

| | 23-Jul | 30-Jul | Change | | 23-Jul | 30-Jul | Change |
|-----------------------------|---------|---------|----------|------------------------|---------|---------|----------|
| BIST-100 Index* | 1,352 | 1,393 | 3.1 % ▲ | EUR/USD | 1.1771 | 1.1870 | 0.8 % ▲ |
| TRY 2 Year Benchmark Rate** | 18.73 % | 18.73 % | 0 bp ▼ | USD/TRY | 8.5471 | 8.4333 | -1.3 % ▼ |
| Turkey 5-Year CDS Premium | 383 | 382 | -1 bp ▼ | EUR/TRY | 10.0711 | 10.0306 | -0.4 % ▼ |
| MSCI EM Equity Index | 1,311 | 1,278 | -2.6 % ▼ | Gold (USD/ounce) | 1,801 | 1,814 | 0.7 % ▲ |
| US 10-Year Bond Rate | 1.28 % | 1.23 % | -6 bp ▼ | Brent Oil (USD/barrel) | 74.1 | 76.3 | 3.0 % ▲ |

bp: basis point

(*) As of 19 July.

(**) As of 16 July.

Last week, IMF published World Economic Outlook update for July and kept its global growth forecast for 2021 at 6%, declaring that the growth performance would differentiate across regions. The US economy grew by 6.5% in the second quarter of 2021, displaying a similar performance with the first quarter of the year. Fed did not change its monetary policy at the meeting which ended on July 28. The CBRT revised its year-end inflation forecasts for 2021 and 2022 upwards in its Inflation Report published on July 29. The rise in manufacturing sector confidence index and economic confidence index has continued in July and manufacturing PMI rose to 54, pointing to the strongest recovery since January.

IMF released the July update of World Economic Outlook.

In the July update of the World Economic Outlook (WEO), IMF kept the global economic growth forecast for 2021 at 6%. In the WEO, IMF drew attention to the increasing divergence between advanced and emerging countries. Revising its 2021 growth forecast for advanced economies from 5.1% to 5.6%, the IMF lowered its growth expectation for emerging countries from 6.7% to 6.4%, citing the rapid spread of new variants of the coronavirus and the slow course of vaccination, especially in Asia. On the other hand, IMF increased its global economic growth forecast for 2022 from 4.4% to 4.9% due to the increase in the economic growth expectations of advanced countries. The organization revised its growth expectations for Turkey from 6% to 5.8% for 2021 and from 3.5% to 3.3% for 2022.

US economy grew by 6.5% in the second quarter of 2021.

Annualized GDP growth in the US for the second quarter of 2021 came in at 6.5%, below the expectations of 8.5%. In the same period, with the continued recovery in economic activity, the core personal consumption expenditures price index (PCE) increased by 6.1%, slightly above the expectations. In the US, the consumer confidence index increased to 129.1 in July, above the expectations.

Fed kept its monetary policy unchanged.

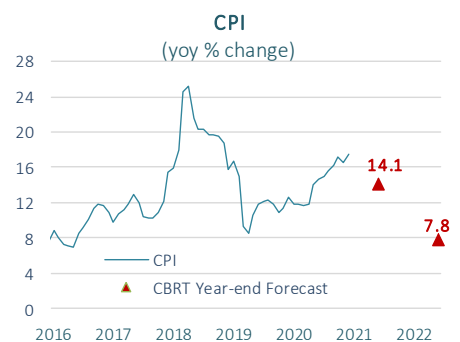
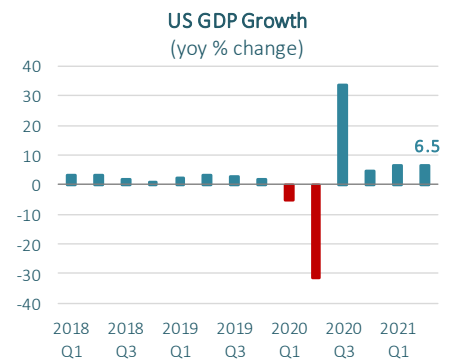
In its meeting, which ended on July 28, the Fed kept the policy rate in the range of 0-0.25%, in line with expectations, and did not change its asset purchase program. In the statement made after the meeting, Fed stated that the recovery in economic activity and employment indicators continued thanks to the progress in vaccination and strong policy support. On the other hand, Fed pointed out that the full recovery has not yet occurred, especially in the sectors most affected by the pandemic. Fed Chairman Powell stated that the recovery in the employment market has not yet reached the targeted level in order to reduce asset purchases while highlighting that the rise in inflation mostly reflects temporary factors. Powell also stated that monetary policy will remain supportive until the recovery is complete.

CBRT published the third Inflation Report of the year.

Last week, CBRT released the third Inflation Report of 2021. In the report,

| | Projections of July | | Change* (% points) | |
|-----------|---------------------|------|--------------------|------|
| | 2021 | 2022 | 2021 | 2022 |
| World | 6.0 | 4.9 | 0.0 | 0.5 |
| AC | 5.6 | 4.4 | 0.5 | 0.8 |
| US | 7.0 | 4.9 | 0.6 | 1.4 |
| Euro Area | 4.6 | 4.3 | 0.2 | 0.5 |
| DC | 6.3 | 5.2 | -0.4 | 0.2 |
| Turkey | 5.8 | 3.3 | -0.2 | -0.2 |

(*) Difference from April projections (AC) Advanced Countries (DC) Developing Countries



Source: Datastream, IMF, BEA, CBRT

CBRT raised its year-end inflation forecast from 12.2% to 14.1%, and 2022 year-end inflation forecast from 7.5% to 7.8%. The upward revision of international crude oil price prediction, the assumptions regarding import prices in US dollars and food inflation were effective in raising the inflation forecasts. CBRT raised its annual average crude oil price forecast for 2021 from 64.4 USD/barrel to 69.6 USD/barrel, and its food inflation forecast from 13% to 15%. CBRT Chairman Kavcıoğlu stated that they anticipate a decline in inflation starting from the third quarter, but gave the message that the tight monetary stance will be maintained until strong indicators point to a permanent decline in inflation. Kavcıoğlu also said that the economy will have a current account surplus in the remainder of this year, which will ease the pressure on the exchange rate and have a positive effect on inflation.

Foreign trade deficit declined slightly yoy in June.

According to the data released by TURKSTAT, in June export volume expanded by 46.9% yoy to 19.8 billion USD while, import volume increased by 38.7% to 22.6 billion USD. Thus, the foreign trade deficit narrowed by 0.2% to 2.9 billion USD. The number of foreign visitors increased by 853% yoy to approximately 2.1 million people in June. In the first half of the year, the total number of foreign visitors increased by 27.1% yoy and tourism revenues came in at 5.5 billion USD.

Manufacturing PMI rose to 54 in July.

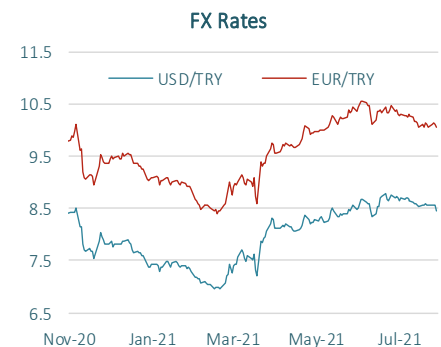
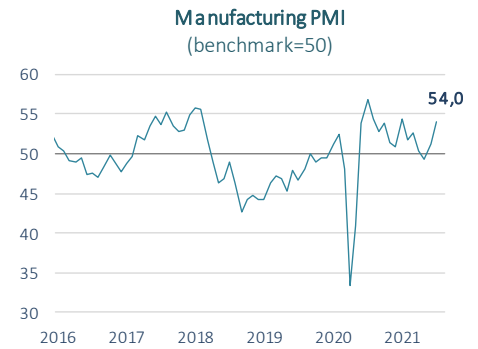
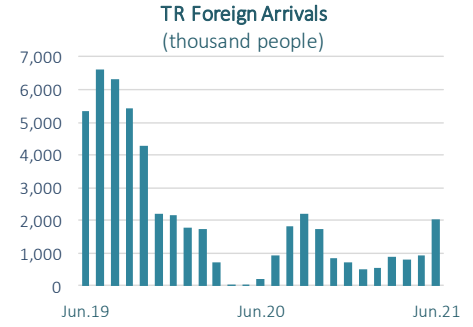
The seasonally adjusted real sector confidence index increased by 2.3 points mom and became 112.1 in July. During this period, all sub-indices except the current stock of finished products and the production volume for the next three months contributed to the index positively. In July, the seasonally adjusted capacity utilization rate in the manufacturing industry increased by 0.1 pp mom to 76.4%. Thanks to the rapid increase in new export orders, the manufacturing PMI, which stood at 51.3 in June, rose to 54 in July, recording the strongest improvement since January. The economic confidence index also rose by 2.3% mom to 100.1 in July. Thus, the index rose above the threshold level of 100 for the first time since May 2018, indicating increased optimism regarding the economic outlook.

Financial markets...

Last week, China's announcement regarding the regulation of tech companies along with the education and real estate sectors had an impact on global markets. At the beginning of the week, the decline in the shares of Chinese companies in the US markets limited the rise in the global markets, which was moving upwards thanks to positive earnings reports in Q2. Asian stock markets, on the other hand, followed a downward trend throughout the week.

BIST-100 index has increased 3.1% since July 19 and closed the week at 1,393 points. Besides, USD/TRY fell to 8.44 on Friday, the lowest level since June 11.

This week, manufacturing and services PMI data and US non-farm payrolls stand out in global markets. In Turkey, inflation data for July will be closely monitored. Market expects CPI to increase by 1.54% mom and by 18.5% yoy.



Source: Datastream, Markit, Republic of Turkey Ministry of Culture and Tourism

Data Releases

| | | Period | Consensus | Prior |
|-----------------|---------------------------------------|--------|-----------|--------------------|
| 2 August | TR Manufacturing PMI | July | 54.0 (A) | 51.3 |
| | USA ISM Manufacturing PMI | July | 60.9 | 60.6 |
| | USA Manufacturing PMI, final | July | - | 63.1 |
| | Euro Area Manufacturing PMI, final | July | 62.8 (A) | 62.6 |
| | China Caixin Manufacturing PMI, final | July | 50.3 (A) | 51.3 |
| 3 August | TR CPI Inflation, yoy | July | 18.50% | 17.53% |
| | TR D-PPI Inflation, yoy | July | - | 42.89% |
| | USA Factory Orders, mom | June | 1.0% | 1.7% |
| | Euro Area PPI Inflation, mom | July | - | 1.3% |
| 4 August | USA ISM Services PMI | July | 60.4 | 60.1 |
| | USA Services PMI, final | July | - | 59.8 |
| | Euro Area Services PMI, final | July | 60.4 | 60.4 |
| | Euro Area Retail Sales, mom | June | 1.9% | 4.6% |
| | China Caixin Services PMI | July | - | 50.3 |
| 6 August | TR Treasury Cash Balance | July | - | -7.221 billion TRY |
| | CBRT Survey of Expectations | August | - | - |
| | USA Nonfarm Payrolls | July | 900 K | 850 K |
| | USA Unemployment Rate | July | 5.7% | 5.9% |

(A) Actual

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