

	14-May	21-May	Change		14-May	21-May	Change
BIST-100 Index	1.441*	1,452	0.7 % ▲	EUR/USD	1.2140	1.2179	0.3 % ▲
TRY 2 Year Benchmark Rate	17.94 %*	18.29 %	35 bp ▲	USD/TRY	8.4413	8.4066	-0.4 % ▼
Turkey 5-Year CDS Premium	402	398	-4 bp ▼	EUR/TRY	10.2732	10.2526	-0.2 % ▼
MSCI EM Equity Index	1,308	1,330	1.7 % ▲	Gold (USD/ounce)	1,842	1,880	2.1 % ▲
US 10-Year Bond Rate	1.64 %	1.63 %	-0 bp ●	Brent Oil (USD/barrel)	68.7	66.4	-3.3 % ▼

bp: basis point

(*) As of 12 May

Inflationary pressures, which follow an increasing trend globally, continue to be effective in the course of world markets, especially in the US. Within this scope, the minutes of the Fed's April meeting were in the focus of global markets last week. In the minutes, some Fed members stated that talks to reduce asset purchases could soon be carried out if the economic progress goes in line with targets. Preliminary PMI data in the US and Euro Area pointed out that the economic recovery continues to follow a strong course in May. According to the decision published in the Official Gazette on 20 May, the Special Consumption Tax on petroleum, diesel, LPG and some fuel products was raised. Consumer Confidence Index in May decreased to 77.3, the lowest level of the last two years.

Fed minutes stood out on the agenda of the US markets last week.

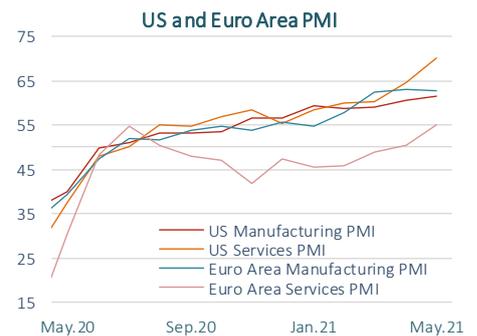
The higher-than-expected US inflation rate, which reached the highest level in recent years, raised the concerns about the earlier than expected Fed tightening decision. In the minutes of the Fed meeting held on April 27-28, it was stated that the US economy was still far from the Committee's longer-run goals and the increase in inflation was due to temporary price increases. These statements, which indicate that the Fed will continue its expansionary monetary policy in order to reach its employment and inflation targets, alleviated the concerns to some extent. On the other hand, statement of some members that the upcoming meetings might be appropriate to start a discussion on reducing the asset purchase put pressure on the global markets. The DXY index, which shows the value of the US dollar against other developed countries' currencies, declined throughout the week. The DXY index dropped to the lowest level of the last 4 months last week. In the US, initial jobless claims for the week ending May 15 fell to 444 thousand people which was below the market expectations and was realized at the lowest during the pandemic period. The decline in initial jobless claims supported the markets in the last days of the week.

Last week oil prices declined.

Last week, gold prices rose by 2% wow and reached 4 months high due to safe haven purchases. In parallel with the positive nuclear agreement negotiations between Iran and the USA, the expectation that Iran's oil production could increase lead rapid decline in the oil prices. On the other hand, positive expectations regarding global economic activity limited the decline in oil prices.

Strong course in PMI data in the US and Euro Area...

In the US, preliminary manufacturing and services PMI data hit new historic highs by reaching 61.5 and 70.1, respectively in May. Preliminary manufacturing PMI in Euro Area maintained its strong course by remaining above the expectations with 62.8 in May. Euro Area services PMI, which increased above the threshold level to 50.5 in April, reached 55.1, the highest level in the last 3 years. The easing of the pandemic restrictions due to the vaccination practices was effective in the rapid increase of services



Source: Datastream

PMI in the Euro Area. In the Financial Stability Report published by the ECB, it was stated that vaccination contributed positively to the outlook of the Euro Area economy and increased the growth expectations for 2022.

Consumer Confidence Index fell to the lowest level of the last 2 years in May in Turkey.

According to the data announced by TURKSTAT, the Consumer Confidence Index decreased by 3.6% in May compared to the previous month, and came in at the lowest level recorded since May 2019. Full lockdown measures in the April-May period and the negative impact of the upward trend in inflation on consumer confidence was felt in May. Among the sub-items of the index, the general economic situation expectation of the household for the next 12-month period which recorded a double-digit decline in April stood out with a decline by 4.9% in May as well.

Special consumption tax on some oil products was increased.

According to the decision published in the Official Gazette on 20 May, the Special Consumption Tax (SCT) on petroleum, diesel, LPG and some fuel products was raised. The price of gasoline has been increased by 55, diesel by 67, and LPG by 35 Kr per liter. Increases in prices is expected to affect year-end CPI inflation by approximately 0.4 points.

On the other hand, the rapid increase in housing prices continued in March. According to the data announced by the CBRT, the housing price index increased by 2.4% to 165.5 in March compared to the previous month. The annual increase in housing prices was 32% yoy and the annual real increase was 13.6%.

Labor underutilization rate came in at 27.8% in the first quarter of 2021.

According to the labor force statistics for the first quarter of 2021 announced by Turkstat, seasonally adjusted unemployment rate increased by 0.1 points qoq to 12.9% in the first quarter of this year. In this period, seasonally adjusted employment rate was 43.8%. 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, increased by 1 point qoq and became 27.8%.

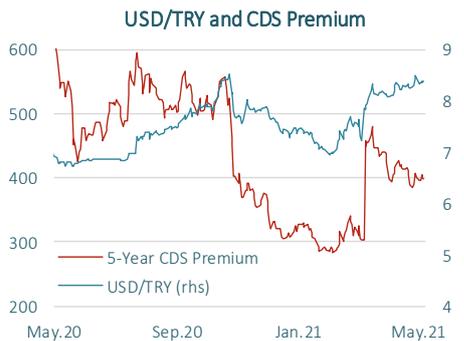
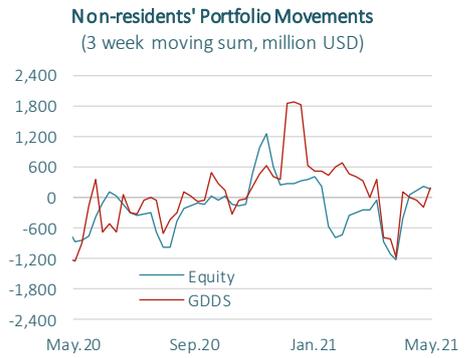
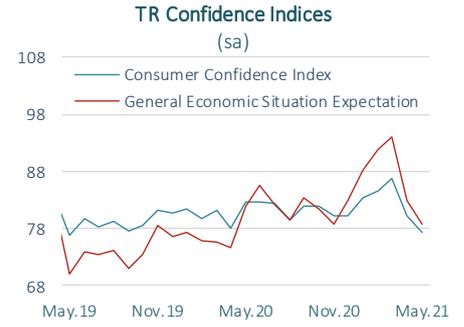
Foreign capital inflows continued in the second week of May.

According to the weekly securities statistics published by the CBRT, in the week of May 12, non-residents made net purchases of 51.7 million USD in the stock market and 118.5 million USD in the government securities market, adjusted for foreign exchange and market price effects. As of May 14th CBRT's gross FX reserves increased to 49.6 billion USD, while the total reserves reached 92 billion USD. In this period, net FX reserves were realized as 12.7 billion USD.

Financial markets...

BIST-100 index, which declined in parallel with the global markets after the release of the Fed's meeting minutes, increased throughout the week and closed at 1,452 points. After following a volatile course last week, Turkey's 5-year CDS risk premium closed Friday at 398 bps.

This week, the economic calendar is relatively calm in global markets. In domestic markets, real sector confidence index in May and foreign trade balance in April will be closely monitored.



Source: Turkstat, CBRT, Datastream

Data Releases

		Period	Consensus	Prior
24 May	TR Foreign Visitors, yoy	April	3162.2% (A)	26.1%
	Re-opening of 4Y Fixed Coupon Bond	May	-	-
	Opening of 5Y TLREF Indexed Bond	May	-	-
25 May	TR Real Sector Confidence Index	May	-	111.0
	TR Capacity Utilization Rate	May	-	75.9%
	Re-opening of 1Y Fixed Coupon Bond	May	-	-
	Re-opening of 7Y Floating Coupon Bond	May	-	-
	USA New Home Sales	April	975K	1.021 million
	USA Consumer Confidence	May	119.0	121.7
	Germany GDP Growth, yoy	2021 Q1	-3.3%	-3.3%
26 May	Direct Sale of 3Y Euro Denominated Government Bonds	May	-	-
	Direct Sale of 3Y Euro Denominated Lease Certificates	May	-	-
	TR Treasury Debt Redemptions	May	2.2 billion TRY	-
27 May	USA GDP Growth, yoy, revised	2021 Q1	6.5%	6.4%
	USA Durable Goods Orders	April	0.7%	0.8%
28 May	TR Trade Balance	April	-	-4.65 billion USD
	TR Economic Confidence	May	-	93.9
	TR Treasury Debt Redemptions	May	27.9 billion TRY	-
	USA Core PCE, mom	April	0.6%	0.4%
	USA Michigan Consumer Confidence, final	May	82.8	88.3
	Euro Area Consumer Confidence, final	May	-6.0	-8.1

(A) Actual

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