

	27-Nov	4-Dec	Change		27-Nov	4-Dec	Change
BIST-100 Index	1,329	1,331	0.2 % ▲	EUR/USD	1.1962	1.2120	1.3 % ▲
TRY 2 Year Benchmark Rate	13.73%	13.76%	3 bp ▲	USD/TRY	7.8332	7.7981	-0.4 % ▼
Turkey 5-Year CDS	380	351	-29 bp ▼	EUR/TRY	9.3717	9.4574	0.9 % ▲
MSCI EM Equity Index	1,231	1,251	1.7 % ▲	Gold (USD/ounce)	1,788	1,838	2.8 % ▲
US 10-Year Bond Rate	0.84%	0.97%	13 bp ▲	Brent Oil (USD/barrel)	48.2	49.3	2.2 % ▲

bp: basis point

Last week, positive developments regarding the vaccine studies supported the global stock markets, while the data released around the world presented a mixed view in the economic activity under the impact of the pandemic. In the Economic Outlook report, the OECD revised its contraction forecast for the global economy from 4.5% to 4.2% for 2020. OPEC+ countries decided to gradually reduce the oil supply cut starting from January 2021. In Turkey, foreign trade deficit increased by 155.4% yoy in November according to preliminary data. In the same period, annual inflation rose to 14.03% in CPI and 23.11% in domestic-PPI. This week, ECB meeting and Brexit negotiations in the Euro Area will be followed. Current account balance, Treasury cash balance and employment data will be released in Turkey.

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

The Fed announced that the loan programs implemented against the negative effects of the pandemic on the economy have been extended from December 31, 2020 to March 31, 2021. Manufacturing PMI was confirmed as 56.7 in the US, while services PMI reached its highest level (58.4) since April 2014. In addition to the elimination of election uncertainty, vaccine news were effective in the improvement in leading indicators. On the other hand, the non-farm payroll data, remaining well below the expectations, indicated that the weakness in the US employment market continued. The increase in non-agricultural employment was realized as 245K people in November (the lowest level since April), when the negative effects of the outbreak were felt the most severe. The unemployment rate came in at 6.7%, in line with market expectations.

#### Weak course in the Euro Area economy...

In the Euro Area, while manufacturing PMI was slightly above expectations with 53.8 in November, services PMI fell by 5.2 points mom to 41.7. PMI data showed that economic activity lost momentum due to the restrictive measures taken against the pandemic. The annual CPI inflation, indicating deflation in the Euro Area since August, continued this trend and became -0.3% in November. On the other hand, retail sales rose by 1.5% mom in October, beating market expectations of 0.8%.

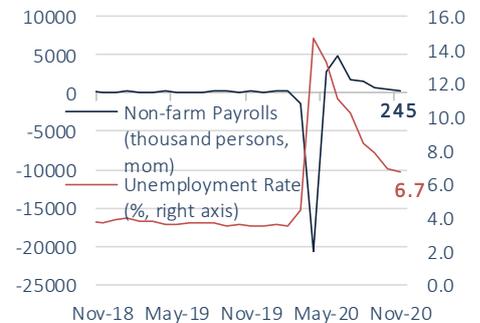
#### Economic recovery in China continues.

The leading indicators show that the economic recovery is strong in China. Manufacturing PMI for November exceeded expectations and reached its highest level since September 2017 at 52.1, while services PMI also surpassed expectations with 57.8. In November, exports in China registered the fastest annual rise (21.1%) since February 2018, while imports rose by 4.5% yoy.

#### OECD revised its growth forecasts.

In its Economic Outlook report released in December, the OECD revised its contraction forecast for the global economy from 4.5% to 4.2% for 2020. The OECD also revised its global growth forecast for 2021 as 4.2%, which was 5% in September and predicted 3.7% growth for 2022. In the report, it is stated that the global economic recovery continues with the support of the positive developments in vaccine studies and the strong recovery in the Chinese economy. It was also said that the global economic outlook has improved despite the second wave in many countries. Underlining the US and the Euro Area may have less contribution to the recovery compared to their weight in the global economy, the Organization predicts that the US economy to contract by 3.7% this year and grow by 3.2% in 2021. OECD forecasts the Euro Area economy to shrink by 7.5% this

#### US Employment Market Indicators



#### OECD December Forecasts

	Real Growth (%)		Gap* (% points)	
	2020	2021	2020	2021
World	-4.2	4.2	0.3	-0.8
US	-3.7	3.2	0.1	-0.8
Euro Area	-7.5	3.6	0.4	-1.5
Germany	-5.5	2.8	-0.1	-1.8
Japan	-5.3	2.3	0.5	0.8
UK	-11.2	4.2	-1.1	-3.4
China	1.8	8.0	0.0	0.0
India	-9.9	7.9	0.3	-2.8
Brazil	-6.0	2.6	0.5	-1.0
Turkey	-1.3	2.9	1.6	-1.0

(\*) Difference from September forecasts

#### Gold & Oil Price



Source: Datastream, OECD

year and grow by 3.6% in 2021. After the data release for the 3rd quarter growth in Turkey, the OECD has also revised its contraction forecast for Turkish economy from 2.9% to 1.3% in 2020. In the report, Turkey's 2021 growth forecast was revised down from 3.9% to 2.9%, and the growth forecast for 2022 stands as 3.2%.

#### OPEC + decided to reduce supply deduction gradually.

OPEC+ countries agreed to reduce production cuts starting from January 2021. In the statement made after the meeting, it was declared that there will be 500K barrels increase in daily oil production in January 2021. OPEC+ had decided to cut the oil supply by 9.7 million barrels per day in April when the pandemic had downward pressure on oil demand and had reduced the amount of cuts to 7.7 million barrels in August. Brent crude oil price rose by 2.2% on a weekly basis to 49.3 USD/barrel.

#### Annual CPI rose to 14.03% in November in Turkey.

Inflation came in well above the market expectations in November. The rise in monthly CPI was realized as 2.3% while annual CPI rose to 14.03%. The monthly rise in inflation was realized as the highest November level since 2002. In this period, while prices increased in all main expenditure groups except education, the increase in prices in the food and transportation groups were prominent. In November, domestic PPI (D-PPI) increased by 4.08%, the highest level in the last 26 months while annual D-PPI inflation rose to 23.11% ([Our Inflation Report](#)).

#### Foreign trade deficit widened rapidly in November.

According to the provisional data announced by the Ministry of Trade, exports decreased by 1% in November to 16.9 billion USD, while imports increased by 16.1% to 21.2 billion USD. Thus, foreign trade deficit widened by 155.4% yoy and became 5.1 billion USD in November. While gold was the most imported item with 2.7 billion USD in November, gold imports in the January-November period reached 24.4 billion USD. In the first eleven months of the year, exports decreased by 8.3%, while imports rose by 3.6%. During this period, foreign trade deficit increased by 82.5% to 45.3 billion USD.

#### In November manufacturing PMI became 51.4

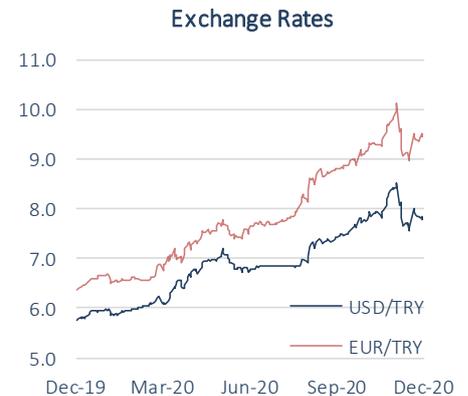
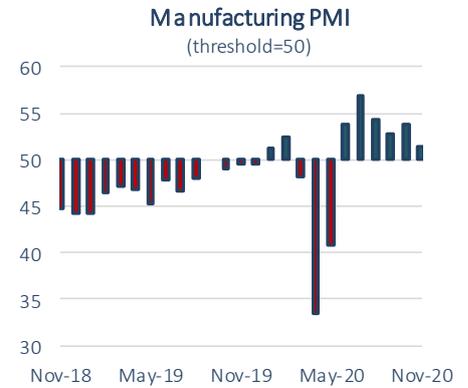
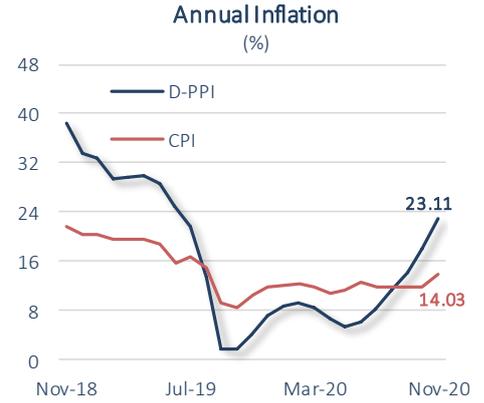
Although manufacturing PMI fell to 51.4 in November, it remained above the threshold level (50) for the sixth consecutive month. The index was at 53.9 in October. Sub-indices reflected the effects of the outbreak both in domestic and global markets. New orders sub-index decreased from October's 52.7 to 47.4 in November, new export orders sub-index from 51.7 to 49.5, and production sub-index from 54.7 to 49.1, indicating a contraction.

#### Financial markets...

Last week, global risk appetite was high thanks to the positive developments regarding the coronavirus vaccine. Domestic markets, which showed a volatile outlook during the week, were flat at the end of the week. The USD/TRY rate, which increased after the higher-than-expected inflation data, came down again following the statements underlining the importance of the price stability. USD/TRY decreased by 0.4% w/w, while EUR/TRY rose by 0.9% along with the appreciation of the EUR in international markets. On the other hand, Turkey's 5-year CDS risk premium declined by 29 bps w/w to 351 bps.

#### This week's agenda...

This week, November inflation data in the US and 3rd quarter final GDP growth data for the Euro Area will be followed in global markets. As well as the developments in Brexit negotiations, ECB meeting on Thursday will also be closely monitored. In Turkey, current account balance, Treasury cash balance and employment data will be released. Possible decisions regarding Turkey at the EU Leaders Summit on 10-11 December may be effective on the markets.



Source: Datastream, TURKSTAT

Data Releases

		Period	Consensus	Prior
7 December	TR Treasury Balance	November	-	-6,7 billion TRY
	TR Treasury 2Y Fixed Coupon Bond Reinsurance	November	-	-
	TR Treasury 5Y Fixed Coupon Bond Reinsurance	November	-	-
	Euro Area Sentix Index	December	-2.7 (A)	-10.0
	Germany Industrial Output, mom	October	3.2% (A)	2.3%
8 December	TR Treasury 5Y Fixed Coupon Reinsurance	November	-	-
	TR Treasury 10Y Fixed Coupon Bond Reinsurance	November	-	-
	Euro Area GDP Growth, qoq final	2020 3Q	12.6%	12.6%
	Germany ZEW Economic Sentiment Index	December	46.0	39.0
10 December	TR Unemployment Rate, mom	September	-	13.2%
	US CPI, mom	November	0.1%	0.0%
	US Initial Jobless Claims, persons	30 Nov-5 Dec	725 thousand	712 thousand
11 December	TR Current Account Balance	October	-	-2.4 billion USD
	US Michigan Confidence Index, prelim	December	76.5	76.9
	US PPI, mom	November	0.2%	0.3%

(A) Actual

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