

	27-Mar	3-Apr	Change		27-Mar	3-Apr	Change
BIST-100 Index	88,125	89,553	1.6% ▲	EUR/USD	1.1140	1.0808	-3.0 % ▼
TRY 2 Year Benchmark Rate	11.30%	11.95%	65 bp ▲	USD/TRY	6.4530	6.7290	4.3 % ▲
Turkey 5-Year CDS	492	645	153 bp ▲	EUR/TRY	7.1913	7.2709	1.1 % ▲
MSCI EM Equity Index	843	832	-1.3 % ▼	Gold (USD/ounce)	1,618	1,616	-0.1 % ▼
US 10-Year Bond Rate	0.74%	0.59%	-16 bp ▼	Brent Oil (USD/barrel)	24.9	34.1	36.9 % ▲

bp: basis point

The number of coronavirus cases in the world has exceeded 1.25 million people while the death toll passed 65 thousand people last week. While additional measures are continued to be taken by central banks and governments, the negative impacts of the pandemic on the global economy has also been observed in purchasing managers index (PMI) data. The number of people applying for unemployment benefits in the US reached a record high of 6.6 million last week. Moreover, the unemployment rate in the US increased from 3.5% to 4.4%. While the fall in global stock indexes in the first quarter of the year exceeded 20%, portfolio outflows from emerging economies reached a record level. Oil prices followed a volatile course due to the news regarding production cuts. In Turkey, annual CPI inflation fell to 11.86%.

New measures are taken to alleviate the effects of the coronavirus.

While the total number of coronavirus cases is over 1 million 250 thousand people worldwide, new measures are being taken to alleviate the effects of the pandemic. European Union has approved emergency measures, including the establishment of a 37 billion euro fund due to the coronavirus outbreak and suspension of flight permit rules. Australia announced a 80 billion USD financial support package for employment, pledging to support employee wages. Central banks on a global scale also continued to take new measures. The Fed announced the establishment of a temporary repo facility which will allow other central banks having US Treasury bonds to enter into repurchase agreements for at least 6 months starting from April 6th. Accordingly, foreign central banks will be able to provide USD liquidity overnight in exchange for US Treasury securities. The People's Bank of China lowered the reverse repo rate by 20 basis points by making the largest interest rate cut in the last 5 years and reduced the reserve requirement rate by 100 basis points for small banks.

The negative outlook in economic activity becomes evident in the Euro Area.

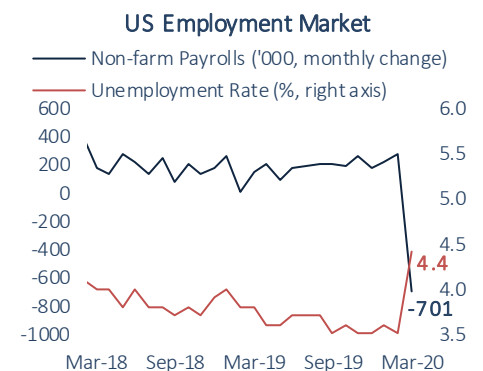
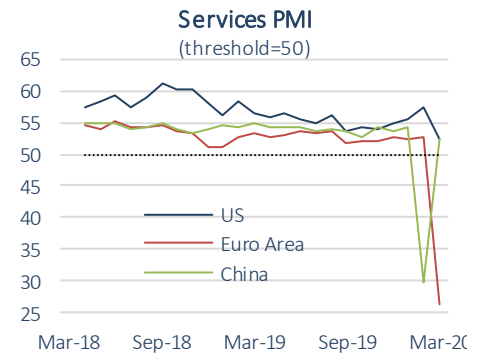
The economic confidence index in the Euro Area fell to 94.5 in March. Manufacturing PMI in the region fell to 44.5, the lowest in the last 92 months, while services PMI fell sharply to 26.4. Thus, Euro Area composite PMI, which was 51.6 in February, decreased to 29.7 in March. In Germany, the closure of some factories in the face of the pandemic led the production sub-index of manufacturing PMI data to see the hardest decline in nearly 11 years in March. Services PMI in Germany, which was 52.5 in February, fell to 31.7 points in March, the lowest value since June 1997.

Manufacturing PMI in China signaled a recovery in industrial activity.

Manufacturing PMI in China became 52 in March, well above the expectations of 45. Composite PMI, which was 28.9 in February, also increased to 53 during this period. Reflecting the performance of the private sector in the country, Caixin manufacturing PMI data reached 50.1 in March, exceeding expectations. The improvement in China's PMI data indicates that the impact of coronavirus on the country has started to decrease compared to February, and points to normalization in economic life. On the other hand, the continuation of the recovery in economic activity in the country would be possible within the framework of the revival of demand in the main export markets of the country.

Rapid deterioration in the employment market in the US...

After layoffs due to the outbreak, applications for initial jobless claims in the US last week were 6.65 million, well above market expectations of 3.5 million. Thus, the number of applications in the country has reached approximately 10 million people in the last two weeks. In March, while non-farm payrolls fell for the first time since September 2010, and decreased by 701 thousand people, the unemployment rate



Source: Datastream, Johns Hopkins University

increased from 3.5% to 4.4%. In addition, ISM manufacturing index became 49.1 and remained below the threshold of 50, which marks a contraction in the sector. The fall of the new orders sub-index to the lowest level in the last 11 years also supported the recession concerns.

Portfolio outflows from emerging markets are at record levels.

According to the data released by the Institute of International Finance (IIF), portfolio investment outflows from emerging countries in March amounted to 83.3 billion USD. 52.4 billion USD of this unprecedented outflow was from equity portfolio, and 31 billion USD was from debt portfolio.

Oil prices have been volatile.

US President Trump stated that Russia and Saudi Arabia are expected to cut oil production by 10-15 million barrels a day. The video conference between OPEC and some non-OPEC producer countries aiming at stabilizing the oil markets, which had been announced to be held on April 6, was postponed. Against this backdrop, oil prices were quite volatile last week. The price of Brent oil, which rose above 36 USD level on Thursday after Trump's announcement, dropped below 35 USD per barrel due to uncertainties regarding the agreement. The Brent crude oil price per barrel rose 37% on a weekly basis, ending the week at 34.1 USD.

The negative impact of the coronavirus outbreak on Turkish economy...

After reaching the peak level of the last two years with 52.4 in February, manufacturing PMI dropped to 48.1 in March signaling contraction in the sector. New orders sub-index fell from 53.9 to 43.4 in this period, after recording three consecutive months of growth. Export orders sub-index fell to 42, the lowest level since March 2009. According to the provisional data on foreign trade calculated based on general trade system, export volume declined by 17.8% yoy to 13.4 billion USD in March, while imports increased by 3.1% yoy to 18.8 billion USD. Exports, which increased by 4.1% yoy in the first 2 months of the year, contracted by 3.9% yoy in the first quarter due to the decline in March.

In March, CPI rose by 0.57% mom and 11.86% yoy.

In March, CPI increased by 0.57% mom, in line with market expectations, while domestic PPI (D-PPI) posted an increase of 0.87%. Annual CPI inflation, which has been on upward trend since November, declined to 11.86% in March. Similarly, annual D-PPI inflation decreased slightly to 8.5% in March. Prices in 10 out of 12 main expenditure groups increased on a monthly basis. The main expenditure group with the highest price increase was health with 2.8% (Our Inflation Report).

Additional measures...

On March 31, 2020, the CBRT took additional measures to strengthen the monetary transmission mechanism by boosting the liquidity of the Government Domestic Debt Securities (GDDS) market, enhance banks' flexibility in Turkish lira and foreign exchange liquidity management, secure uninterrupted credit flow to the corporate sector and broadly support the goods and services exporting firms, which are affected by the pandemic. Thus, it is observed that steps have been taken to expand the collateral pool of the CBRT and to limit the possible effects of the Unemployment Insurance Fund's liquidity needs on market functioning. BRSA also made new decisions to facilitate the financing conditions of those affected economically by the coronavirus. Citizens, whose credit card debts have been postponed, were allowed to be granted a "non-payment period" including the min amount until December 31 2020, while the deadlines for the reports prepared by the financial institutions for the first quarter were extended by 60 days.

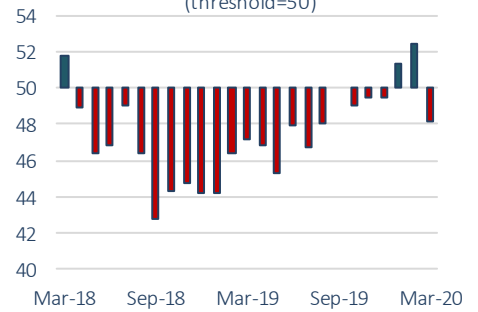
Financial markets...

Global stock markets displayed one of the most negative quarterly performances in history. While the MCSI world stock index decreased by 21% qoq, the decline in emerging market's index was 24%. BIST-100 increased 1.6% wow parallel with the global market, while USD/TL rose 4.3% to 6.73. The compound interest rate of the 2-year benchmark bond rose by 65 basis points to 11.95%. Turkey's 5-Year CDS premium increased by 153 bps to 645 bps last week.

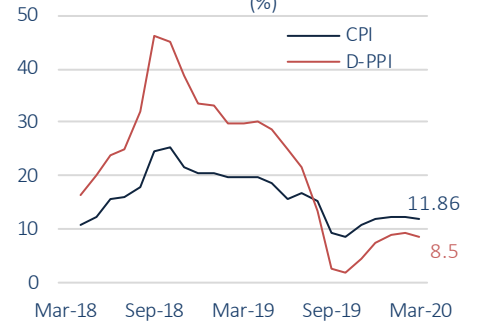
Brent Crude Oil
(USD/barrel)



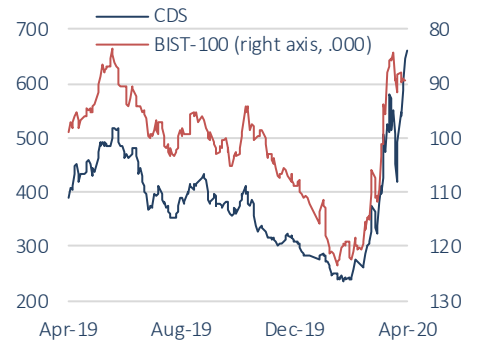
Manufacturing PMI
(threshold=50)



Annual Inflation
(%)



CDS and BIST-100



Source: Datastream

Data Releases

		Period	Consensus		Prior
6 April	Euro Zone Sentix Confidence Index	April	-42.9 (A)		-17.1
7 April	Germany Industrial Production, mom	February	-0.9%		3.3%
	US House Price Index, mom	March	0.0%		0.3%
8 April	TR Treasury Domestic Redemption(74 million TRY)	April	-		-
9 April	UK GDP, yoy prelim	February	0.5%		0.6%
	US Weekly Jobless Claims	April	5 million persons	6.65 million persons	
	US Michigan Confidence Index	April	75		79.1
10 April	US CPI, mom	April	-0.3%		0.1%
	TR Unemployment Rate	January	-		13,7%
	TR Treasury Domestic Redemption(43 million TRY)	April	-		-

(A) Actual

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