

	24-Sep	1-Oct	Change		24-Sep	1-Oct	Change
BIST-100 Index	1,385	1,401	1.2 % ▲	EUR/USD	1.1714	1.1594	-1.0 % ▼
TRY 2 Year Benchmark Rate	18.25 %	18.17 %	-8 bp ▼	USD/TRY	8.8786	8.8552	-0.3 % ▼
Turkey 5-Year CDS Premium	421	432	11 bp ▲	EUR/TRY	10.4101	10.2706	-1.3 % ▼
MSCI EM Equity Index	1,265	1,247	-1.5 % ▼	Gold (USD/ounce)	1,750	1,760	0.6 % ▲
US 10-Year Bond Rate	1.45 %	1.47 %	1 bp ▲	Brent Oil (USD/barrel)	78.1	79.3	1.5 % ▲

bp: basis point

The statements of the Fed and ECB officials regarding the inflation outlook and asset purchases were followed last week. In addition to these statements, the impact of rising energy prices on global markets has been closely monitored. In the Euro Area, according to the preliminary data, CPI increased by 3.4% yoy in September, recording the fastest rise in 13 years. In the same period, while manufacturing PMI data displayed a positive picture for the sector in the US and the Euro Area, the NBS manufacturing PMI in China fell below the threshold level for the first time since February 2020, when the effects of the pandemic were felt. In Turkey, CPI inflation rose to 19.58% yoy in September. Although the manufacturing PMI in Turkey decreased compared to the previous month, it remained above the threshold level coming in at 52.5, indicating that the recovery in the sector continues. This week, US, China and Euro Area services PMI figures for September as well as non-farm payroll data in the US for the same period stand out in global markets. In Turkey, the Treasury cash balance for September will be monitored.

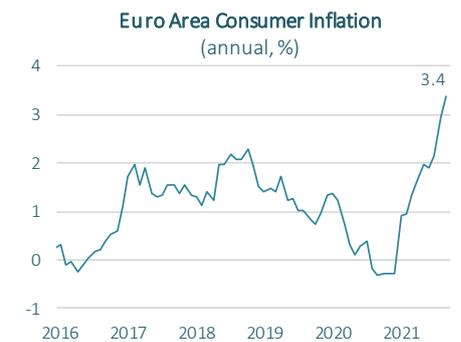
#### ISM manufacturing PMI in the US came in above market expectations in September.

In the week ending on September 25, the US initial jobless claims increased by 11 thousand to 362 thousand people. This was the third weekly increase in a row. Despite the fact that the current levels remain as the lowest levels recorded since the beginning of the pandemic, the recent increase in the number of jobless claims has raised concerns about the recovery in the labor market. On the other hand, Michigan consumer sentiment index for September rose to 72.8, signaling that the upward trend in consumption expenditures may continue in September as well. In the same period, ISM manufacturing PMI came in at 61.1, above market expectations. The US Senate approved the interim budget bill on Thursday, postponing the possibility of a government shutdown until December 3, 2021. Thursday's vote on the 1 trillion USD infrastructure spending bill, which passed the Senate on August 10, was delayed by the House of Representatives.



#### CPI in Euro Area recorded the fastest annual increase in the last 13 years.

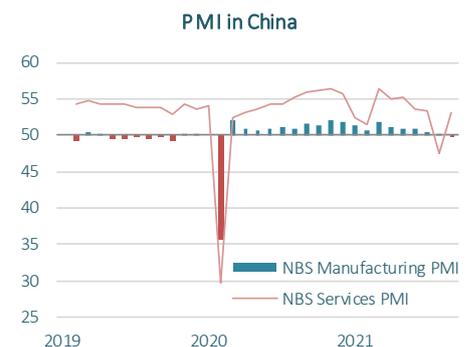
In the Euro Area, according to the preliminary figures, CPI increased by 0.5% mom in September and registered the fastest annual increase in the last 13 years with 3.4%. In her speech at the European Parliament at the beginning of the week, ECB President Lagarde stated that annual CPI inflation, which reached 3% in August in the Euro Area, would continue to rise in the coming months, but a significant part of the increase was due to temporary factors. On the other hand, inflation expectations of both producers and consumers continued to surge in the Euro Area, according to consumer confidence index in September. This supported the views that rising energy prices with the pandemic will continue to exert upward pressure on inflation in the coming period. The final manufacturing PMI in the Region came in at 58.6 in September and continued to give positive signals regarding economic activity, despite the slight decline compared to August.



The developments regarding the energy crisis, that began in Europe and has started to spread across the world, are being monitored closely. Natural gas and electricity prices in Europe increased rapidly last week as the winter season approached and supply problems persisted. Along with these developments, coal and carbon allowance prices have also increased in the Region.

#### China's manufacturing PMI decreased in September due to energy shortage.

In China, NBS manufacturing PMI fell to 49.6 in September, below the threshold level for the first time since February 2020, due to the power cuts aimed at reaching climate goals and rising input prices. In the same period, NBS services sector PMI



Source: Datastream

increased by 5.7 points on a monthly basis and reached 53.2.

#### Annual CPI inflation rose to 19.58% in September.

In Turkey, consumer prices increased by 1.25% mom in September, slightly below market expectations. In this period, the fastest monthly increase was recorded in education, furnishings and housing groups. On the other hand, clothing and footwear declining by 0.2% mom became the only main group that prices have fallen. While annual CPI inflation became 19.58% in September, annual D-PPI inflation decreased from 45.52% to 43.96%. In this period, the core inflation (C index) was recorded as 16.98% yoy.

#### Manufacturing PMI in Turkey became 52.5 in September.

The manufacturing PMI, which was 54.1 in August, decreased to 52.5 in September. Despite this slight decline, the operating conditions of the sector improved on a monthly basis. According to the statement made by the Istanbul Chamber of Industry, the total new business volume was supported by a further marked rise in new export orders. In this period, it was seen that, due to the built up of safety stocks to avoid disruptions in the supply chains, pre-production stocks were raised at the fastest pace since late 2017.

#### The foreign trade deficit narrowed rapidly in September.

According to the provisional data announced by the Ministry of Trade, exports increased by 30% to 20.8 billion USD in September, while imports increased by 12.2% to 23.4 billion USD. In this period, foreign trade deficit decreased by 46.4% yoy and became 2.6 billion USD due also partly to the decline in net gold imports.

#### The withholding tax reduction in TRY deposits has been extended until the end of the year.

The withholding tax reduction applied to Turkish lira deposits, which was scheduled to end on September 30, has been extended until December 31, 2021. BOTAS, which published the natural gas sales prices for October on Friday, announced that the price of natural gas used in power generation plants and industry was increased by 15%, while the price of the gas used by households remained unchanged. In addition, Energy Market Regulatory Authority announced that there is no change in the final electricity sales prices. On the other hand, the period of VAT discounts applied in accommodation, food and beverage, transportation, workplace rental and other services that were adversely affected by the coronavirus pandemic has not been extended.

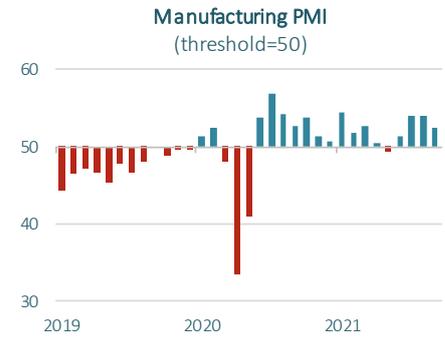
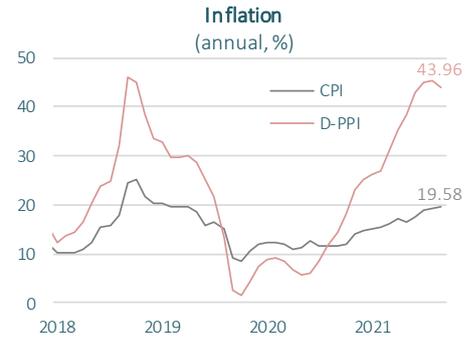
#### Global markets...

Last week, due to the concerns that the increase in inflation might not be temporary and the Fed officials' signals that it would be appropriate to start reducing the asset purchases, the 10-year US Treasury bond yield rose almost to 1.57% and ended the week at 1.47%. While the DXY index, representing the value of the US dollar against major currencies, tested the highest levels in about a year during the week, it declined slightly after the announcement of the initial jobless claims data in the US supporting the views that the Fed's plan to reduce asset purchases could be re-evaluated. Global stock market indices drew a negative picture throughout the week due to the concerns that developments in the energy market might deepen supply constraints in parallel with the rise in commodity prices and supply-chain problems.

BIST-100 index decoupled positively from the global markets last week and closed the week at 1,401 points with a weekly increase of 1.2%. Testing its new peak of 8.95 on Wednesday with the effect of the US dollar's appreciation in international markets, USD/TRY recorded a moderate decline towards the end of the week and declined to 8.86. Turkey's 5-year CDS risk premium, which has been on an upward trend since the previous week, increased by 11 bps to 432 last week.

#### This week's agenda...

This week, September readings of services PMI data in the US, China and Euro Area along with nonfarm payrolls data in the US stand out in global markets. In domestic markets, the Treasury cash balance for September will be followed.



Source: Datastream, CBRT, TurkStat

Data Releases

		Period	Consensus	Prior
<b>4 October</b>	TR CPI Inflation, yoy	September	19.58% (A)	19.25%
	TR D-PPI Inflation, yoy	September	43.96% (A)	45.52%
	USA Factory Orders, mom	August	1.0%	0.4%
	Euro Area Sentix Index	October	18.6	19.6
<b>5 October</b>	USA Services PMI, final	September	-	54.4
	USA ISM Services PMI	September	60.0	61.7
	Euro Area PPI Inflation, mom	September	1.3%	2.3%
	Euro Area Services PMI, final	September	56.3	56.3
<b>6 October</b>	USA ADP Employment Report	September	430K	374K
	Euro Area Retail Sales, mom	August	0.8%	-2.3%
<b>7 October</b>	TR Treasury Cash Balance	September	-	64.3 billion TRY
<b>8 October</b>	USA Nonfarm Payrolls	September	460K	235K
	USA Unemployment Rate	September	5.1%	5.2%
	China Caixin Services PMI	September	-	46.7

(A) Actual

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