

	31-Jul	7-Aug	Change		31-Jul	7-Aug	Change
BIST-100 Index	1,126.9**	1,061	-5.9 % ▼	EUR/USD	1.1774	1.1786	0.1 % ▲
TRY 2 Year Benchmark Rate	11.08%*	12.99%	191 bp ▲	USD/TRY	6.9702	7.2911	4.6 % ▲
Turkey 5-Year CDS	555	578	23 bp ▲	EUR/TRY	8.2345	8.5934	4.4 % ▲
MSCI EM Equity Index	1,079	1,089	1.0 % ▲	Gold (USD/ounce)	1,975	2,035	3.0 % ▲
US 10-Year Bond Rate	0.54%	0.56%	3 bp ▲	Brent Oil (USD/barrel)	43.1	44.4	3.0 % ▲

bp: basis point

Data released at (\*) 29 July, (\*\*) 30 July.

Last week, despite rising tensions between the United States and China, global markets followed generally an upward trend thanks to positive data releases. July PMI data in the US and Euro Area signaled improving economic activity in both services and manufacturing sectors. Starting the short week with positive PMI and inflation data, domestic markets had a negative outlook. TRY shortage in the London swap market created sales pressure in domestic financial markets. CBRT and BRSB made several announcements.

#### Data releases in the US...

The data announced in the US last week displayed a generally positive outlook. Thanks to the increasing production and new orders, US ISM manufacturing index rose to 54.2, above the market expectations in July. In the same period, the ISM services index increased to 58.1 from its June level of 57.1. Nonfarm employment in the US increased above expectations with 1.76 million people in July and average hourly wages rose by 0.2% mom and 4.8% yoy. The unemployment rate, which was 11.1% in June, declined to 10.2% in July. However, the recovery in the US employment market slowed down after the rapid improvement recorded in June.

#### Euro Area PMI data indicates economic recovery.

Manufacturing PMI data in the Euro Area, which was 47.4 in June, increased to 51.8 in July. While the index had its highest value since December 2018, new export orders increased for the first time since September 2018. Services sector PMI data in the region also went up from 48.3 in June to 54.7 in July. In Germany industrial orders rose by 27.9% mom in June, well above the market expectations, which was 10.1%.

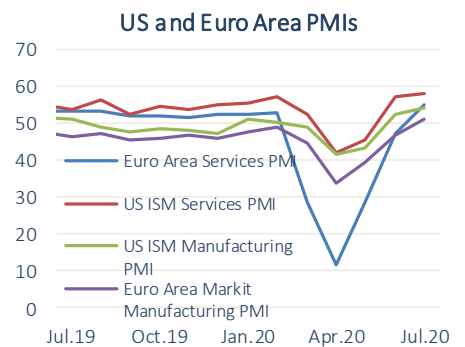
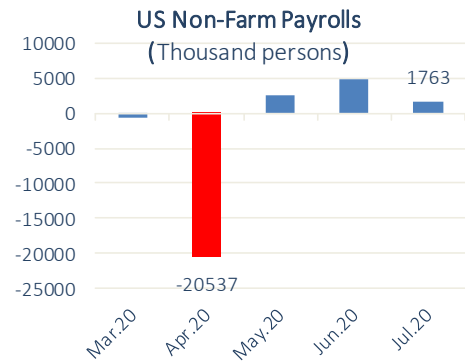
#### Exports of China rose steeply.

Exports of China rose by 7.2% yoy in July, following a 0.5% yoy increase in June. Thus, the fastest increase in exports was recorded since December 2019. In the same period, China's imports declined by 1.4% yoy. In July, China's trade surplus rose to 62.3 billion USD, above the market expectation of 42 billion USD. The recent decline in producer prices in China slowed down in July along with the rise in global oil prices and the improvement in the economic activity that has reached to pre-coronavirus levels. During this period, the annual PPI inflation in the country became -2.4%. PPI had declined by 3% yoy in June.

#### Global Developments

The total number of coronavirus cases on a global scale rose to 20 million persons while the total number of people who lost their lives exceeded 730K. Confirmed coronavirus cases in the US, by far the highest of any country, surpassed 5 million persons. The rapid increase in the number of cases in Brazil, India and South African countries is of increasing concern.

Last week, US President Donald Trump signed two executive orders banning any transactions by US residents and companies with Chinese-owned social media applications and this has increased tension between the two countries. While no progress was made in US Congress meetings on the new stimulus package, Trump signed four executive orders on the weekend. Trump announced that his executive order would extend unemployment benefit, which is reduced from 600 USD to 400 USD per week; however, states will be asked to cover 25% of the cost. Trump also issued executive orders to delay payroll taxes and to protect tenants from evictions.



Source: Datastream

Despite the tension between the US and China, global markets have followed an upward trend last week, driven by the positive data releases. Last week, investors' demand towards safe havens continued due to the increase in the number of coronavirus cases. Gold prices, which rose above 2,000 USD/ounce during the week, gained 3% w/w and completed the week at the level of 2,035 USD/ounce. The barrel price of Brent crude oil rose by 3% to 44.4 USD thanks to the partial recovery in global economic activity and the decline in oil stocks.

#### In Turkey, unemployment rate became 12.9% in May.

According to the data released by TURKSTAT, the unemployment rate increased by 0.1 point yoy to 12.9% in May 2020. In this period, the labor force participation rate dropped by 5.3 points to 47.6%, while total employment decreased by 2.4 million people. This development was mainly driven by the 1.6 million employment fall in the services sector. In the same period, employment decreased by 274K person in the industrial sector, 308K person in the agricultural sector and 206K person in the construction sector. According to the seasonally adjusted data, the unemployment rate increased by 0.2 point compared to the previous period and became 14%.

#### Foreign trade deficit narrowed 16.8% in July.

According to preliminary foreign trade data published by the Ministry of Trade, foreign trade deficit narrowed by 16.8% and became 2.74 billion USD in July. In this period, exports declined by 5.8% yoy, while imports decreased by 7.7% yoy due to the high basis, and pandemic. Thus, the import coverage ratio rose to 84.5% in July.

#### Automotive sales rose rapidly in July.

According to the data announced by the Automotive Distributors Association (ODD), the passenger car and light commercial vehicle market increased by 387.5% yoy to 87,401 units in July. While automobile sales increased by 350.9% yoy, light commercial vehicle sales increased by 610.7% yoy since the rapid growth in the cargo sector due to changing consumption habits during the pandemic period and the low base effect. The automotive market rose by 60.3% in the January-July period compared to the same period of last year and reached 341,469 units. After the high sales figures achieved in automotive sales in July, ODD revised its year-end market forecast upwards by 50K units and announced it as 650K-700K.

#### Financial Markets in Turkey...

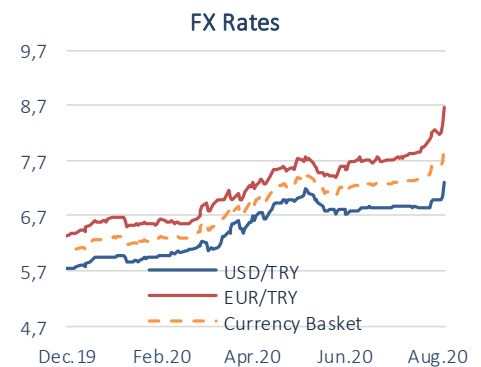
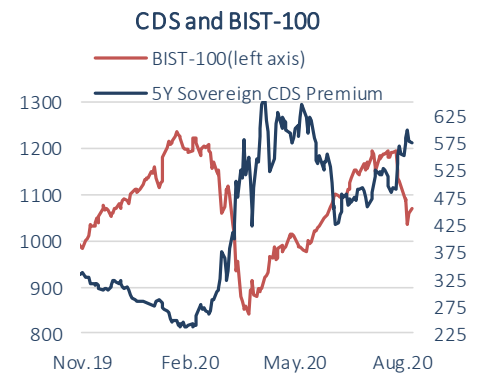
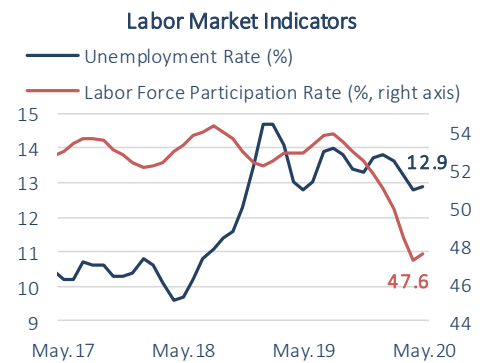
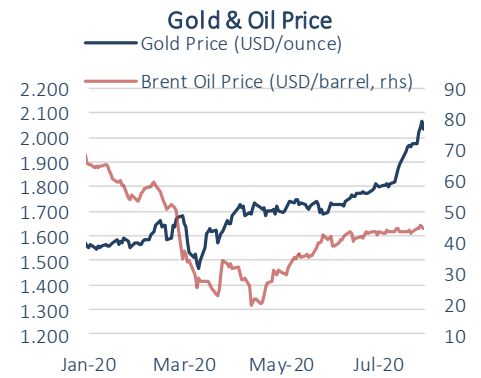
Last week, a negative outlook prevailed in domestic financial markets. The TRY shortage in the London swap market in the middle of the week brought along the sale of TRY assets. BIST-100 index closed the week at 1,061 points with a decline of 5.9%. Turkey's CDS premiums increased by 23 bps during the week and became 578 bps. In the week when TRY depreciated rapidly, the USD/TRY rate rose by 4.6% and the EUR/TRY rate by 4.4%.

#### New regulations from CBRT and BRSA ...

Following the negative developments in domestic financial markets, CBRT and BRSA made some regulation changes. Announcing that the targeted additional liquidity opportunities will be reduced gradually, the CBRT stated that it will use all the tools it has in line with the main objectives of price stability and financial stability in order to reduce excessive volatility in the markets. In this context, the CBRT halved the liquidity capability limits offered to primary dealer banks within the framework of Open Market Operations, effective from 10 August 2020. The weighted average funding cost of the CBRT, which was 7.72% at the beginning of last week, stood at 8.06% on Friday.

The Banking Supervision and Regulatory Authority extended the exemption of foreign currency swap transactions in the direction of TRY purchases to include all banks residing abroad. The BRSA also reduced its asset ratio target from 100% to 95% for deposit banks and from 80% to 75% for participation banks.

This week, industrial production and balance of payments statistics in Turkey stand out on the data agenda.



Source: Datastream, TURKSTAT

Data Releases

		Period	Consensus	Prior
<b>10 August</b>	TR Unemployment Rate	May	12.9%(A)	12.8%
	TR Treasury Cash Balance	July	-30.8 billion TRY(A)	-26.76 billion TRY
	TR Treasury 4Y TLREF-Indexed Bond Reissuance	August	-	-
	Euro Area Sentix Sentiment Index	August	-13.4(A)	-18.2
<b>11 August</b>	TR Treasury 2Y Fixed Coupon Reissuance	August	-	-
	TR Treasury 5Y CPI-Indexed Bond Reissuance	August	-	-
	US PPI,yoy	July	-0.7%	-0.8%
	Germany ZEW Economic Sentiment Index	August	58.0	59.3
<b>12 August</b>	TR Treasury Domestic Redemption (23.1 million TRY)	August	-	-
	US CPI, yoy	July	0.8%	0.6%
	Euro Area Industrial Output,yoy	June	-11.6%	-20.9%
	UK GDP prelim, yoy	Q2 2020	-22.8%	-1.7%
<b>13 August</b>	US Initial Jobless Claims, persons	3-8 August	1.14 million	1.19 million
<b>14 August</b>	TR Current Account Balance	June	-	3.8 billion USD
	TR Industrial Production, SA yoy	June		-19.9%
	US Retail Sales,mom	July	1.8%	7.5%
	US Industrial Production,mom	July	3.0%	5.4%
	US Michigan Consumer Confidence Index	July	72.0	72.5
	Euro Area GDP Flash Estimate, qoq	Q2 2020	-12.1%	-12.1%

(A) Actual

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