

	11-Jun	18-Jun	Change		11-Jun	18-Jun	Change
BIST-100 Index	1,461	1,391	-4.8 % ▼	EUR/USD	1.2106	1.1860	-2.0 % ▼
TRY 2 Year Benchmark Rate	18.82 %	19.07 %	25 bp ▲	USD/TRY	8.3818	8.7257	4.1 % ▲
Turkey 5-Year CDS Premium	369	388	19 bp ▲	EUR/TRY	10.1533	10.3716	2.2 % ▲
MSCI EM Equity Index	1,382	1,361	-1.5 % ▼	Gold (USD/ounce)	1,877	1,763	-6.0 % ▼
US 10-Year Bond Rate	1.45 %	1.44 %	-1 bp ▼	Brent Oil (USD/barrel)	72.7	73.5	1.1 % ▲

bp: basis point

Last week, the Fed meeting was in the spotlight of global markets. While the Fed did not change its monetary policy, the projections of Fed members pointing to two interest rate hikes until the end of 2023 put pressure on the global risk appetite. The US dollar appreciated against other currencies after the meeting. Announcing that it would introduce a lending facility to help banks finance projects connected to climate change, the Bank of Japan extended the duration of its asset purchase program at its meeting that ended on Friday. Industrial production data announced in the US and Euro Area pointed out that the brisk course in the sector continued in the second quarter of the year. In the press release published after the Monetary Policy Committee meeting, CBRT emphasized that the current tight monetary policy stance will be maintained decisively. The Central Government Budget posted a deficit of 13.4 billion TRY in May and 7.5 billion TRY in the January-May period. Confidence indices for June in Turkey and leading PMI data in global markets stand out in this week's data agenda.

#### The Fed meeting was monitored closely.

In its meeting that ended on June 16, the Fed kept the policy rate in the range of 0-0.25%, in line with the expectations. In the statement released after the meeting, it was stated that an improvement was observed in the indicators of economic activity and the employment market with the effect of strong policy support and vaccination. Fed members' projections showed that the inflation and economic growth expectations for 2021 increased from 2.4% to 3.4% and from 6.5% to 7%, respectively. The median policy rate expectation for 2023 rose from 0.1% in March to 0.6% in June. In the projections, there was a rise in the number of members waiting for rate hikes in 2022 and 2023, while it was predicted that there would be two times 25 basis points increase in interest rates until the end of 2023. In his speech after the meeting, Fed Chairman Powell stated that it is still early to talk about an interest rate hike and that necessary communications will be provided to limit the reaction of the markets before reducing asset purchases.

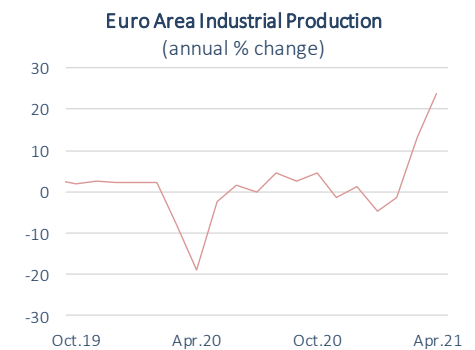
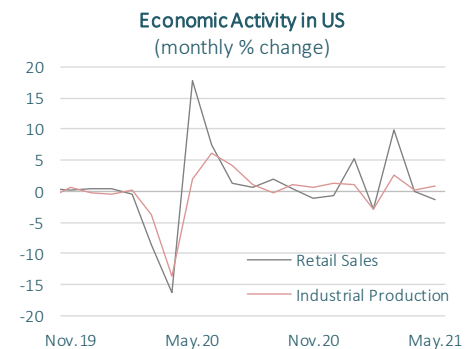
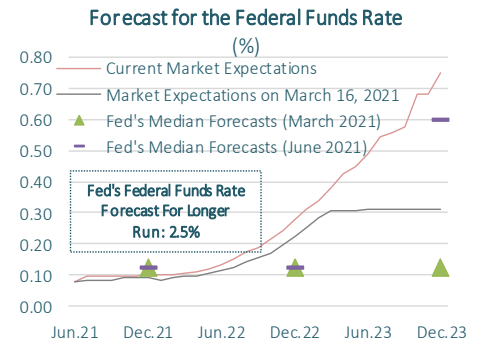
On the other hand, economic data released in the US last week showed a mixed outlook. Industrial production in the country rose by 0.8% in May compared to the previous month, slightly above expectations. In the same period, retail sales fell by 1.3% mom, above expectations, due to lifting the restrictions on the epidemic and the shift of demand from consumer goods to services activities. Producer prices, rising above the expectations by 0.8% mom and by 6.6% yoy in May, pointed out that the cost pressure continued in the second half of the year.

#### Industrial production in the Euro Area signaled a positive outlook for the second quarter.

The data released in the Euro Area last week displayed a positive outlook regarding the performance of industrial production in the second quarter. Industrial production, which recorded a limited monthly increase in March in the region, rose above the expectations by 0.8% in April. This development was driven by the fact that the production of durable goods, which contracted by 1.2% mom in February and March, expanded by 3.4% mom and by 117.3% yoy in this period. The annual consumer price inflation in the region was confirmed as 2% in May.

#### BoJ announced a new plan to combat climate change.

In May, core consumer prices in Japan rose by 0.1% yoy, increasing for the first time since March 2020. The Bank of Japan (BoJ) did not change the policy rate at its meeting ended on Friday, while it extended the duration of the bond buying program, which was planned to be terminated in September, by six months. The BOJ plans to launch a new program aimed at encouraging financial institutions to make more loans to combat climate change. Details of the program are expected to be announced at BOJ's July meeting. After the pandemic crisis, efforts to combat climate change and manage climate-related financial risks began to come to the fore, especially on the agenda of leading central banks.



Source: Datastream, Fed

### At its June meeting, the CBRT gave the message of "tight stance" in monetary policy.

The CBRT kept the policy rate unchanged at 19% at the Monetary Policy Committee meeting last week. In the written statement made after the decision, CBRT stated that taking into account the high levels of inflation and inflation expectations, the current tight monetary policy stance will be maintained decisively until the significant fall in the April Inflation Report's forecast path is achieved. It was noteworthy that the words "tight stance" and "decisively" were used in the new text instead of the "current stance" used in the text of the May MPC meeting. Additionally, the CBRT stated that the strong progress in the vaccination program stimulating tourism activities are expected to accelerate the ongoing improvement in the current account balance. In the text, it was also emphasized that in addition to the recent import-price-based cost factors, demand conditions and supply constraints in some sectors continue to pose risks to the pricing behavior and inflation outlook.

### Central government budget posted a deficit of 13.4 billion TRY in May.

The central government budget deficit decreased by 22.7% yoy and was realized as 13.4 billion TRY in May. In this period, budget revenues increased by 53.5% yoy, while budget expenditures expanded by 38% yoy. In January-May 2021, the central government budget performance has improved compared to the same period of last year, when tax deferrals were at the forefront in the fight against the pandemic. In this period, the budget deficit became 7.5 billion TRY, while the primary budget balance posted a surplus of 73.9 billion TRY. According to the Public Finance Report published by the Ministry of Treasury and Finance in May, the budget deficit, which was forecasted as 245 billion TRY in the Central Government Budget Law for 2021, is estimated to be 199.9 billion TRY along with the changes in the pandemic conditions, macroeconomic developments and the measures implemented or to be implemented ([Our Budget Balance report](#)).

### House sales increased by 16.2% yoy in May.

In Turkey, the limiting effect of the lockdown measures implemented in May was reflected on the house sales. During this month, house sales were realized as 59,166 units, the lowest level since last year. On the other hand, house sales grew by 16.2% yoy in May, thanks to the low base effect of the same month last year, when the effects of the pandemic were felt intensely. In this period, mortgaged house sales decreased by 43% on an annual basis and their share in total house sales was realized as 17.8%. The 50% annual increase in other house sales was the key driver of total sales in May. In the January-May period, house sales declined by 4% yoy.

### BRSA extended the duration of pandemic supports.

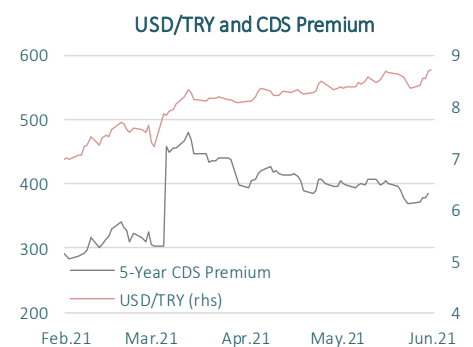
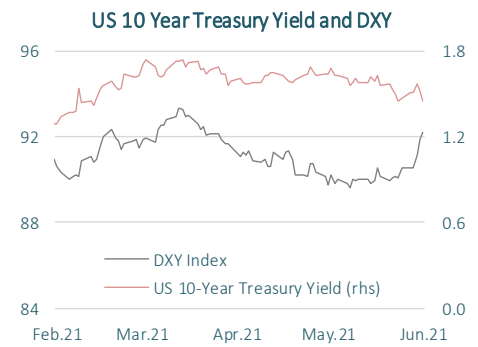
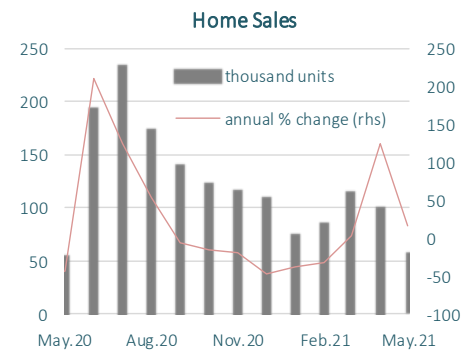
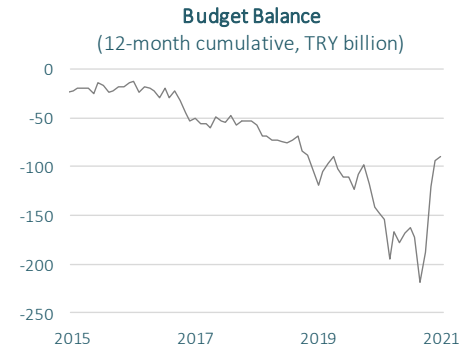
The BRSA extended the duration of the various pandemic supports, which were planned to end on June 30, until the end of September. While flexibility will be given to delays in loan payments, the 90-day delay period foreseen for the non-performing loans classification will also continue to be applied as 180 days until the end of September.

### Financial markets...

The Fed meeting was decisive in the course of global stock markets last week. Fed members' projections including a possible tightening schedule in monetary policy limited the global risk appetite. On Friday, St. Louis Fed President James Bullard's statements that he expected the first interest rate hike towards the end of 2022 accelerated the downward trend in the stock markets. The DXY index rose to 92.2, highest level in the last 2.5 months. The downward trend in gold prices, which started the previous week, accelerated after the Fed's meeting. Gold prices decreased by 6% wot to 1,763 USD/ounce on Friday.

Last week, domestic markets also displayed a negative outlook in line with the decline in the global risk appetite. BIST-100 index decreased by 4.8% wot. USD/TRY rose by 4.1% wot to 8.73, due to the appreciation of the US dollar in global markets.

In Turkey, markets will follow the Cabinet meeting today where the decisions regarding the pandemic measures will be discussed. This week, confidence indices for June in Turkey and leading PMI data in global markets come to the fore on data agenda.



Source: Datastream, CBRT

Data Releases

		Period	Consensus	Prior
21 June	TR Central Government Gross Debt Stock	May	-	1,950 billion TRY
22 June	TR Consumer Confidence Index	June	-	77.3
	Re-opening of 2Y Fixed Coupon Bond	June	-	-
	Re-opening of 5Y TLREF Indexed Bond	June	-	-
	USA Existing Home Sales	May	5.72 million	5.85 million
	Euro Area Consumer Confidence, flash	June	-3.0	-5.1
23 June	TR Treasury Debt Redemptions	June	1,034 million TRY	-
	USA Services PMI, flash	June	70.0	70.4
	USA Manufacturing PMI, flash	June	61.5	62.1
	USA New Home Sales	May	875K	863K
	Euro Area Services PMI, flash	June	57.5	55.2
	Euro Area Manufacturing PMI, flash	June	62.1	63.1
24 June	TR Real Sector Confidence Index	June	-	110.3
	TR Capacity Utilization Rate	June	-	75.3%
	USA Durable Goods Orders, mom	May	2.7%	-1.3%
	USA GDP Growth, final, yoy	2021 Q1	6.4%	6.4%
25 June	TR Foreign Visitors, yoy	May	-	3,162%
	USA Personal Consumption Expenditures, mom	May	0.3%	0.5%
	USA Michigan Consumer Confidence, final	June	86.5	82.9

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## Economic Research Division

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İzlem Erdem  
Chief Economist  
izlem.erdem@isbank.com.tr

Dilek Sarsın Kaya  
Asst. Manager  
dilek.kaya@isbank.com.tr

Alper Gürler  
Unit Manager  
alper.gurler@isbank.com.tr

İlkim Bengisu Tuncer  
Asst. Economist  
bengisu.tuncer@isbank.com.tr

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