

	3-Jul	10-Jul	Change		3-Jul	10-Jul	Change
BIST-100 Index	115,748	114,809	-0.8% ▼	EUR/USD	1.1248	1.1298	0.4% ▲
TRY 2 Year Benchmark Rate	9.63%	10.31%	68 bp ▲	USD/TRY	6.8596	6.8618	0.0% ▲
Turkey 5-Year CDS	456	525	69 bp ▲	EUR/TRY	7.7145	7.7582	0.6% ▲
MSCI EM Equity Index	1,033	1,069	3.5% ▲	Gold (USD/ounce)	1,775	1,798	1.3% ▲
US 10-Year Bond Rate	0.68%	0.63%	-5 bp ▼	Brent Oil (USD/barrel)	42.8	43.2	1.0% ▲

The continued rise in the number of coronavirus cases worldwide has strengthened concerns about the recovery in the global economy last week. As this has supported risk aversion, gold prices have exceeded the level of 1,800 USD/ounce, testing their highest levels since September 2011. In the statements made by Fed officials during the week, the risks posed by the coronavirus stood out. European Commission revised its forecasts downward emphasizing that the recovery in the European economies may be slower than projected in the spring. In Turkey, unemployment rate decreased to 12.8% in April due to the fall in the labor force participation ratio. Today, CBRT's Survey of Expectations comes to the fore along with the industrial production and current account balance data.

The increase in coronavirus cases is causing concern.

While the total number of coronavirus cases neared 13 million worldwide, the number of people who lost their lives increased to 570 thousand. The US ranks first in the world with 3.3 million cases and 135 thousand death toll. Recently, rapid increases in the number of cases in South American countries, especially Brazil, are of concern as well.

Data flow on the US economy...

Leading indicators on the US services sector were closely monitored last week. ISM non-manufacturing index climbed to 57.1 in June signaling growth in the sector. Even though initial jobless claims were down to 1.314 million, slightly below the market expectation of 1.375 million, sluggish demand conditions and the continued rise in the number of coronavirus cases caused initial jobless claims to remain at high levels. PPI declined by 0.2% mom and 0.8% yoy due to the fall in prices of services. Market expectation was a 0.4% monthly rise in PPI.

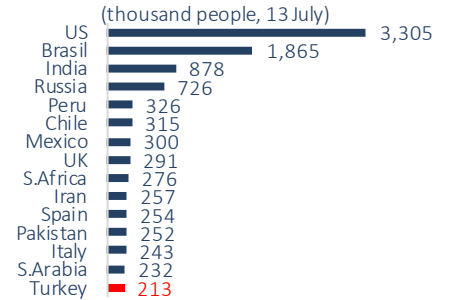
During the week, Fed officials drew attention to the risks caused by coronavirus in their statements. Fed's Vice Chair Quarles stated that the crisis due to the pandemic has not ended yet. He said that although some indicators have showed that economic activity started to recover, the path of recovery remains highly uncertain. Cleveland Fed President Mester emphasized that the increase in coronavirus cases posed a significant risk for economic activity. She stated that the Fed would keep the interest rates low for a long time. Atlanta Fed President Bostic warned that economic recovery could stall due to rapid increases in coronavirus cases in some major states.

The European Commission revised its forecasts downwards for the regional economy.

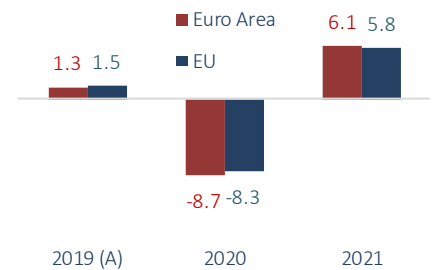
The European Commission revised downwards its economic growth forecasts published in May for 2020 and 2021 for the Euro Area and the EU. The Commission, which reduced the 2020 economic contraction forecast for the Euro Area from 7.7% to 8.7%, stated that they expect 6.1% growth in the economy in 2021. The Commission predicted that the EU economy will shrink by 8.3% this year and grow by 5.8% next year highlighting that the recovery in the next year may be slower than projected in the spring, as the easing of the outbreak restrictions takes longer than expected. The European Commission announced that especially the economies of France, Italy and Spain, which are relatively more heavily affected by the outbreak, are expected to shrink more than 10% this year.

Retail sales in the Euro Area rose by 17.8% mom in May, above market expectations, yet fell by 5.1% yoy. Sentix Confidence Index, which reflects investor confidence in the

Number of Covid-19 Cases in the First 15 Countries



European Commission Economic Forecast (% July 2020)



Gold Prices (USD/ounce)



Source: Datastream, Johns Hopkins

region, recovered slightly compared to the bottom level it saw in April (-42.9), and came in at -18.2 in July. In Germany, the largest economy of the Euro Area, factory orders, which fell by 26.2% mom in April, recorded a rise of 10.4% mom in May below market expectations of 15% mom. Industrial production in Germany increased by 7.8% mom in this period and decreased by 19.4% on an annual basis.

In Turkey, unemployment rate became 12.8% in April.

The unemployment rate in Turkey fell by 0.2 point yoy to 12.8% in April 2020. In this period, the labor force participation rate dropped by 5.7 points to 47.2%, the lowest level since February 2013. Moreover, total employment has decreased by 2.6 million people in this period. This development was mainly driven by the 1.5 million employment fall in the services sector. In the same period, employment decreased by 491K person in the agricultural sector, 361K person in the construction industry, and 209K person in the industrial sector. It is noteworthy that 4.1 million persons rise in population outside the labor force in April also put downward pressure on unemployment rate. According to the seasonally adjusted data, on the other hand, the unemployment rate increased by 0.7 point compared to the previous period to 13.8%.

Industrial production decreased by 19.9% yoy in May.

Calendar adjusted data revealed that industrial production, which declined by 31.3% yoy in April, decreased by 19.9% yoy in May. In this period, the decline in manufacturing industry came in at 20.6%, the manufacture of paper and paper products and computer, electronic and optical products were the only two groups that posted annual growth. According to the seasonally and calendar adjusted data, however, industrial production increased by 17.4% compared to the previous month.

Retail sales volume with constant prices rose by 3.8% mom in May. In this period, non-food sales (excluding automotive fuel) increased by 17.3%, while food, beverage and tobacco sales decreased by 7.7% and automotive fuel sales fell by 0.3%.

In May, current account balance gave a deficit of 3.8 billion USD.

The current account balance posted a deficit of 3.8 billion USD, slightly lower than the market expectations in May. The deficit was driven by the rapid expansion of the foreign trade deficit and the lack of tourism income. In May, 2.5 billion USD net portfolio investment outflow was recorded, while official reserves increased by 2.7 billion USD. As of May, according to 12-month cumulative data, current account deficit continued to expand and reached 8.2 billion USD.

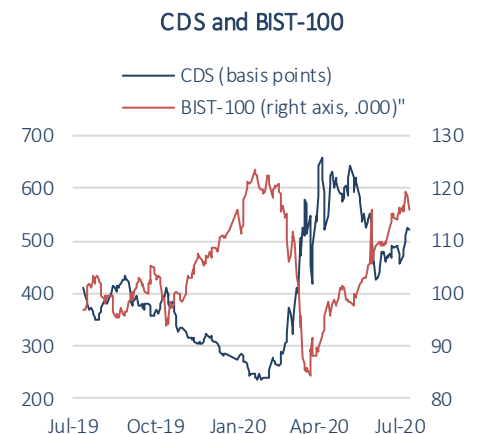
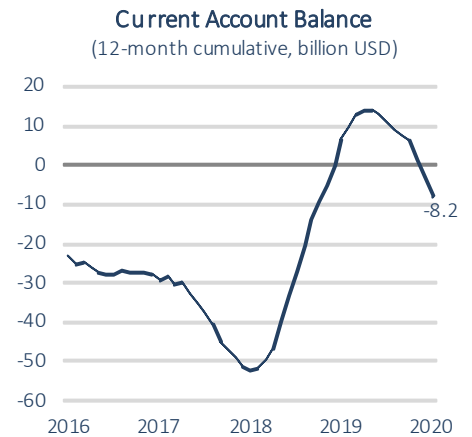
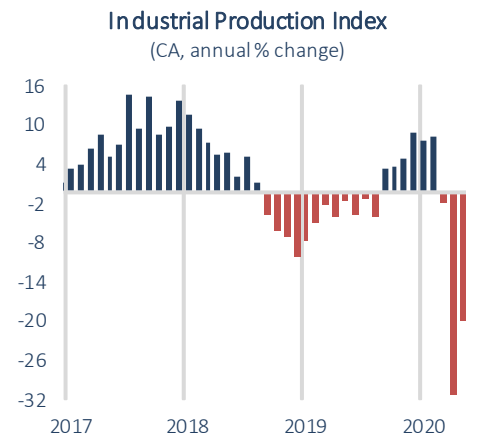
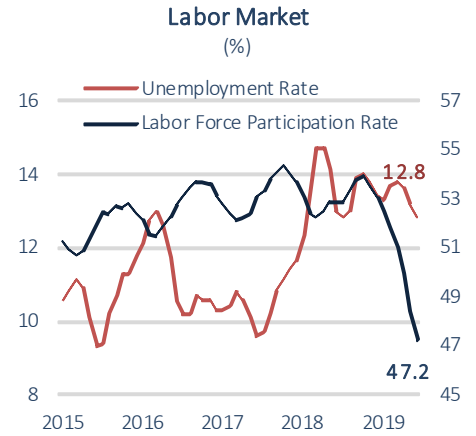
Gold prices climbed to nine-year high.

Last week, global markets followed a volatile course due to growing concerns that surge in the number of coronavirus cases might threaten the recovery in global economy. As record number of new coronavirus cases led to a rise in risk aversion, gold prices sustained the rising trend and tested the highest level since September 2011. Gold prices increased by 1.3% wow to 1,798 USD/ounce.

Financial markets...

Last week, BIST-100 index fell by 0.9% wow. Having a flat course throughout the last week, USD/TRY closed the week at 6.8618. The compound yield of the 2-year benchmark bond picked up by 68 bps to 10.31%. Turkey's 5 year CDS premium also went up by 69 bps to 525 bps.

This week, global markets will follow the ECB meeting and data releases including industrial production and inflation for the US and Euro Area. In Turkey, CBRT's survey of expectations and central government budget figures for June come to the forefront.



Source: Datastream

Data Releases

		Period	Consensus	Prior
13-Jul	TR Current Account Balance	May	-3.8 billion USD (A)	-5.1 billion USD
	TR Industrial Production, yoy	May	-19.9% (A)	-31.3%
	CBRT Survey of Expectations	July	-	-
14-Jul	TR Retail Sales, mom	May	3.8% (A)	-21.2%
	US CPI, mom	June	0.5%	-0.1%
	Euro Area Industrial Production, mom	May	14.5%	-17.1%
	Germany ZEW Economic Sentiment Index	July	60.0	63.4
15-Jul	China Exports	June	-1.5%	-3.3%
	China Imports	June	-10.0%	-16.7%
16-Jul	US Industrial Production, mom	June	4.4%	1.4%
16-Jul	TR Budget Balance	June	-	-17.3 billion TRY
	US Initial Jobless Claims	6/11 July	1.25 million	1.31 million
	US Retail Sales, mom	June	5.0%	17.7%
	ECB Meeting	July	-	-
17-Jul	US Housing Starts, units	June	1.16 million	0.97 million
	Euro Area CPI, mom, final	June	0.3%	-0.1%

(A) Actual

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