

	14-Jan	21-Jan	Change		14-Jan	21-Jan	Change
BIST-100 Index	2,073	2,011	-3.0 % ▼	EUR/USD	1.1414	1.1340	-0.6 % ▼
TRY 2 Year Benchmark Rate	23.30 %	23.01 %	-29 bp ▼	USD/TRY	13.5214	13.4317	-0.7 % ▼
Turkey 5-Year CDS Premium	556	523	-33 bp ▼	EUR/TRY	15.4482	15.2528	-1.3 % ▼
MSCI EM Equity Index	1,257	1,244	-1.0 % ▼	Gold (USD/ounce)	1,817	1,833	0.9 % ▲
US 10-Year Bond Rate	1.79 %	1.77 %	-2 bp ▼	Brent Oil (USD/barrel)	86.1	87.9	2.1 % ▲

bp: basis point

Last week, growing expectations that the Fed will hike interest rates in March increased the selling pressure in global markets. Geopolitical developments, which were watched closely throughout the week, led the oil and gold prices to rise. While the ECB did not change the policy rate at its December meeting, CBRT also kept the policy rate unchanged at 14% in line with market expectations. This week, the Fed meeting and economic growth data for the last quarter of 2021 in the U.S., as well as preliminary PMI data for January in the U.S. and Euro Area come to the fore on the agenda of global markets. In Turkey, economic confidence index and capacity utilization rate data for January will be followed. CBRT will publish the first Inflation Report of the year.

Data released in the US pointed to deterioration in production and employment.

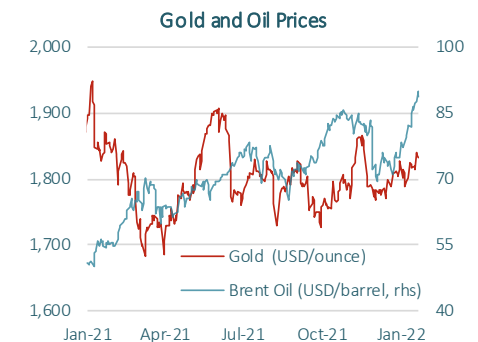
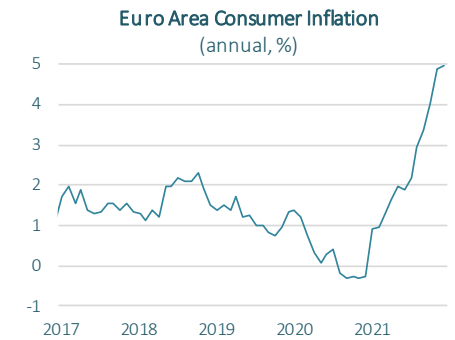
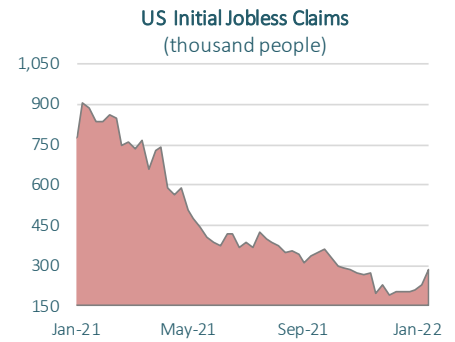
In the week ending January 15, initial jobless claims in the US, came in above market expectation of 220K people with 286K, reaching the highest level of the last 3 months. The rise in claims reflected the negative effects of the increases in the coronavirus cases in the country on the labor market. The US New York Fed manufacturing index was -0.7 in January, indicating that manufacturing activity in the region has contracted. While it was noteworthy that the index took a negative value for the first time since June 2020, the significant decrease in the new order index was behind this development. US stock markets, which were closed for Martin Luther day earlier last week, followed a downward trend for the rest of the week.

ECB officials differed on the inflation outlook.

Minutes of the ECB's December meeting have been released. In the minutes of the meeting, where the policy rate was not changed, ECB officials differed on the inflation outlook. Some officials stressed that inflation is at risk of exceeding expectations. According to the final data release, annual CPI inflation in the Euro Area was 5% in December. ECB President Lagarde reiterated on Thursday that the cycle of the economic recovery in the US is ahead of that in Euro Area, thus the ECB does not need to act as rapidly as the Fed in tightening monetary policy. Lagarde also expressed that inflation in the Euro Area will decrease gradually over the year as surging energy prices and supply bottlenecks are expected to ease.

Oil and gold prices rose on a weekly basis.

Last week, oil prices reached its highest level of the last 7 years with the effect of geopolitical developments and then decreased slightly due to the data released in the US pointing to an increase in oil stocks. Thus the rise in barrel price of Brent crude oil was 2.1% wow and oil prices closed the week at 87.9 USD. On the other hand, gold prices, which followed a downward trend at the beginning of the week, rose by nearly 1% wow to 1,833 USD, with the effects of the Russian-Ukrainian geopolitical tension and US President Biden's statements on Wednesday that the fight against inflation is the top priority in the economy.



Source: Datastream

The CBRT kept the policy rate at 14%.

At the Monetary Policy Committee meeting held on Thursday, the CBRT kept the policy rate at 14%, in line with market expectations. In the text published after the meeting, it was stated that the cumulative effects of monetary policy were closely monitored and the comprehensive review of the policy framework is being conducted with the aim of prioritizing Turkish lira in all policy tools of the CBRT in order to reshape price stability on a sustainable basis. The Committee expects disinflation process to start on the back of measures taken for sustainable price and financial stability along with the decline in inflation owing to the base effect.

A swap agreement was signed between the CBRT and the UAE Central Bank.

The CBRT announced that it signed a Bilateral Currency Swap Agreement with the Central Bank of the United Arab Emirates for the UAE dirham and Turkish lira currencies. In this context, the nominal size of the swap agreement is mutually 18 billion dirham and 64 billion Turkish lira. The agreement, which aims to further strengthen financial cooperation between the two countries through the development of mutual trade, will be valid for 3 years and can be extended by mutual agreement.

The consumer confidence index rose to 73.2 in January.

According to TURKSTAT data, seasonally adjusted consumer confidence index increased by 6.2% mom in January. Thus, the index, which was at a historical low of 68.9 in December, rose to 73.2 in January.

Automotive production decreased by 1.7% in 2021.

According to Automotive Manufacturers Association (OSD) data, automotive production fell by 12.1% yoy in December. In this period, automobile production decreased by 17% and commercial vehicle production by 4.1%. Total automotive production closed the year 2021 with a decrease of 1.7%. On the other hand, automotive exports increased by 2.2% on unit basis and 15.2% on value basis throughout the year. With a total exports value of 29.9 billion USD, automotive sector continued to be the sector with the highest exports in 2021.

Financial markets...

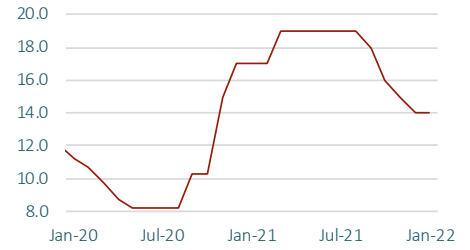
Last week, a selling pressure was dominant in the global markets. Strengthening expectations that the Fed will increase interest rates in March led the US 10-year Treasury bond yield to reach the highest level of the last 2 years with 1.88% on last Tuesday. However, after the US President Biden's statements on Wednesday, the 10-year bond yield decreased and closed the week at 1.77%.

The stock market in Turkey also displayed a negative outlook parallel to the global markets. As the circuit breaker was applied towards the market close on Tuesday, the BIST-100 index closed the week at 2,011 points, decreasing by 3% wow. The Turkish lira gained some value against the US dollar and the EUR throughout the week. USD/TRY ended the week with a decrease of 0.7% to 13.43, while EUR/TL declined by 1.3% wow to 15.25. Turkey's 5-year CDS premium decreased by 33 basis points on a weekly basis to 523 basis points.

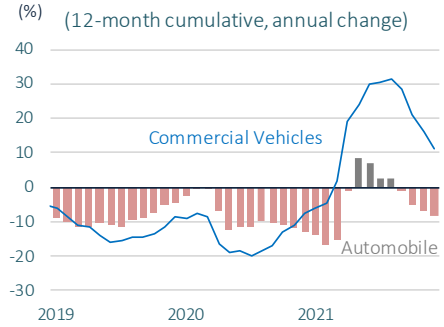
This week's agenda...

The Fed meeting and the economic growth data for the last quarter of 2021 as well as the leading PMI data for January in the US and the Euro Area will be followed in global markets this week. In Turkey, the real sector and economic confidence indices for January and the manufacturing industry capacity utilization rate will be monitored. In addition, the CBRT will publish the first Inflation Report of 2022 on Thursday.

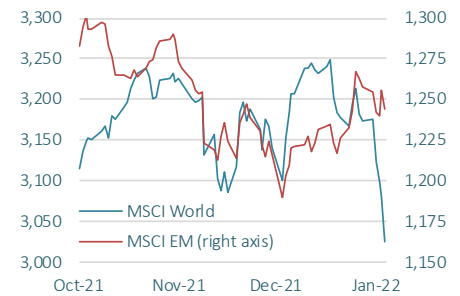
CBRT Policy Rate (%)



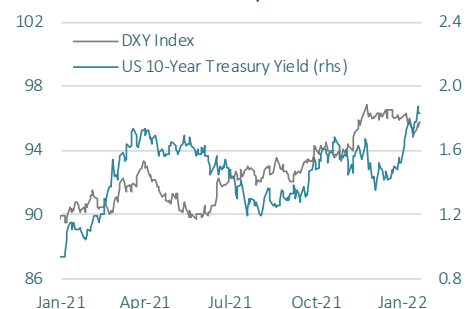
Automotive Production



Global Equity Indices



US 10 Year Treasury Yield and DXY



Source: Datastream, CBRT, OSD

Data Releases

		Period	Consensus	Prior
24 January	US Manufacturing PMI, flash	January	56.7	57.7
	US Services PMI, flash	January	55.0	57.6
	Euro Area Manufacturing PMI, flash	January	57.5	58.0
	Euro Area Services PMI, flash	January	52.2	53.1
25 January	TR Real Sector Confidence Index	20-25 Dec.	-	106.1
	TR Capacity Utilization Rate	January	-	78.7%
26 January	US Consumer Confidence, flash	January	111.8	115.8
	Fed Meeting	January	-	-
27 January	US New Home Sales, units	December	760K	744K
	CBRT Inflation Report	January	-	-
28 January	US GDP Growth, prelim, yoy	2021 Q4	5.4%	2.3%
	US Durable Goods Orders, mom	December	-0.5%	2.6%
	US Pending Home Sales, mom	December	0.3%	-2.2%
	TR Economic Confidence	January	-	97.6
28 January	US Personal Consumption Expenditures, mom	December	-0.5%	0.6%
	US Core PCE, mom	December	0.5%	0.5%
	US Michigan Consumer Confidence, final	January	68.6	68.8
	Euro Area Consumer Confidence, final	January	-	-8.5

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