

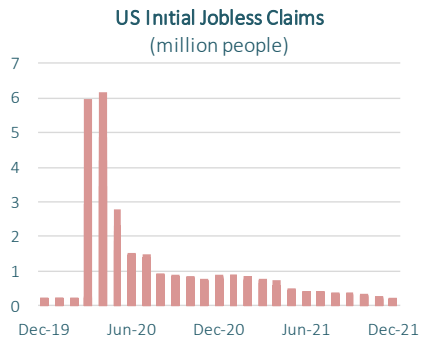
	24-Dec	31-Dec	Change		24-Dec	31-Dec	Change
BIST-100 Index	1,891	1,858	-1.8 % ▼	EUR/USD	1.1317	1.1368	0.5 % ▲
TRY 2 Year Benchmark Rate	22.66 %	22.74 %	8 bp ▲	USD/TRY	10.6480	13.3161	25.1 % ▲
Turkey 5-Year CDS Premium	545	558	13 bp ▲	EUR/TRY	12.0532	15.1402	25.6 % ▲
MSCI EM Equity Index	1,221	1,232	0.9 % ▲	Gold (USD/ounce)	1,808	1,828	1.1 % ▲
US 10-Year Bond Rate	1.49 %	1.51 %	2 bp ▲	Brent Oil (USD/barrel)	76.1	77.8	2.2 % ▲

bp: basis point

Last week, the developments regarding the omicron variant were followed in the global markets, which had a quiet data agenda. Jobless claims in the US decreased to 198K people in the week of December 25, pointing out that the strong course of the employment market in the country continued despite the increasing coronavirus cases. In Turkey, inflation increased rapidly in December due to the depreciation of the Turkish lira. In this period, annual CPI inflation reached the highest level of the last 19 years with 36.1%. Manufacturing industry PMI was realized as 52.1 in December, showing that the strong course of the sector's activities continued. Confidence indices presented a negative outlook in the same period, while additional measures were announced last week to encourage TRY deposits. This week, employment data in the US and the leading CPI data in the Euro Area come to the fore in global markets agenda. In domestic markets, the Cabinet meeting to be held today will be followed.

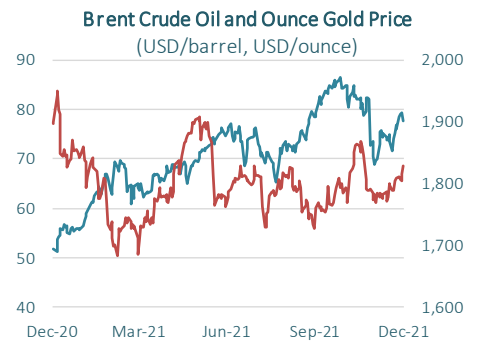
Jobless claims continue to decline in the US.

In the week ending December 25, jobless claims in the US declined by 8K people compared to the previous week and decreased to 198K people. Thus, while the 4 weeks average number of jobless benefits decreased below 200K for the first time after the pandemic, the number of continued jobless benefits decreased to the lowest level of the pandemic period with 1.7 million people. The data above the expectations indicated that the strong course of the employment market in the country continued despite the increasing coronavirus cases. Although the annual rise in the Case Shiller housing price index lost momentum in October, it remained high at 18.4%. In the country, pending house sales declined 2.2% mom due to the high course of house prices despite the expectations for an increase in November.



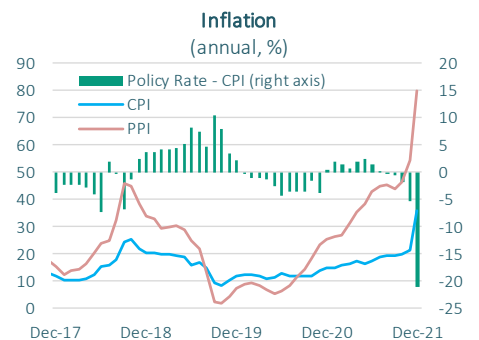
Oil prices ended the year with an increase of more than 50%.

Despite the rapid increase in the number of coronavirus cases on a global scale due to the Omicron variant, oil prices had a rising trend last week. The price of Brent crude oil went up by 2.2% wov to 77.8 USD/barrel. With the increase in energy demand in 2021, oil prices rose more than 50% compared to the beginning of the year. On the other hand, gold prices, which finished the week with a limited rise, ended the year with a decrease of nearly 4%.



CPI inflation exceeded expectations in December.

In Turkey, CPI increased by 13.58% mom in December, exceeding the market expectations of 9%. In this period, annual CPI inflation rose to 36.08%. Thus, the gap between the policy rate of 14% and the CPI inflation rose to 22.1 points. Transportation group, where prices increased the fastest by 28.49% mom, pushed monthly CPI inflation up by 441 basis points. The prices of food and non-alcoholic beverages group rose by 15.99% mom and increased the monthly CPI by 429 basis points. In this period, producer price inflation continued to rise rapidly. D-PPI went up by 19.08% mom and by 79.89% yoy.



Natural gas, electricity and fuel oil prices have been hiked.

According to the new tariff published by Petroleum Pipeline Corporation (BOTAS), the sales price of natural gas was increased by 25% for residential users, 50% for industrial usage and 15% for consumption of electricity generation. According to the Official Gazette decision published on Friday, the basis for the gradual tariff for residential users monthly electricity consumption was decided as 150 kWh in the new year. According to the new tariff published by EMRA, electricity sales prices were increased by 52%-125%. In addition, EPGİS announced an increase of 129 cents/liter in the price of diesel, 61

Source: Datastream

cents/liter in gasoline price and 78 cents/liter in LPG price to be reflected to pump sales prices as of January 1st. Highway and bridge tolls have also been increased at varying rates.

Manufacturing PMI came in at 52.1 in December.

In Turkey, manufacturing industry PMI came in at 52.1 in December, pointing out that the lively course in sectors activities continued. As a result of the efforts to expand capacity, the fastest rise since August in employment data was decisive in this development. On the other hand, due to the depreciation of TRY, input costs recorded the highest rise in the history of the survey that started in 2005, while sales prices also increased at a record pace. However, the slowdown in new orders continued in the third month, while production slowed down again after October.

CBRT published the Monetary and Exchange Rate Policy Report for 2022.

In its 2022 Monetary and Exchange Rate Policy Report, the CBRT maintained its medium-term inflation target at 5%. In the report, it was stated that the Reserve Options Mechanism will be completely terminated in 2022, and costs of foreign currency liabilities will be increased while mechanisms to promote Turkish lira deposits will be prioritized. Aiming to strengthen the foreign exchange reserves, the CBRT stated that it expects the contribution of rediscount credits to the reserves to be higher in 2022 compared to 2021.

The foreign trade deficit decreased by 7.8% in 2021.

According to the preliminary foreign trade data announced by the Ministry of Trade, the exports expanded by 25% on an annual basis and became 22.3 billion USD in December, while the imports increased by 29% to 28.9 billion USD. Thus, the foreign trade deficit rose by 46% yoy and reached 6.6 billion USD in December. In 2021, the foreign trade deficit narrowed by 7.8% compared to the previous year and amounted to 46 billion USD.

Confidence indices presented a negative outlook in December.

Seasonally adjusted real sector confidence index decreased by 1.9 points mom in December to 110.1, the lowest level of the last 6 months. Among the sub-indices, the general business situation index decreased significantly on a monthly basis, while the expectations for the next three months made upward contribution to the main index. The economic confidence index decreased by 1.8% mom to 97.6 in December with the effect of the decline in consumer and sectoral confidence indices.

Additional steps were taken to support TRY deposits.

The communiqué on supporting the conversion from gold accounts to TRY deposit and participation accounts entered into force by the decision published in the Official Gazette on 29.12.2021. Accordingly, gold accounts and gold accounts in processed and scrap gold existing as of 28 December 2021 or to be opened after this date can be converted into TRY deposit or participation accounts with 3-month, 6-month or 1-year maturity. If the difference in gold prices at the end of the maturity date will be higher than the interest rate of the deposit account, the difference will be covered by the CBRT.

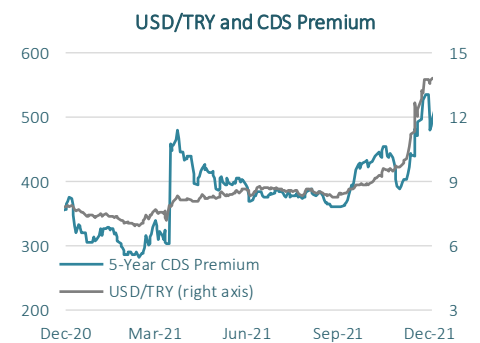
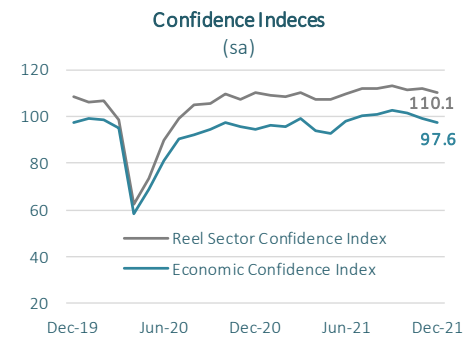
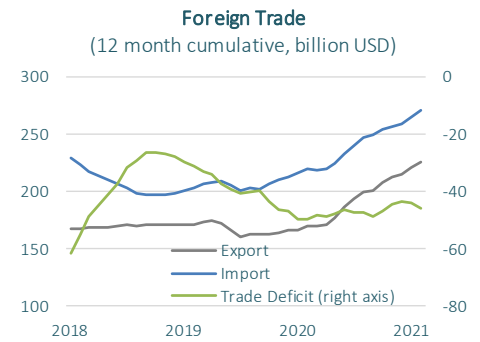
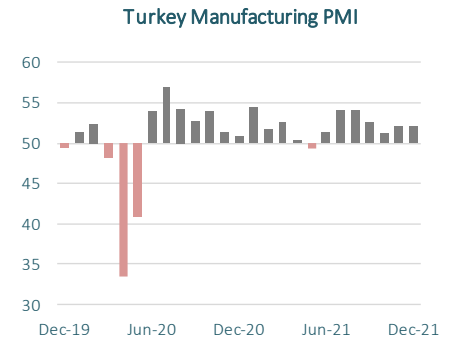
Concerns about the omicron variant have continued to be effective in financial markets.

In the last week of the year, when the transaction volumes were low, the concerns about the omicron variant continued to be effective in the financial markets. Global stock indices closed the week with limited increases in general.

In Turkey, the BIST-100 index ended the week at 1,858 points, with a 1.8% decrease. In the week, when additional steps were taken to encourage TRY deposits, the USD/TRY and EUR/TRY parities increased more than 25%. Since the beginning of the year, the rise in the currency basket has been around 70%. Turkey's 5-year CDS risk premium closed the week at 558 with a rise of 13 basis points.

This week's agenda...

This week, non-farm employment data in the US and the leading CPI inflation data in the Euro Area stand out on the global markets data agenda. The final PMI data for December will also be followed in the US and in Euro Area. In Turkey, the Cabinet meeting to be held today will be watched.



Source: Datastream

Data Releases

		Period	Consensus	Prior
3 January	TR CPI Inflation, yoy	December	36.08% (A)	21.31%
	TR D-PPI Inflation, yoy	December	79.89% (A)	54.62%
	TR Manufacturing PMI	December	52.1 (A)	52.0
	TR Trade Balance	December	-6.6 bln USD (A)	-5.4 bln USD
	USA Manufacturing PMI, final	December	-	57.8
	Euro Area Manufacturing PMI, final	December	58.0 (A)	58.0
4 January	USA ISM Manufacturing PMI	December	60.2	61.1
	China Caixin Manufacturing PMI, final	December	50.0	49.9
5 January	USA Services PMI, final	December	-	57.5
	USA ADP Employment Report	December	413K	534K
	Euro Area Services PMI, final	December	53.3	53.3
6 January	USA Factory Orders, mom	November	1.3%	1.0%
	USA ISM Services PMI	December	66.8	69.1
	China Caixin Services PMI	December	-	52.1
	Euro Area PPI Inflation, yoy	November	22.9%	21.9%
7 January	USA Nonfarm Payrolls	December	400K	210K
	USA Unemployment Rate	December	4.1%	4.2%
	Euro Area CPI Inflation, flash, yoy	December	4.7%	4.9%
	Euro Area Retail Sales, yoy	November	5.6%	1.4%
	Euro Area Consumer Confidence, final	December	-8.3	-8.3
	China Trade Balance	December	-	71.7 bln USD

(A) Actual

Economic Research Division

İzlem Erdem
Chief Economist
izlem.erdem@isbank.com.tr

H. Erhan Gül
Asst. Manager
erhan.gul@isbank.com.tr

Alper Gürler
Unit Manager
alper.gurler@isbank.com.tr

Salih Zeki Atılgan
Asst. Economist
zeki.atilgan@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

LEGAL NOTICE

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.