

	4-Jun	11-Jun	Change		4-Jun	11-Jun	Change
BIST-100 Index	1,433	1,461	1.9 % ▲	EUR/USD	1.2165	1.2106	-0.5 % ▼
TRY 2 Year Benchmark Rate	18.90 %	18.82 %	-8 bp ▼	USD/TRY	8.6563	8.3818	-3.2 % ▼
Turkey 5-Year CDS Premium	403	369	-34 bp ▼	EUR/TRY	10.5460	10.1533	-3.7 % ▼
MSCI EM Equity Index	1,382	1,382	0.0 % ●	Gold (USD/ounce)	1,890	1,877	-0.7 % ▼
US 10-Year Bond Rate	1.56 %	1.46 %	-10 bp ▼	Brent Oil (USD/barrel)	71.9	72.7	1.1 % ▲

bp: basis point

Last week US inflation data and European Central Bank (ECB) meeting were followed closely in global markets. While inflation in the US was above expectations, the ECB did not change its monetary policy in line with market expectations. After the previous assessments of the Fed officials along with the statements of ECB President Lagarde, it was observed that the global risk appetite remained positive, as concerns about global inflation especially in the US eased. The positive effects of the optimistic expectations before the NATO Summit were reflected in the domestic markets. USD/TRY, which dropped to 8.28 intraday on Friday, decreased by 3.2% wov and completed the week at 8.38. While industrial production increased by 66% yoy in April due to the base effect, it decreased mom for the first time in the last year. The current account deficit was realized as 1.7 billion USD in April, below the expectations. This week, in addition to the meetings of the Fed and the CBRT, the statements to be made after the NATO Summit will be followed closely.

Data on global inflation is closely monitored.

Last week, May inflation data in the US and China were announced. Consumer prices in the US rose rapidly in May due to rising demand as the restrictions eased and the increase in second-hand motor vehicle prices caused by the chip crisis. CPI in the country increased by 0.6% mom and by 5% yoy, recording the fastest rise since August 2008. Core CPI inflation, excluding food and energy prices, also reached 3.8% yoy.

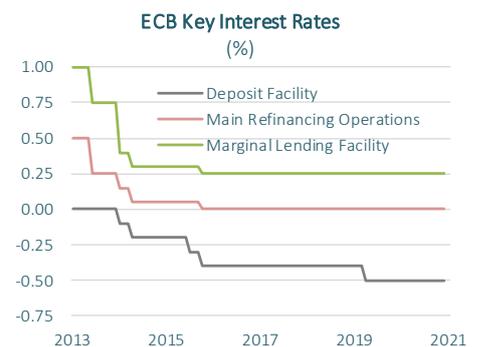
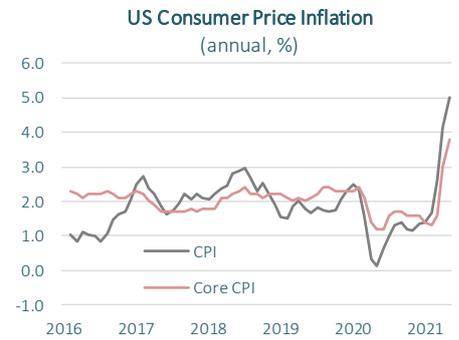
In the same period, annual CPI inflation in China reached its highest level in the last eight months with 1.3%, remaining below the 3% target of the Central Bank of China. Producer prices, on the other hand, increased by 9% yoy, the fastest rise since September 2008. The course of producer prices in China, which has the highest share in industrial production and exports in the world, is critical for global inflation.

ECB to continue accelerated asset purchases...

While ECB did not change interest rates at its meeting on June 10 in line with market expectations, they announced that they will continue to make purchases within the scope of the Pandemic Emergency Asset Purchase Program (PEPP), which is 1.85 trillion euros, faster than in the first months of the year. ECB President Lagarde stated that they expect annual CPI inflation in the Region, which reached 2% in May, will continue to rise in the second half of the year due to temporary factors and the increase in energy prices, and then inflation will weaken as the temporary effects disappear. ECB raised its 2021 growth forecast to 4.6% from 4%, and from 4.1% to 4.7% for 2022, while also increasing the inflation forecast to 1.9% and 1.5% for 2021 and 2022, respectively.

World Bank revised its economic growth forecasts for 2021.

World Bank revised its economic growth forecasts for 2021 upwards. While increasing its global economic growth forecast from 4.1% to 5.6% for 2021, and from 3.8% to 4.3% for 2022, the organization announced its growth forecast for 2023 as 3.1%. World Bank did not change its 2021 growth forecast for the Turkish economy, which was announced as 5%. On the other hand, according to the forecasts in the report prepared by the IMF as a result of the review studies carried out within the scope of Article 4, it is predicted that the Turkish economy will grow by 5.8% in 2021 and by 3.3% in 2022 by losing some



Source: Datastream

momentum. IMF's year-end inflation forecasts rose to 16.5% for 2021 and 14% for 2022.

Industrial production in Turkey expanded by 66% yoy in April due to the base effect.

Calendar adjusted industrial production increased by 66% yoy in April due to the low base effect. Seasonally and calendar adjusted industrial production, on the other hand, contracted by 0.9% mom and declined for the first time in the last one year period. In the first four months of the year, the annual increase in the calendar adjusted index was 22.6%.

Automotive production kept rising in May.

According to data released by Automotive Manufacturers Association of Turkey, in May number of automotive produced and exported increased by 31.2% and 16.8% yoy, respectively. In the first 5 months of this year, total production rose by 28.2% and, exports increased by 18% yoy compared to the same period last year.

In January-April period, current account posted a deficit of 9.6 billion USD.

Current account deficit, which was 5.3 billion USD in April 2020, decreased to 1.7 billion USD in April 2021, below the market expectations. This development was driven by the annual decline in foreign trade deficit and increase in service revenues thanks to the rise in transportation and travel revenues. Thus, the current account deficit contracted by 32.3% yoy and became 9.6 billion USD in the first four months of 2021. 12-month cumulative current account deficit was 32.7 billion USD (Our Balance of Payments Report).

CBRT released June results of the Survey of Market Participants.

According to the CBRT's Survey of Expectations, which renamed as "Survey of Market Participants", the annual CPI forecast for the end of 2021, which was 13.81% in May, rose to 14.46%, indicating the deterioration in inflation expectations. Year-end USD/TRY expectation, which was 8.71 TRY in the previous survey period, also increased to 8.95 TRY, while the year-end growth expectation increased to 4.9% from 4.3%.

Unemployment rate became 13.9% in April.

Seasonally adjusted unemployment rate increased by 0.9 point mom and became 13.9% in April. In this period, the total employment decreased by 193K persons mom and the employment rate fell to 44.2%. 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 increased by 1.7 points and was realized as 27.4% in April.

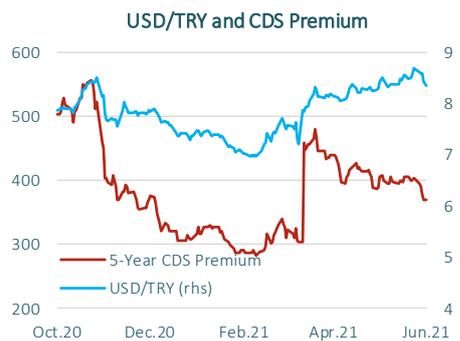
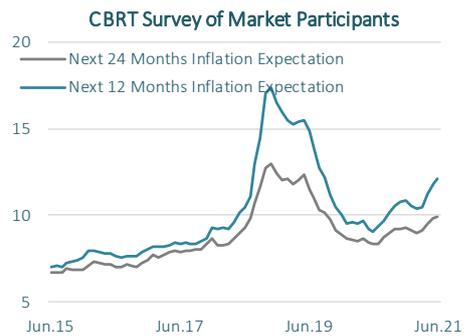
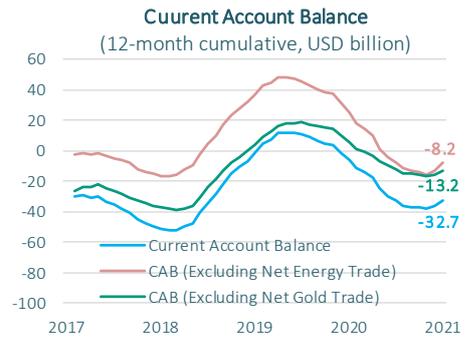
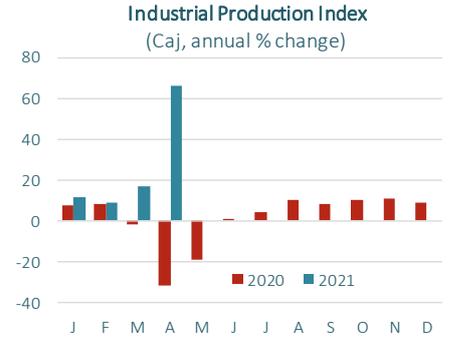
Global markets...

The inflation data announced in the US has been on the agenda of global markets over the past week. The US 10-year Treasury bond yield, which started the week with an upward trend but declined in the following days, continued to decline despite the higher-than-expected US inflation data and closed the week with a decrease of 10 bps at 1.46% thanks to the statements made by Fed officials and ECB Governor Lagarde easing inflation concerns.

Optimism ahead of the NATO Summit supported domestic markets. BIST-100 index rose by 1.9% wow and reached 1,461 points. Turkey's 5-year CDS risk premium fell by 34 bps wow to 369 bps. USD/TRY, which started the week at 8.65 TRY, closed the week at 8.38 TRY with a decrease of 3.2%.

This week's agenda...

This week, markets will monitor the NATO Summit as well as the meetings of Fed and CBRT.



Source: Datastream

Data Releases

		Period	Consensus	Prior
14 June	TR Balance of Payments	April	-1.7 billion USD (A)	-3.4 billion USD
	Euro Area Industrial Production, yoy	April	39.3% (A)	11.5%
15 June	TR Budget Balance	May	-	-16.9 billion TL
	USA NY Fed Manufacturing Index	June	22.0	24.3
	USA PPI Inflation, yoy	May	6.3%	6.2%
	USA Retail Sales, mom	May	-0.8%	0.0%
	USA Industrial Production, mom	May	0.6%	0.7%
	USA Capacity Utilization Rate	May	75.0%	74.6%
16 June	USA Fed Meeting	June	0-0.25%	0-0.25%
	USA Housing Starts	May	1.630 million	1.569 million
	China Industrial Production, yoy	May	9.0%	9.8%
17 June	China Retail Sales, yoy	May	13.6%	17.7%
	CBRT Monetary Policy Meeting	June	19.0%	19.0%
	USA Philadelphia Fed Business Index	June	31.0	31.5
	Euro Area CPI Inflation, final, yoy	May	2.0%	1.6%
18 June	BoJ Meeting	June	-0.1%	-0.1%

(A) Actual

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