

	31-Dec	7-Jan	Change		31-Dec	7-Jan	Change
BIST-100 Index	1,858	2,033	9.5 % ▲	EUR/USD	1.1368	1.1359	-0.1 % ▼
TRY 2 Year Benchmark Rate	22.74 %	23.71 %	97 bp ▲	USD/TRY	13.3161	13.8710	4.2 % ▲
Turkey 5-Year CDS Premium	558	572	14 bp ▲	EUR/TRY	15.1402	15.7627	4.1 % ▲
MSCI EM Equity Index	1,232	1,226	-0.5 % ▼	Gold (USD/ounce)	1,828	1,796	-1.8 % ▼
US 10-Year Bond Rate	1.51 %	1.77 %	26 bp ▲	Brent Oil (USD/barrel)	77.8	81.8	5.1 % ▲

bp: basis point

According to the minutes of Fed's December meeting, Fed members evaluated that the rate hike could be made earlier than expected, while reiterating their predictions that the risks to inflation are on the upside. Nonfarm payrolls in the US rose below expectations in December. PMI data for December in the US and Euro Area pointed out that the economic activity maintained its strong course albeit losing some momentum. Consumer inflation in the Euro Area reached its historical high at 5%. In Turkey, unemployment rate was 11.2% in November. Treasury cash deficit became 92.1 billion TRY in December and 142.1 billion TRY in 2021. This week, industrial production in the US and the Euro Area and inflation data in the US will be closely monitored. In Turkey, the balance of payments and industrial production data for November stand out.

### The statements of Fed officials regarding rate hikes were followed.

The minutes of the December meeting, where the Fed's process of reducing bond purchases was accelerated, stated that the Omicron variant would not change the recovery path of the economy, whereas the current supply shortages could last longer than expected. The minutes also pointed out that inflation risks were on the upside, and that the interest rate hike could be realized earlier than expected.

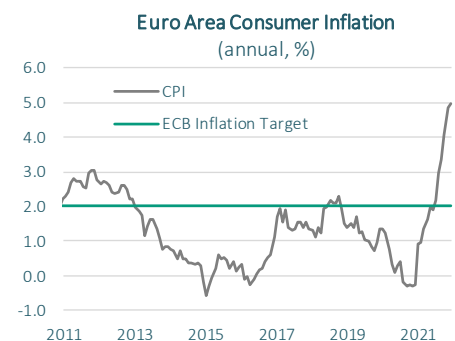
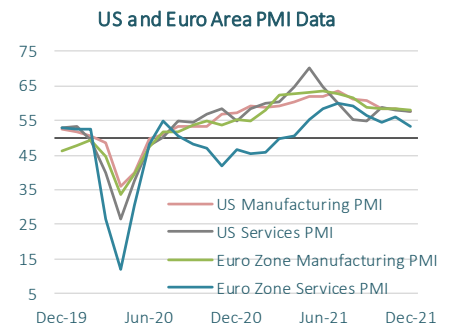
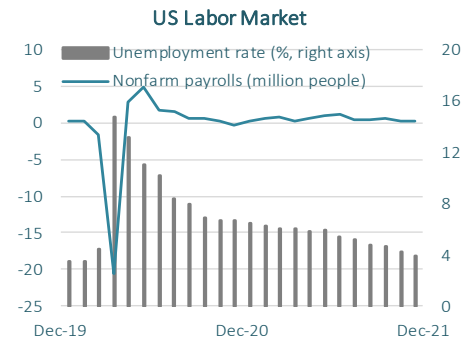
Concerns about the persistence of high inflation in the US affect Fed members' views on rate hikes. Last week, St. Louis Fed President Bullard stated that the Fed may raise interest rates in March, while San Francisco Fed President Daly said that he expects rate hikes this year. Minneapolis Fed President Kashkari also abandoned the view that interest rates should not be raised until 2024 and announced that he expects two rate hikes this year.

### Non-farm payroll growth in the US fell short of expectations.

Data released in the US last week pointed to a slowdown in the recovery in the labor market. Non-farm payroll, which grew by 249K people in November according to the revised data, increased by 199K people in December, well below the market expectation of 400K. While the labor force participation rate remained unchanged in December, the unemployment rate fell from 4.2% to 3.9%. In this period, average hourly wages rose by 0.6% mom, above expectations. The record number of voluntary resignations of 4.5 million people in the country in November indicated that despite the upward trend in wages, inflationary pressures were effective in the employment market.

### CPI in the Euro Area increased by 5% yoy in December.

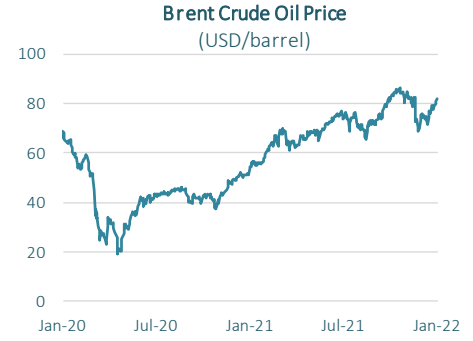
Producer prices increased by 1.8% mom in November, with the increase of production costs due to the rise in energy and commodity prices as well as the ongoing supply and procurement problems in the Euro Area. In addition, annual PPI inflation reached its historical peak at 23.7%. Annual CPI inflation in the Euro Area has also risen to record high in December due to the continued increase in energy prices. In the Region, the activity in the services sector has slowed down with the impact of the restrictions implemented to prevent the rapid increase of covid cases with the Omicron variant. Services PMI, which was revised from 53.3 to 53.1 in December, fell to the lowest level in 8 months. On the other hand, the final manufacturing PMI took the value of 58, indicating that the strong course in the manufacturing industry continued. In the same period, retail sales in the Euro Area increased by 1% on a monthly basis, despite the expectation of a 0.5% decrease.



Source: Datastream

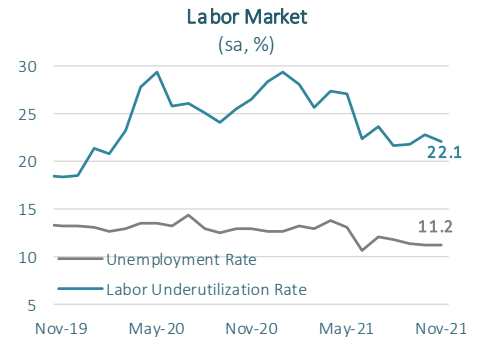
### Oil prices continue to rise.

At last week's meeting, OPEC+ countries adhered to the production increase agreement planned for February, taking into account expectations that the Omicron variant will have a milder impact on economic activity than concerns. According to this plan, the production of the organization will increase by 400K barrels per day as of February. In addition to positive expectations regarding economic activity, oil prices increased rapidly due to the decrease in production in Libya and the concerns about the recent events in Kazakhstan, another oil producer, could reduce global supply. The barrel price of Brent crude oil, which completed 2021 with an annual increase of 50.2%, completed the first week of 2022 with a rise of 5.1%, above 80 USD.



### In Turkey, unemployment rate became 11.2% in November.

Seasonally adjusted unemployment rate remained unchanged at 11.2% in November. In this period, seasonally adjusted labor force participation rate increased by 0.4 points to 52.5%, while the employment rate increased by 0.3 points, reaching its highest level since November 2019 with 46.6%. In November, the labor underutilization rate consisting of time-related underemployment, potential labor force, and unemployment decreased by 0.7 point compared to the previous month and was realized as 22.1%.



### Treasury cash balance gave a deficit of 92.1 billion TRY in December.

Treasury cash balance gave a deficit of 92.1 billion TRY in December 2021. In the same month of 2020, the cash balance had a deficit of 46.8 billion TRY. Thus, the Treasury cash deficit, which was 181.9 billion TRY in 2020, became 142.1 billion TRY in 2021.

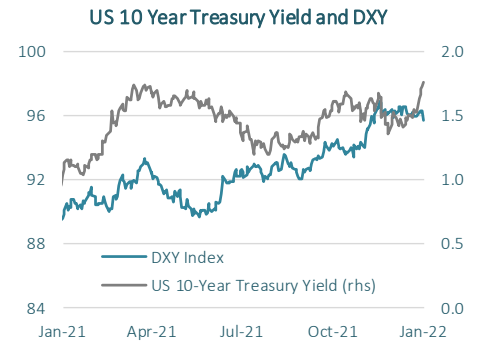
### CBRT published a new regulation on export revenues.

In the implementation instruction published by the CBRT on January 3, it was announced that 25% of the export value attached to the Export Value Acceptance Certificate or Foreign Exchange Purchase Certificate would be sold to the bank that issued the document to be sold to the CBRT at the transaction rate on the date of issue.

According to the data announced by the CBRT, the total amount of the Central Bank's direct interventions by selling foreign currency to the market in response to the unhealthy price formations in the exchange rates in December was 7.278 million USD. The CBRT also sold 3.358 million USD to BOTAŞ in December. This amount was the highest monthly sales recorded since 2014, when the sales began.

### Financial markets...

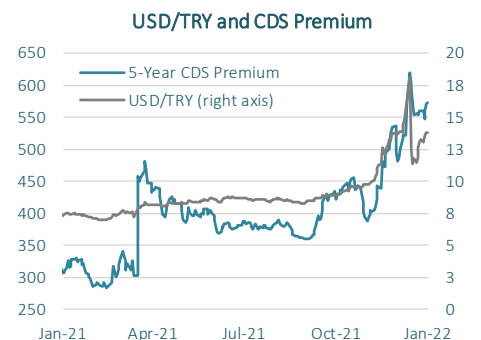
Last week, the signals in the Fed minutes that the rate hike process might be pulled earlier than expected and the statements of the Fed Presidents in this direction put pressure on the markets. Accordingly, the US 10-year Treasury bond yield rose to 1.77% on Friday, the highest level since January 2020, while the DXY index also rose. Gold prices ended the week with a 2% decline due to these developments. On the other hand, despite the rapid increase in the number of cases on a global scale, the assessments that the Omicron variant causes milder symptoms compared to other variants alleviated the concerns about the global economic activity to some extent.



BIST-100 index increased by 9.5% last week and closed at 2,033 points. In line with the reflections of the inflation data announced in Turkey, Turkish lira depreciated. USD/TRY and EUR/TRY increased by around 4% wow. CPI-based real effective exchange rate, which has been on a downward trend since October, decreased by 6.31 points mom and became 47.82, historically low level.

### This week's agenda is...

This week, industrial production data in the US and Euro Area, and inflation data in the US will be followed closely in global markets. In domestic markets, the balance of payments and industrial production data for November stand out.



Source: Datastream

## Data Releases

		Period	Consensus	Prior
10 January	TR Unemployment Rate	November	11.2% (A)	11.2%
	Euro Area Sentix Index	January	12.0	13.5
	Euro Area Unemployment Rate	November	7.2%	7.3%
11 January	TR Current Account Deficit	November	-2.7 billion USD	3.2 billion USD
12 January	USA CPI Inflation, yoy	December	7.0%	6.8%
	Euro Area Industrial Production, yoy	November	0.6%	3.3%
	China CPI Inflation, yoy	December	1.8%	2.3%
	China PPI Inflation, yoy	December	11.1%	12.9%
13 January	TR Industrial Production, yoy	November	-	8.5%
	USA PPI Inflation, yoy	December	9.8%	9.6%
14 January	TR House Sales, yoy	December	-	59.0%
	CBRT Survey of Market Participants	January	-	-
	USA Industrial Production, mom	December	0.0%	0.5%
	USA Retail Sales, mom	December	0.3%	0.3%
	USA Michigan Consumer Confidence, prelim	January	70.0	70.6
	China Trade Balance	December	74.5 billion USD	71.7 billion USD

(A) Actual

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