

	29-May	5-Jun	Change		29-May	5-Jun	Change
BIST-100 Index	105,520	110,022	4.3% ▲	EUR/USD	1.1098	1.1284	1.7% ▲
TRY 2 Year Benchmark Rate	9.17%	8.81%	-36 bp ▼	USD/TRY	6.8182	6.7680	-0.7% ▼
Turkey 5-Year CDS	554	425	-128 bp ▼	EUR/TRY	7.5739	7.6440	0.9% ▲
MSCI EM Equity Index	930	1,003	7.8% ▲	Gold (USD/ounce)	1,726	1,685	-2.4% ▼
US 10-Year Bond Rate	0.64%	0.91%	26 bp ▲	Brent Oil (USD/barrel)	35.3	42.3	19.7% ▲

bp: basis point

Last week, the optimistic expectations for the economic recovery and the positive reflection of the normalization steps taken worldwide on economic data supported global risk appetite. In this context, the markets displayed a positive outlook throughout the week despite the profit sales triggered by concerns raised over a possible second wave of the pandemic that cost nearly 400 thousand lives, the ongoing tension between the USA and China, and the violent protest incidents in the USA. US nonfarm payrolls increased by 2.5 million in May, contrary to the forecasts of an 8.3 million decrease. US nonfarm payrolls had declined by 20.7 million in April. While the ECB did not change interest rates, it expanded its asset purchase program by 600 billion EUR. Oil prices rose in line with expectations that record production cuts would continue, and demand was on the rise. While the foreign trade deficit in Turkey was 3.4 billion USD, the annual CPI rose to 11.39% in May. Domestic airline flights started after many restrictions, including inter-city travel restrictions, were rolled back within the scope of the normalization process in Turkey. It was also announced that international flights would resume gradually in June.

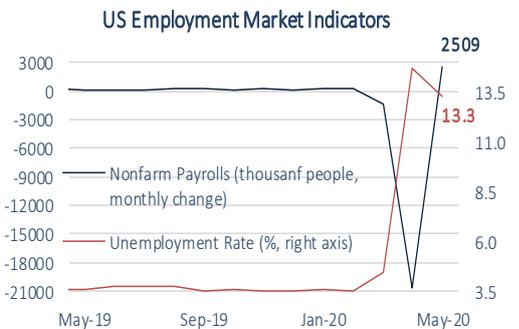
US Data Announcements...

US nonfarm payrolls increased by 2.5 million in May, contrary to the forecasts of an 8.3 million decrease. US nonfarm payrolls had declined by 20.7 million in April. The rise in employment supported the normalization process. The unemployment rate fell to 13.3%, well below the market expectation of 19.6%. Average hourly wages increased by 6.7% on an annual basis. ISM manufacturing PMI in the US recovered slightly in May compared to April and increased to 43.1. The index had decreased to 41.5 in April, the lowest level in the last 11 years. ISM non-manufacturing PMI in May has become 45.4, which is above the expectations of 44.0. The final Markit manufacturing PMI data for May rose by 3.7 points on a monthly basis and became 39.8. US trade deficit increased by 16.7% mom to 49.4 billion USD in April with the effect of a decline in exports that fell to the lowest level of the last ten years due to the pandemic. This week, the Fed meeting and the Fed's announcements regarding the economic outlook in the country will be followed by the markets.

ECB expanded the asset purchase program.

At June's meeting, The European Central Bank (ECB) kept the interest rates on the main refinancing operations and the deposit facility unchanged at 0% and -0.5% respectively, in line with market expectations. ECB expanded the Pandemic Emergency Purchase Program (PEPP) by 600 billion EUR to 1 trillion 350 billion EUR and announced that net purchases under the PEPP were extended to at least the end of June 2021. ECB President Lagarde stated that the Euro Area economy is expected to contract by 8.7% in 2020 and to grow by 5.2% in 2021, according to the base scenario. Lagarde said that Euro Area economy was experiencing an unprecedented contraction in the second quarter of 2020, while it is expected that the recovery may begin from the second half of the year. Lagarde also stated that inflation would remain under pressure until the end of the year.

Euro Area Manufacturing PMI, which was 33.4 in April, rose to 39.4 in May. Services PMI data, which was 12.0 in April increased to 30.5 in May, along with easing restrictions and limited recovery in consumption. Although there is a recovery in PMI compared to April, the index values below the threshold level of 50 indicate that the contraction in economies is continuing. The unemployment rate in the region, which was expected to reach 8.2% in May, came in at 7.3%. In April, retail sales in the Euro Area decreased by 11.7% mom, below the market forecasts of a 15% drop. The Central Bank of Germany released its predictions about the country's economy in its semi-annual report. According to the report, German economy will contract by 7.1% in 2020 because of Covid-19, while it is expected to grow by 3.2% in 2021 and 3.8% in 2022. On the other hand, April industrial production in Germany recorded its sharpest monthly decline in history with a decline of 17.9%. The expectations were that industrial production would fall by 16%.



Source: Datastream

PMI data in China indicates a recovery in economic activity.

In China, the Caixin/Markit manufacturing PMI index, which was 49.4 in April, rose to 50.7 in May, reaching its highest level since January. In this period, Caixin services PMI data in China increased from 44.4 in April to 55 and recorded its highest level since October 2010. PMI data, which values above the threshold level of 50, points to growth in the sectors. On the other hand, China's exports in terms of USD decreased by 3.3% in May yoy, while imports decreased by 16.7% due to low commodity prices and weak domestic demand. Thus, the Chinese economy set a historical record of 62.9 billion USD trade surplus in May.

Portfolio flows to emerging countries...

According to the report published by the International Finance Institute (IIF), portfolio inflows to emerging economies stood at 4.1 billion USD in May, while equity and debt inflows were 0.7 and 3.5 billion USD, respectively. As the coronavirus pandemic decreased risk appetite, a record amount of portfolio investment outflow from emerging economies was realized at 82.9 billion USD in March, and an inflow of 18.6 billion USD was recorded in April. On the other hand, when the data of the last two months are evaluated with China excluded, a weaker picture is observed. In April and May, the total foreign capital inflow to the Chinese stock market was 13 billion USD.

In Turkey, the foreign trade deficit was 3.4 billion USD in May.

According to the provisional foreign trade data based on the General Trade System, export volume declined by 40.8% yoy to 9,96 billion USD in May, while imports decreased by 27,7% yoy to 13,4 billion USD. Thus, the foreign trade deficit reached 3.4 billion USD, while the expansion in the foreign trade deficit reached 104.2%. In the January-May period, exports decreased by 19.7% compared to the same period of the previous year and became 61.6 billion USD, while imports decreased by 5% and became 82.6 billion USD. According to the data published by the Automotive Distributors Association, the automotive market, which contracted by 14.6% annually due to the effects of the pandemic in April, declined by 2.4% in May. In the January-May period, sales in the sector expanded by 20.1% annually, mostly because of the performance observed in the first two months of the year, and reached 183,095 units.

In May, CPI rose by 1,36% mom and 11.39% yoy.

In May, CPI increased by 1.36% mom, annual CPI inflation posted an increase of 11,39%, exceeding expectations. In this period, domestic PPI (D-PPI) increased by 1.54% mom. On the other hand, the downward trend in annual D-PPI inflation continued in May and became 5.53%. The food group, where prices rose by 12.9% on an annual basis, contributed 311 basis points to annual CPI inflation due to the fact that it had the highest weight in the spending basket. In Turkey, the real effective exchange rate index on the basis of CPI decreased by 0.58 points to 68.6 points in May, to the lowest level in 20 months. ([Our inflation report](#))

Financial markets...

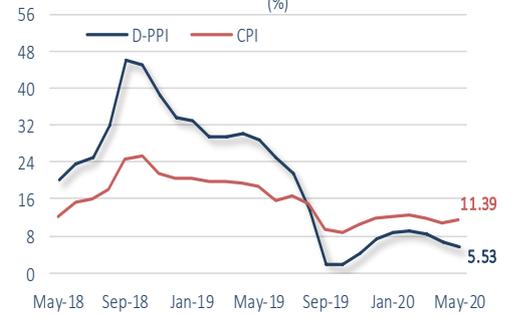
Global stock indexes increased sharply throughout the week, accompanied by strong risk appetite, as optimistic expectations for economic recovery continued. VIX (CBOE Volatility Index), one of the leading indicators for global risk perception, fell below 25 points, reflecting the improvement in risk perception. The interest rate of the 10-year US Treasury bond closed the week at 0.91%. Although the protests in the USA, the ongoing tension between the USA and China, and the profit-taking sales affected the markets negatively, the US employment data that came in better than the expectations caused the purchases in the markets to gain strength again. Oil prices rose by 19.7% wov to 42.3 USD/barrel before the OPEC meeting, which started on June 6 and was decided to extend the 9.7 million barrels of daily production cuts through the end of July. Gold prices decreased by 2.4% on a weekly basis. In the face of the increasing global risk appetite and the ongoing protests in the USA, USD depreciated in international markets. While the BIST-100 index gained 4.3% on a weekly basis, USD/TL closed the week at 6,7680. The improvement in risk perception was reflected in bond interest rates and CDS premiums.

Following the start of domestic flights within the scope of the normalization process in Turkey, it was announced that it is planned to launch flights to 40 different countries gradually in June. The first international flights from Turkey will be to the Turkish Republic of Northern Cyprus, Qatar, Greece, Bulgaria, and Bahrain on June 10. Also, customs gates to Iran and Iraq, which were closed due to COVID-19, were reopened for international freight transport.

Global Stock Market Index & DXY



Annual Inflation



Exchange Rates



CDS and BIST-100



Source: Datastream

Data Releases

		Period	Consensus	Prior
8 June	Euro Zone Sentix Confidence Index	June	-24.8 (A)	-41.8
	Germany Industrial Production, mom	April	-17.9% (A)	-9.2%
	Re-opening of Fixed-Coupon Bond with 2Y Maturity	June		
9 June	Euro Zone GDP, quarterly, final	1. Q	-3.8%	0.1%
	Re-opening of Zero Coupon T-bill with 1Y Maturity	June		
	Re-opening of Floating Coupon Bond with 7Y Maturity	June		
10 June	US CPI, mom	May	0.0%	-0.8%
	US Core CPI, yoy	May	1.3%	1.4%
	China CPI, mom	May	-0.5%	-0.9%
	TR Unemployment Rate	March	-	13.6%
	TR Treasury Domestic Redemption(10,7 billion TRY)	June		
11 June	US PPI, mom	May	0.1%	-1.3%
	US Initial Jobless Claims	1-7 June	1,5 million persons	1,9 million persons
12 June	Euro Zone Industrial Production, mom	April	-20.0%	-11.3%
	US Michigan Confidence Index, prelim	June	74,8	72,3
	TR Current Account, mom	April	-	4,9 billion TRY
	TR Industrial Production, yoy	April	-	-2.0%

(A) Actual

Economic Research Division

İzlem Erdem
Chief Economist
izlem.erdem@isbank.com.tr

Dođan Őengöl, Ph.D.
Asst. Manager
dogan.sengul@isbank.com.tr

Alper Gurler
Unit Manager
alper.gurler@isbank.com.tr

İlkim Bengisu Tuncer
Asst. Economist
bengisu.tuncer@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

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