

	18-Dec	25-Dec	Change		18-Dec	25-Dec	Change
BIST-100 Index	1,408	1,426	1.3% ▲	EUR/USD	1.2255	1.2204	-0.4% ▼
TRY 2 Year Benchmark Rate	14.69%	14.77%	8 bp ▲	USD/TRY	7.6239	7.5470	-1.0% ▼
Turkey 5-Year CDS	321	315	-6 bp ▼	EUR/TRY	9.3447	9.2015	-1.5% ▼
MSCI EM Equity Index	1,268	1,255	-1.0% ▼	Gold (USD/ounce)*	1,881	1,876	-0.3% ▼
US 10-Year Bond Rate*	0.95%	0.93%	-2 bp ▼	Brent Oil (USD/barrel)*	52.3	51.3	-1.8% ▼

bp: basis point

(*) last data: 24-December

Last week, following the emergence of a new mutated coronavirus type in the UK which was stated to be more contagious, travel bans with the UK were announced worldwide and restrictions were tightened across Europe. US President Trump signed the new stimulus package worth of 892 billion USD and a Budget Bill of 1.4 trillion USD. On Thursday, the UK and the EU announced a compromise on the post-Brexit trade agreement. Global markets, where transaction volumes were low due to Christmas holidays, followed a mixed course with the impact of these developments. CBRT raised the policy rate by 200 bps to 17%. In the last week of the year, a calm data agenda will be followed in global markets. In Turkey, December economic confidence index and November foreign trade balance data will be monitored.

Debate on the new aid package in the US...

In the US, final GDP growth rate for the third quarter of the year was announced as 33.4%. In November, existing house sales in the country decreased by 2.5% mom to 6.7 million units, while new house sales were realized as 841K falling below 850K for the first time since July. In the US, personal consumption expenditures, which started to recover since May, contracted by 0.4% mom in November due to the re-introduction of the restrictive measures in order to prevent the spread of coronavirus. In the same period, with the impact of the increase in new orders, durable goods orders increased by 0.9% mom, above the expectations. In the week ending on December 19, the number of applicants for unemployment pension came in at 803K people, better than the market expectations of 885 K. In December, consumer confidence became 88.6 remaining below the market expectations of 97.

In the US, Senate passed the new coronavirus aid package of 892 billion USD last week, but the debates were continuing after US President Trump called for some changes in the package. Trump had also vetoed the 740 billion USD 2021 defense spending bill on the ground that it was inadequate. However, this morning it was announced that Trump has signed the aid package and the Budget Bill worth of 1.4 trillion USD.

UK and the EU agreed on a post-Brexit trade deal.

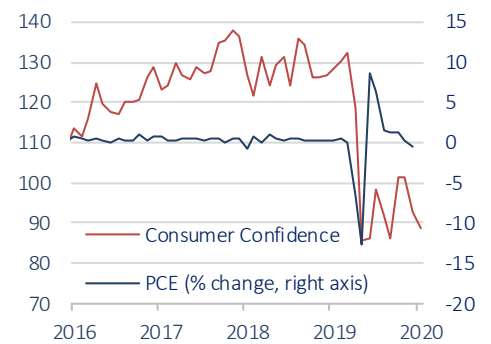
Consumer confidence index in the Euro Area recorded a slight improvement in December. The index came in at -13.9, above the expectations of -16.8. Consumer confidence in the region was -17.6 in November.

Last Thursday, the European Union and the UK reached a compromise following the long Brexit negotiations and finalized the agreement that regulates trade after the Brexit. The pound appreciated in global markets after this development. The agreement will be submitted to the British Parliament for approval on December 30th. UK Trade Minister Liz Truss announced that the free trade deal with Turkey is planned to be signed this week.

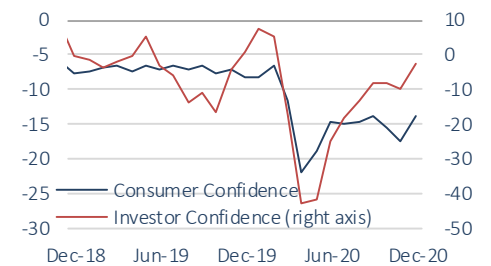
Mixed outlook in the gold and oil markets...

Oil prices started the week with a rapid decline along with the depressed demand due to the travel bans and new restrictive measures taken against the mutated coronavirus. As of mid-week, the prices recovered some of the losses because of the decline in US oil stocks and positive developments in the Brexit agreement. Barrel price of Brent crude oil decreased by 1.8% wow to 51.3 USD. Gold prices, which

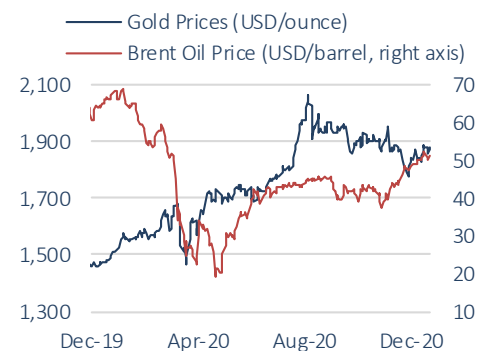
US Consumer Confidence and PCE



Confidence Indices in the Euro Area



Gold and Oil Prices



Source: Datastream, Johns Hopkins

fluctuated during the week parallel to the shifts in investors' risk perception, closed the week at 1.876 USD/ounce.

CBRT raised the policy rate to 17%.

At the Monetary Policy Committee meeting held on 24 December, CBRT increased the policy rate by 200 bps to 17%. The markets were expecting an increase of 150 bps. Thus, the CBRT increased the policy rate by a total of 875 basis points in the last four meetings. In the statement released after the meeting, the CBRT said that it has decided to implement a strong monetary tightening in order to eliminate risks regarding the inflation outlook, contain inflation expectations and restore the disinflation process as soon as possible. The statement also pointed out that tightening in monetary policy stance will be decisively sustained until strong indicators point to the price stability and to a permanent fall in inflation in line with the targets.

The real sector confidence index rose to 110.4 in December.

The seasonally adjusted real sector confidence index increased by 3 points on a monthly basis and became 110.4 in December. On the other hand, sectoral confidence indices declined in this period. Seasonally adjusted service sector confidence index declined by 9.2% mom to 70.4. The decline in the sub-indices of business situation in the last 3 months and the demand outlook for services, were behind this development. In the same period, retail trade confidence index went down by 7.8% to 87.6, while construction sector confidence index decreased by 7.2% to 73.3. According to the data released by the Ministry of Tourism, the number of foreign visitors arriving in Turkey declined by 62% yoy to 0.83 million people in November. In the January-November period, the number of foreign visitors decreased by 72% yoy to 12 million.

Decisions published in the Official Gazette...

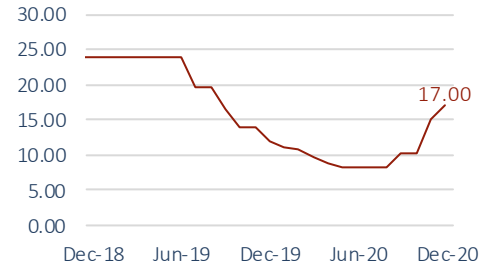
According to the decision published in the Official Gazette last week, the application deadline for short-term working allowance due to COVID-19 has been extended to 31 January 2021, while the period for short-term working allowance for the companies that have already applied was extended to 28 February 2021 from 31 December 2020. The implementation period of the reduced VAT rates has been extended until 31 May 2021 with another decision. In addition, the fixed tax amounts for cigarettes and some tobacco products were decided to be kept unchanged for the first 6 months of 2021, while the SCT rate was reduced to 63% from 67%. Cigarettes are included in the CPI basket with a weight of 5.71%. According to the change in the regulations published in the Official Gazette on Saturday, the installment sales were rearranged. The installment period has been reduced from 6 months to 4 months for the sales of electronic goods and the sales of televisions with a price over 3,500 TRY, while the number of installments for furniture, white goods and electrical appliances has been reduced from 18 to 12. In addition, the installment period has been reduced from 8 months to 6 months in jewelry sales. On the other hand, the number of installments will continue to be applied as 18 for domestic expenditures related to airlines, travel agencies and accommodation.

Financial markets...

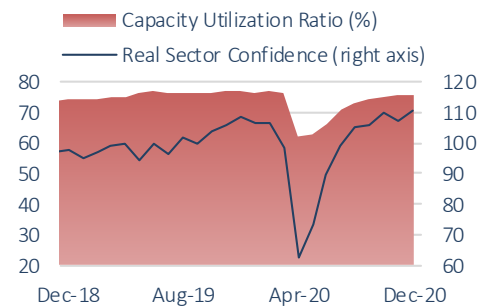
Last week, global stock markets, where transaction volumes were low due to the Christmas holiday, followed a mixed outlook along with the developments regarding the pandemic, the new stimulus package in the US and the Brexit agreement. On the other hand, Turkish markets diverged positively thanks to the CBRT's interest decision which exceeded the expectations. USD/TRY decreased by 1% wov to 7.55. The BIST-100 index, which closed at record highs during the week, rose by 1.3% wov and completed the week at 1,426 points.

In the last week of the year, there is a calm data agenda in global markets. In Turkey, December economic confidence index and November foreign trade balance data will be monitored.

CBRT Policy Rate (%)



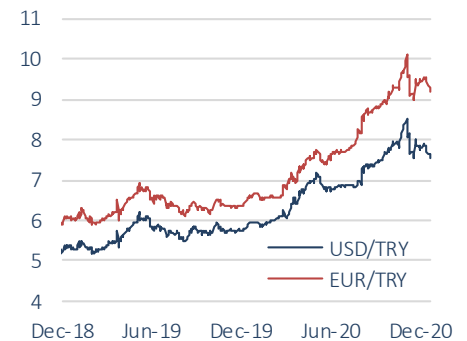
Leading Indicators (seasonally adjusted)



CDS and BIST-100



Exchange Rates



Source: Datastream, TurkStat

Data Releases

		Period	Consensus	Prior
29-Dec	TR Economic Confidence Index	December	-	89.5
30-Dec	US Chicago PMI	December	57.0	58.2
	US Pending Home Sales	November	0.0%	-1.1%
	Germany Retail Sales, mom	November	-2.2%	2.6%
31-Dec	TR Foreign Trade Balance	November	-	-2.370 billion USD
	US Initial Jobless Claims, persons	21-26 December	835 K	803 K
	China NBS Manufacturing PMI	December	52.2	52.1

Economic Research Division

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

Dilek Sarsın Kaya
Asst. Manager
dilek.kaya@isbank.com.tr

Alper Gürler
Unit Manager
alper.gurler@isbank.com.tr

Kaan Tuncali
Asst. Specialist
kaan.tuncali@isbank.com.tr

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

LEGAL NOTICE

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.
