

	31-Dec	8-Jan	Change		31-Dec	8-Jan	Change
BIST-100 Index	1,477	1,541	4.3 % ▲	EUR/USD	1.2213	1.2218	0.0 % ▲
TRY 2 Year Benchmark Rate	14.96%	14.69%	-27 bp ▼	USD/TRY	7.4320	7.3713	-0.8 % ▼
Turkey 5-Year CDS	299	307	8 bp ▲	EUR/TRY	9.0833	9.0107	-0.8 % ▼
MSCI EM Equity Index	1,291	1,354	4.8 % ▲	Gold (USD/ounce)	1,896	1,848	-2.5 % ▼
US 10-Year Bond Rate	0.91%	1.11%	20 bp ▲	Brent Oil (USD/barrel)	51.8	56.0	8.1 % ▲

bp: basis point

Last week, the Senate runoff elections in Georgia and the events that took place after it came to the fore. As Joe Biden was formally recognized as the next U.S. president, global markets have risen. Although the spread of the pandemic did not slow down, the distribution of the vaccine affected the global risk appetite positively as well. While the manufacturing PMI data announced in the US and the Euro Area indicate that the growth in the sector continues, employment data maintained the weak outlook. Turkey's foreign trade deficit widened by 69% yoy in 2020 and increased to 50 billion USD. According to the data released this morning, the current account deficit came in at 4.1 billion USD in November 2020, while the deficit in the 11-month period became 35.2 billion USD. USD/TL, which completed the day at 7.30 last week, for the first time since August, is at around 7.45 this morning. While the ECB meeting stands out in global markets this week, a heavy data flow will be monitored in Turkey.

Data releases in the US...

Last week, the Senate runoff elections in Georgia and the events that took place after it were followed closely. Democrats gaining the majority in terms of the Presidency, the House of Representatives and the Senate strengthened the expectations for expansionary fiscal policies. The December meeting minutes of the Fed highlighted that the contraction in economic activity will accelerate in the first quarter of this year due to the negative course of the pandemic, yet developments regarding vaccines may reduce the downside risks on the economy in the medium term. In addition, the majority of the members stated that the risks on inflation are downside.

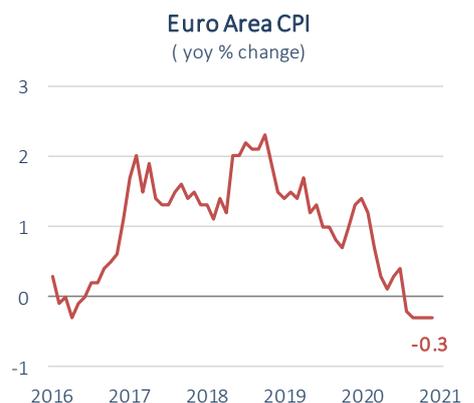
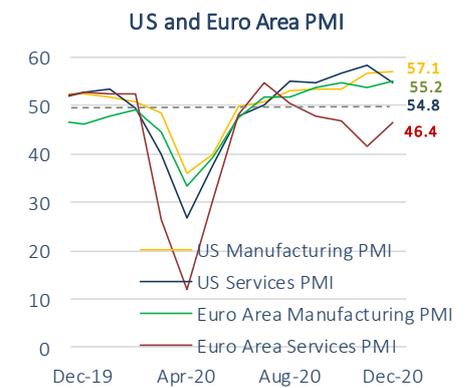
The manufacturing PMI data in the US drew attention with its increase to approach 60. Markit services PMI data, on the other hand, decreased by 3.6 points monthly to 54.8 in December. This development indicated that the growth in the sector continues, though losing momentum. On the other hand, data on the employment market continued to display a weak outlook. Private sector employment fell in December for the first time since May 2020, by a decrease of 123 thousand people. Total nonfarm payroll employment also declined by 140 thousand people in December. The expectation was an increase by 71 thousand people. Unemployment rate remained flat with 6.7% compared to the previous month.

In Euro Area, CPI decreased by 0.3% yoy in December.

Markit manufacturing PMI data in the Euro Area was 55.2 in December, the highest reading since May 2018. Services PMI data, on the other hand, increased by 4.7 points mom, yet remained below the threshold value of 50 with 46.4. This indicated that the contraction in the services sector continued in the last month of 2020 due to the increasing number of coronavirus cases and restrictions. The unemployment rate in the region fell to 8.3% in November, slightly below the expectation of 8.5%. In this period, the number of unemployed decreased by 172 thousand people compared to the previous month, while increased by 1.4 million people compared to the same month of 2019. In December 2020, the annual change in the CPI became -0.3%, staying in negative territory.

The rise in oil prices continues.

At the meeting last week, OPEC+ agreed that Russia and Kazakhstan would raise output in February and March. Saudi Arabia voluntarily announced an additional oil production cut by 1 million barrel per day for this period. OPEC+ members increased their oil production by 500 thousand barrels per day in December 2020 and decided to review



Source: Datastream

their production targets monthly. Oil prices rose rapidly after the US election results became official and as Saudi Arabia's voluntary production cut eased concerns over excess supply. The price of Brent crude oil picked up by 8.1% w/w to 56 USD/barrel. Thus, oil prices reached its highest level since the end of February 2020.

Turkey's foreign trade deficit was almost 50 billion USD in 2020.

According to the preliminary data released by the Ministry of Trade, Turkey's exports rose by 16% yoy to 17.8 billion USD while imports increased by 12% to 22.4 billion USD in December. Thus, the foreign trade deficit fell by 2.2% yoy to 4.6 billion USD. In 2020, exports decreased by 6.3% to 169.5 billion USD, while imports rose by 4.3% to 219.4 billion USD. As a result, the foreign trade deficit widened by 69% yoy in 2020 to 49.9 billion USD. On the other hand, imports excluding gold came in at 194.2 billion USD, contracting by 2.4%.

The current account deficit reached 35.2 billion USD in the first 11 months of 2020.

The current account balance, which gave a deficit of 15 million USD in November 2019, posted a deficit of 4.1 billion USD in November 2020. This development was led by the expansion in foreign trade deficit as well as the decrease in net inflows in the balance of services. In January-November 2020 period, the current account deficit reached 35.2 billion USD, while the 12-month cumulative deficit became 38 billion USD.

Broad unemployment rate became 23.5%.

The unemployment rate fell by 0.7 point yoy to 12.7% in October. The decrease in the labor force participation rate by 3 points to 50% played an important role in this development. On the other hand, total employment dropped by 896 thousand people in the October period. The broad unemployment rate, calculating by the inclusion of seasonal workers and people who are ready to work but have not applied for a job for the last 4 weeks, became 23.5% in October.

Domestic automotive market grew by 61% last year.

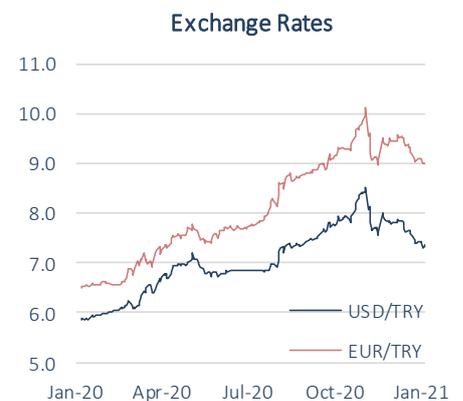
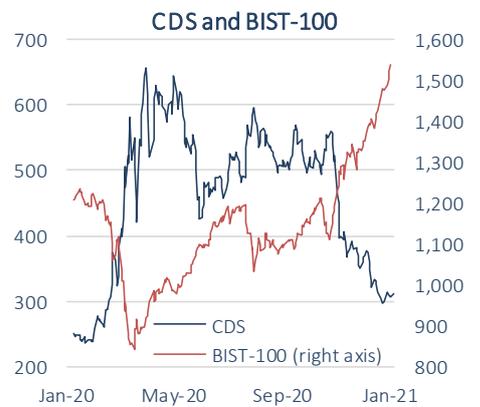
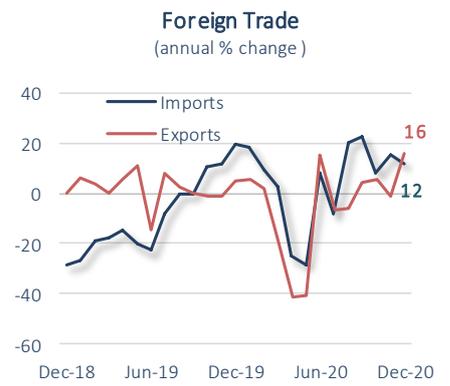
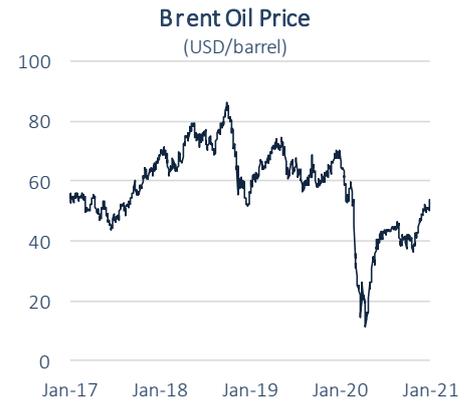
According to the data announced by the Automotive Distributors' Association, automobile and light commercial vehicle sales rose by 15.2% yoy to 104 thousand units in December. However, it was noteworthy that the rise in total sales slowed down since August. In the whole year of 2020, the domestic automotive market expanded by 61% yoy to 773 thousand units.

Financial markets...

Last week, the uncertainty over Georgia runoff elections and the mayhem at the Capitol have put some pressure on global markets. The fact that the Democrats won the majority in the Presidency, the House of Representatives and the Senate, albeit by a small margin, strengthened the expectations for expansionary fiscal policies. Although the spread of the pandemic did not slow down, the distribution of the vaccine also positively affected the global risk appetite.

The BIST-100 index, which followed an upward trend throughout the previous week, completed the week at a record high of 1,541 points, with an increase of 4.3%. Turkey's CDS risk premium, on the other hand, increased by 8 bps to 307 w/w, while the 2-year benchmark bond compound yield decreased by 27 bps to 14.69%. USD/TRY, which finished the day at 7.30 for the first time since August, fell by 0.8% w/w to 7.37. EUR/TRY decreased by 0.8% in the same period to 9.01.

This week, European Central Bank's December meeting minutes will be released on Thursday in global markets. In Turkey, budget balance and industrial production data will be closely monitored.



Source: Datastream, TURKSTAT, Ministry of Trade

Data Releases

		Period	Consensus	Prior
11 January	TR Current Account Balance	November	-4.1 billion USD (A)	-0.27 billion USD
	TR Unemployment Rate	October	12.7% (A)	12.7%
	Euro Area Sentix Index	January	0.7	-2.7
13 January	TR Industrial Production, mom	November	-	10.2%
	US CPI, mom	December	0.4%	0.2%
	Euro Area Industrial Production, mom	November	0.2%	2.1%
14 January	US Initial Jobless Claims, persons	4-8 January	780 thousand	787 thousand
	Germany GDP Growth, yoy	2020	-5.1%	0.6%
	ECB Meeting Minutes	January	-	-
15 January	TR Budget Balance	December		13.4 billion TRY
	TR CBRT Survey of Expectations	January	-	-
	US Michigan Confidence Index, prelim	January	80.0	80.7
	US Industrial Production, mom	December	0.4%	0.4%
	US NY Fed Manufacturing Index	January	6.0	4.9

(A) Actual

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