

| | 13-Nov | 20-Nov | Change | | 13-Nov | 20-Nov | Change |
|---------------------------|--------|--------|----------|------------------------|--------|--------|----------|
| BIST-100 Index | 1,291 | 1,324 | 2.5% ▲ | EUR/USD | 1.1832 | 1.1853 | 0.2 % ▲ |
| TRY 2 Year Benchmark Rate | 13.93% | 13.47% | -46 bp ▼ | USD/TRY | 7.6602 | 7.6323 | -0.4 % ▼ |
| Turkey 5-Year CDS | 399 | 371 | -28 bp ▼ | EUR/TRY | 9.0720 | 9.0553 | -0.2 % ▼ |
| MSCI EM Equity Index | 1,188 | 1,209 | 1.7 % ▲ | Gold (USD/ounce) | 1,888 | 1,870 | -0.9 % ▼ |
| US 10-Year Bond Rate | 0.89% | 0.83% | -6 bp ▼ | Brent Oil (USD/barrel) | 42.8 | 45.0 | 5.1 % ▲ |

bp: basis point

Last week, the course of the pandemic and the positive news flow regarding the vaccine studies have driven global markets. IIF drew attention to the rapid increase of global debt stock in 2020 at its report regarding the indebtedness of mature and emerging economies. Data released in the US showed that the recovery in economic activity has slowed down. At its meeting held on Thursday, CBRT increased the policy rate by 475 basis points to 15% in line with the market expectations and announced that all funding will be provided through the one-week repo rate, which is the CBRT's main policy tool.

Positive news about coronavirus vaccine developments...

The number of coronavirus cases exceeded 58 million people worldwide and the number of people who have lost their lives due to the pandemic reached 1.4 million. On the other hand, positive developments regarding vaccine studies were on the agenda last week. It was announced that the coronavirus vaccine developed by the US company Moderna is 94.5% effective in preventing the disease while the vaccine developed by Pfizer BioNtech is announced to be 95% effective in preventing coronavirus infections. Both vaccine developers are expected to apply for the necessary approvals in the US and Europe until the end of December.

IIF predicts that the global debt stock will reach 277 trillion USD by the end of 2020.

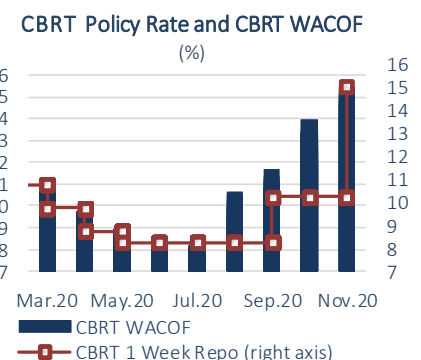
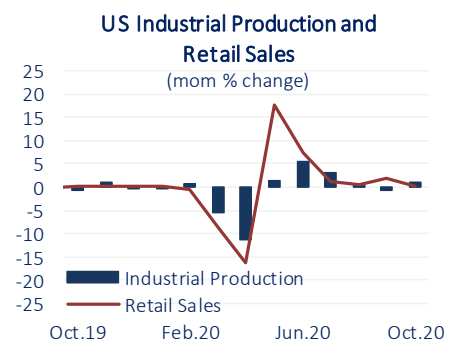
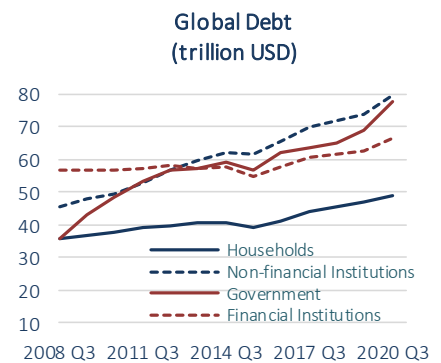
In the report published by the International Finance Institute (IIF), it was noted that the global debt stock increased by 15 trillion USD in the first three quarters of 2020 and reached 272 trillion USD due to the rise in public and private sector borrowings during the pandemic. The report emphasizes the rapid increase in the debt of non-financial companies in developing countries, while the debt stock/GDP ratio in these countries rose from 222% in 2019 to 248% in the third quarter of 2020. Although borrowing is expected to lose momentum on a global scale in the last quarter of this year, by the end of the year, the global debt stock and the debt stock/GDP ratio are predicted to reach 277 trillion USD and 365%, respectively.

Data releases in the US...

Due to the rise in the number of coronavirus cases and the impact of the measures that have started to be re-implemented in the US, weekly jobless claims exceeded expectations with 742K people in the week ended November 14. Industrial production in the country increased by 1.1% mom in October, in line with expectations. Although, the industrial production index has recovered most of its losses registered in March and April, it is still 5.6% below the February level, when the pandemic effects have not yet been observed. Retail sales rose by 0.3% mom and 5.7% yoy in October. It was noteworthy the monthly rise in retail sales was the weakest recorded in the last 6 months. On the other hand, thanks to the low interest rates, the pickup in the housing market continues in the US. In October, new housing starts increased by 4.9% mom and existing home sales rose by 4.3% mom. However, in addition to the course of the pandemic, the fact that the incentive package of approximately 3 trillion USD is almost used up, creates uncertainty about the course of the housing sector. Last week, in a letter to Fed Chairman Jerome Powell, US Treasury Secretary Steven Mnuchin stated that the unused funds allocated to the Fed during the pandemic should be returned to the US Treasury for reallocation.

CBRT increased the policy rate by 475 bps to 15%.

At its meeting held on Thursday, CBRT increased the policy rate by 475 bps, from 10.25% to 15% in line with the market expectations. The CBRT also announced that, the funding which



Source: IIF, CBRT, Datastream

is provided by traditional method repo auctions with one month maturity and late liquidity window facility recently, will start to be done with one-week repo amount auctions, which is the main monetary policy tool, as of 20 November 2020. After the meeting, it was stated that the lagged effects of the depreciation of the Turkish lira, the rise in international food prices and the deterioration in inflation expectations affected the inflation outlook negatively. Accordingly, the CBRT decided to make a clear and strong monetary tightening in order to restore the disinflation process as soon as possible. In addition to decrease country's risk premiums, the aims to reverse the dollarization trend and to increase the foreign exchange reserves among the targets for macroeconomic and financial stability drew attention in the statement. CBRT also increased the TRY interest rate in swap markets, where it provides TRY in return for foreign exchange and gold, by 175 bps to 15% on Friday.

New regulations on debt restructuring and employment incentives...

According to the data published by the Ministry of Treasury and Finance, the central government gross debt stock increased by 605.7 billion TRY compared to 2019 year-end and reached 1.93 trillion TRY as of the end of October 2020. 807 billion TRY of the debt stock consisted of Turkish lira debt while 1.1 trillion TRY was foreign currency denominated debt. Last week, the law on debt restructuring and employment incentives was published in the Official Gazette. According to the law, tax debts can be restructured and paid in 18 installments. Tax debts covering treasury receivables will also be restructured. In addition, real and legal persons will be able to save their assets in money, gold, foreign exchange, securities and other capital market instruments located abroad freely, provided that they notify banks or intermediary institution in Turkey until 30 June 2021. The period for the premium support paid to the employer and covered by the Unemployment Insurance Fund, in the cases that the insured benefiting from the short-time working allowance returns to normal working hours, has also been extended until 30 June 2021.

Consumer confidence index declined by 2.2% mom to 80.1 in November.

House sales in Turkey, decreased by 16.3% yoy to 119,574 units in October. During this period, mortgaged house sales, which made up 21.4% of total sales, declined by 49.3% yoy to 25,566 units. In the January-October period, house sales rose by 27% yoy to 1.3 million units, while mortgaged house sales went up by 124% yoy to 534K units. House sales, which rose in summer period thanks to the low interest rates and credit support packages, have been showing a downward trend since August due to the rise in interest rates. In October, residential property price index (RPPI) increased by 1.6% mom and 27.3% yoy. The annual rise in RPPI became 14% in real terms.

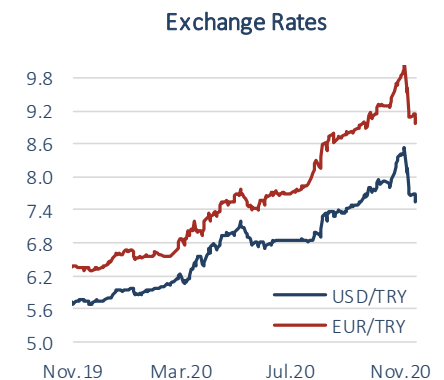
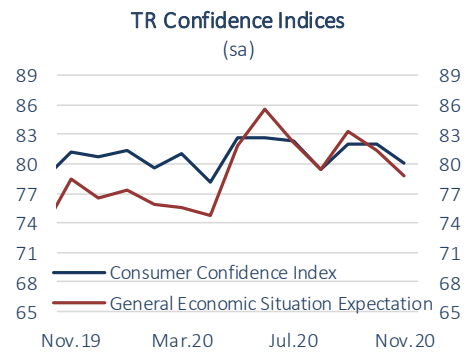
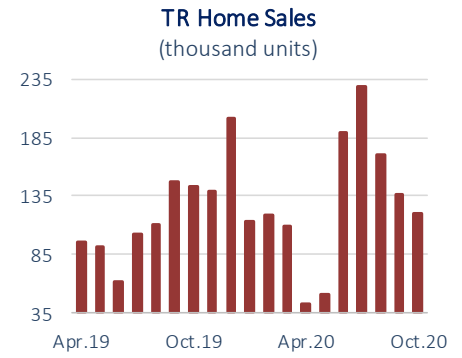
According to the data released by TURKSTAT, the seasonally adjusted consumer confidence index declined by 2.2% mom and became 80.1 in November. In this period, the index for the financial situation of household in the last 12 months period increased by 4.1% mom to 66.6, while the index for the financial situation expectation of household in the next 12 months period decreased by 3.3% to 78.7.

Financial markets...

Last week, optimistic news on vaccine trials drove global markets higher. Developing countries MSCI's stock market index rose by 1.7% wow. With the impact of vaccine advances, barrel price of Brent oil increased by 5.1% wow, while the price of gold decreased by 0.9% wow.

Turkish lira, which appreciated rapidly in the week ending on 14 November, continued this trend last week thanks to the CBRT's policy rate hike and the simplification of monetary policy. Testing the level 7.51 during the week, USD/TRY rose on the last trading day of the week and ended the week at 7.63. BIST-100 index rose 2.5% to a record high of 1,324 points at the end of the week. Turkey's 5-year CDS risk premium decreased by 28 bps last week to 371 bps on Friday. The compound interest rate of the 2-year benchmark bond also fell by 46 bps to 13,47%.

This week, PMI figures and confidence indices for November stand out on the agenda of global markets. In Turkey, manufacturing industry capacity utilization rate and confidence indices for November will be released.



Source: TURKSTAT, CBRT, Datastream

Data Releases

| | | Period | Consensus | Prior |
|--------------------|---|----------------|------------|--------|
| 23 November | TR Foreign Arrivals, yoy | October | -59.4% (A) | -59.4% |
| | US Markit Manufacturing PMI, prelim | November | 53.0 | 53.4 |
| | US Markit Services PMI, prelim | November | 55.3 | 56.9 |
| | Euro Area Manufacturing PMI, prelim | November | 53.6 (A) | 54.8 |
| | Euro Area Services PMI, prelim | November | 41.3 (A) | 46.9 |
| 24 November | TR Capacity Utilization | November | - | 75.4% |
| | TR Manufacturing Confidence Index | November | - | 108.1 |
| | US Consumer Confidence Index | November | 98.0 | 100.9 |
| | Germany IFO Business Climate Index | November | 90.7 | 92.7 |
| 25 November | US Personal Consumption Expenditures, mom | October | 0.3% | 1.4% |
| | US Durable Goods Orders, mom | October | 1.0% | 1.9% |
| | US GDP, final | Q3 | 33.1% | 33.1% |
| | US Initial Jobless Claims, person | 16-20 November | 730k | 742k |
| | US Michigan Consumer Sentiment Index, final | November | 77.0 | 77.0 |
| | US New Home Sales, unit | October | 975k | 959k |
| 27 November | TR Economic Confidence Index | November | - | 92.8 |
| | Euro Area Consumer Confidence Index, final | November | -17.6 | -17.6 |

(A) Actual

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