

	25-Jun	2-Jul	Change		25-Jun	2-Jul	Change
BIST-100 Index	1,392	1,377	-1.1 % ▼	EUR/USD	1.1933	1.1864	-0.6 % ▼
TRY 2 Year Benchmark Rate	18.41 %	18.35 %	-6 bp ▼	USD/TRY	8.7493	8.6792	-0.8 % ▼
Turkey 5-Year CDS Premium	379	383	4 bp ▲	EUR/TRY	10.4606	10.3084	-1.5 % ▼
MSCI EM Equity Index	1,380	1,355	-1.8 % ▼	Gold (USD/ounce)	1,780	1,787	0.4 % ▲
US 10-Year Bond Rate	1.52 %	1.43 %	-9 bp ▼	Brent Oil (USD/barrel)	76.2	76.2	0.0 % ●

bp: basis point

Last week, in the US ISM manufacturing PMI data was realized as 60.6 in June, signaling that industrial sector maintained its strong performance. In the same period, annual inflation was 1.9% in the Euro Area in line with the market expectations, just below ECB's inflation target of 2%. In Turkey, manufacturing PMI rose to 51.3 thanks to the easing of the measures taken against the coronavirus outbreak. In June, CPI increased above expectations and annual inflation reached 17.53%, the highest level in the last 2 years. Last week, new regulations made by the CBRT and BRSA followed in the domestic markets. On the last trading day of the week, CBRT's Investor Meeting was also followed.

Data releases in the US...

Last week, a busy data agenda was followed in the US. In June, the consumer confidence index reached its highest level since February 2020, while ISM manufacturing index signaled that the manufacturing industry maintained its strong outlook despite a slight decrease of 0.6 points compared to the last month.

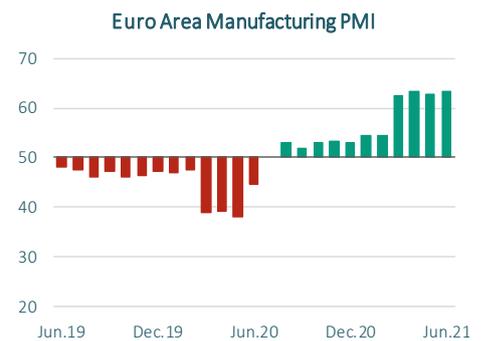
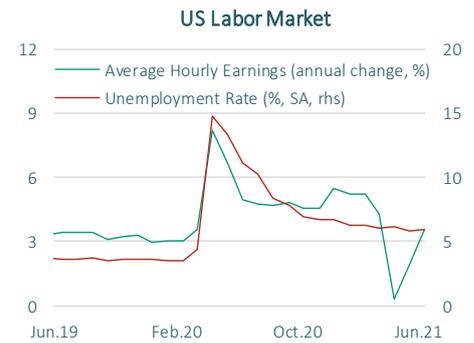
In the US, the recovery in the labor market has also continued. The initial jobless claims were realized as 364K persons, below the expectations, while the increase in the non-farm payrolls came in above expectations with 850K persons in June. Average hourly earnings increased by 0.3%, below the market expectations of 0.4%. The annual increase in average hourly earnings became 3.6%. In this period, the unemployment rate increased to 5.9% from 5.8% in May.

In the Euro Area, manufacturing PMI data revised up to 63.4 in June.

Last week, inflation and manufacturing PMI data, as well as confidence indices, were followed in the Euro Area. Consumer prices increased by 1.9% yoy in June, in the line with the market expectations, just below to ECB's target of 2%. In the same period, final manufacturing PMI data was realized as 63.4, showing the brisk pace of activity in the manufacturing sector continues. In the Euro Area, the economic confidence index increase by 3.4 pts mom to 117.9 in June, the highest level of the last 21 years.

Recovery in the leading indicators for June in domestic market...

Economic Confidence Index, which has been declining since March, rose by 5.6% mom and became 97.8 in June. It has been observed an improvement in 17 of the 20 sub-indices in the consumer, real sector, service, retail trade and construction confidence indices. Services sector confidence index rose the fastest among the main sub-indices by increasing 6.2% mom with the effect of the easing of the restrictive measures on the pandemic. Manufacturing PMI, which fell below the 50 threshold level in May with the impact of the restrictive measures implemented in Turkey, rose to 51.3 in June with the easing of restrictions. According to the sub-items of the index, output and new orders increased in this period. Also, job creation has accelerated in June compared to the previous month. Input prices recorded the fastest rise in the last 6 months in this period due to the depreciation



Source: Datastream

of the TRY as well as the increase in raw material costs. With the reflection of the increase in costs, the sharpest increase in selling price since September 2018 was recorded in this period.

According to preliminary data, the foreign trade deficit was realized as 2.9 billion USD in June.

According to the preliminary foreign trade data released by the Ministry of Commerce, export volume expanded by 46.9% yoy to 19.8 billion USD, while import volume increased by 38.9% to 22.7 billion USD. Thus, the foreign trade deficit widened by 1% to 2.9 billion USD in June. In the first half of the year, the foreign trade deficit decreased by 11% yoy and became 21.2 billion USD.

CPI inflation reached 17.53% yoy.

In Turkey, CPI increased by 1.94% mom in June, above the expectations. Thus, annual CPI inflation, which declined to 16.59% in May, rose to 17.53% in June, reaching the highest level of the last 2 years. In this period, annual D-PPI inflation also continued to rise and reached the highest level of the last 32 months at 42.89%. The effects of the increase in electricity prices by 15% in all subscriber groups, in natural gas prices by 12% in the residential subscriber group and by 20% in the industrial subscriber group on inflation will be monitored in the coming period ([Our Inflation Report](#)).

On Friday, the CBRT reiterated its tight stance messages at the meeting it held with domestic investors. Moreover, the Central Bank highlighted that demand conditions, supply constraints in some sectors and high levels of inflation expectations continued to pose risks on pricing behavior and inflation outlook.

New regulations in Turkey...

Last week, new regulations made by the CBRT and the BRSA were followed in Turkey. The CBRT announced that the maximum rate of the facility to maintain Turkish lira required reserves in foreign currency was reduced from 20% to 10%, and this facility will be terminated on October 1, 2021. The CBRT also increased the required reserve ratios applied to foreign currency deposits/participation funds by 200 bps in all maturity segments. In addition to these, the CBRT introduced regulations that promote increasing the share of the Turkish lira in the total deposit and participation funds in the banking system.

With the decision published on 1 July, BRSA increased the risk weight of consumer credit cards and consumer loans, while adjusting the maturity limits and loan to value ratios of consumer loans and credit card installment limits. According to the decision, the number of credit card installments was reduced in jewelry, furniture, electrical goods and TV expenditures. In addition, the number of installments for vehicles purchased with financial leasing and bank loans was reduced.

Financial markets...

Last week, concerns that the highly contagious Delta variant of the coronavirus could negatively affect the economic recovery put pressure on global markets, while the MSCI World Stock Exchanges index rose slightly on a weekly basis with the statements that the vaccines are effective against the variant. BIST-100 index, which followed a downward course in parallel with developing countries throughout the past week, closed the week at 1,377 points with a decrease of 1.1%. Turkey's 5-year CDS premium rose 4 basis points wow. USD/TRY which fluctuated throughout the week declined by 0.8% wow to 8.68.

Services PMI data for June in the US and Euro Area stand out in this week's data agenda. In addition, the minutes of the Fed's June meeting will be closely monitored. In Turkey, balance of payments statistics for May will be announced.

Manufacturing PMI
(threshold=50)



Foreign Trade
(annual change, %)



Inflation
(annual, %)



BIST-100 Index



Source: Datastream

Data Releases

		Period	Consensus	Prior
5 July	TR CPI Inflation, mom	2020 Q1	1.94%(A)	0.89%
	TR D-PPI Inflation, mom	June	4.01%(A)	3.92%
	Euro Area Services PMI, final	June	58.3(A)	55.2
	Euro Area Sentix Index	June	30.0	28.1
6 July	USA Services PMI, final	June	-	70.4
	Euro Area Retail Sales, mom	May	4.1%	-3.1%
	Germany ZEW Economic Sentiment	July	75.4	79.8
7 July	TR Treasury Cash Balance	June	-	-29.0 billion TRY
	TR Treasury Debt Redemptions	July	-	710 million TRY
8 July	USA Initial Jobless Claims	28.06-3.07	355K	364K
9 July	TR Balance of Payments	May	-	-1.7 billion USD
	TR Treasury Debt Redemptions	July	-	6.8 billion TRY
	China CPI Inflation, yoy	June	1.4%	1.3%
	China PPI Inflation, yoy	June	8.8%	9.0%

(A) Actual

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