

	10-Jul	17-Jul	Change		10-Jul	17-Jul	Change
BIST-100 Index	114,809	118,786	3.5% ▲	EUR/USD	1.1298	1.1426	1.1% ▲
TRY 2 Year Benchmark Rate	10.31%	10.22%	-9 bp ▼	USD/TRY	6.8618	6.8553	-0.1% ▼
Turkey 5-Year CDS	525	525	0 bp ●	EUR/TRY	7.7582	7.8380	1.0% ▲
MSCI EM Equity Index	1,069	1,055	-1.3% ▼	Gold (USD/ounce)	1,798	1,809	0.6% ▲
US 10-Year Bond Rate	0.63%	0.63%	-0 bp ▼	Brent Oil (USD/barrel)	43.2	43.1	-0.2% ▼

bp: basis point

Last week, along with the increase in coronavirus cases and the impact of the tension between the US and China global markets fluctuated weeklong. Although the data announced in the US were better than the expectations, the initial jobless claims remained high. ECB did not change its monetary policy. ECB President Lagarde stated that uncertainty regarding the speed and scale of economic recovery continues and the need for monetary policy support has not yet ended. EU leaders, who gathered to discuss the economic recovery plan, were unable to reach a compromise at the summit which continued throughout the weekend. The domestic budget deficit became 19.4 billion TRY in June and 109.5 billion TRY in the first half of the year. House sales in Turkey increased by 209.7% yoy in June and reached the highest-ever June sales.

The data announced in the US displayed a more positive outlook than expected.

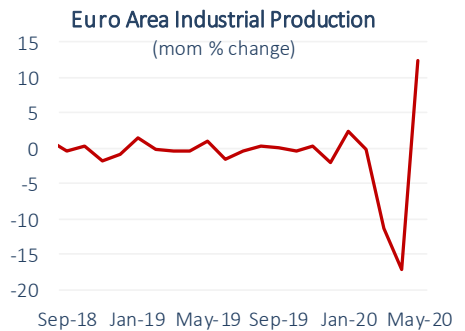
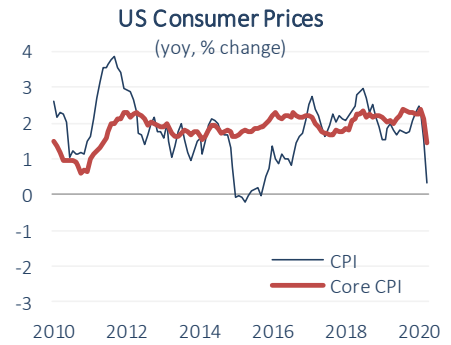
In the US, where the number of coronavirus cases has increased since mid-June, the data released last week were more positive than expected. CPI increased by 0.6% mom in June and ended the 3-month downward trend. Expectations were that CPI would increase by 0.5%. Industrial production in the country rose by 5.4% mom in June, above the market expectations of 4.3%, while the capacity utilization rate also came in above expectations at 68.6%. While retail sales increased by 7.5% mom in June, new housing starts were announced as 1.2 million units. On the other hand, although the number of people who applied for jobless claims in the week ending on 10th of July has decreased compared to the previous week, it remained high with 1.3 million people. Moreover, the Fed's Beige Book report published last week stated that economic activity in the US has increased recently in all regions, yet still below the pre-epidemic levels.

Cautious optimism continues in the Euro Area.

The European Central Bank (ECB) didn't change its monetary policy and decided to keep the policy rate at 0% and deposit facility rate at -0.5%. After the meeting, ECB President Lagarde stated that the latest data in the Euro Area indicated that the recovery in economic activity has started again. Lagarde said that although the recovery in the economy will continue in the third quarter of the year, uncertainty regarding the speed and scale of the recovery continues and the need for monetary policy support in the economy has not yet ended. Industrial production in the Euro Area increased to 12.4% mom in May, below the market expectation which was 15%. Despite the fact that many factories started to operate with reopenings, supported the recovery in production in May, the increase below the expectations indicated that the recovery was limited. EU leaders, who came together to discuss the economic recovery plan towards the end of the week, could not reach an agreement on this issue.

China's economy grew by 3.2% in Q2.

In the second quarter of 2020, China's GDP growth came in at 3.2% yoy, above the expectations. In the first quarter China's economy contracted by 6.8% yoy. Due to the weak course of domestic and external demand as well as investments, it remains unclear whether the recovery will continue, while policymakers are expected to hold on to support the economy.



Source: Datastream

OPEC+ countries decided to ease oil production cuts starting from August.

Following the 20th Meeting of the Joint Ministerial Monitoring Committee (JMMC) on Wednesday, OPEC+ countries announced that the agreement to reduce global crude oil production by 9.7 million barrels per day (bpd) will continue till July 31st and cuts will taper to 7.7 million bpd starting from August 1. The Brent crude oil price per barrel remains at 43-44 USD, its highest since March.

Central government budget posted a deficit of 19.4 billion TRY in June.

In June, central government budget deficit increased by 60.7% yoy and reached 19.4 billion TRY. In this period, budget revenues went up by 19.5% yoy and budget expenditures rose by 26.8%. While tax revenues increased by 23.5% yoy in June, the rapid increases in current transfers and capital expenditures stood out among the budget expenditure items. The budget deficit, which was 78.6 billion TRY in the first half of last year, rose by 39.3% yoy and became 109.5 billion TRY in the same period of this year ([Our Budget Balance Report](#)).

CBRT's Survey of Expectations

According to the results of the Survey of Expectations released by CBRT, market expectation for annual consumer inflation and FX rate increased, while growth rate expectation remained unchanged in July. Year-end CPI inflation expectation, which was 9.54% in the previous survey, increased to 10.22%. Compared to previous survey, the year-end USD/TRY expectation increased to 7.02 from 6.99. The growth expectation for 2020 remained at -1.3%, at the same level in the previous survey. Survey participants expect the CBRT's one-week repo interest rate to remain at 8.25% at the end of the this month.

House sales increased by 209.7% yoy in June.

In Turkey, house sales increased by 209.7% yoy and reached 190.012 units in June, the highest level among June sales up to now. In this period, mortgaged house sales, which constituted 53.4% of total house sales, increased by approximately 14 times compared to the same period of last year and became 101.504 units. The number of houses sold for the first time went up by 152.0% yoy in June, while second-hand house sales rose by 244.9%. Low interest rates and sale campaigns were effective in record sales in June.

Financial markets...

Global markets displayed a mixed outlook throughout the week. While the US markets fluctuated due to the increase in coronavirus cases, the tension between the US and China, the data announced and the vaccination news, Asian stock markets closed the week with losses. In Turkey, BIST 100 rose by 3.5% woy to 118,786 points. Having a flat course throughout last week, Turkey's 5 year CDS premium closed the week at 525 basis points. USD/TRY decreased by 0.1% and ended the week at 6.8553. The compound interest rate of the 2-year benchmark bond decreased by 9 basis points woy and became 10.22%.

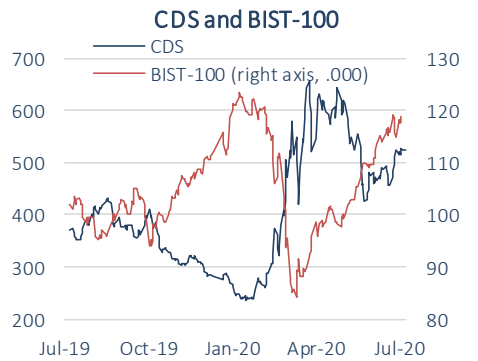
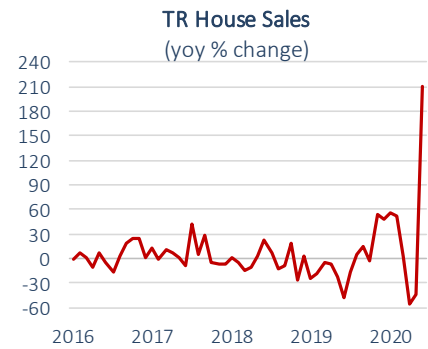
As part of the normalization process, last week the CBRT announced that FX reserve requirement ratios will be increased by 300 basis points in all liability types and maturity brackets for all banks. The change will take effect from the calculation date of 10 July 2020 with the maintenance period starting on 24 July 2020. As a result of this decision, approximately 9.2 billion USD of FX and gold liquidity is expected to be withdrawn from the market. This week, global markets will follow US and Euro Zone PMI data.

In Turkey, consumer confidence index data will be announced and the CBRT meeting will be monitored closely.

Central Government Budget

	June		%
	2019	2020	
Expenditures	67.5	85.6	26.8
Non-Interest Exp	4.4	6.3	44.4
Interest Exp	63.2	79.3	25.6
Revenues	55.5	66.3	19.5
Tax Revenues	44.9	55.4	23.5
Other Revenues	10.6	10.8	2.1
Budget Balance	-12.1	-19.4	60.7
Primary Balance	-7.7	-13.1	69.9

Numbers may not add up to total value due to rounding.



Source: TURKSTAT, Datastream

Data Releases

		Period	Consensus	Prior
20 July	TR Central Government Debt Stock	June	-	1.633 billion TRY
	Treasury 3Y Fixed Coupon Bond Reissuance	July	-	-
21 July	Treasury 13M Zero Coupon Bond Reissuance	July	-	-
	Treasury 4Y CPI-Indexed Bond Reissuance	July	-	-
22 July	US Existing Home Sales (unit)	June	4.86 million	3.91 million
23 July	TR Consumer Confidence Index	July	-	62.60
	CBRT Monetary Policy Committee Meeting	July	8.25%	8.25%
	US Weekly Jobless Claims (persons)	13-17 July	1.3 million	1.3 million
	Euro Area Consumer Confidence Index, prelim	July	-12.0	-14.7
24 July	US Manufacturing PMI, prelim	July	51.5	49.8
	US Services PMI, prelim	July	51.0	47.9
	US New Home Sales, unit	June	700k	676k
	Euro Area Manufacturing PMI, prelim	July	50.0	47.4
	Euro Area Services PMI, prelim	July	51.0	48.3

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