

	12-Mar	19-Mar	Change		12-Mar	19-Mar	Change
BIST-100 Index	1,557	1,529	-1.8 % ▼	EUR/USD	1.1952	1.1903	-0.4 % ▼
TRY 2 Year Benchmark Rate	16.38 %	16.37 %	-1 bp ▼	USD/TRY	7.5586	7.2140	-4.6 % ▼
Turkey 5-Year CDS Premium	322	305	-17 bp ▼	EUR/TRY	9.0405	8.5910	-5.0 % ▼
MSCI EM Equity Index	1,348	1,337	-0.8 % ▼	Gold (USD/ounce)	1,726	1,745	1.1 % ▲
US 10-Year Bond Rate	1.64 %	1.73 %	10 bp ▲	Brent Oil (USD/barrel)	69.2	64.5	-6.8 % ▼

bp: basis point

Last week, in global markets, where the volatility caused by the rise in the 10-year Treasury bond interest rates in the US has continued in parallel with the increasing inflation concerns, the Fed meeting and the statements made after the meeting were followed closely. With the increase in the number of Covid-19 cases in Europe, restrictions against the pandemic are being tightened again in some countries. The price of Brent crude oil, which has exceeded 70 USD per barrel in the past weeks, has decreased by 7% wow due to increasing oil stocks and concerns about the pandemic in Europe. Fitch " increased Turkey's 2021 economic growth forecast to 6.7% from 3.5%, and the year-end inflation forecast to 11% from 10.5%. At its meeting on Thursday, the CBRT increased the policy rate by 200 bps, above market expectations, to 19%. On March 20, with the Presidential Decree, Central Bank Governor Naci Ağbal was removed from his post and replaced by Prof. Dr. Şahap Kavcıoğlu.

Fed did not change its monetary policy.

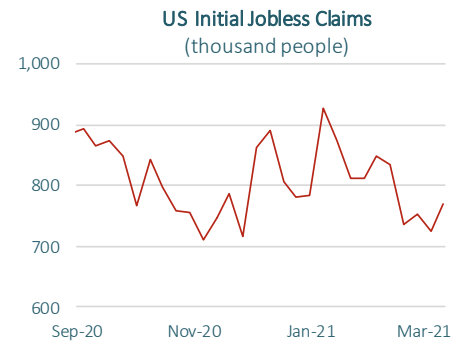
In February, industrial production in the US decreased by 2.2% mom despite the expectation of an increase. The number of initial jobless claims in the country for the week ending March 13 was above the market expectations with 770 thousand people. The announced data created uncertainties regarding the course of economic activity in the US. At its meeting, which ended on Wednesday, the Fed did not change its current monetary policy stance, keeping the policy rate in the range of 0-0.25%. In the statement of the Fed, it was announced that purchases of treasury bonds of at least 80 billion USD per month and mortgage-backed securities of 40 billion USD will continue until significant progress is achieved in maximum employment and price stability targets. After the meeting, Fed Chairman Jerome Powell said that the temporary increase in inflation does not require an increase in interest rates and that the Fed will allow inflation to rise above 2% for a while. According to the estimates released after the meeting, the growth expectation of the Fed members for 2021 increased by 2.3 points compared to the previous report and became 6.5%. The growth expectations of the members for 2022 and 2023 were 3.3% and 2.2%, respectively, while the long-term expectation remained at 1.8%. On the other hand, the members made an upward revision in their core and headline PCE inflation expectations for all maturities, and kept their policy rate estimates at 0.1%, unchanged.

Third wave concerns in Europe...

The rapid increase in COVID-19 cases in many countries of Europe raised concerns about third wave in the pandemic. In addition to the more infectious variants of the virus, the slow progress of vaccine rollout is also considered to be effective in this increase. In line with these developments, pandemic restrictions were tightened again in many regions of Europe.

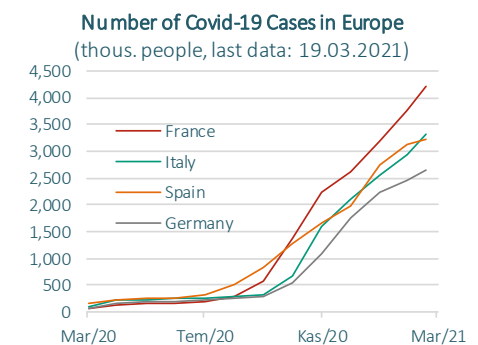
Oil prices fell sharply.

Oil prices, which rose above 70 USD in the past weeks, showed a rapid decline on a weekly basis due to the rise in oil stocks and growing concerns about the pandemic in Europe.



Fed Projections (March 2021)

	2021	2022
Change in Real GDP	6.5	3.3
December Projection	4.2	3.2
Unemployment Rate	4.5	3.9
December Projection	5.0	4.2
Core PCE Inflation	2.2	2.0
December Projection	1.8	1.9
Fed Policy Rate	0.1	0.1
December Projection	0.1	0.1



Source: Datastream

Fitch raised Turkey's growth forecast for 2021 to 6.7%.

In its "Global Economic Outlook" report released on March 17, 2021, Fitch revised Turkey's economic growth forecast for 2021 and 2022 from 3.5% to 6.7% and from 4.5% to 4.7%, respectively. Fitch increased year-end inflation forecast for 2021 from 10.5% to 11.5%, while lowering its year-end inflation forecast for 2022 by 30 basis points to 9.2%. In the report, the policy rate expectation for the end of 2021 became 15%, while it is predicted that the policy rate will decrease to 12% by the end of next year.

CBRT raised the policy rate by 200 basis points to 19%.

At its meeting on Thursday, CBRT increased the policy interest rate from 17% to 19%, above market expectations. The statement released after the meeting included the fluctuations in international markets, rising commodity prices on a global scale along with the rising inflation expectations. Furthermore, it was stated that credit growth, which has slowed down amid tighter financial conditions since November, has recently trended upwards. The Committee has decided to implement a front-loaded and strong additional monetary tightening considering the upside risks to inflation expectations. CBRT also stated that the tight monetary policy stance will be maintained decisively, taking into account the end-2021 forecast target, for an extended period until strong indicators point to a permanent fall in inflation and price stability. According to the Presidential Decree published in the Official Gazette, CBRT governor Naci Ağbal was replaced by Prof.Dr. Şahap Kavcıoğlu. The text was released after the meeting on a global scale in international markets along with rising inflation expectations and rising commodity prices were given the turbulence.

The decline in home sales continued in February.

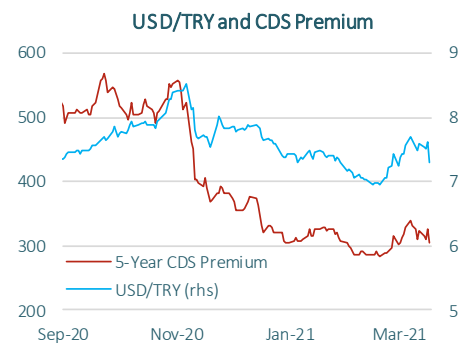
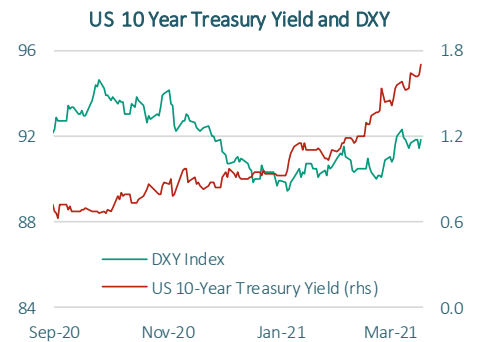
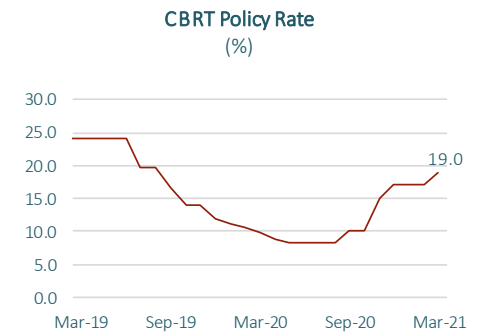
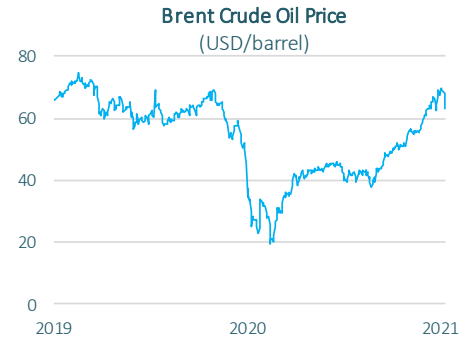
The annual decline in home sales that has been observed since September as a result of rising interest rates continued in February. According to Turkstat, house sales decreased by 31.6% yoy to 81K units in February. In the same period, the mortgaged house sales and other sales decreased by 66.5% yoy and 11.3%, respectively. On the other hand, according to data released by CBRT, residential property price index increased by 30.4% yoy to 157.7 in January, reaching the highest level since the data began to be published in 2010.

According to the monthly report published by the Automotive Manufacturers Association, automotive production fell by 9.3% yoy to 116 thousand units in February. Automotive exports have also declined by 14.3% during the same period. On the other hand, automotive market widened by 25.2% in February yoy, while automotive imports increased by 20.4% yoy.

Financial markets...

The US 10-year Treasury bond yields, which rose before the Fed meeting last week, continued to have an impact on the risk perception of global markets. The increasing tension in the talks between the US and China in Alaska also came to the fore last week. USD/TRY, which was around 7.50 throughout the week, decreased after the CBRT's interest rate decision. However, the parity reached 8.48 following the developments over the weekend, then fell below the level 8 at the opening on Monday. BIST-100 index, which fluctuated throughout the week in parallel with the global markets, decreased by 1.8% and closed the week at 1.529 points.

This week, the preliminary PMI data for the US and Euro Area for March come to the fore in global markets. In domestic markets, the reflections of the replacement of CBRT's governor on the markets will be closely monitored.



Source: Datastream

Data Releases

		Period	Consensus	Prior
22 March	TR Foreign Visitors, yoy	February	-68.9% (A)	-71.50%
	TR Central Government Gross Debt Stock	February	-	1,838 billion TRY
	USA Existing Home Sales	February	6.49 million	6.69 million
23 March	USA New Home Sales	February	876K	973K
24 March	TR Consumer Confidence Index	March	-	84.5
	TR Treasury Debt Redemptions	March	2.2 billion TRY	-
	USA Manufacturing PMI, flash	March	59.4	58.6
	USA Services PMI, flash	March	60.2	59.8
	USA Durable Goods	February	0.8%	3.4%
	Euro Area Manufacturing PMI, flash	March	58.1	57.9
	Euro Area Services PMI, flash	March	46.0	45.7
	Euro Area Consumer Confidence Index, flash	March	-14.5	-14.8
25 March	USA Initial Jobless Claims	15-19 March	730K	770K
26 March	TR Manufacturing Confidence Index	March	-	109.3
	USA Core PCE Inflation, mom	February	0.1%	0.3%

(A) Actual

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