

	10-Dec	17-Dec	Change		10-Dec	17-Dec	Change
BIST-100 Index	2,035	2,084	2.4 % ▲	EUR/USD	1.1311	1.1239	-0.6 % ▼
TRY 2 Year Benchmark Rate	21.07 %	22.30 %	123 bp ▲	USD/TRY	13.8774	16.4135	18.3 % ▲
Turkey 5-Year CDS Premium	499	575	76 bp ▲	EUR/TRY	15.7063	18.4537	17.5 % ▲
MSCI EM Equity Index	1,239	1,216	-1.8 % ▼	Gold (USD/ounce)	1,783	1,798	0.9 % ▲
US 10-Year Bond Rate	1.48 %	1.41 %	-7 bp ▼	Brent Oil (USD/barrel)	75.2	73.5	-2.2 % ▼

bp: basis point

Last week, the meetings of the Fed and the ECB were followed in global markets. Fed decided to increase tapering of asset purchases to 30 billion USD while the ECB announced that the Pandemic Emergency Asset Purchase Program will end in March 2022. December's preliminary manufacturing and services PMI data announced in the US and the Euro Area pointed out that the growth in the related sectors continued, albeit losing momentum especially in the services sector. In the US, producer prices rose by 9.6% yoy in November, the highest level of the last 11 years. In Turkey, the Central Government Budget posted a surplus of 32 billion TRY in November. At the Monetary Policy Committee meeting held on 16 December, the CBRT lowered the policy rate by 100 basis points to 14%. Last week, TRY depreciated rapidly, while the circuit breaker was applied for the first time since March in the stock market on Friday.

The Fed will taper asset purchases by 30 billion USD.

At the meeting ended on December 15, the Fed did not change the policy rate in line with the market expectations, but decided to increase the monthly asset purchases reduction from 15 billion USD to 30 billion USD. With the decision, bond purchases, which started during the pandemic, are expected to be terminated as of March 2022. In his speech after the meeting, Fed Chairman Jerome Powell stated that the strong outlook in economic activity required a faster reduction in asset purchases, and that the Fed is not planning to increase the interest rates until asset purchases will end.

Fed members' GDP growth expectations for 2021 decreased by 0.4 points to 5.5%, compared to the September forecasts, due to the increase in the number of coronavirus cases and supply-side restrictions. Fed's PCE inflation forecast for the year end rose by 1.1 points to 5.3%. The interest rate forecast of the members pointed out that they expect three times 25 basis points interest rate hikes in 2022.

Preliminary indicators in the US point to a momentum loss in December.

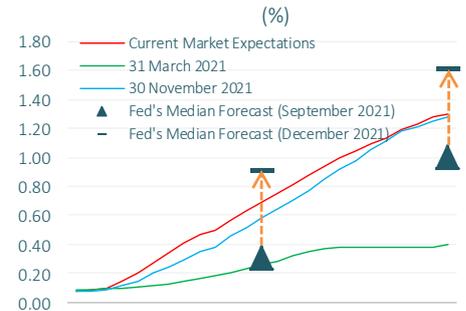
In the US, monthly PPI inflation rose to 0.8% in November, above the expectations, while annual PPI inflation came in at 9.6%, reaching its highest level since November 2010. Having increased by 1.8% mom in October, retail sales lost momentum in November due to the decline in consumption expenditures because of the rise in inflation and recorded an increase of 0.3% mom. In this period, industrial production expanded by 0.5% mom, also below the market expectations. Manufacturing industry and services PMI data for December declined to 57.8 and 57.5 respectively, pointing out that the growth in the sectors continued despite losing momentum compared to the previous months.

The ECB announced that it will discontinue net asset purchases program at the end of March 2022.

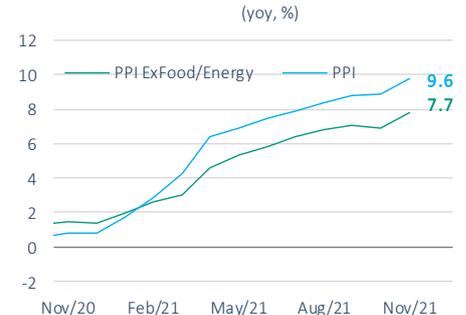
According to the preliminary data in the Euro Area, the manufacturing industry outperformed the expectations with PMI reaching 58, while services PMI fell below the market projections with the value of 53.3 due to the measures taken against the omicron variant.

European Central Bank did not change the interest rates at its meeting held on December 16, but announced that the Pandemic Emergency Asset Purchase Program (PEPP) would end in March 2022. ECB also stated that, in the first quarter of 2022, net PEPP purchases will continue at a lower pace compared to the previous quarter. In the UK, where consumer inflation hit a 10-year high of 5.1% in November, the Central Bank made the first rate hike in three years raising the policy rate to 0.25% last week.

Forecast for the Federal Funds Rate



US PPI Inflation



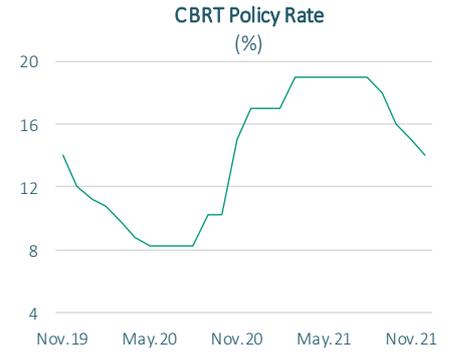
US and Euro Area Services PMI



Source: Datastream

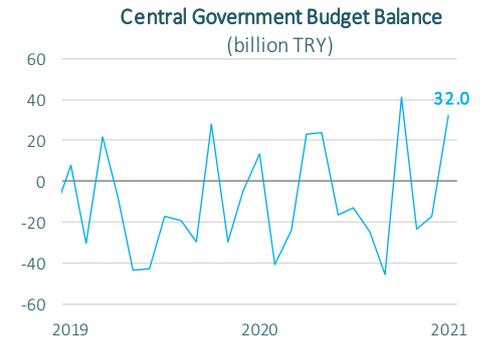
The CBRT lowered the policy rate to 14%.

At its meeting held on 16 December, the CBRT lowered the policy rate by 100 basis points to 14%. Thus, the CBRT has reduced interest rates by 500 basis points in four successive meetings since September. In the meeting text, it was stated that the use of the area implied by the temporary effects of supply-side and impact of incidental factors outside the monetary policy on price increases was completed, with the 100 basis point reduction. CBRT also added that the cumulative effects of the decisions taken will be closely monitored in the first quarter of 2022 and the policy framework will be broadly re-evaluated in order to reshape price stability on a sustainable basis in this period. In addition, CBRT stated that the current account balance is expected to have a surplus in 2022 with the strengthening of the upward trend in exports, that the continuation of the improvement trend in the current account balance is important for the price stability target, and in this context, commercial and individual loans are closely monitored.



The central government budget posted a surplus of 32 billion TRY in November.

The central government budget surplus, which was 13.4 billion TRY in November 2020, rose to 32 billion TRY in the same month of this year. In this period, budget revenues and budget expenditures expanded by 52.9% and 40.9% yoy, respectively. In the January-November period, the budget deficit narrowed by 64.8% yoy to 46.5 billion TRY, and according to the 12-month cumulative data, the budget deficit was realized as 89.7 billion TRY as of November, the lowest level since March 2019 ([our Budget Balance report](#)).



On 16 December, the government announced that the net minimum monthly wage for 2022 was determined as 4.253 TRY with an increase of 50%. The government declared that the minimum wage will be exempt from income tax and stamp tax as of 2022, while the relevant draft law was submitted to the Parliament.

Housing sales rose by 59% yoy.

House sales in Turkey rose by 59% yoy in November, reaching approximately 179K units, the highest level of November in the data series that started in 2013. In this period, mortgage sales increased by 61% yoy and other sales by 58.4% yoy. In the same period, first-hand sales surged by 52% yoy while second-hand sales by 62.4% yoy. Housing sales to foreigners went up by 48.4% yoy, reaching 7,363, the highest level of the last 8 years. However, the ratio of sales to foreigners to total house sales remained at a low level (4.1%). In the first 11 months of the year, total sales rose by 21.7% compared to the same period of last year, while mortgage sales decreased by 55.4% yoy.



According to the data released by the CBRT, Residential Property Price Index (RPPI) increased by 5.5% in October compared to the previous month. The annual nominal increase in RPPI was 40% and the real increase was 16.8%. The rapid depreciation of the Turkish lira in November and December is expected to put pressure on construction costs. The index is expected to continue its upward trend within this framework.

Turkish lira depreciated rapidly last week.

Global risk appetite has been under pressure in general over the last week. The negative impact of the Omicron variant on expectations regarding global demand had an impact on oil prices as well as financial markets. The barrel price of Brent crude oil decreased by 2.2% w/w to 73.5 USD. The DXY index hit its highest level in the last 16 months with 96.9 following the Fed meeting.

BIST-100 index, which followed a positive course in the first half of the week, declined rapidly by 8.5% on Friday. Circuit breaker was applied for the first time on the market since March. The index closed the week at 2,084 points, increasing by 2.4% w/w. TRY depreciated rapidly last week, and the USD/TRY parity touched the record high with 17.1 on Friday. The depreciation of TRY continues on the first trading day of this week. Turkey's 5-year CDS premium increased by 76 bps last week to 575, the highest level of the last 17 months.



This week, growth data for the third quarter of 2021 in the US and preliminary consumer confidence index for December in the Euro Area will be announced. In Turkey, consumer confidence index for December will be followed.

Source: Datastream

Data Releases

		Period	Consensus	Prior
20 December	TR Central Government Gross Debt Stock	November	-	2,268.7 billion TRY
21 December	TR Consumer Confidence Index	December	-	71.1
	Euro Area Consumer Confidence, flash	December	-8.0	-6.8
22 December	USA GDP Growth, final, yoy	2021 Q3	%2,1	%2,1
	USA Existing Home Sales, units	November	6.54 million	6.34 million
	USA Consumer Confidence, flash	December	110.5	109.5
23 December	USA Personal Consumption Expenditures, mom	November	0.6%	1.3%
	USA Durable Goods Orders, mom	November	1.6%	-0.4%
	USA Michigan Consumer Confidence, final	December	70.4	70.4
	USA New Home Sales, mom	November	770K	745K
24 December	TR Foreign Visitors, yoy	November	-	99.25%

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