

	11-Sep	18-Sep	Change		11-Sep	18-Sep	Change
BIST-100 Index	1,103	1,112	0.8 % ▲	EUR/USD	1.1845	1.1837	-0.1 % ▼
TRY 2 Year Benchmark Rate	13.24%	13.68%	44 bp ▲	USD/TRY	7.4724	7.5563	1.1 % ▲
Turkey 5-Year CDS	505	524	19 bp ▲	EUR/TRY	8.8559	8.9506	1.1 % ▲
MSCI EM Equity Index	1,092	1,109	1.5 % ▲	Gold (USD/ounce)	1,942	1,950	0.4 % ▲
US 10-Year Bond Rate	0.67%	0.69%	3 bp ▲	Brent Oil (USD/barrel)	39.8	43.2	8.3 % ▲

bp: basis point

The number of coronavirus cases continues to increase globally. While the number of coronavirus cases exceeded 31 million worldwide, the death toll approached almost 1 million. The Fed, which did not change the policy interest rate at its meeting last week, announced that the asset purchase program would continue. The Fed's concerns about the uncertain path of economic recovery led to a deterioration in global risk appetite. The central banks of England and Japan also did not change their monetary policy stances. The OECD revised its forecasts for the contraction of the world economy in 2020 from 6% to 4.5% and from 4.8% to 2.9% for Turkey. In Turkey, while the central government budget gave a surplus of 28.2 billion TRY in August, the budget deficit became 110.9 billion TRY in the first 8 months. The CBRT's Survey of Expectations for September pointed to deterioration in inflation, exchange rate and current account deficit expectations for the end of 2020. With the continued depreciation of the TRY, USD/TRY and EUR/TRY rose to their historical high levels last week. This week, the CBRT meeting to be held on Thursday stands out in Turkey.

The Fed kept the policy rate unchanged at 0%-0.25%.

At its meeting last week, the Fed did not change the policy interest rate in line with the expectations, keeping the target range unchanged at 0%-0.25%, and maintained its asset purchase program. Speaking at the Jackson Hole symposium in the last week of August, Fed Chair Powell announced that they would adopt average inflation targeting. In this respect, the Fed highlighted that interest rates would be hold at their current low levels until inflation exceeds the targeted level of 2% for a while at a "moderate level". The Fed officials projected no interest rate increases until the end of 2023 and maintained their long-term average policy rate estimate of 2.5% and unemployment rate of 4.1%, compared to their previous estimates. The long-term average forecast of the Fed officials for growth increased from 1.8% to 1.9%, while their economic contraction forecast for 2020 decreased from 6.5% to 3.7%.

BoE and BoJ did not change their monetary policy.

While the Bank of England (BoE) left the policy rate at 0.1% at its meeting last week, it did not change the asset purchase program of 745 billion GBP. In the statement released after the meeting, it was stated that the uncertainty in the economic outlook continued and the monetary policy would not be tightened until the inflation target of 2% will be reached. The Bank of Japan (BoJ) also maintained its monetary policy. BoJ Chairman Kuroda stated that for the policy to be determined by the Bank in the upcoming period, job growth would be closely monitored as well as inflation.

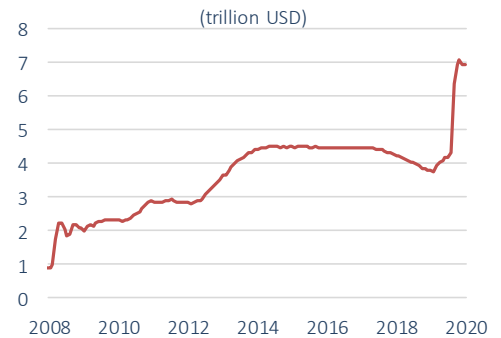
The OECD has revised up its forecast for global economy in 2020.

In its Interim Economic Assessment Report, the OECD noted that global economic activity recovered faster than June forecasts. OECD lowered its forecast for economic contraction for the world economy from 6% to 4.5% in 2020 and its global growth forecast for 2021 from 5.2% to 5%. The OECD made downward revisions to GDP forecasts for 2020 for the economies of India, Mexico, Argentina and South Africa, which were among the countries most affected by the coronavirus outbreak. On the other hand, the OECD positively updated its forecasts for the US, European and Chinese economies. The OECD also reduced its economic contraction forecast for Turkey from 4.8% to 2.9% in 2020, while lowering its growth forecast for 2021 from 4.3% to 3.9%.

Economic data released last week...

The data releases in the US gave mixed signals for the economic recovery. In August, industrial production rose by 0.4% mom and retail sales also increased by 0.6% mom, below the market expectations of 1%. In the same period, the capacity utilization for the industrial sector became 71.4% in line with expectations. On the other hand, the New

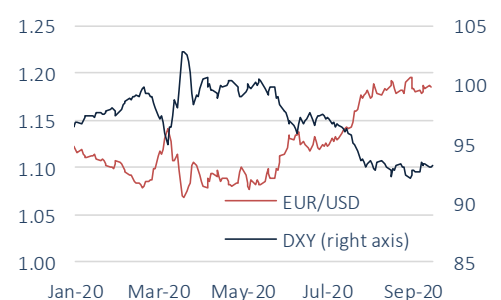
Fed's Balance Sheet



OECD GDP Projections

	June Projections (%)		September Projections (%)	
	2020	2021	2020	2021
World	-6.0	5.2	-4.5	5.0
Euro Area	-9.1	6.5	-7.9	5.1
US	-7.3	4.1	-3.8	4.0
China	-2.6	6.8	1.8	8.0
Turkey	-4.8	4.3	-2.9	3.9

EUR/USD Parity and DXY Index



Source: Datastream

York Empire State Manufacturing Index rose to 17 in September after falling to 3.7 in August, pointing to a positive signal for the sector. In US, weekly jobless claims, which were recently monitored closely, slightly exceeded expectations with 860 thousand people in the week ended September 12.

Industrial production in the Euro Area increased by 4.1% mom in July, while dropping by 7.7% on an annual basis. Industrial production growth for the region in June revised from 9.1% to 9.5%. Annual CPI inflation fell to -0.2% in August from 0.4% in July, according to the final figures.

The data released in China continues to indicate a more positive outlook compared to other countries. Industrial production picked up by 5.6% yoy in August. In the same period, retail sales also rose by 0.5% yoy, posting an annual recovery in 2020 for the first time.

The central government budget posted a surplus of 28.2 billion TRY in August.

The budget posted a surplus in August for the first time since January. The central government budget, which had a surplus of 576 million TRY in August 2019, gave a surplus of 28.2 billion TRY in the same period of this year. In August, budget revenues increased by 15.1% yoy to 108.6 billion TRY, while budget expenditures decreased by 14.3% yoy to 80.3 billion TRY. It was noteworthy that tax revenues grew by 47.8% yoy in August. In the first 8 months of this year, budget expenditures expanded by 15.6% yoy, while revenues increased by 10.1%. Thus, the budget deficit, which was 68.1 billion TRY in the first 8 months of last year, rose by 62.9% in the same period of this year and reached 110.9 billion TRY ([Our Budget Balance Report](#)).

Home sales in Turkey rose by 54.2% yoy in August.

Domestic house sales, which reached all-time high levels in July thanks to the low interest rates, lost some momentum in August. In August, house sales surged by 54.2% yoy to 170K units. In this period, the share of mortgaged sales in total home sales became 44.6%. In the first 8 months of this year, home sales rose by 42.6% yoy to 1.02 million units. In the same period, mortgaged home sales went up by 263.7% yoy to 473K units, while other types of sales declined by 6.3% to 551K units. In July, residential property price index (RPPI) increased by 1.4% mom, while posting an annual increase of 25.8%. In real terms, increase in RPPI came in at 12.6%.

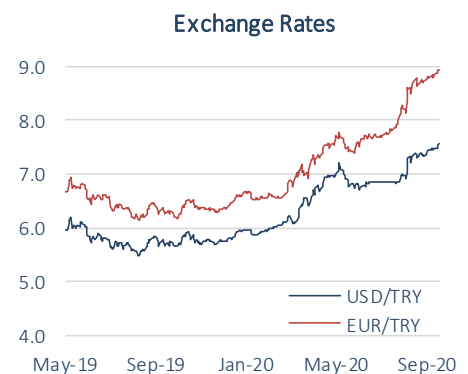
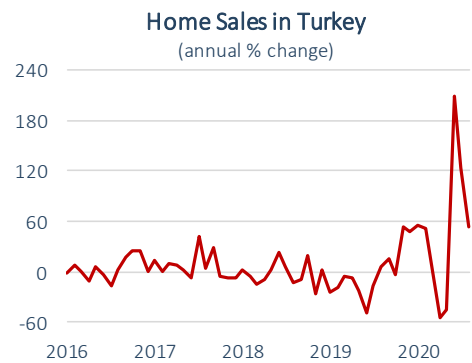
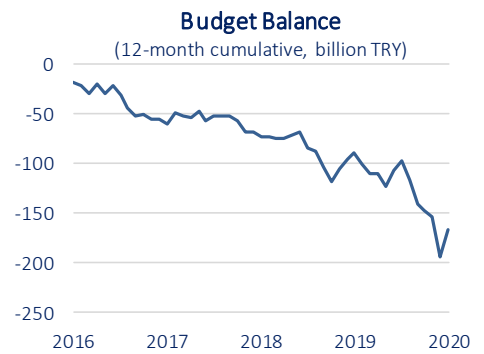
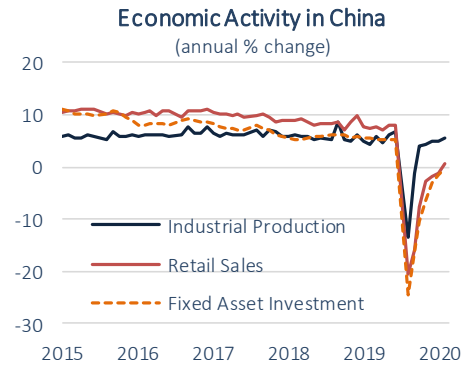
The expectation for year-end CPI inflation rose to 11.46%.

According to CBRT's Survey of Expectations in September, markets year-end CPI inflation expectation increased from 10.82% to 11.46%. GDP growth rate expectation for 2020, which had been -1.6% in the previous survey, became -1.5% in September. USD/TRY expectation for the year-end increased from 7.34 to 7.60, while that of current account deficit rose from 17.3 billion USD to 22.8 billion USD.

Financial markets...

Last week global markets followed a volatile course due to the increase in the number of coronavirus cases and the mixed signals from the global data releases on economic activity, despite the positive news flow on vaccination studies. The Fed's warn of uncertain economic recovery led to a deterioration global risk appetite. Brent oil price rose by 8.3% wov as Saudi Arabia's officials stated that they were ready for new production cuts and warned the countries that failed to comply with the production cut deal.

While the depreciation of the TRY continues, the USD/TRY reached a historic high level with 7.5814 last week and rose by 1.1% wov to 7.5563 on Friday. The weighted average cost of the CBRT funding increased by 10 basis points to 10.39%. This week preliminary PMI data for September come to the fore in global markets. The CBRT meeting to be held on Thursday will be closely monitored in domestic markets.



Source: Datastream, TURKSTAT

Data Releases

		Period	Consensus	Prior
21 September	TR Central Government Debt Stock	August		1.7 billion TRY
22 September	US Existing Home Sales, unit	August	5.95 million	5.86 million
	Euro Area Consumer Confidence Index, prelim	September	-14.6	-14.7
	TR Consumer Confidence Index	September		59.6
	TR Treasury 5Y CPI-Indexed Rent Coupon Issuance	September		
	TR Treasury 5Y Fixed Coupon Reissuance	September		
23 September	US Manufacturing PMI, prelim	September	53.2	53.1
	US Services PMI, prelim	September	54.7	55.0
	Euro Zone Manufacturing PMI, prelim	September	51.9	51.7
	Euro Zone Services PMI, prelim	September	50.5	50.5
	TR Treasury Domestic Redemption	September	3.8 billion TRY	
24 September	US New Home Sales, unit	August	875 million	901 million
	US Initial Jobless Claims	14-18 Sept	845 thousand persons	860 thousand persons
	Germany Ifo Business Climate Index	September	93.8	92.6
	TR Manufacturing Confidence Index	September		106.2
	TR Capacity Utilization	September		73.3%
	CBRT MPC Meeting	September		
25 September	US Durable Goods, mom	August	1.5%	11.4%
	TR Foreign Arrivals, mom	August		-85.9%

(A) Actual

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