

	15-May	22-May	Change		15-May	22-May	Change
BIST-100 Index	99,768	103,024	3.3 % ▲	EUR/USD	1.0815	1.0894	0.7 % ▲
TRY 2 Year Benchmark Rate	9.18%	9.07%	-11 bp ▼	USD/TRY	6.8992	6.8133	-1.2 % ▼
Turkey 5-Year CDS	615	545	-70 bp ▼	EUR/TRY	7.4628	7.4173	-0.6 % ▼
MSCI EM Equity Index*	901	930	3.2 % ▲	Gold (USD/ounce)	1,741	1,733	-0.5 % ▼
US 10-Year Bond Rate	0.64%	0.65%	1 bp ▲	Brent Oil (USD/barrel)	32.5	34.6	6.5 % ▲

bp: basis point

*: latest figure as 21.05.2020

Leading PMI data in the US and Euro Area indicated that the contraction in economies continued in May, albeit at a slower rate. While inflation in the Euro Area fell to its lowest level in the last four years, Bank of Japan held an emergency meeting considering the weak economic activity. In Turkey, CBRT reduced its policy rate by 50 bps. In May, some recovery was observed in confidence indices, which declined to historical low levels in April. In the coming week, the first quarter growth data as well as April foreign trade figures will be monitored in Turkey.

PMI data indicated that the momentum loss in economies continues throughout the world.

Leading PMI data announced in the US and Euro Area indicated that the contraction in economies continued in May but lost some pace. In this period, while manufacturing PMI was announced at 39.8 in the US, services PMI returned from the bottom levels it saw in April as normalization steps started to take place gradually. The easing of the measures taken against the coronavirus outbreak was reflected on the PMI in the Euro Area as well. Services sector PMI in the region rose from 12 in April to 28.7 in May. During this period, Euro Area manufacturing PMI came in at 39.5. Last week, Germany and France agreed to reach a consensus on the 500 billion EUR incentive package to be created with co-borrowing to support European countries and damaged sectors in the fight against the coronavirus outbreak. In addition to the coronavirus pandemic, tensions between China and the US caused the global markets to fluctuate throughout the week.

The US housing market displays a negative outlook.

In the US, jobless claims came in slightly above expectations, with 2.44 million people last week. Thus, in the last 9 weeks, applications exceeded 38.6 million people. In April, housing starts in the country have displayed the most rapid decline since 1959, when data began to be disclosed. In the same period, second-hand house sales decreased by 17.8% to 4.33 million units. This rate indicates the strongest drop since July 2010. Due to the negative effects of the pandemic on the labor markets, the consumers' unwillingness to borrow, the decrease in supply due to the health measures taken and the deterioration in the supply chain of the construction materials were effective in the negative outlook in the housing sector.

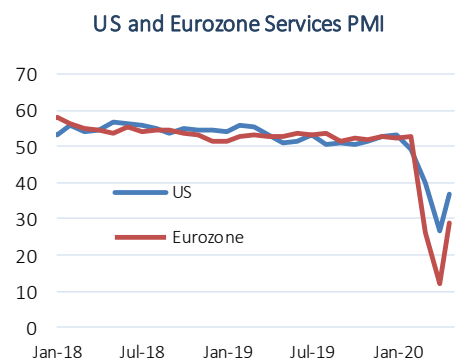
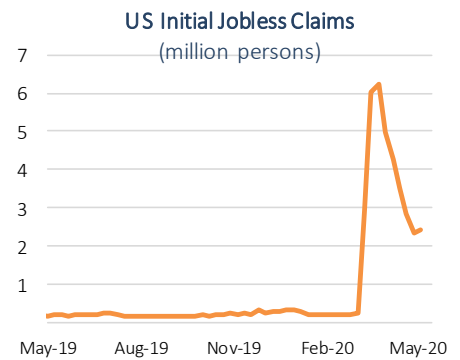
The minutes of the Fed's meeting held on 28-29 April were published last week. In the minutes, it was emphasized that the pandemic will continue to exert significant pressure on economic activity, employment and inflation in the short term. At the meeting, Fed officials discussed about preparing a detailed guide for the direction of short-term interest rates and setting upper limits for long-term interest rates. Minutes revealed that the policy rate is not expected to change until the US economy entered the recovery path, and if the pressure on the economy continues, larger financial measures might be required.

Inflation in the Euro Area is the lowest in the last four years...

Euro Area CPI, which was 0.7% in March, fell to the lowest level in the last four years with 0.3% in April. The fall in oil prices that decreased the energy costs had a significant impact on consumer prices.

Bank of Japan held an emergency meeting.

In the first quarter of the year, Japanese economy contracted by 0.9% qoq according to



Source: Datastream,

annualized figures, and by 3.4% yoy. Thus, the Japanese economy contracted for the first time in the last 4.5 years. Due to falling oil prices and lockdown measures in the country, core consumer price inflation declined by 0.2% yoy. The decrease in the core consumer prices for the first time since December 2016 raised concerns about potential deflation in the country. The Tankan index, which measures the confidence of the business in the economy, was also realized at the lowest level of the last decade and presented a negative outlook. In order to improve economic activity that lost momentum, Bank of Japan held an emergency meeting on May 22 and announced a new loan package amounting 280 billion USD for small and medium-sized companies while extending the duration of the previous measures.

While the Central Bank of China did not change its policy rate at its meeting last week, this decision indicates that the bank took only a short break from the steps taken to support the economy. In China, which contracted by 6.8% in the first quarter of the year, the annual target growth rate has not been determined for the first time since 1990 due to uncertainties caused by the coronavirus.

CBRT cut the policy rate by 50 basis points.

Last week, CBRT cut the policy rate by 50 basis points from 8.75% to 8.25% in line with market expectations. Thus, the total of interest rate cuts since July 2019 became 1,575 basis points. In the statement made after the meeting, it was noted that core inflation indicators were moderate depending on the inflation expectations and developments in domestic demand conditions. CBRT considers that consumer inflation may be high in the short term due to seasonal and pandemic effects in food prices, but demand-driven disinflationary effects will become more prevalent in the second half of the year. CBRT announced that the amount of the swap agreement between the Central Bank of Qatar and CBRT has been increased from 5 billion USD to 15 billion USD. Ministry of Treasury and Finance officials also said that Turkey's swap negotiations with other countries continue and that the agreements will be announced as they are signed.

Recovery in confidence indices ...

The manufacturing industry capacity utilization rate (CUR), which fell to a historically low level in April, increased by one point in May to 62.6%. The low CUR level of 56.3% in consumer goods was noteworthy. Real sector confidence index increased by 10.1 points compared to the previous month and became 76.9 in May. Despite the negativity in the total orders in the last three months, expectations regarding the export orders and production volume for the next three months have increased the index. Following the sharp fall in April, the consumer confidence index also rose by 4.6 points mom to 59.5 in May. In April, the index was at its lowest level (54.9) since 2004, when data began to be published. Despite these developments, the trend of confidence indices below 100 indicates that pessimistic expectations still continue.

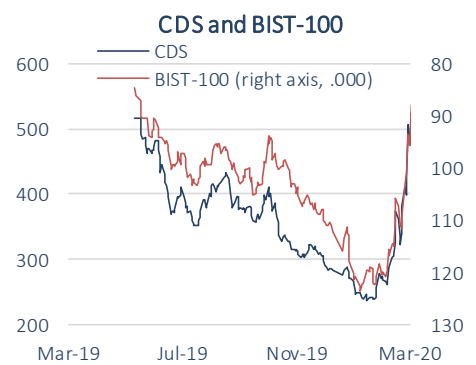
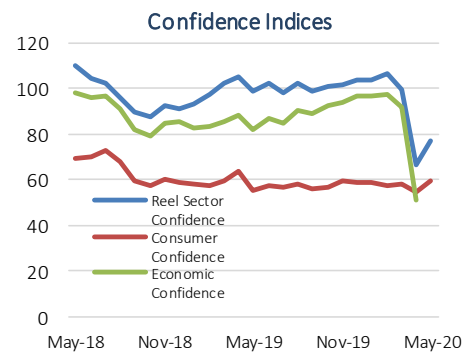
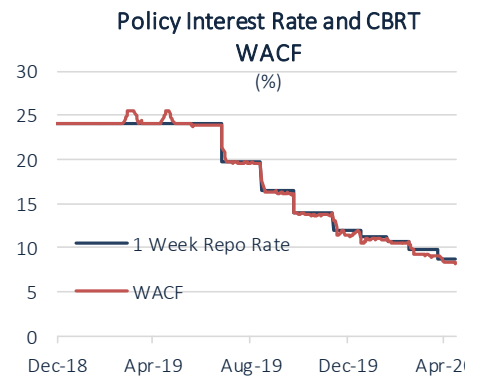
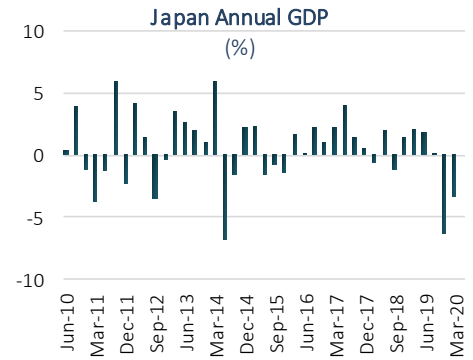
New tax regulations have been announced.

According to the decision regarding the import regime published in the Official Gazette, additional customs tax will be applied for more than 800 miscellaneous products used in many sectors from agriculture to construction.

BRSA announced that, purchases of 100 grams of gold or more by individuals or corporates will be subject to a one-day settlement delay as of May 22. In addition, a 0.2% exchange rate tax will be applied on gold and other precious metal purchases from demand accounts at banks.

Financial Markets

BIST-100 index increased by 3.2% last week, while the compound interest rate of the 2-year benchmark bond declined by 11 basis points to 9.07%. Turkey's CDS premium decreased by 70 bps wow and completed the week at 545 level. USD/TRY rate which touched the historical high level of 7.27 in early May fell by 1.2% last week thanks to the positive news about Turkey's swap negotiations and closed the week at 6.81.



Data Releases

		Period	Consensus	Prior
25 Mayıs	Germany GDP, qoq	2020 Q1	-2.2%	-2.2%
	Germany Ifo Business Climate	May	78.2	74.3
26 Mayıs	US Consumer Confidence	May	85.5	86.9
	US New Home Sales, unit	May	500 thousand	627 thousand
28 Mayıs	TR Economic Confidence	May		51.5
	US Durable Goods Order	April	-18.1%	-15.3%
	US Initial Jobless Claims	18-22 May	-	2.44 million
	US GDP, 2nd estimate	2020 Q1	-4.8%	-4.8%
	US Pending Home Sales, mom	April	-15%	-20.8%
	Eurozone Consumer Confidence, final	April		-18,8
	Germany CPI, prelim yoy	May	0.7%	0.9%
29 Mayıs	US Core PCE, prelim yoy	May	-	1.8%
	TR GDP, qoq	2020 Q1	-	6%
	TR Trade Balance	April	-	-5,4 billion USD
	US Michigan Sentiment	May	73.7	73.7
	US Chicago PMI	May	40	35.4
	US Core PCE, yoy	April	1.1%	1.7%
	Eurozone CPI, prelim	May	0.2%	0.3%

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