

	30-Oct	6-Nov	Change		30-Oct	6-Nov	Change
BIST-100 Index	1.112	1.192	7,2% ▲	EUR/USD	1,1647	1,1872	1,9 % ▲
TRY 2 Year Benchmark Rate	14,99%	15,30%	31 bp ▲	USD/TRY	8,3448	8,5200	2,1 % ▲
Turkey 5-Year CDS	554	523	-30 bp ▼	EUR/TRY	9,7207	10,1188	4,1 % ▲
MSCI EM Equity Index	1.103	1.176	6,6 % ▲	Gold (USD/ounce)	1.878	1.952	3,9 % ▲
US 10-Year Bond Rate	0,86%	0,82%	-4 bp ▼	Brent Oil (USD/barrel)	37,5	39,6	5,8 % ▲

bp: basis point

Last week, the hot topic in global markets was the US presidential election. Despite the uncertainty over the election results in the swing states, global stock markets have followed an upward trend. While the Fed did not change monetary policy at its meeting, Chair Powell stressed that more fiscal stimulus is needed for a stronger economic recovery. In Turkey, according to preliminary data, foreign trade deficit continued to expand in October by 35.7% and reached 2.4 billion USD. In October, while annual CPI inflation reached 11.89%, D-PPI inflation hit 15-month high with 18.20% in this period. CPI-Indexed real effective exchange rate declined to historical low by falling to 60.7. Meanwhile, CBRT Governor Murat Uysal was replaced by Naci Ağbal, head of Presidential Budget and Strategy Directorate. In addition, Treasury and Finance Minister Berat Albayrak announced his resignation from his social media account.

In the US, Democratic Party candidate Joe Biden won the presidential election.

Democratic Party candidate Joe Biden won the US Presidential election, which caused uncertainty over the past week as the votes of the two candidates were very close to each other in some key states contrary to the predictions in the polls.

Fed meeting and recent US data...

Fed kept the policy rate at 0-0.25% in line with the expectations and did not change the asset purchase program in its meeting held on November 5th. Stating that more fiscal stimulus may be needed for a stronger recovery, Fed Chairman Powell underlined that they are concerned about downside risks and the increase in coronavirus cases may put pressure on household savings.

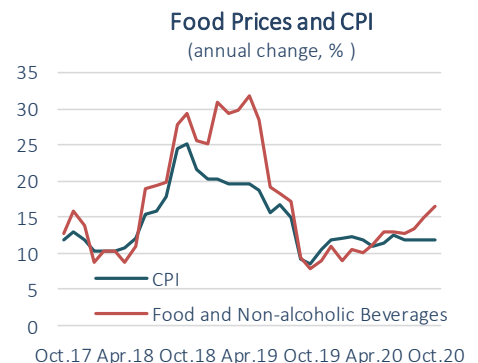
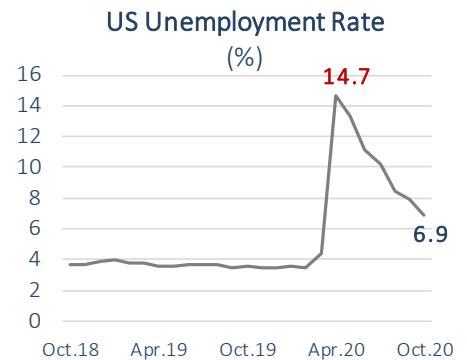
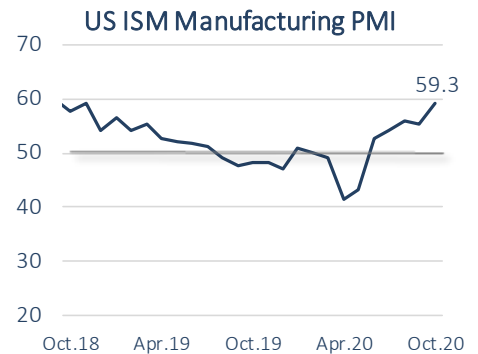
US ISM manufacturing PMI became 59.3 in October, well above the market expectations, reaching its highest value since September 2018. The final Markit manufacturing PMI index in the country became 53.4 in October. The PMI data showed that the growth in the sector since May has continued. Although non-farm payrolls increased above expectations with 638,000 people in October, it fell to its lowest level since May. Besides, unemployment rate became at 6.9%, below the market expectations of 7.7%.

BoE increased the size of its asset purchasing programme.

Bank of England, which kept the policy rate at 0.1% at the meeting held on November 5th, raised its asset purchase programme by 150 billion pounds to 895 billion pounds in order to limit the negative effects of the restrictive measures taken against the pandemic.

In Turkey, annual CPI inflation rose to 11.89% in October.

The In October, while CPI increased by 2.13% mom in parallel with the expectations, annual CPI inflation, which followed a flat course during July-September period, reached its highest level in October since February with 11.89%. In this period, the clothing and footwear group, where prices increased most rapidly by 6.8%, pulled the monthly CPI inflation up by 42 bps. In the food group, which made the highest contribution to CPI inflation with 70 bps mom, the increase in prices of fresh fruit and vegetables drew attention. During this period, while domestic PPI posted an increase of 3.55% mom, annual D-PPI inflation hit 15-month high with 18.20% ([Our Inflation Report](#)).



Source: Datastream

The growth in the automotive market continues...

According to the data announced by the Automotive Distributors Association (ODD), passenger car and light commercial vehicle market increased by 93% yoy to 94,733 units. Thus monthly automotive sales reached the highest level since December 2017. In January-October period, automotive market increased by 78.1% reaching 588,354 units. Following the strong sales in October, the Automotive Distributors Association revised up its market forecast for the end of the year by 25K units to 725K-775K.

Foreign trade deficit continues to widen.

According to preliminary data published by the Ministry of Trade, foreign trade deficit expanded by 5.6% to 17.3 billion USD in October. In this period, exports increased by 8.5% yoy and became 19.7 billion USD. Thus, foreign trade deficit reached 2.4 billion USD in October by expanding 35.7% yoy. In the first 10 months of this year, while exports decreased by 9.1%, imports increased by 2.2%. During this period, foreign trade deficit rose by 76.1% to 40.3 billion USD.

The head of the Presidency Strategy and Budget was appointed as the governor of CBRT.

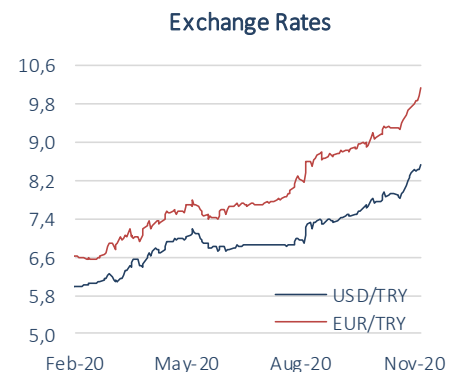
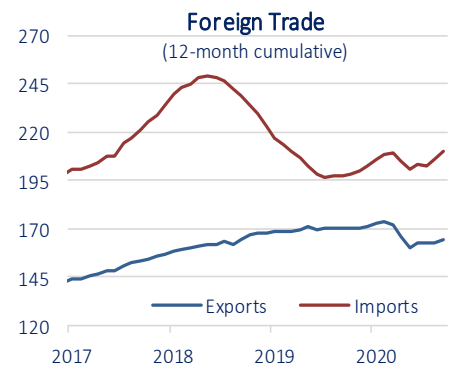
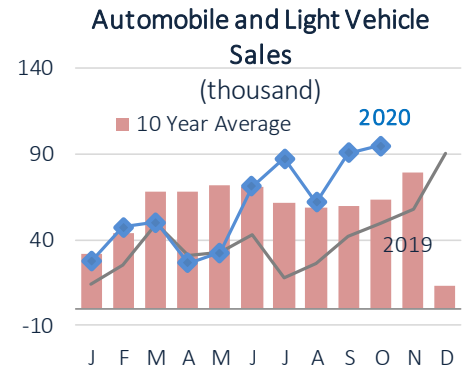
Within the framework of tightening steps, the CBRT which increased the TRY swap rate for foreign currency and gold from 10.25% to 11.75% on 9 October, raised this rate by 150 basis points to 13.25%, as of 3 November. Moreover, the CBRT reduced the banks' borrowing limits to zero in the Interbank Money Market as of 3 November. In addition, the overnight repo transactions carried out via quotation method against TRY denominated lease certificates within the scope of open market operations were also stopped as of 3 November. As of Friday, the CBRT weighted average funding cost increased by 72 basis points wow to 14.12%. While CBRT governor Murat Uysal was removed from his post, Naci Ağbal, head of the Presidency of Strategy and Budget, was appointed in his place. In his first official written statement, Ağbal stated that communication will be strengthened within the framework of the principles of transparency, accountability and predictability in monetary policy. The statement also highlighted that until the Monetary Policy Committee meeting on 19 November 2020, the current situation and expectations will be reviewed and necessary policy decisions will be made with the available data and final evaluations. On Sunday, Treasury and Finance Minister Berat Albayrak announced his resignation from his social media account.

Financial markets...

Although the US election results remained uncertain last week, the global risk appetite increased due to the stimulus expectations. BIST-100 index, which started the week positively together with the manufacturing PMI data, completed the week at 1,192 points with an increase of 7.2% wow. Turkey's CDS Premium decreased by 30 bps to 523 on a weekly basis, while the 2-year benchmark bond compound interest rose by 31 bps to 15.30%. While the USD/TRY exchange rate tested record levels at 8.5789 on Friday, it rose by 2.1% wow and completed the week at 8.5200.

This week's agenda...

This week, the US election results and the speeches of Fed Chairman Powell and European Central Bank Governor Lagarde will be followed in global markets. Besides, October's US inflation data stands out. In the domestic markets, current account balance and industrial production data will be monitored. The steps to be taken by the new CBRT governor Naci Ağbal and the news about the resignation of the Minister of Treasury and Finance Berat Albayrak will also be closely followed.



Source: Datastream, TURKSTAT

Data Releases

		Period	Consensus	Prior
9 November	Euro Area Sentix Index	November	-10.0(A)	-8.3
10 November	TR Treasury 2Y Fixed Coupon Issuance	November	-	-
	TR Treasury 5Y Fixed Coupon Reissuance	November	-	-
	Euro Area ZEW Survey Expectations	November	-	52.3
	China CPI, yoy	October	0.8%	1.7%
	China PPI, yoy	October	-2.0%	-2.1%
11 November	TR Current Account Balance	February	-	-4.6 billion USD
12 November	US CPI, mom	October	0.2%	0.2%
	US Weekly Initial Jobless Claims	2-7 November	738K persons	751K persons
	Euro Area Industrial Production, yoy	September	-5.8%	-7.2%
13 November	TR Industrial Production	September	-	10.4%
	US PPI, yoy	October	0.4%	0.4%
	US Michigan Sentiment Index, prelim	November	82.0	81.8
	Euro Area GDP Growth, prelim	2020 3Q	12.7%	-11.8%

(A) Actual

Economic Research Division

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

H. Erhan Gül
Asst. Manager
erhan.gul@isbank.com.tr

Alper Grlr
Unit Manager
alper.gurler@isbank.com.tr

Ahmet Berat Ocak
Asst. Economist
berat.ocak@isbank.com.tr

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

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