

	28-Feb	6-Mar	Change		28-Feb	6-Mar	Change
BIST-100 Index	105,994	109,601	3.4% ▲	EUR/USD	1.1025	1.1285	2.4 % ▲
TRY 2 Year Benchmark Rate	12.41%	10.93%	-148 bp ▼	USD/TRY	6.2387	6.0899	-2.4 % ▼
Turkey 5-Year CDS	374	381	7 bp ▲	EUR/TRY	6.8821	6.8777	-0.1 % ▼
MSCI EM Equity Index	1,006	1,012	0.7 % ▲	Gold (USD/ounce)	1,585	1,674	5.6 % ▲
US 10-Year Bond Rate	1.13%	0.71%	-42 bp ▼	Brent Oil (USD/barrel)	51.7	45.4	-12.1 % ▼

bp: basis point

While the data released in the US last week showed a relatively positive outlook of the country's economy, the Fed lowered its policy rate by 50 basis points at an extraordinary meeting to limit the effects of the coronavirus. The announcement of PMI data at historical low levels in China signaled that the effects of the virus began to reflect on the real economy. International organizations revised their global growth forecasts downwards. OPEC+ countries, which gathered in Vienna to cut oil production, could not reach a compromise and this caused a rapid decline in oil prices. In Turkey, while the manufacturing industry PMI rose to the highest level in the past two years in February, annual CPI inflation has reached its highest level since August 2019. The CBRT amended its reserve requirement regulation with a statement made over the weekend.

The Fed cut its policy rate by 50 basis points at an extraordinary meeting.

The measures taken to reduce the effects of coronavirus have come to the fore in the agenda of global markets last week. The International Monetary Fund (IMF) announced that it will provide approximately 50 billion USD financing to low-income and developing countries that need support, and 10 billion USD of this will be interest-free. G7 finance ministers expressed their readiness to take all steps, including fiscal measures to be protected against risks. In order to preserve the US economy from the impact of the coronavirus epidemic, the Fed lowered its policy interest rate by 50 basis points to the range of 1%-1.25%. The opinion that other central banks of developed countries would also take supportive moves gained strength. Gold prices rose by 5.6% on a weekly basis as safe haven purchases increased after Fed's interest rate cut. Declining rapidly 10-year US Treasury bond yields fell to a new historical low level of 0.32% in the morning of March 9.

Heavy data agenda in the US...

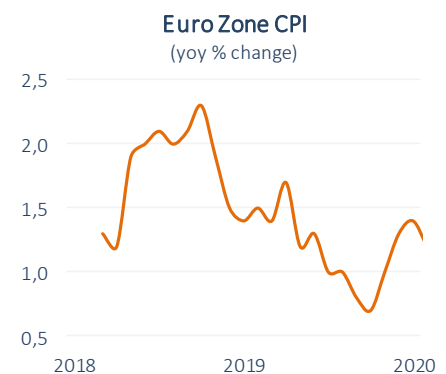
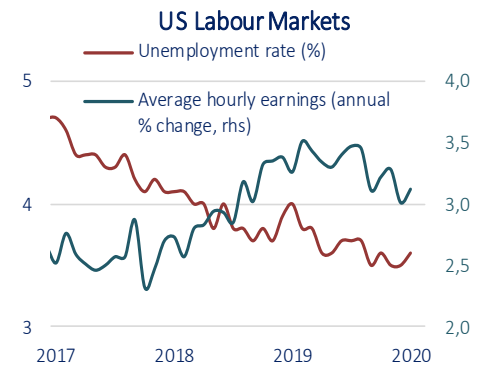
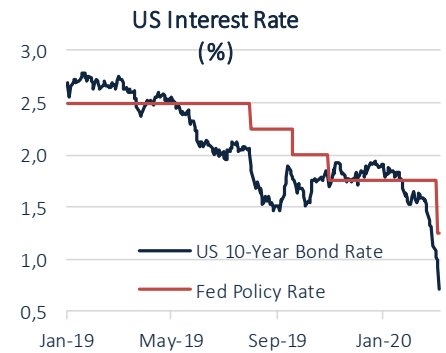
February manufacturing PMI data in the US decreased on a monthly basis and came in at 50.7. In the same period, ISM services PMI rose to the highest level in the last 12 months with 57.3. Factory orders in January, on the other hand, contracted faster than expected, by 0.5%. In February, the increase in non-agricultural employment in the country became 273K, well above the market expectation of 175K. The unemployment rate fell from 3.6% in January to 3.5% in February, which is the lowest level in nearly 50 years. The data indicated that the labor market in the US still maintains its strong outlook.

Inflation in the Euro Area is declining.

Although increasing on a monthly basis, February manufacturing PMI data in the Euro Area came in at 49.2 and indicated that the contraction in the sector continued for 13 successive months. According to preliminary figures, annual CPI inflation in this period fell to 1.2% in the region. The decrease in oil prices due to the coronavirus was effective in the decline in inflation. In fact, core CPI came in at 1.3% in February. In the first month of the year, Euro Area unemployment rate was realized as 7.4%, in line with market expectations.

International organizations revised their growth forecasts.

Due to coronavirus-related concerns and production difficulties, following the low manufacturing PMI data in China, Caixin services PMI also came in at a historic low of 26.5. International organizations reflected this to their growth expectations. OECD decreased its growth expectation of China by 0.8 points to 4.9% for 2020.



Source: Datastream

The Organization also decreased its global growth expectation for 2020 from 2.9% (November, 2019) to 2.4%. The Organization stated that the global economy faces the most serious risks by coronavirus outbreak from 2008 financial crises until now. The Institute of International Finance (IIF) also revised its growth expectations. The Institute decreased growth expectations for US and China from 2% to 1.3% and from 5.9% to 4%, respectively. IIF warned of fall back in global growth down to 1%.

OPEC+ countries failed to agree on cutting oil supply.

At the meeting held on March 5-6 in Vienna, OPEC discussed the proposal to cut oil production by an extra 1.5 million barrel per day for the second quarter of the year in order to balance oil prices that are affected by coronavirus outbreak. Concerning that decision OPEC countries negotiated with Russia on Friday. After the meeting with Russia, it was declared that Russia supports to prolong current cut in production however rejected further decrease in oil supply. Following this development, the news about the plans of Saudi Arabia to increase oil production starting from the next month led to a sharp decrease in oil prices. Brent oil prices closed last week at 45.4 USD with a 12.1% loss started the new week with a sharp decline.

Manufacturing PMI in Turkey is at the highest level of two years...

Manufacturing PMI, which was 51.3 in January, reached 52.4 in February, the highest level in two years. When the sub-items of the index were analyzed, a recovery was observed in production activities thanks to the new orders that increased rapidly with the revival in domestic demand. The fact that employment signaled an increase in the second consecutive month was also a positive development. On the other hand, the upward trend in input prices continued.

Monthly inflation came in below expectations...

In February, CPI increased by 0.35% mom, below the expectations. The market's CPI expectation for this period was 0.65%. In this period, annual CPI increase reached its highest level since August 2019 and became 12.37%. Domestic PPI (D-PPI) posted an increase of 0.48% mom and 9.26% yoy in February ([Our Inflation Report](#)).

CBRT amended the reserve requirement regulation.

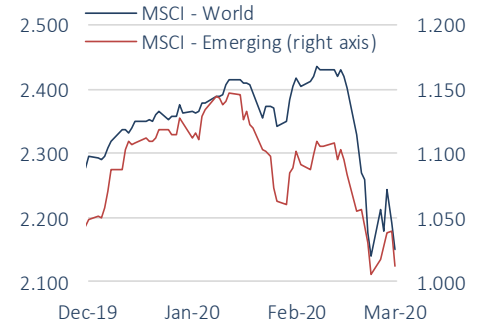
The CBRT has amended its current reserve requirement regulation, taking into account the significant increase in consumer loans, the effects it may have on growth composition, inflation and external balance and the increase in TRY credit growth, which is used for the purpose of closing the foreign currency cash loans early or before their maturity. CBRT stated that the new practice will contribute to direct the loan supply to productive and production oriented sectors that will support sustainable growth rather than consumption.

Financial markets...

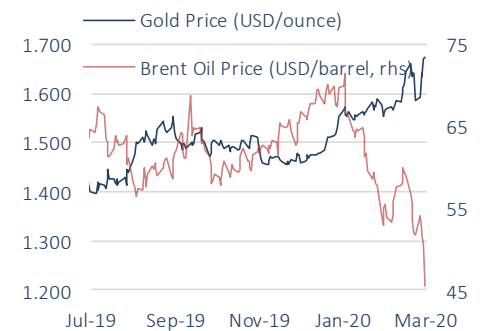
Following a fluctuating course during the week BIST-100 index increased by 3.4% wow, while USD/TRY decreased by 2.4% wow and closed the week at 6.09. The compound interest rate of the 2-year benchmark bond decreased by 148 basis points to 10.93%. Turkey's 5-year CDS premium which fell to 320 basis points in the week rose rapidly on Friday to 381 basis points.

This week, an intensive data agenda will be monitored by the markets. Euro Area growth and US inflation data come to the fore in global markets. In Turkey, current account balance and industrial production data will be followed.

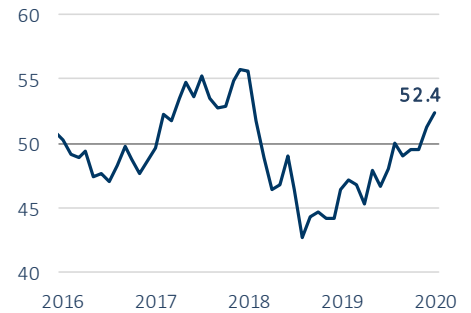
Global Stock Markets



Gold & Oil Price



Manufacturing PMI (benchmark=50)



CDS and BIST-100



Source: Datastream

Data Releases

		Period	Consensus	Prior
9 March	5-Year CPI Indexed Bond Re-open	March	-	-
10 March	TR Unemployment Rate	December	-	13.3%
	15-Month Coupon-Free Government Bonds Open	March	-	-
	7-Year Floating Coupon Bond Re-open	March	-	-
	Euro Zone GDP, yoy	Q4	0.9%	0.9%
	China PPI, yoy	February	5.2%	5.4%
11 March	TR Current Account Balance	January	-	-2.8 billion USD
	Treasury Domestic Redemption (14.7 billion TRY)	March	-	-
	US CPI, mom	February	0%	0.1%
12 March	US Weekly Jobless Claims	February	215k persons	216k persons
	Euro Zone Industrial Production, yoy	January	-3.1%	-4.1%
	ECB Meeting	March	-	-
13 March	TR Industrial Production, yoy	January	-	8.6%
	CBRT Survey of Expectations	March	-	-
	Treasury Domestic Redemption (6.2 billion TRY)	March	-	-
	US Michigan Consumer Confidence	March	95	101

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