

| | 24-Apr | 1-May | Change | | 24-Apr | 1-May | Change |
|----------------------------|--------|---------|---------|------------------------|--------|--------|---------|
| BIST-100 Index* | 98,759 | 101,110 | 2.4% ▲ | EUR/USD | 1.0820 | 1.0983 | 1.5% ▲ |
| TRY 2 Year Benchmark Rate* | 8.80% | 8.91% | 11 bp ▲ | USD/TRY | 6.9722 | 7.0080 | 0.5% ▲ |
| Turkey 5-Year CDS | 598 | 601 | 4 bp ▲ | EUR/TRY | 7.5452 | 7.7011 | 2.1% ▲ |
| MSCI EM Equity Index | 879 | 917 | 4.2% ▲ | Gold (USD/ounce) | 1,727 | 1,699 | -1.6% ▼ |
| US 10-Year Bond Rate | 0.60% | 0.64% | 4 bp ▲ | Brent Oil (USD/barrel) | 21.4 | 26.4 | 23.3% ▲ |

bp: basis point

(*) April 30

Last week, the gradual removal of restrictions came to the agenda in some countries due to the views that the coronavirus pandemic has reached its peak. The data announced during the week indicated the negative impact of the pandemic on the economy. According to advance estimate, the US economy contracted by 4.8% in the first quarter of 2020. Fed and ECB kept their policy rates unchanged at their meetings last week. In Turkey, economic confidence index fell 44.1% on a monthly basis in April, declining its historically low level with 51.3. Publishing the second Inflation Report of the year, CBRT cut its year-end inflation forecast to 7.4%. Manufacturing PMI fell to 33.4 in April, the lowest level in the past 11 years, while consumer prices rose by 0.85% on a monthly basis.

The US economy contracted by 4.8% in the first quarter of 2020.

According to the advance estimate, the US economy contracted for the first time in the last 6 years, recording its fastest decline since the global crisis with an annual rate of 4.8% on a quarterly basis in the first quarter of 2020. In addition to the 7.6% decrease in consumption expenditures, the decline in exports and investment expenditures were effective in this development. In April, when the effects of the pandemic started to be clearly observed in the US, the consumer confidence index fell by 27% on a monthly basis to 86.9, the lowest level since 2014. While the core PCE increased by 1.7% on an annual basis in March, the number of unemployment benefit claims in the week ended April 25 was 3.8 million. Thus, the number of applicants for unemployment benefits, which increased due to the negative impact of the outbreak on economic activity, reached 30 million in 6 weeks. ISM manufacturing index decreased by 7.6 points compared to the previous month to 41.5 in April, the lowest level since April 2009.

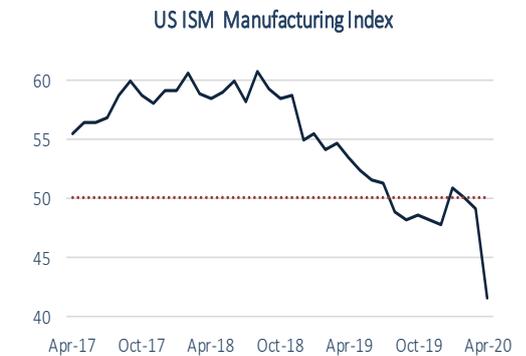
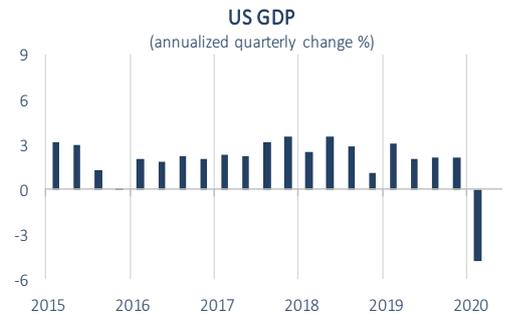
Fed did not change its policy rate.

In its April meeting, Fed kept its policy rate between 0-0.25% in line with the expectations. In the statement made after the meeting, it was emphasized that all the instruments will be used until the full employment and price stability targets are reached to support the US economy, while Treasury bonds and securities purchases will continue as much as needed to support the proper functioning of the market. The statement also signified that the pandemic poses great risks in the medium term in terms of economic outlook, while weak demand and falling oil prices put downward pressure on inflation. Fed President Powell stated that the economic activity was declining sharply due to the pandemic and the process was uncertain, while in the second quarter of the year, the US economy could shrink at an unprecedented pace and the unemployment figure could be at double-digit levels.

ECB kept the policy rate unchanged.

European Central Bank (ECB) did not change the policy rate at the meeting held on Thursday, but decided to reduce the interest rate on TLTRO III operations from -0.5% to -1%. ECB President Lagarde stated that the Euro Area GDP, which contracted by 3.8% in the first quarter of 2020 on a quarterly basis, may shrink between 5-12% this year. Lagarde also stated that the size of pandemic emergency purchase program (PEPP) could be increased and it can be extended after 2020, emphasizing that strong fiscal measures has to be taken through this term.

Retail sales in Germany, the largest economy in the Euro Area, fell 5.6% in March compared to the previous month. According to the final data, Euro Area manufacturing PMI fell to the historically lowest level (33.4) in April, while in Germany it reached its lowest level since



Source: Datastream, Johns Hopkins

March 2009 with 34.5. Euro Area Sentix confidence index became -41.8 in April. In the UK, retail sales decreased by 5.1% in March compared to the previous month, making its sharpest decline since 1996 when the data started to be published.

Bank of Japan also went further easing in its monetary policy.

While the unemployment rate in Japan reached the highest level in a year with 2.5% in March, industrial production fell by 3.7% in March on a monthly basis. Thus new measures are continued to be taken to alleviate the economic effects of the pandemic in the country. While BoJ did not change its interest rates, it removed the limit on its annual 80 trillion yen government bond purchase in line with market expectations. BoJ has also decided to continue purchasing corporate bonds until it reaches a total of 20 trillion yen.

Record fall in energy demand expectation...

According to the World Energy Outlook report published by the International Energy Agency (IEA), energy demand will decrease by 6% in 2020, 7 times faster than the global financial crisis of 2008. The report stated that the impact of the crisis on energy demand depends on the duration of implementation of the measures, and the decrease in energy demand will affect mostly the developed economies. According to the report, the decline in demand will be 9% in the US and 11% in the European Union on an annual basis.

Economic confidence in Turkey fell to a historical low level.

The economic confidence index decreased by 44.1% mom in April to 51.3, its lowest level since 2007 when the data started to be announced. During the 2008 global financial crisis, the index was at 61.2 (November 2008). Looking at the breakdown of the index, it is observed that all sub-indices decreased. The fastest declines in the confidence were seen in the services and the construction sector.

CBRT cut its year-end inflation forecast to 7.4%.

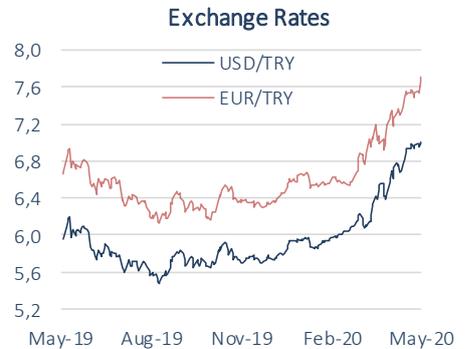
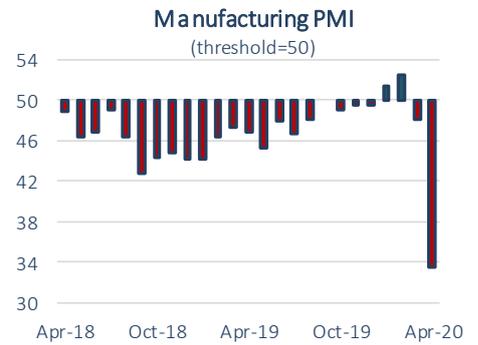
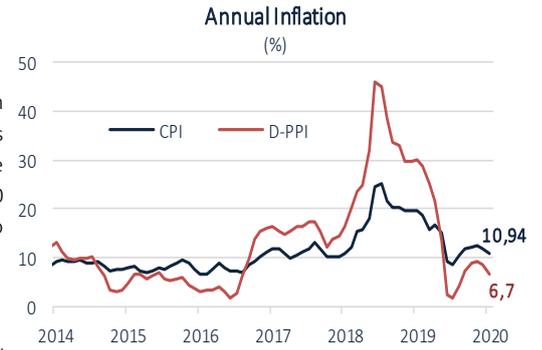
Publishing the second Inflation Report of the year, CBRT cut the year-end inflation forecast from 8.2% to 7.4%, due to the sharp decline in oil prices and weakening in demand conditions. CBRT President Murat Uysal said that the downward effects in inflation will prevail and the decline in inflation will become more evident starting from July. Inflation is expected to be stabilized at 5% in the medium term after declining to 5.4% in 2021. Murat Uysal also stated that there is no exchange rate target and the free floating exchange rate regime has not been abandoned. While President Uysal stated that there is no attempt to provide a resource from or to establish a swap line with the IMF, he explained that the swap line negotiations with major central banks are continuing.

CPI rose above expectations, while manufacturing PMI declined to its lowest level in the past 11 years.

In April, CPI increased by 0.85% mom, above the expectations. Domestic PPI (D-PPI) posted an increase of 1.28%. Annual CPI declined to 10.94% while annual D-PPI inflation became 6.71% in this period. Prices increased in 8 out of 12 main expenditure groups in April compared to the previous month. The highest price increase was in miscellaneous goods and services with 4.66% while the highest decrease was in transportation with 1.83%. Manufacturing PMI, due to the strict measures against virus outbreak, declined sharply to the 33.4 dropped its lowest level of 11 years. Rapid contraction in production and new order sub-items was effective in the fall of the index. Manufacturing PMI was 32.9 in January 2009, when the global financial crises felt.

Financial markets...

Last week global markets followed upward trend with the expectations of the gradual loosening of the strict lockdown measures for coronavirus outbreak. On Friday, US stock indices decreased due to US President Trump's speech against China regarding the virus outbreak and additional tariffs. BIST-100 index, which was closed due to the holiday on Friday, remained relatively stable wov. USD/TRY increased by 0.5% and reached 7.0 while EUR/TRY increased by 2.1% finishing the week at 7.7. The compound interest rate of the 2-year benchmark bond increased by 11 basis points wov to 8.91%. Turkey's 5 year CDS premium increased by 4 basis points to 601 basis points.



Source: Datastream

Data Releases

| | | Period | Consensus | Prior |
|---------------|--|--------|---------------------|-----------------------|
| 04 May | TR Manufacturing PMI | April | 33.4 (A) | 48.1 |
| | TR CPI, yoy | April | 10.94% (A) | 11.86% |
| | US Factory Orders, mom | March | -9.5% | 0.0% |
| | Euro Zone Manufacturing PMI | April | 33.4 (A) | 33.6 |
| | Euro Zone Sentix Confidence Index | May | -41.8 (A) | -42.9 |
| | Germany Manufacturing PMI | April | 34.5 (A) | 34.4 |
| 05 May | US Services PMI | April | - | 27.0 |
| | UK Services PMI | April | - | 12.3 |
| 06 May | TR Treasury Domestic Redemption(188 million TRY) | May | - | - |
| | Euro Zone Services PMI | April | 11.7 | 11.7 |
| | Euro Zone Retail Sales, mom | March | -12.0% | 0.9% |
| 07 May | Germany Services PMI | April | 15.9 | 15.9 |
| | Germany Industrial Production, mom | March | -7.3% | 0.3% |
| | China Caixin Services PMI | April | - | 43.0 |
| 08 May | TR Treasury Cash Balance | April | - | -40.45 billion TRY |
| | US Unemployment Rate | April | 14.0% | 4.4% |
| | US Nonfarm Payrolls, mom | April | -20 million persons | -701 thousand persons |

(A) Actual

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