

	19-Feb	26-Feb	Change		19-Feb	26-Feb	Change
BIST-100 Index	1,560	1,471	-5.7 % ▼	EUR/USD	1.2117	1.2074	-0.4 % ▼
TRY 2 Year Benchmark Rate	14.89%	15.08%	19 bp ▲	USD/TRY	6.9587	7.4226	6.7 % ▲
Turkey 5-Year CDS	282	318	36 bp ▲	EUR/TRY	8.4370	8.9622	6.2 % ▲
MSCI EM Equity Index	1,430	1,339	-6.3 % ▼	Gold (USD/ounce)	1,782	1,733	-2.7 % ▼
US 10-Year Bond Rate	1.35%	1.46%	11 bp ▲	Brent Oil (USD/barrel)	62.9	66.1	5.1 % ▲

bp: basis point

Last week, the recent jump in the US 10-year Treasury bond interest rates suppressed the global risk appetite. In his presentations, Fed Chairman Powell reaffirmed that depending on inflation and labor market outlook supportive policies would be maintained. In Turkey, capacity utilization rate declined to 74.9% in February, while the real sector confidence index rose to 109.3. In January, the number of foreign visitors decreased by 71.5% yoy to 510k persons. Summary of the CBRT Monetary Policy Committee Meeting held on February 18 was published last week. The Committee emphasized that the policy rate is the sole instrument to determine the monetary policy stance, while the required reserve ratio is a tool that affects the transmission of the monetary stance. Turkish economy grew by 5.9% yoy in the fourth quarter of 2020 and 1.8% in 2020 as a whole.

US data displayed a positive outlook last week.

In the US, the annualized quarterly growth rate, previously stated as 4.0% for the last quarter of 2020, has been revised to 4.1%. The data for the first months of the year generally presented an optimistic outlook. In January, new home sales increased by 4.3% to 923K units thanks to low interest rates and rising demand. In this period, the durable goods orders increased monthly by 3.4%, well above expectations. Consumer confidence index rose monthly by 1.3 points in February, reaching its highest level in the last three months with 91.3. Initial jobless claims were registered below the market expectations at 730K persons in the week ended at February 20th.

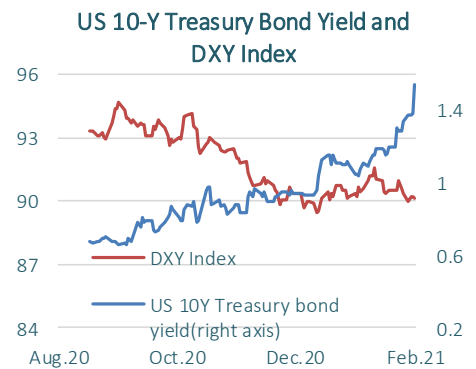
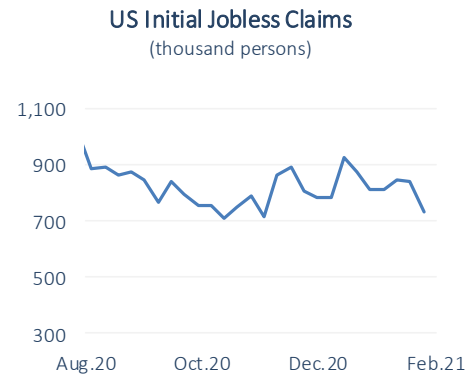
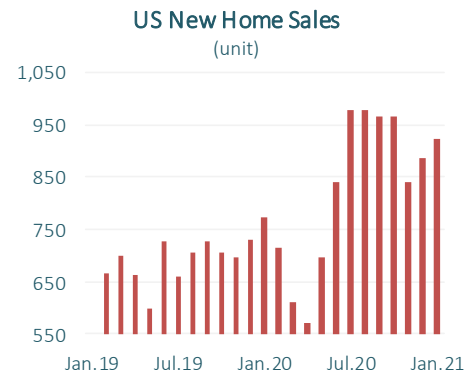
Statements of Fed Chair Powell were followed, while a rapid rise in US Treasury bond interest rates caused deterioration in risk perception last week.

In addition to the heavy data agenda in the US last week, the presentations of Fed Chair Jerome Powell at the US Congress on February 23-24 were monitored. Powell stated that interest rates will be kept at their remaining levels and the bond buying program will continue to support the economy at the same pace until significant progress is made in reaching employment and inflation targets. Moreover, Powell stated that the Fed predicted that the rise in inflation will not be permanent and it could take more than three years for inflation to reach the target level of 2%.

The rapid rise in US Treasury bond interest rates negatively affected the global risk perception last week. After testing the 1.61% level on Thursday, the 10-year Treasury bond's interest rate declined slightly and closed the week at 1.46%, reaching the highest level since February 2020. Due to the decrease in risk appetite, emerging market currencies depreciated rapidly especially in the last days of the week. The weekly increase in the DXY index, which shows the value of the US dollar against other developed country currencies, was limited to 0.6%.

Turkish economy grew by 1.8% in 2020.

In the fourth quarter of 2020, according to chained volume index, Turkey's economy recorded a strong growth by 5.9% yoy, slightly below expectations. The growth in the third quarter, which was previously announced at 6.7%, was revised down to 6.3%, and the contraction in the second quarter was revised from 9.9% to 10.3%. Thus, in 2020, Turkey's economy expanded by 1.8% and became one of the few countries to achieve positive growth under the influence of the pandemic ([Our Economic Growth report](#)).



Source: Datastream

Confidence indices displayed a mixed outlook in February.

In February, the capacity utilization rate in the manufacturing industry decreased by 1.1 points compared to the same month of the previous year, at 74.9%. The real sector confidence index increased by 2.3 points to 109.3 and reached its highest level since May 2018. In this period, sectoral confidence indices declined due to deterioration in the expectations for the next 3 months. Seasonally adjusted services and construction confidence indices decreased monthly by 1.4% and 1.3%, respectively, while retail trade confidence index increased slightly by 0.4%. Thus, the economic confidence index decreased monthly by 0.4 points to 95.8. Although the manufacturing PMI data which came in at 51.7 suggests a momentum loss in the industry in February, it extended its streak to 9 months above the threshold value of 50.

The number of foreign visitors arriving in Turkey decreased by 71.5% yoy in January.

According to data released by the Ministry of Tourism, the number of foreign visitors to Turkey dropped by 71.5%yoy in January, around 510 thousand people, with the effect of the restrictive measures taken globally against the pandemic. In terms of visitors by nationality, Russia was ranked at the top with 17.5% share, while Iran followed with a share of 7.5%, and Bulgaria took the third place with 6% share. Despite the ongoing decline in the number of tourists, foreign trade data supported the January current account balance. According to the data announced by Turkstat, exports increased by 2.3% yoy to 15.0 billion USD in January, while imports decreased by 5.9% yoy to 18.1 billion USD. Thus, the foreign trade deficit decreased by 32.8% yoy in January to 3.03 billion USD.

CBRT increased the TRY reserve requirement ratios.

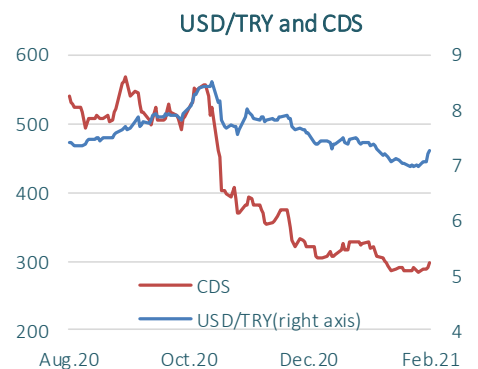
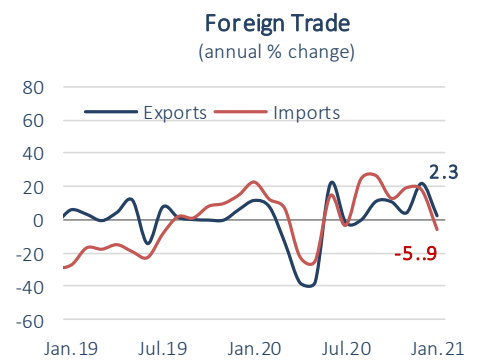
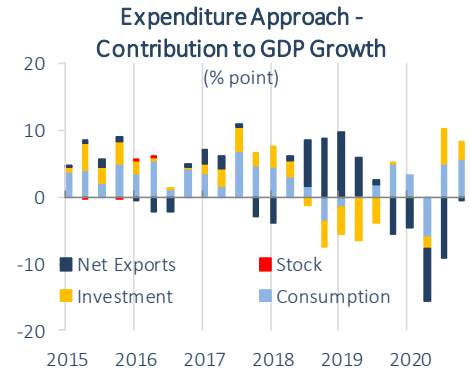
Last week, CBRT increased the TRY reserve requirement ratios by 200 basis points for all liability types and maturity brackets and raised the remuneration rate applied to TRY-denominated required reserves from 12% to 13.5%. Furthermore, CBRT decided to reduce the upper limit of the facility for holding FX from 30% to 20% and decreased the upper limit of the facility for holding standard gold from 20% to 15% of Turkish lira reserve requirements. CBRT declared that with these changes, should the reserve option utilization rates remain unchanged for the remaining tranches, TRY-denominated required reserves are expected to increase by approximately 25 billion TRY, while total required reserves in FX and gold are expected to decrease by 0.5 billion USD. The summary of the CBRT's Monetary Policy Committee meeting held on February 18 was also published last week. In the summary, it was emphasized that the policy rate is the sole instrument to determine the monetary policy stance, while the required reserve ratio is a tool that affects the transmission of the monetary stance determined by the policy rate to deposit, loan and other money markets.

Financial markets...

Following the deterioration in the global risk perception last week, domestic markets has presented a negative outlook throughout the week. USD/TRY, which rose to 7.4839 on Friday, decreased slightly within the day and closed the week at 7.4226. On a weekly basis, BIST-100 index recorded the fastest decline of the last 4 months, while the interest rate of the 2-year benchmark bond rose. Turkey's 5-year CDS premium, which was below 300 since the beginning of February, demonstrated a rapid rise in the last trading day of the week and increased to 318 bps.

This week's agenda...

This week, final PMI and employment data in the US and Euro Area will be watched in global markets. In domestic markets inflation data for February will be followed.



Source: Datastream, TURKSTAT

Data Releases

		Period	Consensus	Prior
1 March	TR GDP Growth	2020 Q4	5.9%(A)	6.3%
	TR Manufacturing PMI	February	51.7(A)	54.4
	US ISM Manufacturing PMI, final	February	58.6	58.7
	Euro Area Markit Manufacturing PMI, final	February	57.9(A)	57.7
2 March	Euro Area CPI, yoy, prelim	February	1.0%	0.9%
3 March	TR CPI, mom	February	0.70%	1.68%
	TR PPI, mom	February	-	2.66%
	US ISM Non-Manufacturing PMI	February	58.8	58.7
	Euro Area Services PMI, final	February	44.7	44.7
	China Caixin Services PMI	February	-	52.0
4 March	US Initial Jobless Claims, persons	22-27 Feb	775K	730K
	US Factory Orders, mom	January	2.1%	1.1%
	Euro Area Unemployment Rate, sa	January	8.3%	8.3%
	Euro Area Retail Sales, mom	January	-1.1%	2.0%
5 March	TR Treasury Cash Balance	February	-	-26.1 billion TRY
	US Non Farm Payrolls	February	165K	49K
	US Unemployment Rate, mom	February	6.3%	6.3%

(A) Actual

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