

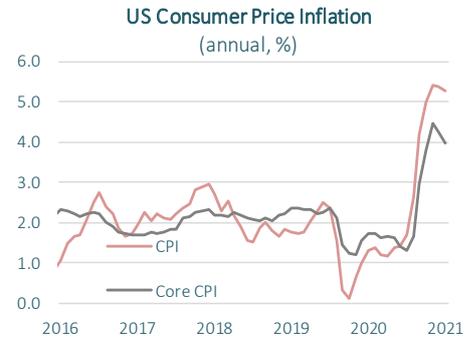
	10-Sep	17-Sep	Change		10-Sep	17-Sep	Change
BIST-100 Index	1,439	1,419	-1.3 % ▼	EUR/USD	1.1814	1.1725	-0.8 % ▼
TRY 2 Year Benchmark Rate	17.91 %	17.68 %	-23 bp ▼	USD/TRY	8.4553	8.6283	2.0 % ▲
Turkey 5-Year CDS Premium	363	385	22 bp ▲	EUR/TRY	10.0052	10.1349	1.3 % ▲
MSCI EM Equity Index	1,309	1,279	-2.3 % ▼	Gold (USD/ounce)	1,787	1,754	-1.9 % ▼
US 10-Year Bond Rate	1.34 %	1.36 %	2 bp ▲	Brent Oil (USD/barrel)	72.9	75.3	3.3 % ▲

bp: basis point

Last week, US inflation data was on the spotlight of global markets. Global stock markets were volatile throughout the week ahead of the Fed's meeting this week. While the upward trend in inflation continued in the Euro Area, the Chinese economy lost momentum according to August data. According to the CBRT's Market Participants Survey, the year-end inflation expectations of the participants increased in September. CBRT and BRSA announced new regulations. This week, the Fed meeting in the USA and the CBRT meeting in Turkey will be followed closely. In addition, leading PMI data in global markets and confidence indices in Turkey will be announced.

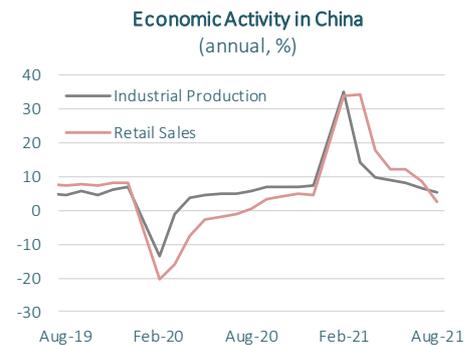
### CPI inflation in the US decelerated in August.

Industrial production data released in the US last week indicated that production in the sector continued to increase despite losing momentum due to the impact of Hurricane Ida and supply problems in August. In the same period, retail sales in the country increased by 0.7% mom, despite the expectations of a decrease. On the other hand, August consumer inflation data in the US indicated that the price increases slowed down. In this period, the monthly CPI increase was 0.3%, the lowest level since January, while the annual CPI inflation remained high even though it declined to 5.3%. After the Fed meeting, which will end on September 22, the inflation forecasts of the members will be followed closely.



### Economic activity is slowing down in China.

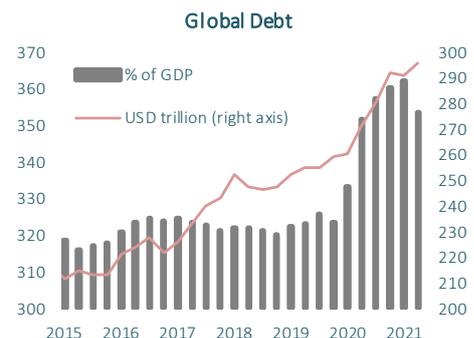
Annual CPI inflation in the Euro Area was confirmed as 3% in August, according to the final data. The rapid rise in inflation, which was at the level of 2.2% in July, together with the expected increase in natural gas prices in the upcoming period, causes inflation concerns in the region.



Data released in China last week pointed to a slowdown in economic activity in the country. Industrial production, which increased by 5.3% yoy in August, displayed its worst performance since July 2020. The annual rise in retail sales in August was realized as 2.5%, well below the expectations of 7%, due to the restrictive measures implemented against the pandemic in the country.

### Global indebtedness rose to a new record level in the second quarter of 2021.

According to the data released by IIF, the global debt stock rose to a historical high level of 296 trillion USD in the second quarter of 2021, increasing by 4.8 trillion USD compared to the previous quarter. However, the ratio of global debt-to-GDP, which was 362% in the first quarter, declined to 353% in the second quarter. The decline is mostly attributable to the robust pickup in economic activity in many countries. In the first half of 2021, household debt accounted for the largest share of the increase in global debt stock. This was mostly because of the rise in property prices.



### The central government budget gave a surplus in August.

In August, budget revenues increased by 35% yoy, while budget expenditures expanded by 31.6% yoy. Thus, the central government budget surplus, which was 28.2 billion TRY in August last year, became 40.8 billion TRY in the same

Source: Datastream, IIF

period of this year. The budget deficit narrowed by 66.2% yoy in the first eight months of 2021 and was realized as 37.5 billion TRY ([Our Budget Balance report](#)).

### Inflation expectations increased in the CBRT Survey of Market Participants.

In the CBRT's Survey of Market Participants for September, year-end consumer inflation expectations rose by 44 basis points compared to the previous period and became 16.74%. Inflation expectations for the next 12 months and 24 months also increased compared to the previous survey period. The expectations of policy rate in the survey were 19% for the end of the current month and 18.02% for three months ahead. While the current account deficit expectation of the participants for the end of 2021 decreased from 23.5 billion USD to 22.4 billion USD in September, the economic growth expectation increased from 6.0% to 8.2%.

### New regulations from CBRT and BRSA...

CBRT announced that, in line with its main objective of price stability, reserve requirement ratios for FX deposits/participation funds were increased by 200 basis points for all maturity brackets as of 1 October 2021. Thus, the reserve requirement ratios for deposits/participation funds with a maturity of up to 1 year increased to 23%, while the reserve requirement ratios for the deposits/participation funds with a maturity of 1 year or more was increased to 17%. In July, the CBRT had announced that the Reserve Option Mechanism facility which allows to hold the reserve requirements for TRY liabilities as FX will be terminated on 1 October 2021.

On Friday, CBRT declared that the total rediscount credit limit has been increased to 30 billion USD. 20 billion USD of this limit will be allocated to the credits to be extended via the Export Credit Bank of Turkey (Turk Eximbank), and 10 billion USD will be allocated to the credits via other banks. In addition, 5 billion USD of the aforementioned total limit will be able to be used in Turkish lira.

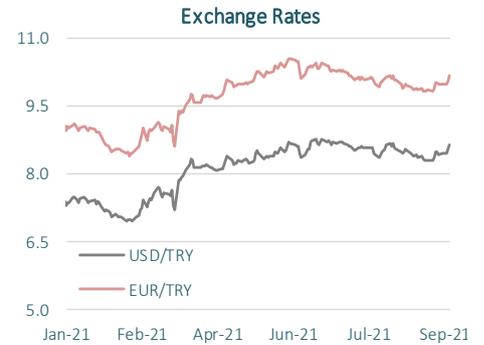
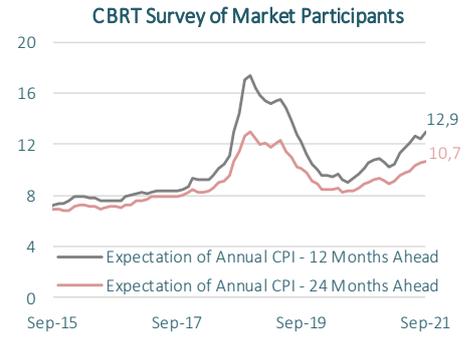
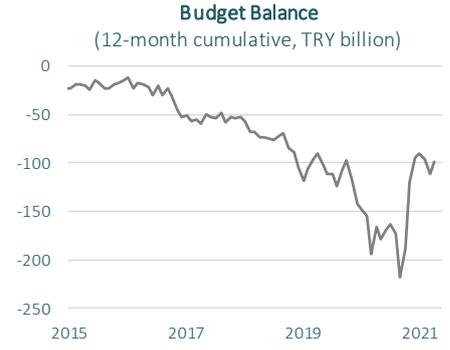
The BRSA announced that the general maturity limit for consumer loans has been reduced from 36 months to 24 months for the loans with the amount above 50K TRY. In addition, the BRSA changed some temporary regulations applied in the obligations that must be fulfilled by banks in order to support the real sector, bank customers and banks during the pandemic period.

### Financial markets...

Last week, global stock markets followed a volatile course due to various expectations of a decrease in asset purchases before the Fed meeting. US dollar appreciated against other major currencies thanks to the data indicating a strong course of economic activity in the US. Oil prices rose by 3.3% w/w as a result of increasing concerns about oil supply due to the damage caused by Hurricane Ida in the US, while gold prices declined by 1.9% w/w at the end of the week.

The BIST-100 index finished the week at 1,419 points with a decrease of 1.3%, following the 2% decline in the previous week. USD/TRY parity, which increased by 2.0% parallel to the appreciation of the US dollar in the global markets, reached 8.70 this morning for the first time since July. EUR/TRY rose to 10.13 on Friday.

On the agenda of global markets, Fed meeting and the global preliminary PMI data for September stands out. In Turkey, confidence indices for September will be announced. The decisions to be taken at the CBRT Monetary Policy Committee Meeting will be closely monitored.



Source: Datastream, CBRT

## Data Releases

		Period	Consensus	Prior
<b>20 September</b>	TR Central Government Gross Debt Stock	August	-	2,032 billion TRY
<b>21 September</b>	USA Housing Starts, units	August	1.560 million	1.534 million
<b>22 September</b>	TR Consumer Confidence Index	September	-	78.2
	Fed Meeting	September	-	-
	USA Existing Home Sales, units	August	5.88 million	5.99 million
	Euro Area Consumer Confidence, flash	September	-5.8	-5.3
<b>23 September</b>	CBRT Monetary Policy Meeting	September	-	-
	USA Manufacturing PMI, flash	September	61.5	61.1
	USA Services PMI, flash	September	55.0	55.1
	Euro Area Manufacturing PMI, flash	September	60.5	61.4
	Euro Area Services PMI, flash	September	58.7	59.0
<b>24 September</b>	TR Real Sector Confidence Index	September	-	113.9
	TR Capacity Utilization Rate	September	-	77.1%
	TR Foreign Visitors, yoy	August	-	367.5%
	USA New Home Sales, units	August	0.713 million	0.708 million

Source: Datastream

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