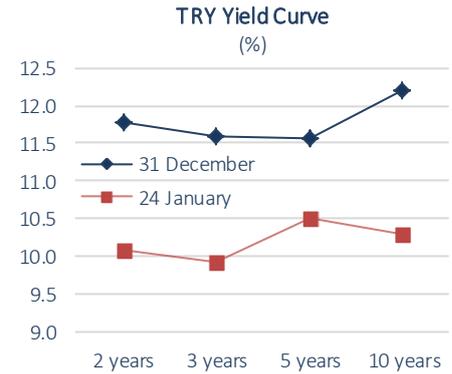
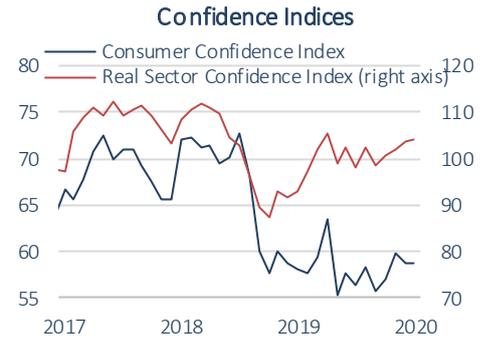
In January, consumer confidence index was realized as 58.8 in Turkey, remaining almost flat compared to the previous month. During the same period, seasonally adjusted real sector confidence index declined by 2.3 points mom to 106.4 where capacity utilization ratio in the manufacturing industry fell by 1.1 points mom to 75.8%.

CBRT's emphasis on moderate rate cut and inflation...

During the presentation made for the economic and commercial attachés of G20 countries that are based in Turkey, CBRT stated that a measured rate cut was made in January taking into account all the factors affecting the inflation outlook. It was mentioned that the disinflation trend is a key for achieving lower sovereign risk, lower long-term interest rates and stronger economic recovery. CBRT also held an Extraordinary General Assembly Meeting on 20th of January. Accordingly, by means of advance dividends from its profit of the 2019 accounting period and distribution of reserve funds from its profit of 2018 as well as corporate tax, CBRT is expected to make a contribution worth of 50 billion TRY to budget revenues in 2020.

Domestic markets and this week's agenda...

Domestic markets ended last week with a favorable outlook. While BIST-100 reached its new historic-highs, the yield of 2-year benchmark bond fell to 10.07%. Turkey's 5-year CDS premium was also down to 237 bps. Other than this week's busy data agenda, Fed, BoE meetings and final Brexit scheduled on January 31 come to the forefront. Developments related to coronavirus outbreak will be monitored closely as well. Domestic markets, on the other hand, focus on CBRT's Inflation Report to be released on Thursday.



Data Releases

		Period	Consensus	Prior
January 27	TR Real Sector Confidence Index	January	-	104.1 (A)
	TR Manufacturing Capacity Utilization Ratio	January	-	75.5% (A)
January 28	US New Home Sales	December	0.8%	1.3%
	US Durable Goods Orders	December	0.4%	-2.1%
January 29	US Consumer Confidence	January	127.2	126.5
	TR Economic Confidence Index	January	-	93.8
January 30	US Pending Home Sales	December	0.3%	1.2%
	Fed Meeting	January	-	-
January 31	BoE Meeting	January	-	-
	US GDP (flash)	Q4	2.1%	2.1%
January 31	TR Foreign Trade Balance	December	-	-2.2 billion USD
	Euro Area Inflation (flash, annual)	January	1.4%	1.3%
	Euro Area GDP (flash)	Q4	0.2%	0.2%
	US Core PCE Inflation (annual)	December	1.6%	1.6%
	US Chicago PMI	January	48.7	48.9

(A) Actual

Source: Datastream, CBRT

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