

	8-May	15-May	Change		8-May	15-May	Change
BIST-100 Index	97,845	99,768	2.0% ▲	EUR/USD	1.0840	1.0815	-0.2 % ▼
TRY 2 Year Benchmark Rate	9.06%	9.18%	12 bp ▲	USD/TRY	7.0820	6.8992	-2.6 % ▼
Turkey 5-Year CDS	643	616	-27 bp ▼	EUR/TRY	7.6766	7.4628	-2.8 % ▼
MSCI EM Equity Index	912	901	-1.2 % ▼	Gold (USD/ounce)	1,701	1,741	2.4 % ▲
US 10-Year Bond Rate	0.68%	0.64%	-4 bp ▼	Brent Oil (USD/barrel)	31.0	32.5	4.9 % ▲

bp: basis point

Last week, the second wave concerns about the pandemic, the heightened tension between the US and China and the views that the room for further monetary policy easing has become limited came to the fore on the world agenda. The data releases particularly in the US and Euro Area during the week revealed that the pandemic's damage on the economy persists. While an intense data flow was monitored also in Turkey, the weak course in economic activity continued. A fluctuating course was seen in both global and domestic financial markets with the effect of increasing question marks regarding the path of economic recovery last week. While starting the week at the level of 7.08, USD/TRY fell below the level of 6.90, thanks to growing optimism over possible swap lines being established with foreign central banks. The CBRT meeting on Thursday will be closely monitored this week.

The data releases in the US displayed a negative outlook.

Due to the coronavirus pandemic, employment losses continued in the US. Although weekly jobless claims were below the previous week with 2.98 million people, it was above the expectations of 2.5 million persons. With the latest data, the number of people applying for jobless claims has increased to 36.5 million since mid-March. Applications, which were around 200 thousand persons before the pandemic, were at the lowest levels of the last 50 years.

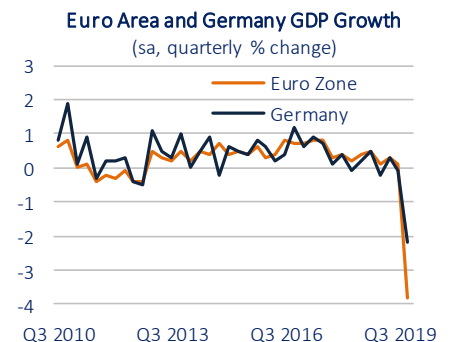
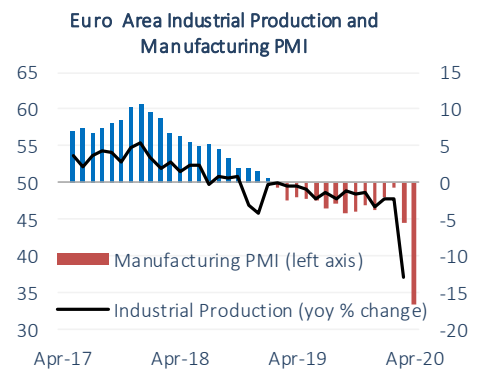
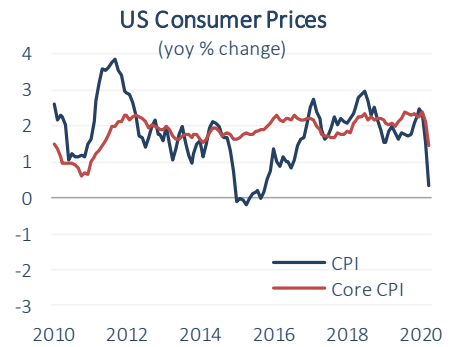
While the industrial production index in the US fell by 11.2% in April, recording the most rapid monthly decline in its history, the capacity utilization rate came in at 64.9%, 1.8 points below its lowest level in 2009. Retail sales also fell by 16.4% mom in this period, posting the biggest decline since 1992 when the data first released. Inflation indicators in the country were also at low levels. Consumer prices declined by 0.8% mom in April, recording the highest monthly fall since December 2008, while the annual increase in CPI came in at 0.3%. Core CPI also decreased by 0.4% mom, receiving its lowest value since 1957. PPI declined by 1.3% on a monthly basis as well.

Fed Chair Powell said that the Fed is not considering negative interest rates.

Fed Chair Powell emphasized that the economic outlook has been highly uncertain and subject to significant downside risks while stating that their views on negative interest rates have not changed and they are not considering using negative rates in his speech on May 13. Expressing that the recovery in the US economy may take a long time, Powell stressed that additional measures may be required in fiscal policy to support the economy.

Industrial production in the Euro Area fell by 11.3% in March.

As comprehensive measures were introduced to combat the pandemic in March, industrial production in the Euro Area dropped by 11.3% mom and by 12.9% yoy. Among EU countries, the biggest decrease in industrial production on a monthly basis was recorded in Italy with 28.4%. While the Euro Area economy contracted by 3.8% in the first quarter of the year, economic output in Germany, the region's largest economy, shrank by 2.2%, in line with expectations.



Source: Datastream,

Current account deficit became 4.9 billion USD in March.

In March, current account deficit was realized as 4.92 billion USD in Turkey, beating market expectations. The rapid increase in foreign trade deficit (approximately 6 times yoy) as well as the decrease in service revenues due to the virus outbreak played role in the expansion of the current account deficit. 12-month current account surplus decreased to 1.5 billion USD as of March 2020. Although the normalization steps taken to ease measures against the outbreak are on the agenda, we think that foreign trade and tourism revenues will continue to put pressure on the current account balance in the short term ([Our Balance of Payments Report](#)).

Industrial production decreased by 2% yoy in March.

Calendar adjusted industrial production fell by 2% yoy in March. In this period, 16.6% decline in durable consumer goods manufacturing was noteworthy. Among the sub-sectors of manufacturing industry, the biggest contraction was in motor vehicles with 20.3%, followed by clothing with 16.5% and other transportation vehicles with 15.3%. In the same period, increases in the production of food, paper and chemical products exceeded 5%. Owing to the high rate of increase in industrial production in the first two months, industrial production growth in the first quarter was 4.4%. According to the CBRT Expectations Survey published on Friday, participants expect a contraction of 1.3% for 2020 in the Turkish economy.

Central government budget posted a deficit of 43.2 billion TRY.

The recent measures against the economic impacts of the coronavirus pandemic weighed on budget performance in April as it was the case in March. The central government budget deficit rose by 136% yoy to 43.2 billion TRY in April. In March, the deficit was 43.7 billion TRY. In April, budget revenues increased by 13.1% yoy to 65.2 billion TRY, while budget expenditures rose by 42.7% yoy to 108.4 billion TRY. In the first four months of the year, budget revenues and expenditures grew by 16.3% yoy and 19.2% yoy, respectively. In this period, budget deficit became 72.8 billion TRY, more than the half of the year-end target level announced at the beginning of 2020 ([Our Budget Balance Report](#)).

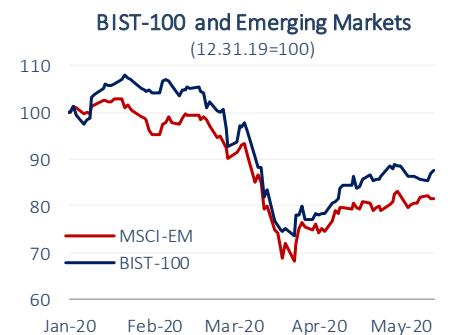
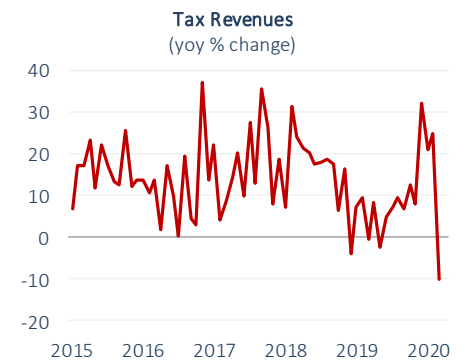
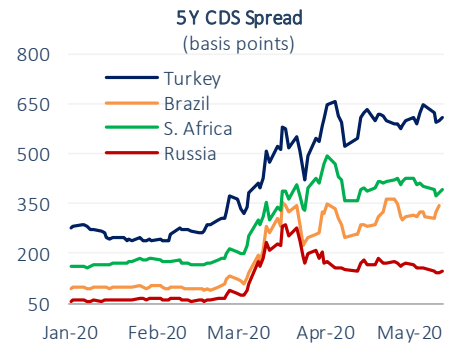
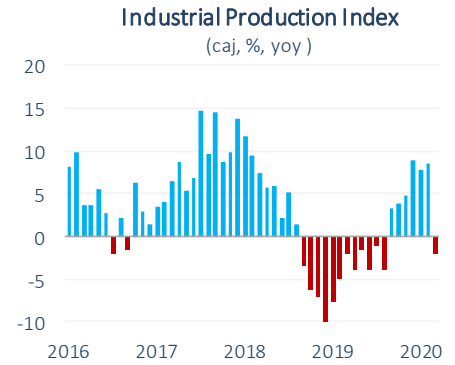
House sales fell by 55.5% yoy in April.

House sales in Turkey dropped by 55.5% yoy to 42,783 units in April. In this period, mortgaged house sales decreased by 23.9% while other house sales declined by 65.1%. In the first four months of the year, on the other hand, the increase in total house sales was 8.9% thanks to the 141.4% rise in mortgaged house sales.

Financial markets...

The second wave concerns about the pandemic arising from the steps taken to restart economic activity gradually and the speech of Fed Chair Powell addressing the risks regarding the economic outlook put downward pressure on global markets last week. The news that China is ready to take retaliatory measures against the US plan to block shipments of semiconductors to Chinese telecom firm also had a negative impact on markets. The price of Brent crude oil closed the week at 32.5 USD/barrel with an increase of 4.9% wow due to the moderate recovery signals of global demand as well as production cuts.

While the BIST-100 index increased by 2% on a weekly basis, the compound interest rate of the 2-year benchmark bond increased by 12 basis points to 9.18%. Turkey's CDS premium declined by 27 bps wow and finished the week at 616 bps. While starting last week at the level of 7.08, USD/TRY fell below the level of 6.90, thanks to growing optimism over possible swap lines being established with foreign central banks. The CBRT meeting on Thursday will be closely monitored this week.



Source: Datastream

Data Releases

		Period	Consensus	Prior
19 May	US Housing Starts (unit)	April	950k	1.216 million
	Germany ZEW Economic Sentiment	May	33.5	28.2
20 May	TR Consumer Confidence Index	May	-	54.9
	Euro Area CPI, yoy	April	0.4%	0.7%
	Euro Area Consumer Confidence Index, prelim	May	-23.4	-22.7
	Fed FOMC Minutes	April	-	-
21 May	CBRT Monetary Policy Committee Meeting	May	-	8.75%
	US Manufacturing PMI, prelim	May	37.8	36.1
	US Services PMI, prelim	May	30	26.7
	US Weekly Jobless Claims (persons)	11/15 May	2.42 million	2.98 million
	US Existing Home Sales (unit)	April	4.3 million	5.27 million
	UK Manufacturing PMI, prelim	May	35.0	32.6
	UK Services PMI, prelim	May	24.0	13.4
22 May	TR Capacity Utilization	May	-	61.6%
	TR Real Sector Confidence	May	-	66.8
	Euro Area Manufacturing PMI, prelim	May	38.0	33.4
	Euro Area Services PMI, prelim	May	25	12

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