

	3-Dec	10-Dec	Change		3-Dec	10-Dec	Change
BIST-100 Index	1,910	2,035	6.5 % ▲	EUR/USD	1.1313	1.1311	0.0 % ●
TRY 2 Year Benchmark Rate	21.39 %	21.07 %	-32 bp ▼	USD/TRY	13.7000	13.8774	1.3 % ▲
Turkey 5-Year CDS Premium	537	499	-38 bp ▼	EUR/TRY	15.5015	15.7063	1.3 % ▲
MSCI EM Equity Index	1,225	1,239	1.2 % ▲	Gold (USD/ounce)	1,784	1,783	-0.1 % ▼
US 10-Year Bond Rate	1.36 %	1.48 %	12 bp ▲	Brent Oil (USD/barrel)	69.9	75.2	7.5 % ▲

bp: basis point

Last week, developments regarding the Omicron variant were followed in the global markets. The statements suggesting that three doses of the vaccine developed by BioNTech and Pfizer could be effective against the variant, increased the risk appetite in the markets. In the US, annual consumer inflation hits a nearly 40-year high by rising 6.8% in November while initial jobless claims fell to its lowest level since March 2020 according to 4-week averages. In Turkey, industrial production rose 8.5% in October, where the current account balance gave a surplus of 3.2 billion USD. In the same period, the unemployment rate decreased to 11.2%. According to the December Survey of Market Participants, for the year-end, consumer inflation expectation rose to 23.85% whereas USD/TRY rate expectation rose to 13.77. This week, the Fed and the ECB's meetings as well as the leading PMI data for December in the US and Euro Area will be followed in global markets. In Turkey, the CBRT's monetary policy meeting will be closely monitored.

Annual inflation in the US reached its highest level in nearly 40 years.

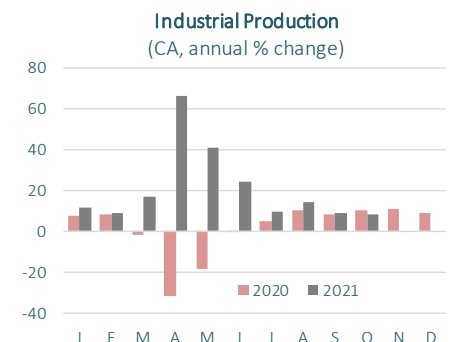
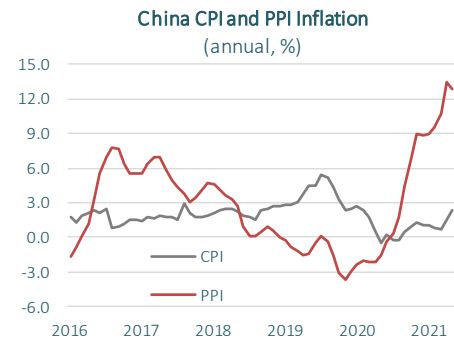
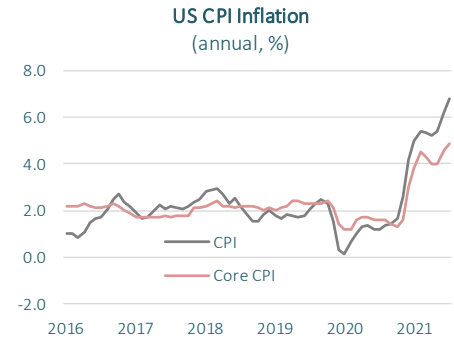
Consumer prices in the US rose by 6.8% yoy in November, in line with the expectations. Thus, CPI inflation recorded its fastest annual increase since June 1982. Core inflation, excluding unprocessed food and energy prices, rose to 4.9% in November. Michigan consumer confidence index which was above the expectations by 70.4 in December, also gave positive signals regarding the spending trend. In the week ending December 4, the initial jobless claims was 184K, well below the market expectations of 215K. In this period, 4-week average of the initial jobless claims fell to 219K people which is the lowest level since March 2020.

Export growth in China decelerated in November.

China's exports rose by 22% yoy in November, while imports increased by 31.7%. In this period, the increase in exports lost momentum in line with the slowdown in demand and increasing costs. However imports posted a strong growth thanks to rising demand for commodities, especially for coal. In addition, annual CPI in the country grew by 2.3% in November, below the expectations, while the annual increase in PPI inflation lost momentum compared to the previous month, increasing by 12.9%.

In Turkey, industrial production increased 8.5% yoy in October.

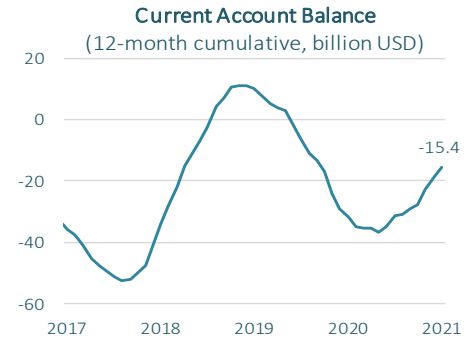
According to seasonally and calendar adjusted data, industrial production rose by 0.6% mom in October following the monthly decline in September. The production of the mining and quarrying sector decreased by 0.3% compared to the previous month, while the production of the manufacturing industry and electricity, gas, steam and air conditioning production and distribution sectors increased by 0.7% and 0.1%, respectively. According to the calendar adjusted data, the annual rise in industrial production was 8.5% in October, slightly above the forecasts. Industrial production, which increased by 18.7% in the first 10 months of 2021, indicated that the strong course of the economic activity continued. The PMI data released at the beginning of December pointed out that the strong course in the manufacturing industry continued in November as well. On the other hand, rising costs and the slowdown in new orders pose risks on industrial activity.



Source: Datastream

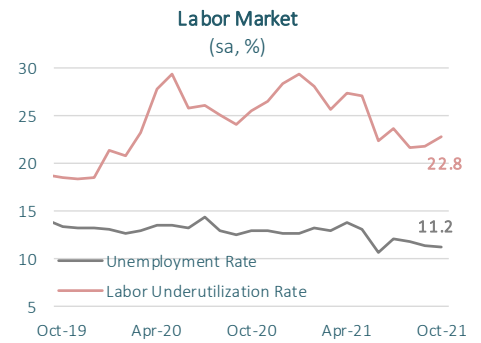
The current account balance posted a surplus of 3.2 billion USD in October.

The current account, which had a deficit of 93 million USD in October 2020, posted a surplus of 3.2 billion USD in the same month of this year. Positive performance of the foreign trade balance, posting a surplus for the first time since November 2018 thanks to strong exports, was effective in this development. Annual increase of 1.8 billion USD in net service revenues due to the rise in transportation and tourism revenues also helped current account balance to recover. The current account deficit contracted by 71% yoy in the January-October period to 8.4 billion USD and the 12-month cumulative current account deficit decreased to 15.4 billion USD.



The unemployment rate fell to 11.2% in October.

Seasonally adjusted unemployment rate decreased by 0.2 points mom to 11.2% in October. The labour force participation rate increased 0.1 percentage point mom to 52%, the highest level since December 2019. The employment rate also increased by 0.2 points compared to the same month of the previous year to 46.2%. While the number of people employed rose 211K in the services sector in October compared to the previous month, it decreased by 58K in the industry. On the other hand, the labour underutilization rate due to time, potential labour force and the unemployed increased by 1 percentage point mom to 22.8%.

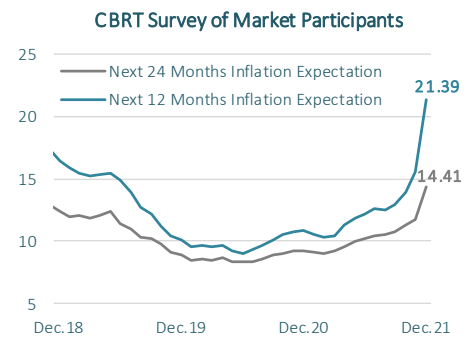


Inflation and exchange rate expectations rose in Turkey.

Inflation expectations in Turkey rose significantly in line with the rapid increase in the exchange rates and producer prices. According to the Survey of Market Participants published by the CBRT in December, the year-end consumer inflation expectation, which was 19.31% in the previous period, rose to 23.85%. CPI expectations for the next 12 and 24 months were 21.39% and 14.41%, respectively. While the year-end USD/TRY rate expectation was 13.77, the USD/TRY rate expectation for the next 12 months increased to 15.56. GDP growth expectation for 2021 rose to 9.9% in December up from 9.2%.

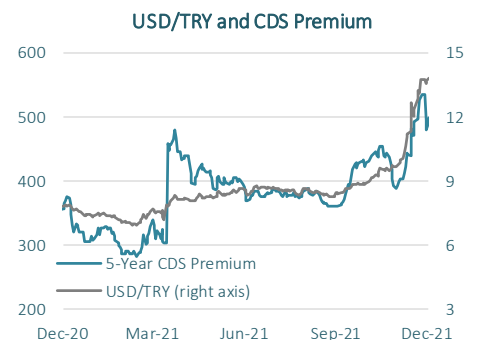
Omicron concerns in the financial markets eased.

Last week, global markets displayed a positive course due to the news suggesting that three doses of the vaccine developed by BioNTech and Pfizer could be effective against the variant. In line with the easing concerns regarding the variant, global stock indices rose throughout the week. The price of Brent crude oil, which has been decreasing for the last 6 weeks, increased 7.5% compared to the previous week and rose to 75.2 USD/barrel thanks to the improvement in demand expectations. While gold prices closed the week with a limited decline, the US 10-year Treasury bond yield rose 12 bps to 1.48%, right before the Fed meeting to be held this week.



The positive outlook in the global markets was also reflected in the domestic markets. BIST-100 index, which carried its continuous rise to the 9th week on a weekly basis, closed the week at 2.035 by rising 6.5%. Turkey's 5-year CDS risk premium declined 38 bps to 499 points. Turkish lira followed a volatile course against the US dollar and the euro during the week in which CBRT intervened in the market through selling foreign exchange. USD/TRY was 13.88 at the close on Friday while EUR/TRY became 15.71. TRY started this week with a rapid depreciation.

This week, the Fed and the ECB's meetings as well as the leading PMI data for December in the US and Euro Area will be followed in global markets. In Turkey, the CBRT's monetary policy meeting will be closely monitored. According to the Reuters poll, CBRT is expected to cut the policy rate by 100 bps.



Source: Datastream

Data Releases

		Period	Consensus	Prior	
13 December	TR Current Account Deficit	October	3.2 billion USD (A)	1.7 billion USD	
	TR Industrial Production, yoy	October	8.5% (A)	8.9%	
14 December	TR House Sales, yoy	November	-	14.9%	
	USA PPI Inflation, yoy	November	9.2%	8.6%	
	Euro Area Industrial Production, yoy	October	3.4%	5.2%	
15 December	TR Budget Balance	November	-	-17.4 billion TRY	
	Fed Meeting	December	-	-	
	USA Retail Sales, mom	November	0.8%	1.7%	
	USA NY Fed Manufacturing Index	December	27.3	30.9	
	China Industrial Production, yoy	November	3.8%	3.5%	
	China Retail Sales, yoy	November	4.9%	4.9%	
	16 December	CBRT Monetary Policy Meeting	December	-	-
		TR Housing Price Index	October	-	198.8
USA Manufacturing PMI, flash		December	58.5	58.3	
USA Services PMI, flash		December	58.7	58.0	
USA Industrial Production, mom		November	0.7%	1.6%	
USA Capacity Utilization Rate		November	76.8%	76.4%	
USA Philadelphia Fed Manufacturing Index		December	30.0	39.0	
USA Housing Starts, units		November	1.57 million	1.52 million	
ECB Meeting		December	-	-	
Euro Area Manufacturing PMI, flash		December	57.7	58.4	
Euro Area Services PMI, flash		December	54.2	55.9	
17 December	Euro Area CPI Inflation, final, yoy	November	4.9%	4.9%	
	BoJ Meeting	December	-	-	

(A) Actual

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