

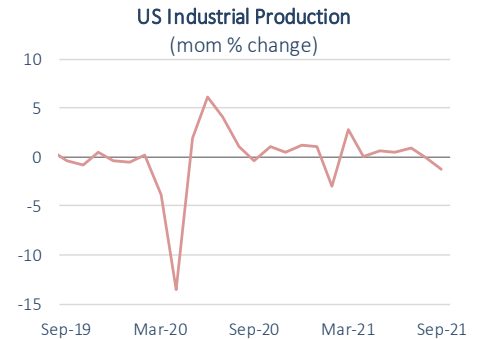
	15-Oct	22-Oct	Change		15-Oct	22-Oct	Change
BIST-100 Index	1,410	1,480	5.0 % ▲	EUR/USD	1.1600	1.1647	0.4 % ▲
TRY 2 Year Benchmark Rate	18.57 %	18.37 %	-20 bp ▼	USD/TRY	9.2517	9.5757	3.5 % ▲
Turkey 5-Year CDS Premium	446	460	13 bp ▲	EUR/TRY	10.7537	11.1766	3.9 % ▲
MSCI EM Equity Index	1,284	1,293	0.7 % ▲	Gold (USD/ounce)	1,767	1,792	1.4 % ▲
US 10-Year Bond Rate	1.57 %	1.64 %	6 bp ▲	Brent Oil (USD/barrel)	84.9	85.5	0.8 % ▲

bp: basis point

Last week, global markets followed a volatile course, while PMI data announced in the US and Euro Area indicated that economic activity remained strong albeit losing some momentum. At its October meeting, the CBRT cut the policy rate by 200 basis points to 16%. Following the interest rate decision, the Turkish lira depreciated rapidly, while USD/TRY and EUR/TRY reached historic highs. FATF, an international money-laundering watchdog, put Turkey on the "grey list". This week, in addition to the ECB meeting, the preliminary economic growth data for the third quarter in the US and Euro Area come to the fore in global markets. The last Inflation Report of the year will be followed closely in Turkey.

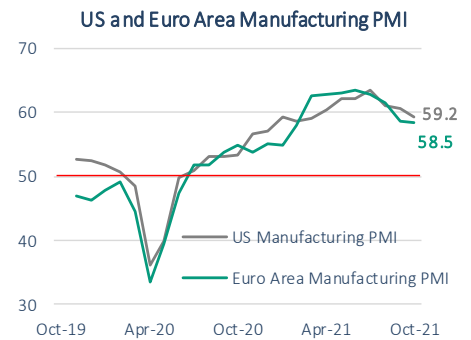
US economic activity remained strong.

Preliminary manufacturing PMI data in the US fell to 59.2 in October, yet remained at high levels. In the same period, services PMI came in at 58.2 exceeding expectations. Latest data releases in the US indicated that the recovery in economic activity continued albeit losing some momentum in the third quarter. Existing home sales increased by 7% mom in September to its highest level since January 2021, while housing starts narrowed by 1.6% during this period. In the week to October 16, initial jobless claims, declining at the third week in a row, came in at below expectations with 290K. In September, industrial production narrowed by 1.3% mom, despite the expectation of an increase of 0.2%. The 7.2% decrease in motor vehicle production due to supply shortages in semiconductor materials was behind this development.



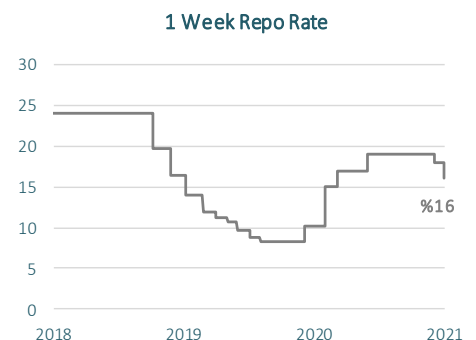
Euro Area economy is losing momentum.

Manufacturing PMI in the Euro Area, which declined slightly compared to the previous month, was above expectations with 58.5 in October, while services PMI fell to the lowest level of the last 6 months with 54.7. PMI data indicated that the Euro Area economy lost some momentum in the fourth quarter as supply chain-driven cost increases and high inflationary pressures continued. According to the final figures, the CPI in the Euro Area increased by 0.5% mom and by 3.4% yoy, in line with the expectations.



CBRT cut the policy rate by 200 bps at its October meeting.

CBRT, which cut the policy rate by 100 basis points in September, lowered the policy rate by 200 basis points to 16% at its meeting held on Thursday. In the text published after the meeting, CBRT stated that supply-side factors such as increases in import prices, especially in food and energy, and disruptions in supply processes, increases in administered prices and demand developments due to reopening were effective in the recent rise in inflation and added that these effects were caused by transitory factors. On the other hand, as stated in the previous MPC decision, the monetary policy stance was updated and the policy rate cut was decided, as the tightness in the monetary stance had a higher than envisaged contractionary effect on commercial loans. The Committee assessed that, till the end of the year, supply-side transitory factors leave limited room for the downward



Source: Datastream, CBRT

adjustment to the policy rate. In addition, the CBRT decided to support sustainable finance initiatives as a long-term policy without prejudice to the main objectives of monetary policy in order to limit climate and other environmental risks.

Consumer confidence index fell sharply in October.

According to seasonally adjusted data, the consumer confidence index decreased by 3.6% mom to 76.8 in October, taking its lowest value since February 2009. A weak outlook prevailed in all sub-indices of the consumer confidence index while the rapid deterioration in the assessments over the probability of saving over the next 12-month period and the probability of buying a car and house indices was noteworthy in October. Seasonally adjusted real sector confidence index fell by 2 points on a monthly basis and became 111.3 in October. It was observed that all sub-indices declined except for the assessments regarding fixed capital investment expenditure and the total amount of orders in the last three months. In this period, seasonally adjusted capacity utilization rate in the manufacturing sector decreased by 0.3 point compared to the previous month and became 77.5%.

FATF put Turkey on the "grey list".

Turkey has been placed on the “grey list” by the Financial Action Task Force (FATF). Countries on the grey list are considered to have strategic deficiencies in the areas of combating money laundering and terrorism financing and are subject to more detailed monitoring. Turkey, which was previously on the grey list in 2011, was removed from the list in 2014 after undertaking the necessary regulations. In a report published by FATF in December 2019, it was stated that Turkey had shortcomings in the fight against financial crimes.

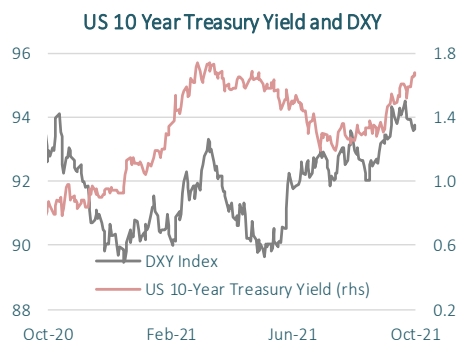
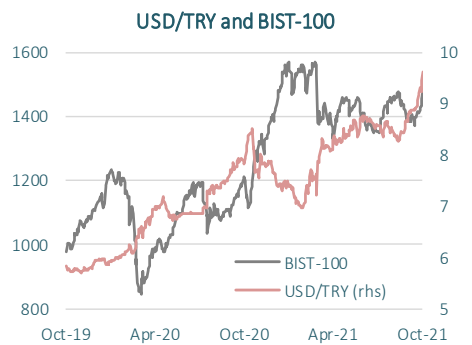
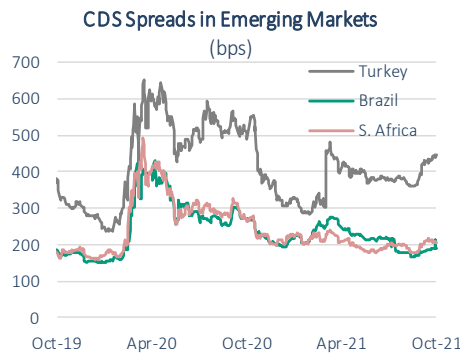
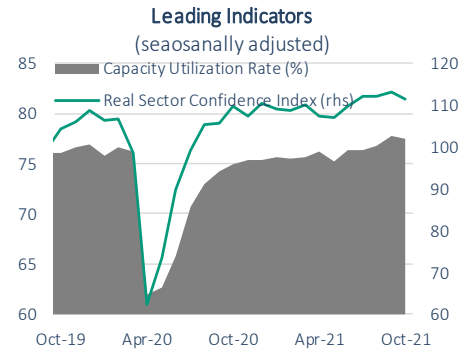
Financial markets...

Last week, strong third-quarter balance sheet announcements and Chinese real estate firm Evergrande’s last minute bond payment on Friday defying concerns over a possible default supported global equity markets. While the US 10-year Treasury bond yield increased by 9 bps wow to 1.64%, the DXY index, which has been declining since last week, closed the week at 93.64. Boosted by the depreciation of the US dollar in global markets, gold prices rose to the level of 1,792 USD/ounce.

The USD/TRY rate, which started last week at 9.25, accelerated its rise after the CBRT’s more-than-expected interest rate cut. Ending the week with an increase of 3.5%, the USD/TRY rate rose to 9.85, reaching a new record high at the weekend when the domestic markets were closed. EUR/TRY, which was 11.18 at the close on Friday, also tested its new peak of 11.44 at the beginning of the week. Turkey’s 5-year CDS Premium surged to 460, hitting its highest level since the change of the CBRT President in March. BIST-100 index, on the other hand, rose 5% wow.

This week's agenda...

This week, in addition to the ECB meeting, the preliminary economic growth data for the third quarter in the US and Euro Area come to the fore in global markets. In Turkey, the last Inflation Report of 2021, which will be published on Thursday by the CBRT, will be followed.



Source: Datastream, TURKSTAT

Data Releases

		Period	Consensus	Prior
25 October	TR Real Sector Confidence Index	October	109.6 (A)	113.4
	TR Capacity Utilization Rate	October	78.0% (A)	78.1%
26 October	USA Consumer Confidence, flash	October	108.8	109.3
	USA New Home Sales, mom	September	-	1.5%
27 October	TR Trade Balance	September	-	-4.26 billion USD
	TR Economic Confidence	October	-	102.4
	USA Durable Goods Orders, mom	September	-1.0%	1.8%
28 October	CBRT Inflation Report	2021 Q4	-	-
	TR Foreign Visitors, yoy	September	-	119.4%
	USA GDP Growth, prelim, yoy	2021 Q3	2.8%	6.7%
	USA Pending Home Sales, mom	September	0.5%	8.1%
	ECB Meeting	October	-	-
29 October	Euro Area Consumer Confidence, final	October	-	-4.8
	USA Core PCE, mom	September	0.2%	0.3%
	USA Michigan Consumer Confidence, final	October	71.6	71.4
	Euro Area GDP Growth, flash, yoy	2021 Q3	3.5%	14.3%
	Euro Area CPI Inflation, flash, yoy	October	3.7%	3.4%

(A) Actual

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