

| | 17-Dec | 24-Dec | Change | | 17-Dec | 24-Dec | Change |
|---------------------------|---------|---------|----------|------------------------|---------|---------|-----------|
| BIST-100 Index | 2,084 | 1,891 | -9.3 % ▼ | EUR/USD | 1.1239 | 1.1317 | 0.7 % ▲ |
| TRY 2 Year Benchmark Rate | 22.30 % | 22.66 % | 36 bp ▲ | USD/TRY | 16.4135 | 10.6480 | -35.1 % ▼ |
| Turkey 5-Year CDS Premium | 575 | 545 | -30 bp ▼ | EUR/TRY | 18.4537 | 12.0532 | -34.7 % ▼ |
| MSCI EM Equity Index | 1,216 | 1,221 | 0.3 % ▲ | Gold (USD/ounce) | 1,798 | 1,808 | 0.6 % ▲ |
| US 10-Year Bond Rate | 1.41 % | 1.49 % | 8 bp ▲ | Brent Oil (USD/barrel) | 73.5 | 76.1 | 3.6 % ▲ |

bp: basis point

Last week, while the data released in the US pointed to the buoyant demand, consumer confidence index announced in Euro Area for December signaled that demand conditions in the region deteriorated. After the announcement of the "FX-linked TRY deposit" instrument on Monday evening, foreign exchange rates fell rapidly. On the other hand, consumer confidence index dropped to a historic low in December. Real sector confidence also declined in this period. This week, November foreign trade and December economic confidence index data will be followed in Turkey.

US data indicated that domestic demand remained strong.

Personal consumption expenditures price index in the US increased by 0.6% mom in line with the market expectations in November. The index recorded its fastest increase since 1982 with 5.7% on a yearly basis. In the same period, durable goods orders increased by 2.5% mom, above the expectations and consumer confidence index increased by 3.9 points compared to the previous month, reaching 115.8 in December. Ongoing improvement in consumer confidence in the last month of the year pointed out that the positive course in economic activity persisted despite the increasing Covid cases and the decrease in fiscal incentives. In the week ending December 18, jobless claims maintained the level announced in the previous week, 205 thousand people.

On the other hand, the December consumer confidence index announced in the Euro Area signaled that demand conditions in the region deteriorated.

Ease of concerns over the pandemic had a positive impact on the oil market.

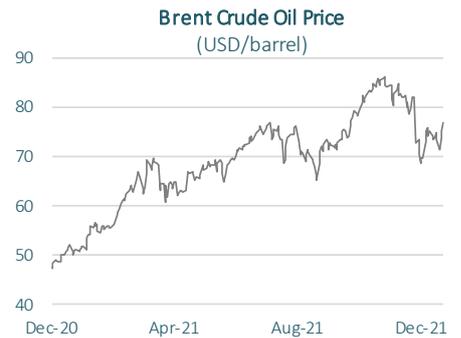
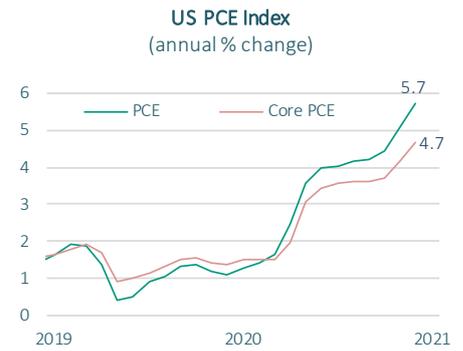
Last week, easing concerns regarding the pandemic had a positive impact on oil prices. As the US Food and Drug Administration authorized the use of antiviral Covid-19 drugs developed by Pfizer and Merck on Thursday, concerns regarding the pandemic have eased. This development had a positive impact on oil prices. Despite the decrease in the transaction volume, the price of Brent crude oil increased by 3.6% wow to 76.1 USD/barrel.

In Turkey, consumer confidence index fell to historic low in December.

Consumer confidence index decreased by 3.1% mom to 68.9 points in December. Thus, the index fell to its lowest level since the data began to be published in 2004. In this period, seasonally adjusted real sector confidence index decreased by 1.9 points compared to the previous month and became 110.1. On the other hand, seasonally adjusted capacity utilization rate increased by 0.8 mom and reached 78.4%.

FX-linked TRY deposit instrument was announced.

The details of the "FX-linked TRY deposit" instrument, which was announced on Monday evening, were released by the Ministry of Treasury and Finance on Tuesday. Accordingly, the interest/profit share to be paid to TL time deposit accounts/participation funds and the difference in exchange rates at



Source: Datastream, TurkStat

the beginning and at end of the maturity will be compared and the deposit and participation fund holder will be paid whichever is higher. If the amount to be calculated using the exchange rate applicable at the end of the maturity is greater than the sum of the principal and the interest/profit share, the difference will be paid in TL. Accounts can be opened with maturities of 3, 6, 9 and 12 months and the minimum interest rate to be applied by banks will be the policy rate, whereas the maximum interest rate will be determined by 300 basis points above the policy rate.

The CBRT also announced the "one-time FX deposit account conversion" incentive, which covers accounts opened before December 20, in order to contribute to the Treasury's conversion to TRY. In addition, it was announced that in order to help exporting and importing companies to manage their exchange rate risk, TL-settled foreign exchange forward sales will be carried out at the CBRT via auctions and at the BIST Derivatives Market.

Foreign visitor arrivals increased by 111.5% yoy in November.

In November, foreign tourist arrivals in Turkey increased by 111.5% compared to the same month of the previous year. Thus, foreign tourist arrivals in the January-November period increased by 89.6% yoy and became 22.8 million. However, the number of visitors recorded in this period was 46.8% below its 2019 levels. In the first 11 months of 2021, the country with the highest number of visitors was Russia with the share of 20%, followed by Germany (13%) and Ukraine (9%).

Financial markets...

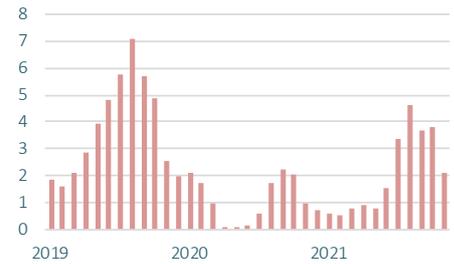
While global markets were under pressure at the beginning of the week due to concerns about the Omicron variant, it presented a positive outlook in the second half of the week, as concerns about the pandemic eased with the authorization of the use of Covid-19 drugs.

While FX rates declined sharply after the announcement of the "FX-linked TRY deposit", domestic markets were highly volatile last week. USD/TRY ended the week at 10.65 with a decrease of 35.1% wow and EUR/TRY at 15.50 with a decrease of 34.7%. BIST-100 index, in which market-wide circuit breaker system was triggered multiple times last week, decreased by 9.3% wow to 1,891 points. Turkey's 5-year CDS risk premium, which reached its highest level since May 2020 with 614 bps on Monday, decreased by 30 bps wow to 545, in line with the decline in exchange rates.

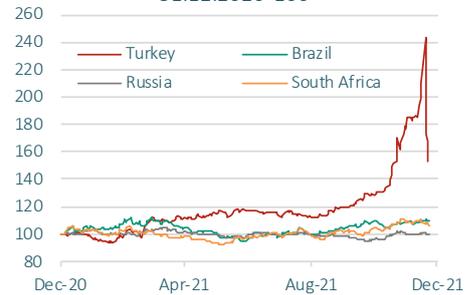
This week's agenda...

This week, a quiet data agenda will be followed in global markets before the New Year's Eve. In Turkey, foreign trade data for November and economic confidence index for December will be monitored.

TR Foreign Arrivals
(million person)



USD/EM Currencies
31.12.2020=100



CDS and BIST-100



Data Releases

| Date | Indicator | Period | Consensus | Prior |
|-------------|---------------------------------|------------|-----------|------------------|
| 27 December | TR Real Sector Confidence Index | December | 106.1 (A) | 108.4 |
| | TR Capacity Utilization Rate | December | 78.7% (A) | 78.1% |
| 29 December | US Pending Home Sales, mom | November | 0.6% | 7.5% |
| 30 December | TR Economic Confidence | December | - | 99.3 |
| | US Initial Jobless Claims | 20-25 Dec. | 205K | 205K |
| 31 December | TR Trade Balance | November | - | 1.44 billion USD |
| | China NBS Manufacturing PMI | December | - | 50.1 |
| | China NBS Services PMI | December | - | 52.3 |

(A) Actual

Source: Datastream

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