

	28-Jan	4-Feb	Change		28-Jan	4-Feb	Change
BIST-100 Index	1,983	1,944	-2.0 % ▼	EUR/USD	1.1143	1.1446	2.7 % ▲
TRY 2 Year Benchmark Rate	22.50 %	20.75 %	-175 bp ▼	USD/TRY	13.5507	13.5596	0.1 % ▲
Turkey 5-Year CDS Premium	535	540	5 bp ▲	EUR/TRY	15.1103	15.5315	2.8 % ▲
MSCI EM Equity Index	1,191	1,210	1.6 % ▲	Gold (USD/ounce)	1,791	1,807	0.9 % ▲
US 10-Year Bond Rate	1.78 %	1.92 %	14 bp ▲	Brent Oil (USD/barrel)	90.0	93.3	3.6 % ▲

bp: basis point

Last week, US non-farm payrolls and the meetings of the ECB and BoE were on the agenda of the global markets. In the US, non-farm payrolls rose by 467K persons, well above the market expectations. ECB did not change the policy rate in line with market expectations, while stating that the rate of asset purchases will be decreased in the second and third quarters of this year. BoE increased the policy rate by 25 basis points to 0.5% in order to fight high inflation. The deterioration in domestic inflation indicators continued in January. In this period, annual CPI inflation increased to 48.69%, the highest level of the last 20 years, while annual D-PPI inflation rose to 93.53%. According to the preliminary foreign trade data announced by the Ministry of Commerce, the foreign trade deficit expanded by 241% yoy in January and reached 10.4 billion USD. This week, January CPI inflation data in the US this week will be followed in global markets. In Turkey, employment, balance of payments and industrial production statistics will be announced this week.

In the US, non-farm payrolls increased by 467K persons in January.

Despite the spread of the omicron variant in the US, non-farm payrolls increased by 467K persons in January, well above the market expectations. The employment increase in December was revised from 199K to 510K. In January, the unemployment rate increased by 0.1 percentage points on a monthly basis to 4.0%, while the annual increase in average hourly wages was realized as 5.7%. In the US, January services PMI was revised upwards from 50.9 to 51.2 according to the final data. Although the ISM services index decreased to 59.9 from 62.3 in December, data pointed out that the growth in services sector continued.

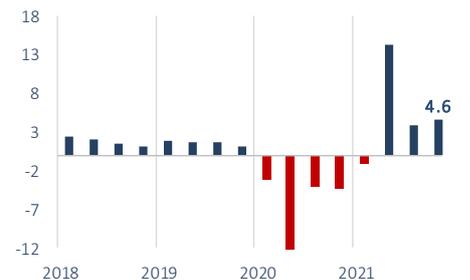
US Average Hourly Earnings
(annual % change)



Euro Area economy grew by 5.2% yoy in 2021.

Euro Area economy grew by 0.3% qoq in the last quarter of 2021, losing momentum in line with expectations. Thus, Euro Area economy expanded by 5.2% in 2021. In the region, preliminary data for the first quarter in also point out that the measures taken against the omicron variant have adversely affected the services sector. Services PMI in the region decreased compared to the previous month to 51.1, the lowest level of the last nine months, while the manufacturing PMI which was 58.7 in January continued to display a positive performance.

Euro Area GDP Growth
(annual % change, sa)



Rising energy and food prices in global markets strengthen the inflationary pressures. According to the preliminary data announced in the Euro Area, annual CPI inflation rose to 5.1% in January, breaking a record despite the expectations of a momentum loss. Although core inflation (excluding unprocessed food and energy prices) decreased by 0.2 points to 2.5%, it was above the market projections of 2%. Annual PPI inflation in the region reached 26.2%, reaching its highest level since 1996, when the data began to be published.

Euro Area CPI
(annual % change)



BoE raised its policy rate by 25 basis points.

Bank of England (BoE) raised its policy rate by 25 basis points to 0.5% at its

Source: Datastream

February meeting. BoE, which is going for the first consecutive interest rate hike since 2004, expects inflation to show a downward trend after reaching 7% in the spring.

European Central Bank did not change its policy rate at its meeting on February 3rd, in line with market expectations. The text published after the meeting confirmed that the Pandemic Emergency Asset Purchase Program (PEPP) will end in March 2022, while the asset purchase rate under the APP (Asset Purchase Program) will decrease compared to the previous quarter. Purchases under the APP will amount to 40 billion EUR per month in the second quarter of 2022 and 30 billion EUR in the third quarter.

Inflation indicators continue to deteriorate in Turkey.

In January, CPI increased by 11.1% mom and 48.7% yoy, above expectations. In this period, the highest contributions to monthly inflation came from food and non-alcoholic beverages and housing group, in which the prices rose by 10.9% and 18.9%, respectively. The rise in housing group prices was driven by the increases in natural gas and electricity in early January. In January, D-PPI also increased by 10.5% mom and by 93.5% yoy, pointing to increased upward pressures on consumer prices. With the update of the expenditure baskets of TURKSTAT, the weight of the food and non-alcoholic beverages group, which has the highest share in the basket, decreased by 0.63 points to 25.32%, while the weight of the housing group decreased by 1.24 points to 14.12%. The weight of the transportation group increased by 1.3 points to 16.8%. ([Our Inflation Developments report](#)).

Foreign trade deficit widened by 240.7% yoy in January.

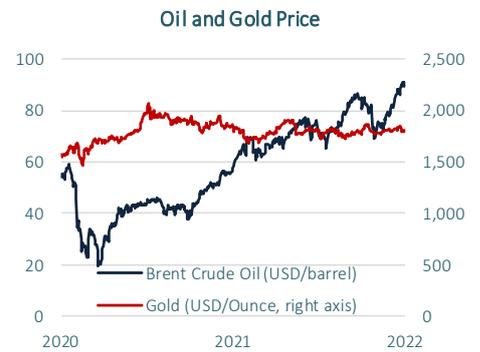
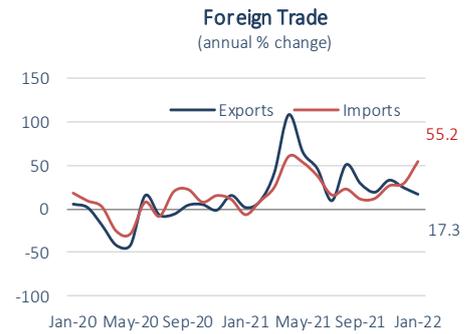
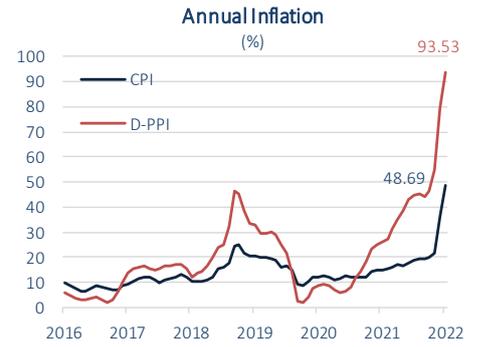
Ministry of Trade announced provisional foreign trade figures for January. The import volume increased by 55.2% yoy and became 28 billion USD due to the rising energy prices in global markets. The export volume increased by 17.3% yoy to 17.6 billion USD thanks to the increase in iron and steel exports. Thus, the foreign trade deficit increased by 240.7% yoy and reached 10.4 billion USD in January.

Last week, a volatile course was observed in the markets.

Global stock markets followed a volatile course last week. The effects of the omicron variant on economic activity and the weak balance sheets announced by leading technology companies were effective in this development. While OPEC+ decided to increase production by 400K barrels per day in March in its February meeting, the barrel of Brent crude oil increased by 3.7% wotw to 93.4 USD.

Last week, BIST-100 index followed a downward trend in general and diverged negatively from emerging market markets. While Turkey's 5-year CDS premium ended the week with a slight increase, 2-year benchmark bond yield decreased 175 bps wotw to 20.75%. USD/TRY, which was in the narrow band between 13.30-13.60 throughout the week, increased slightly on a weekly basis.

This week, CPI inflation for January will be announced in the US. In domestic markets, employment, balance of payments, and industrial production statistics will be followed.



Source: Datastream

Data Releases

		Period	Consensus	Prior
7 February	TR Treasury Cash Balance	January	-	92.1 billion TRY
	Euro Area Sentix Index	February	15.2	14.9
	China Caixin Services PMI	January	51.4(A)	53.1
10 February	TR Unemployment Rate	December	-	11.2%
	USA CPI Inflation, yoy	January	%7,3	7.0%
11 February	TR Current Account Deficit	December	-	-2.681 mil USD
	TR Industrial Production, yoy	December	-	11.4%
	CBRT Survey of Market Participants	February	-	-
	USA Michigan Consumer Confidence, prelim	February	67.5	67.2

(A) Actual

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