

	15-Jan	22-Jan	Change		15-Jan	22-Jan	Change
BIST-100 Index	1,524	1,542	1.2% ▲	EUR/USD	1.2078	1.2167	0.7% ▲
TRY 2 Year Benchmark Rate	14.76%	14.73%	-3 bp ▼	USD/TRY	7.4733	7.4106	-0.8% ▼
Turkey 5-Year CDS	328	326	-2 bp ▼	EUR/TRY	9.0287	9.0205	-0.1% ▼
MSCI EM Equity Index	1,358	1,393	2.6% ▲	Gold (USD/ounce)	1,827	1,853	1.4% ▲
US 10-Year Bond Rate	1.10%	1.09%	-1 bp ▼	Brent Oil (USD/barrel)	55.1	55.4	0.6% ▲

bp: basis point

Last week, the number of Covid-19 cases exceeded 99 million people worldwide, and the death toll exceeded 2.1 million people. Despite the ongoing vaccination process, the delays in vaccine supply and the ongoing restrictions in many countries create uncertainty. On the other hand, developments regarding the new economic stimulus package announced by Biden, who took over the Presidency in the US last week, supported global markets. In the Euro Area, where the annual CPI inflation remained in negative territory and economic activity slowed down, the Central Bank did not change interest rates at its meeting on January 21st. While the CBRT kept the policy interest rate at 17% in line with the expectations, it was emphasized that the tight monetary policy stance would be maintained for a long time and additional monetary tightening may be made if necessary. This week, the Fed meeting and the US 4th quarter growth data stand out in global markets. In Turkey, the Inflation Report to be announced by the CBRT will be followed closely.

The Presidency of Joe Biden has begun in the US.

Biden, who took over the Presidency in the US on January 20, signed a series of executive orders on his first days including the pandemic, climate change, economy, racism and immigration policies. Developments regarding the new economic stimulus package announced by Biden are also closely monitored by global markets. In her speech at the Senate, Yellen, the candidate for the Treasury Minister, stated that a stimulus package that envisages a high increase in spending is necessary to counter the economic slowdown in an environment where interest rates are at low levels despite the increase in the debt burden. Yellen said that the benefits of a big package will outweigh the damage caused by the high debt burden. She also stated that attempts to manipulate other countries' currencies to gain competitive advantage must be opposed.

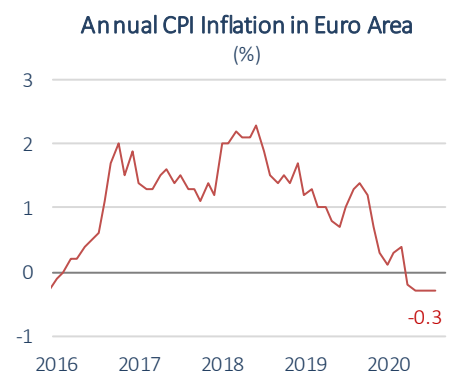
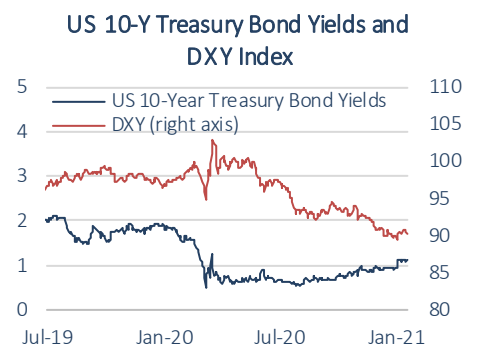
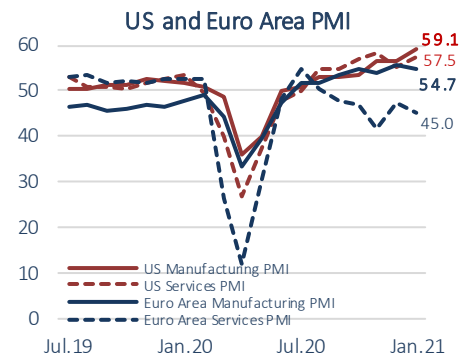
Manufacturing PMI came in at 59.1 in January from 57.1 in December and reached its highest level since May 2007. Services PMI also surged to 57.5 in January, with an increase of 2.7 points compared to the previous month. The figures indicated that the growth in the sectors continued. Housing starts also exceeded the market expectations and rose almost to 1.7 million units in December. On the other hand, even though the initial jobless claims in the week ended January 15th were registered at 900k persons, slightly below the market estimates, it remained at elevated levels.

ECB kept interest rates unchanged.

At its meeting held on January 21, the ECB kept the policy rate unchanged at 0% and the deposit facility interest at -0.5%. In the statement, it was noted that the interest rates will remain at their present levels until the inflation outlook robustly converges to 2%. ECB President Lagarde stated that the appreciation of the euro against other currencies put downward pressure on inflation; however the ECB expects an increase in inflation in the coming months. Lagarde also said that the 1.85 trillion EUR Pandemic Emergency Asset Program, can be used flexibly, taking into account the course of financial conditions.

In the Euro Area services PMI painted a weak picture.

In the Euro Area, due to the ongoing pandemic restrictions in January and the closure of some businesses, PMI data declined after rising in December. In January,



Source: Datastream

flash manufacturing PMI fell to 54.7 and the services PMI dropped to 45. It was noteworthy that the services PMI remained below 50 in the last 5 months.

In the Euro Area, CPI increased by 0.3% mom in December, in line with expectations, while it decreased by 0.3% yoy. Thus, the annual decline in the index was 0.3% for the fourth consecutive month.

The impact of stimulus package on gold and oil prices...

The depreciation of the US dollar on a global scale on the back of the expectations for the economic stimulus package supported the prices of gold and oil last week. Gold prices increased by 1.4% wow and reached 1,853 USD/ounce. Despite the positive impact of the package, the increase in US oil stocks and pandemic-driven demand concerns limited the rise in oil prices. The price of Brent crude oil rose by 0.6% wow to 55.4 USD/barrel.

According to the International Energy Agency's (IEA) monthly oil market report, the measures taken against the coronavirus is expected to suppress the recovery in oil demand until the second half of this year. The IEA has reduced its global oil demand forecast by 600,000 barrels per day for the first quarter and 300,000 barrels per day for the entire 2021. Accordingly, oil demand is expected to reach an average of 96.6 million barrels per day this year, with an increase of 6% compared to last year.

CBRT kept the policy interest rate at 17%.

At its meeting held on January 21, the CBRT kept the policy rate at 17%, in line with the market expectations. In the statement published after the meeting, it was stated that the developments in international commodity prices, supply constraints intensifying in some sectors and the adjustments in wage and administered prices maintain their importance for the medium-term inflation outlook. Accordingly, it was stressed that the MPC has decided to maintain decisively the tight monetary policy stance for an extended period. It was also declared that additional monetary tightening would be delivered if needed.

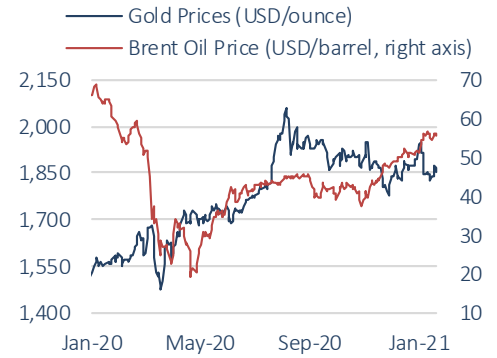
Financial markets...

Last week, the inauguration of Joe Biden and the news on the US stimulus package that it is planned to be voted in February supported global financial markets. The US and Asian stock markets registered record highs during the week. On the other hand, despite the ongoing vaccination, concerns about the pandemic and the signs of slowdown in the Euro Area economy put pressure on the markets.

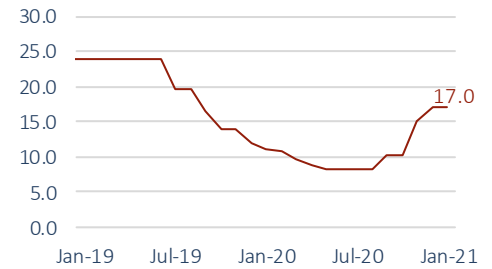
BIST-100 index closed the week at 1,542 points with an increase of 1.2%. CBRT's emphasis on maintaining a tight stance in monetary policy supported TRY. Thus, TRY appreciated against the US dollar throughout the past week.

This week, the Fed meeting to be held on Wednesday and the fourth-quarter GDP growth data for the US stand out in global markets. In Turkey, CBRT's Inflation Report and especially the year-end inflation forecasts will be closely monitored. In the previous report, the annual CPI inflation expectation for the end of 2021 was announced as 9.4%.

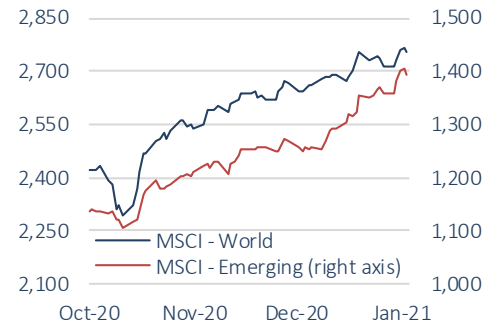
Gold and Oil Prices



CBRT Policy Rate (%)



Global Stock Markets



CDS and BIST-100



Source: Datastream, CBRT

Data Releases

		Period	Consensus	Prior
25-Jan	TR Capacity Utilization Ratio	January	75.4% (A)	75.6%
	TR Manufacturing Confidence Index	January	107.0 (A)	106.8
	Germany Ifo Business Climate Index	January	90.1 (A)	92.1
26-Jan	US Consumer Confidence Index	January	89.0	88.6
27-Jan	US Durable Goods	December	0.9%	1.0%
	Fed Meeting	January	0-0.25%	0-0.25%
28-Jan	TR Economic Confidence Index	January	-	86.4
	CBRT Inflation Report	January	-	-
	US GDP, preliminary	Q4	4.0%	33.4%
	US Initial Jobless Claims, persons	18-23 January	878K	900K
	US New House Sales, units	December	860K	841K
	Germany CPI, mom	January	0.3%	0.6%
29-Jan	TR Tourism Revenues	Q4	-	4.04 billion USD
	TR Foreign Arrivals, yoy	December	-	-61.9%
	TR Foreign Trade Balance	December	-	-5.03 billion USD
	US Personal Consumption Expenditures, mom	December	- 0.4 %	- 0.4 %
	US Michigan Confidence Index	January	79.2	79.2

(A) Actual

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