

	30-Jul	6-Aug	Change		30-Jul	6-Aug	Change
BIST-100 Index	1,393	1,435	3.0 % ▲	EUR/USD	1.1870	1.1760	-0.9 % ▼
TRY 2 Year Benchmark Rate	18.73 %	18.59 %	-14 bp ▼	USD/TRY	8.4333	8.6160	2.2 % ▲
Turkey 5-Year CDS Premium	382	391	9 bp ▲	EUR/TRY	10.0306	10.1456	1.1 % ▲
MSCI EM Equity Index	1,278	1,293	1.2 % ▲	Gold (USD/ounce)	1,814	1,763	-2.8 % ▼
US 10-Year Bond Rate	1.23 %	1.31 %	8 bp ▲	Brent Oil (USD/barrel)	76.3	70.7	-7.4 % ▼

bp: basis point

Employment statistics released in the US last week pointed out a positive outlook for the US labour market. Statements made by the Fed officials, which gave signals of monetary tightening, supported the dollar while causing selling pressure on emerging markets. The rise in the number of coronavirus cases with the spread of the delta variant increased concerns about the course of the global economic recovery and raised market volatility. Last week, inflation data was followed closely in the domestic markets. Consumer prices increased more-than-expected by 1.8% mom in July while annual CPI inflation reached 18.95%. This week, a heavy agenda will be followed in the markets. CBRT's Monetary Policy Committee meeting, industrial production and current account balance statistics will be monitored in Turkey. On the agenda of global markets, inflation data in the US and industrial production statistics in the Euro Area stand out.

The delta variant continues to be effective on the increase in Covid-19 cases.

Last week, the number of coronavirus cases increased rapidly in many countries, especially in the US and the Asia region. In the US, where approximately 60% of the population has been vaccinated at least with one dose, number of daily coronavirus cases exceeded 100 thousand reaching its highest for the last 6 months. The risks posed by the increase in the number of cases on global economic activity caused fluctuations in the global risk appetite. Oil prices fell by 7.4% last week due to rising concerns about the possibility of a reduction in oil demand.

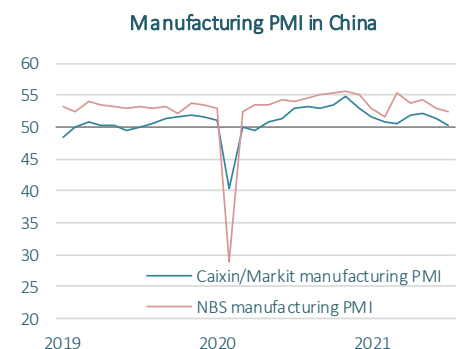
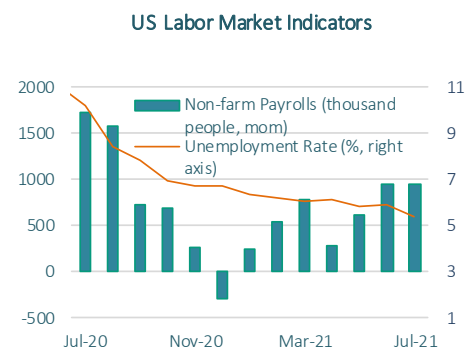
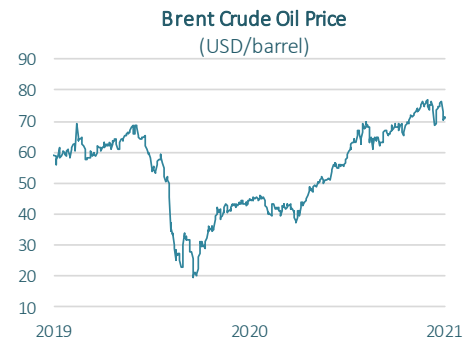
Employment statistics were followed in the US.

Initial jobless claims in the US became 385 thousand people in the week of July 31. In this period, while jobless claims decreased compared to the previous week, layoffs fell to the lowest level in more than 21 years. In July, non-farm payrolls in the US increased by 943 thousand people, exceeding market expectations, and the unemployment rate decreased to 5.4%.

In his speech on Wednesday, Fed Vice Chairman Richard Clarida stated that the Fed could start raising interest rates in 2023. The San Francisco and Dallas Fed Presidents made assessments implying that a reduction in the asset purchases could start in the near future. Statements of the Fed officials, which gave signals of monetary tightening, and strong employment figures caused a slight sell off in the markets.

Data releases in China displayed a mixed outlook on economic activity.

Caixin manufacturing PMI data fell to 50.3 in July, indicating that manufacturing industry in China has lost momentum. In the same period, services PMI data rose to 54.9, pointing out the activity in the sector revived. On the other hand, recent rise in risks tied to coronavirus might put pressure on the global foreign trade volume and commodity prices whether the restrictive measures become widespread again. This development raises the risk of a slowdown in China's economic growth in the last quarter of the year.



Source: Datastream

Annual CPI inflation reached 18.95% in July.

Consumer prices in Turkey increased by 1.8% mom in July, exceeding market expectations. This corresponds to the highest monthly increase recorded in consumer prices in July since 2001. In this period, the fastest increase on a monthly basis was in the housing group with the impact of the adjustments in electricity and natural gas prices. In July, annual CPI inflation reached 18.95%. Annual D-PPI inflation continued its upward trend and was realized as 44.92%; hence reaching its highest level since October 2018 ([Our Inflation report](#)).

CPI based real effective exchange rate rose in July.

CPI based real effective exchange rate, which has been on a downward trend since February and fell to its historical low level at 59.65 in June, rose to 61.31 in July. The rise in the index indicated that the TRY appreciated in real terms compared to the basket of currencies of the countries that have a significant share in foreign trade. This was mainly stemmed from the strong capital inflows to EMs in July.

CBRT published the Survey of Market Participants for August.

According to the Survey of Market Participants published by the CBRT, annual CPI inflation expectation for the end of current year rose from 15.64% to 16.30% in August. In the survey, the year-end USD/TRY expectation recorded a limited decline from 8.99 to 8.94, while the GDP growth rate expectation increased from 5.8% to 6% for 2021.

Foreign trade deficit expanded on an annual basis in July.

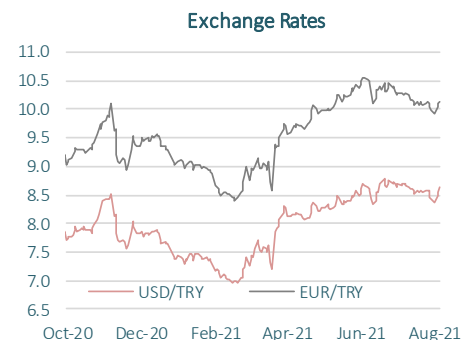
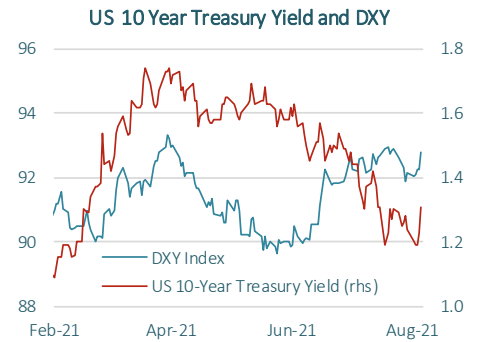
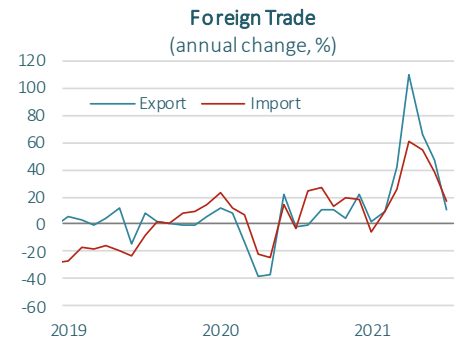
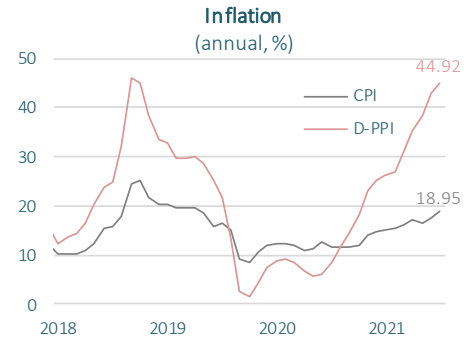
According to the preliminary data released by the Ministry of Trade, exports increased by 10.2% yoy to 16.4 billion USD, while imports went up by 17.0% yoy to 20.7 billion USD in July. Thus, foreign trade deficit increased by 52.4% yoy becoming 4.3 billion USD. In the first 7 months of the year, while exports increased by 34.9% and imports by 25.9%; foreign trade deficit narrowed by 4.7% to 25.5 billion USD. Despite the predictions that the growth in the export volume will continue in line with the recovery in the EU market, it is estimated that the rise in the spread of the coronavirus on a global scale may put pressure on the foreign trade volume in the coming period.

Financial markets...

Data which indicate that the strong outlook in the US labour market is maintained, supported the expectations that the Fed may start monetary tightening towards the end of this year. Accordingly, the US 10-year Treasury bond yield rose to 1.31% on Friday. DXY index, which displays the value of the US dollar against developed country currencies, rose as well.

BIST-100 index increased by 3% last week closing at 1,435 points. Turkish lira, which followed a fluctuating course in parallel with the volatility in the global risk appetite and the reflections of the inflation data announced in Turkey, depreciated against the USD and the Euro.

The Monetary Policy Committee meeting to be held by the CBRT on Thursday stands out as the most important development in the domestic markets this week. In addition to employment, industrial production and balance of payments figures in Turkey, US inflation data and Euro Area industrial production data will also be monitored.



Source: Datastream, CBRT, Ministry of Trade

Data Releases

		Period	Consensus	Prior
9 August	China CPI Inflation, yoy	July	1.0% (A)	1.1%
10 August	TR Unemployment Rate	June	-	13.2%
11 August	USA CPI Inflation, mom	July	0.5%	0.9%
	USA Core CPI Inflation, mom	July	0.4%	0.9%
12 August	TR Industrial Production, yoy	June	21.1%	40.7%
	CBRT Monetary Policy Meeting	August	19.00%	19.00%
	USA PPI Inflation, mom	July	0.6%	1.0%
	Euro Area Industrial Production, yoy	June	10.4%	20.5%
13 August	TR Balance of Payments	June	-	-3.081 billion USD
	Fitch Review of Turkey's Credit Rating	August	-	-
	TR House Sales, yoy	July	-	-29.1%
	USA Michigan Consumer Confidence, prelim	August	81.2	81.2

(A) Actual

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