

	30-Apr	7-May	Change		30-Apr	7-May	Change
BIST-100 Index	1,398	1,428	2.1 % ▲	EUR/USD	1.2018	1.2163	1.2 % ▲
TRY 2 Year Benchmark Rate	18.08 %	17.94 %	-14 bp ▼	USD/TRY	8.2735	8.2336	-0.5 % ▼
Turkey 5-Year CDS Premium	416	391	-25 bp ▼	EUR/TRY	9.9607	10.0202	0.6 % ▲
MSCI EM Equity Index	1,348	1,349	0.1 % ▲	Gold (USD/ounce)	1,769	1,830	3.5 % ▲
US 10-Year Bond Rate	1.63 %	1.58 %	-5 bp ▼	Brent Oil (USD/barrel)	67.3	68.3	1.5 % ▲

bp: basis point

According to data released in the US last week, non-agricultural employment in the country increased well below expectations in April. The final services PMI in the Euro Area signaled that the recovery in the sector has begun. In Turkey, markets inflation expectations have increased according to the results of CBRT's Survey of Expectations, while the CBRT kept the policy rate unchanged at 19% at the Monetary Policy Committee meeting last week. In April, Turkey's foreign trade deficit narrowed by 31.9% yoy. In the same period, production and sales in the automotive sector rose rapidly thanks to the low base effect. In global markets where an intense data agenda will be followed this week, industrial production in the US and the Euro Area, and inflation data in the US stand out. In Turkey, the balance of payments and industrial production data for March will be closely monitored.

In the US, increase in non-farm payrolls remained below expectations.

In April, US ISM manufacturing and services sector indices remained strong despite the decline on a monthly basis. Non-farm payrolls increased by 266K persons, well below the market expectations of 978K persons. Thus the unemployment rate, which was 6% in March, increased to 6.1% in April.

US Treasury Secretary Yellen stated on Tuesday that interest rates may have to rise marginally to mitigate negative effects of the measures taken against the pandemic on government spending. Yellen later claimed that increase in prices would be temporary and she doesn't expect the interest rates to rise. Following Yellen's remarks, Fed Governors made also some statements to calm the markets saying that inflationary pressures are only temporary and that the Fed's expansionary monetary policy will continue to support the labor market.

In Euro Area services PMI signaled recovery.

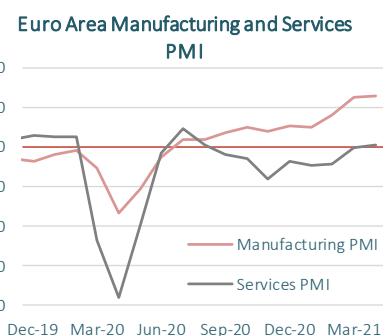
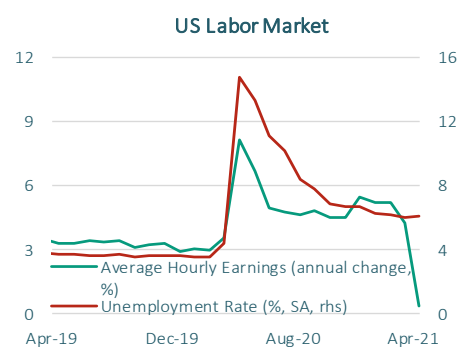
In March, producer prices in Euro Area rose by 1.1% mom and 4.3% on an annual basis. In the same period, retail sales rose by 2.7%, above the expectations of 1.5%. According to the final data, Euro Area manufacturing PMI was realized as 62.9 in April, highest since 1997 when data began to be collected. Services PMI data, previously announced as 50.3, was also revised up to 50.5 in April. The increase of PMI, which remained below the threshold level of 50 for 7 months due to the social restrictions imposed in the region in order to control the pandemic, signaled recovery in the services sector.

China's foreign trade surplus rose to 42.9 billion USD.

In China, exports increased above the expectations by 32.3% yoy, while imports kept its rapid rise with 43.1% yoy in April. In this period, China's foreign trade surplus rose to 42.9 billion USD. Caixin services PMI rose from 54.3 to 56.3 in April, indicating that the growth in the services sector has accelerated, while the growth in the manufacturing sector continues, albeit losing some momentum.

CBRT kept the policy rate at 19%.

At its meetings on May 6th, the CBRT kept the policy rate unchanged at 19%, in line with the market expectations. In the text released after the meeting, CBRT stated that the current monetary policy stance will be maintained until the significant fall in the April Inflation Report's forecast path is achieved. The usage of the phrase "current monetary policy stance" instead of "tight monetary stance" that was used in previous statement drew attention. In addition, the CBRT stated



Source: Datastream

that the decelerating impact of the monetary tightening on credit and domestic demand has started to be monitored.

CBRT published The Survey of Expectations Statistics for May.

The results of the Survey of Expectations for May released by the CBRT shows that the deterioration in inflation expectations continues. According to the survey, the market's expectation for the year-end CPI inflation, which was 13.12% in the previous period, increased to 13.81% in May. In this period, the year-end USD/TRY expectation rose to 8.71 from 8.57 in April. The market expectation for the current account deficit for year-end stands at 25.4 billion USD. The CPI-based real effective exchange rate index announced last week, decreased by 3.28 points in April to 62.29, coming close to its historic low level in November 2020.

Foreign trade deficit narrowed by 31.9% yoy in April.

According to the preliminary data released by the Ministry of Trade, foreign trade deficit narrowed by 31.9% yoy and became 3.1 billion USD in April. In this period, exports increased by 109% yoy to 18.8 billion USD thanks to the low base effect, while imports rose by 61.4% yoy to 21.9 billion USD. In January-April period, foreign trade deficit contracted by 19.5% yoy and became 14.2 billion USD.

Automotive production expanded more than 8 times on an annual basis in April.

Due to the effect of low base caused by the pandemic in last year's figures, automotive production expanded more than 8 times on an annual basis in April, according to the Automotive Manufacturers Association. In this period automotive exports increased by 636% yoy. In the first four months of the year, total production expanded by 28.1% yoy and exports increased by 18.2% yoy. According to the figures of the Automotive Distributors Association, the automobile and light commercial vehicle market expanded by 132.4% yoy in April and became 61K units. In January-April period, automotive sales went up by 72.4% yoy. On the other hand, some manufacturers in the automotive sector have cut production due to the global chip shortage recently, while automotive sales are expected to slow down because of the lockdown measures in Turkey.

Unemployment rate became 13.1% in March.

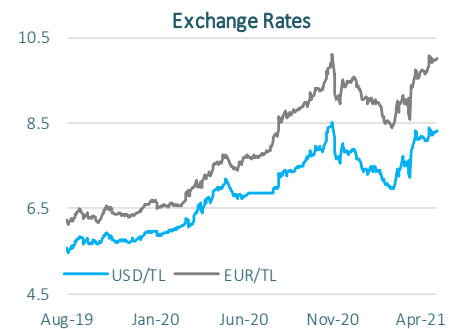
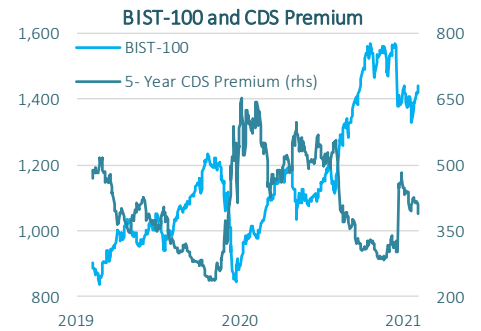
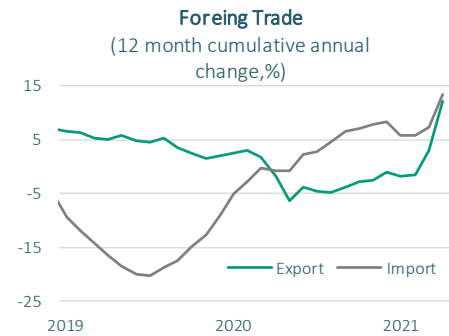
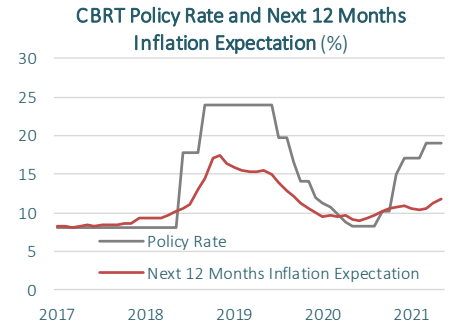
Seasonally adjusted unemployment rate decreased by 0.1 point mom and became 13.1% in March. In this period, the total employment increased by 1.7 million persons yoy and the employment rate increased to 44.3%. The labor underutilization rate, which expresses the ratio of the sum of time related underemployment, unemployed and potential workforce to the total workforce and potential workforce declined by 2.3 points and was realized as 25.8% in March.

Markets...

US Treasury Secretary Yellen's statements caused global stock markets to fluctuate throughout the week. The realization of non-farm payrolls below the expectations in the US has strengthened the views that the Fed will continue its current monetary policy stance and this supported the risk appetite on the last business day of the week. Last week the US 10-year Treasury bond yields declined by 5 bps to 1.58%, while gold prices increased by 3.5% wow and closed the week at 1.830 USD/ounce. Oil prices started this week with an increase amid a cyberattack on the oil pipeline in the US.

The BIST-100 index rose by 2.1% wow and closed the week at 1,428 points, while the TRY followed a relatively flat course against main currencies. Turkey's 5-year CDS risk premium fell by 25 bps wow to below 400 bps on Friday.

This week, industrial production in the US and the Euro Area and inflation data in the US will be closely monitored in global markets. In Turkey, the balance of payments and industrial production data for March stand out.



Source: Datastream

Data Releases

		Period	Consensus	Prior
10 May	TR Unemployment Rate	March	13.1% (A)	13.2 %
	Euro Area Sentix Index	May	14.0	13.1
11 May	TR Balance of Payments	March	-3.8 billion USD	-2.6 billion USD
	TR Industrial Production, yoy	March	-	8.8%
	Germany ZEW Economic Sentiment	May	71.0	70.7
12 May	China CPI Inflation, yoy	April	1.0%	0.4%
	USA CPI Inflation, yoy	April	3.6%	2.6%
	Euro Area Industrial Production, yoy	March	11.6%	-1.6%
13 May	USA PPI Inflation, yoy	April	5.9%	4.2%
14 May	USA Retail Sales, mom	April	0.2%	9.8%
	USA Industrial Production, mom	April	1.1%	1.4%
	USA Capacity Utilization Rate	April	75.1%	74.4%
	USA Michigan Consumer Confidence, prelim	May	90.3	88.3

(A) Actual

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