

|                           | 17-Sep  | 24-Sep  | Change   |                        | 17-Sep  | 24-Sep  | Change   |
|---------------------------|---------|---------|----------|------------------------|---------|---------|----------|
| BIST-100 Index            | 1,419   | 1,385   | -2.4 % ▼ | EUR/USD                | 1.1725  | 1.1714  | -0.1 % ▼ |
| TRY 2 Year Benchmark Rate | 17.68 % | 18.25 % | 57 bp ▲  | USD/TRY                | 8.6283  | 8.8786  | 2.9 % ▲  |
| Turkey 5-Year CDS Premium | 385     | 421     | 36 bp ▲  | EUR/TRY                | 10.1349 | 10.4101 | 2.7 % ▲  |
| MSCI EM Equity Index      | 1,279   | 1,265   | -1.1 % ▼ | Gold (USD/ounce)       | 1,754   | 1,750   | -0.2 % ▼ |
| US 10-Year Bond Rate      | 1.36 %  | 1.45 %  | 9 bp ▲   | Brent Oil (USD/barrel) | 75.3    | 78.1    | 3.7 % ▲  |

bp: basis point

Last week, the Fed's monetary policy meeting came forward on the global markets' agenda. After the meeting, Fed Chairman Powell stated that depending on the course of the labour market, Fed could begin scaling back asset purchases in November and complete the process by mid-2022. Preliminary PMI data released in the US and Euro Area indicated that activity in the manufacturing and services sectors lost some momentum in September. The CBRT cut the policy rate by 100 basis points at its meeting last week. The confidence indices announced in Turkey presented a positive outlook for the economic activity. The OECD updated its growth and inflation forecasts for Turkey. This week, personal consumption expenditures in the US and consumer inflation in the Euro Area stands out in the global markets. In domestic markets, foreign trade and manufacturing PMI figures will be monitored.

### The Fed signalled that a reduction in asset purchases could begin soon.

In its meeting ended on last Wednesday, the Fed did not make any change on policy rate and asset purchase program in line with market expectations. In the FOMC statement, it was declared that if progress in the US economy continues broadly as expected, the Committee judges that a moderation in the pace of asset purchases may soon be warranted. In his speech after the meeting, Fed Chairman Jerome Powell stated that whether the positive outlook in the employment data continues in September, as it is closely watched for the decision to reduce the pace of asset purchases, the Fed could begin scaling back asset purchases in November and complete the process by mid-2022. Powell also emphasized that the reduction in asset purchases does not directly signal an interest rate hike.

On the other hand, the median policy rate expectations of Fed members rose from 0.1% to 0.3% for 2022 and increased from 0.6% to 1% for 2023. The GDP growth expectation for 2021 decreased by 1.1 points to 5.9% compared to the June projections with the view that the increase in the number of cases decelerated the economic recovery. In addition to that, the PCE inflation projections rose by 0.8 points to 4.2%.

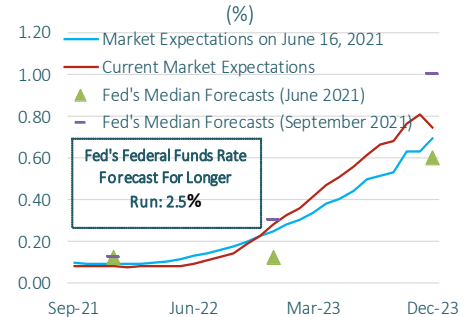
### Preliminary PMI data in the US and Euro Area dedined in September.

According to the preliminary data announced in the US, manufacturing PMI fell to 60.5 which was below the market expectations and services PMI fell to a 14-month low reading of 54.4 in in September. In the Euro Area, manufacturing PMI dropped to a 7-month low by 58.7 while services PMI decreased to 56.3. It was stated that the disruptions in the supply chain had a negative impact on the activities of both sectors. Preliminary data indicated that although the economic activity of the US and Euro Area slowed down compared to the previous month, it still maintained its strong course.

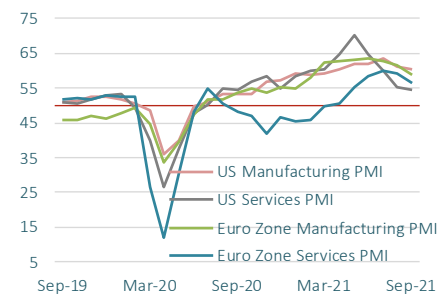
### OECD revised its growth and year-end inflation forecasts for Turkey.

In the September Interim Economic Outlook Report published last week, OECD reduced its global growth forecast by 0.1 points to 5.7% for 2021, in line with the negative effects of the delta variant and supply constraints while raising it by 0.1 points to 4.5% for 2022. OECD raised its growth forecast for Turkey by of 2.7 points to 8.4% for 2021 while revising it downwards by 0.3 points to 3.1% for 2022. The organization also updated its 2021 and 2022 year-end inflation

Forecast for the Federal Funds Rate



US and Euro Area PMI Data



OECD Projections (yoy % change)

|                          | Projections of September (%) |      | Change* (% points) |      |
|--------------------------|------------------------------|------|--------------------|------|
|                          | 2021                         | 2022 | 2021               | 2022 |
| <b>GDP Growth</b>        |                              |      |                    |      |
| World                    | 5.7                          | 4.5  | -0.1               | 0.1  |
| US                       | 6.0                          | 3.9  | -0.9               | 0.3  |
| Euro Zone                | 5.3                          | 4.6  | 1.0                | 0.2  |
| Turkey                   | 8.4                          | 3.1  | 2.7                | -0.3 |
| <b>Endyear Inflation</b> |                              |      |                    |      |
| US                       | 3.6                          | 3.1  | 0.7                | 0.5  |
| Euro Zone                | 2.1                          | 1.9  | 0.3                | 0.7  |
| Turkey                   | 17.8                         | 15.7 | 1.8                | 2.9  |

(\*) Difference from May projections

Source: Datastream, Fed, OECD

forecasts for Turkey upwards from 16.0% to 17.8% and from 12.8% to 15.7%, respectively.

#### CBRT cut the policy rate by 100 bps at its September meeting.

CBRT cut the policy rate by 100 bps to 18% at its meeting held on Thursday. The market expectations had implied that the policy rate would remain unchanged. CBRT stated that the recent rise in inflation was due to the rise in food and import prices, supply-side problems stemming from supply chains, as well as the rise in administered/directed prices and the increase in demand due to normalization. CBRT also stated that the said effects were due to transitory factors. Within the text published after the meeting, CBRT pointed out that the tight monetary stance started to have a contractionary effect on commercial loans beyond the anticipated, while emphasizing that macroprudential policies were strengthened in order for retail loans to return to a moderate course. In this context, CBRT announced that the monetary policy stance was updated by taking into account the core inflation developments. In addition, while the statement in the previous text which was saying “the policy rate to be formed over the inflation rate, to the extent that it will maintain the strong disinflationary effect” is not included in the last text; it was underlined that all instruments will continue to be used decisively until the medium-term 5% target is achieved.

#### Confidence indices displayed a positive outlook for the economic activity.

The consumer confidence index rose in September after declining for 2 months. According to the seasonally adjusted data, the index increased by 1.8% mom to 79.7. Considering the sub-items of the index, 17 of the 18 sub-indices has improved where the recovery in the general economic situation and the expectations for the number of people unemployed over the next 12 months drew attention. In addition, the seasonally adjusted real sector confidence index increased by 1.1 points mom to 113.3 in September. In this period, while the total employment and production volume sub-indices for the next 3 months improved, the export order for the next 3 months index decreased.

#### Number of foreign visitors rose by 93.6% in the first eight months of the year.

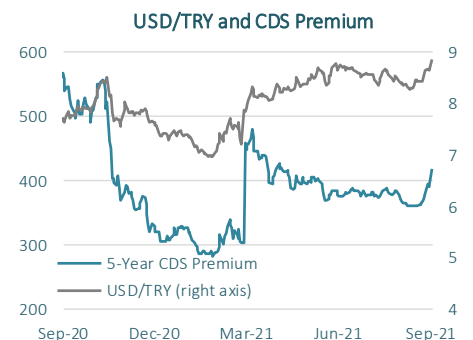
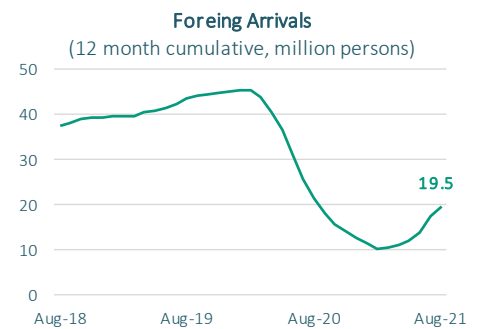
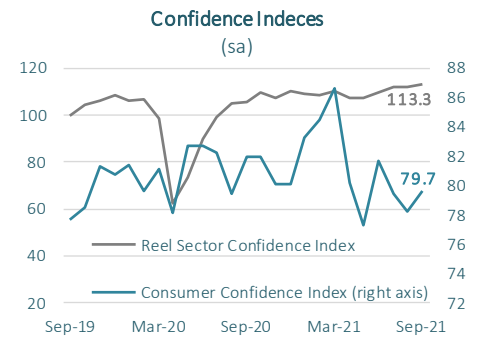
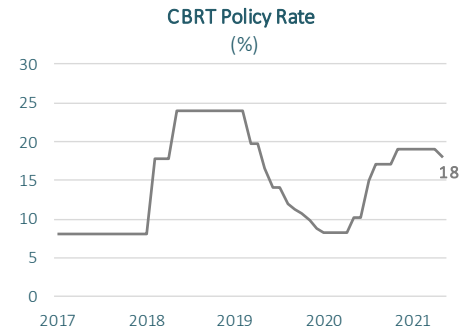
According to the data of the Ministry of Culture and Tourism, the number of foreign visitors to Turkey in August increased by 119.4% yoy to approximately 4 million persons. Thus, number of visitors in the January-August period increased by 93.9% compared to the same period of the previous year, reaching 14 million people. On the other hand, number of foreign visitors in this period was 54.6% below the level in the first eight months of 2019.

#### A volatile course was observed in the financial markets.

Last week, global markets followed a volatile course due to the cautious wait before the Fed meeting and the risk of default by Chinese real estate developer Evergrande. After Fed Chairman Powell's statements, global stock markets rose. While the US 10-year Treasury bond yield went up by 9 bps wow, the DXY index, representing the value of the US dollar against major currencies, increased slightly.

The BIST-100 index closed the week at 1,385 points by falling 2.4% and recorded a weekly decline for 3 weeks in a row. After the CBRT's interest rate cut, differing negatively from other emerging currencies, Turkish lira depreciated by 2.9% and 2.7% wow, respectively, against USD and EUR. Turkey's 5-year CDS risk premium also increased by 36 bps compared to the previous week and reached 421.

This week, personal consumption expenditures (PCE) in the US and leading CPI data in the Euro Area along with the consumer confidence indices will be followed in global markets. In Turkey, August reading of foreign trade statistics and September reading of manufacturing industry PMI data will be followed.



Source: Datastream

Data Releases

|                     |   | Period    | Consensus | Prior             |
|---------------------|---|-----------|-----------|-------------------|
| <b>27 September</b> | USA Durable Goods Orders, mom           | August    | 0.7%      | -0.1%             |
| <b>28 September</b> | USA Consumer Confidence, flash          | September | 114.5     | 113.8             |
| <b>29 September</b> | TR Economic Confidence                  | September | -         | 100.8             |
|                     | Euro Area Consumer Confidence, final    | September | -4.0      | -4.0              |
| <b>30 September</b> | TR Trade Balance                        | August    | -         | -4.28 billion USD |
|                     | USA GDP Growth, final, yoy              | 2021 Q2   | 6.6%      | 6.6%              |
|                     | Euro Area Unemployment Rate             | August    | 7.5%      | 7.6%              |
| <b>1 October</b>    | TR Manufacturing PMI                    | September | -         | 54.1              |
|                     | USA Core PCE, mom                       | August    | 0.2%      | 0.3%              |
|                     | USA Manufacturing PMI, final            | September | -         | 60.5              |
|                     | USA ISM Manufacturing PMI               | September | 59.5      | 59.9              |
|                     | USA Michigan Consumer Confidence, final | September | 71.0      | 71.0              |
|                     | Euro Area CPI Inflation, flash, yoy     | September | 3.3%      | 3.0%              |
|                     | Euro Area Manufacturing PMI, final      | September | 58.7      | 58.7              |

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