

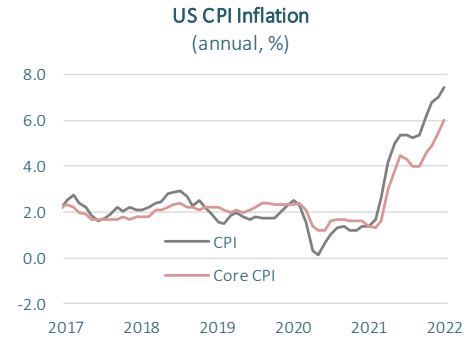
	4-Feb	11-Feb	Change		4-Feb	11-Feb	Change
BIST-100 Index	1,944	2,051	5.5 % ▲	EUR/USD	1.1446	1.1349	-0.8 % ▼
TRY 2 Year Benchmark Rate	20.75 %	20.86 %	11 bp ▲	USD/TRY	13.5596	13.5177	-0.3 % ▼
Turkey 5-Year CDS Premium	540	509	-31 bp ▼	EUR/TRY	15.5315	15.3435	-1.2 % ▼
MSCI EM Equity Index	1,221	1,241	1.6 % ▲	Gold (USD/ounce)	1,807	1,860	2.9 % ▲
US 10-Year Bond Rate	1.92 %	1.92 %	0 bp ●	Brent Oil (USD/barrel)	93.3	94.4	1.3 % ▲

bp: basis point

Last week, inflation figures announced in the US and geopolitical developments originating from the tensions between Russia and Ukraine were closely monitored in the global markets. In addition to the heavy data agenda, the new economic package announced at the weekend came to the fore in Turkey. Annual CPI inflation in the US reached 40-year high by rising 7.5%. In Turkey, industrial production increased by 14.4% yoy in December 2021. In the same period, the current account deficit was realized as 3.8 billion USD and seasonally adjusted unemployment rate became 11.2%. With the regulation change made by the CBRT, companies those are not net exporters but have committed to conversion to Turkish lira deposit or participation accounts have been given the opportunity to use foreign currency rediscount credits. The Minister of Treasury and Finance announced the new economic support package. On the other hand, international rating agency Fitch downgraded Turkey's credit rating from "BB-" to "B+". This week, Fed minutes of the meeting held on January will be followed in the global markets while budget balance figures and the CBRT meeting will be in focus in the domestic markets.

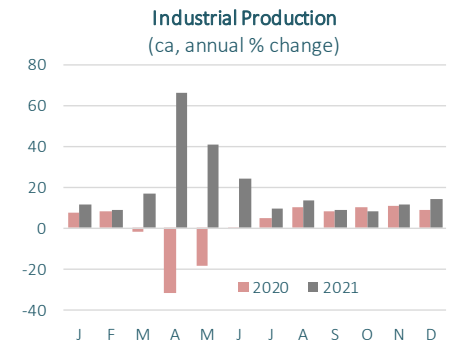
#### US consumer inflation reached 40-year high.

Consumer prices in the US increased by 0.6% mom in January, above the expectations. Thus, annual CPI inflation reached its highest level since February 1982 by rising 7.5% in January. Core CPI, which is calculated excluding food and energy prices, also increased by 6% yoy. Acceleration in the inflation supported the expectations that Fed might be more hawkish regarding monetary tightening and start raising interest rates at its March meeting. The statements of Fed officials last week also signalled that the rate hikes are soon to come. Atlanta Fed President Bostic pointed out that 4 rate hikes could be the case throughout the year, while St. Louis Fed President Bullard stated that he expects the Fed to raise interest rates by a total of 100 basis points in the next three meetings.



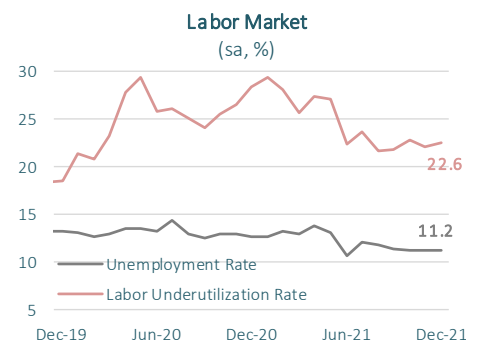
#### Industrial production increased more than expected in December.

Industrial production increased faster than expected by growing 1.6% mom in December 2021. Annual increase in production became 14.4%. In this period, the highest contribution to the annual rise in industrial production was made by the manufacturing industry with 14.2 points. In 2021, industrial production increased by 17.5%. On the other hand, PMI data released at the beginning of February pointed out that manufacturing industry activity lost some momentum in January along with the ongoing cost pressures.



#### Unemployment rate was realized as 11.2%.

Seasonally adjusted unemployment rate decreased by 0.1 points mom to 11.2% in December 2021. Employment increased by 134K in the services sector, 108K in industry and 5K in construction, while decreasing by 10K in agriculture on a monthly basis. The labor underutilization rate consisting of time-related underemployment, potential labor force and unemployment have increased by 0.5 points mom to 22.6% in December.



#### The current account deficit was 3.8 billion USD in December.

The current account deficit grew by 11.7% yoy in December 2021, reaching 3.8 billion USD. While the rise in the foreign trade deficit was the major factor in the widening of the current account deficit in the last month of the year, the rise in net services revenues by 190.8% yoy in parallel with the increase in transportation and tourism revenues limited the increase in the current account deficit. Thanks to the contraction in the foreign trade deficit throughout the year and the positive outlook in net travel revenues, the current account deficit

Source: Datastream

narrowed by 58.1% yoy in 2021, becoming 14.9 billion USD ([Balance of Payments report](#)).

### Inflation expectation for the year-end is rising.

According to the February issue of "Survey of Market Participants" published by the CBRT, the year-end CPI inflation expectation rose to 34.06%; while the year-end USD/TRY expectation, which was 16.13 in the previous survey period, decreased to 16.04. Besides, the year-end current account deficit expectation, which was 7.9 billion USD in the previous survey period, rose to 9.5 billion USD in the February survey.

### The new economic support package was announced in Turkey.

The Minister of Treasury and Finance announced the new economic support package, which aims to bring gold "under the mattress" into the financial system and reduce inflation while increasing investments and exports. Within the scope of the package, it was announced that three new CGF (Credit Guarantee Fund) scheme which amounts 60 billion TRY will be put into use to support investment, export and operational expenditures. Moreover, in order to fight against inflation, the VAT rate on basic food products was reduced from 8% to 1% with the decision published in the Official Gazette dated 13 February 2022.

According to the amendment made by the CBRT in the Export and Foreign Exchange Earning Services Rediscount Credit Implementation Instruction, within the scope of the Communiqué No. 2021/14 on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts, companies those are not net exporters but undertake to convert FX to Turkish lira deposit or participation accounts have been given the opportunity to use foreign currency rediscount credits.

### Fitch has downgraded Turkey's credit rating to "B+".

International credit rating agency Fitch downgraded Turkey's credit rating from "BB-" to "B+" and kept its rating outlook as "negative". In the published report, it was stated that the policies aimed at reducing inflation are not expected to alleviate the risks to macroeconomic and financial stability. In addition, it was emphasized that the policies supporting the economy could add even more to the acceleration in inflation as well as suppressing confidence and weakening international reserves.

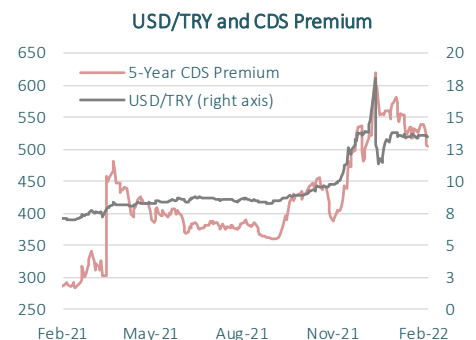
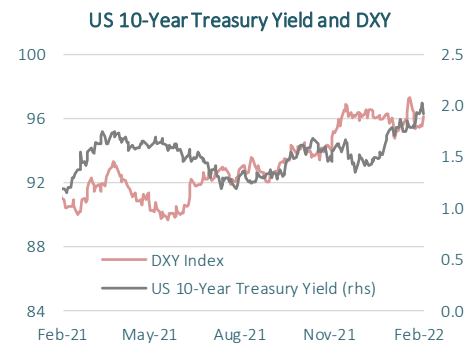
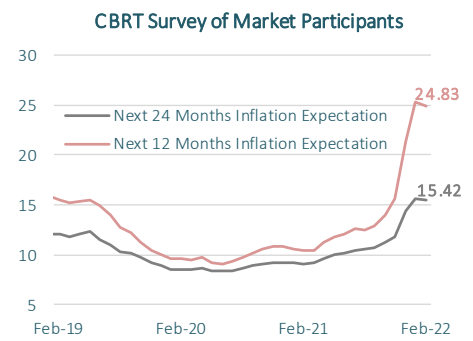
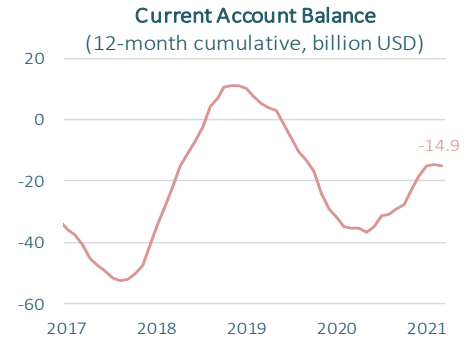
### Financial markets...

The increase in geopolitical risks and rising expectations that the Fed might be more hawkish regarding monetary tightening put pressure on global stock markets last week. The US dollar appreciated against other developed country currencies while the yield of the 10-year Treasury bond, which tested above 2% for the first time since July 2019 following the release of US inflation data for January, fell to 1.92% on Friday. Oil prices rose amid concerns that the Russia-Ukraine tension might affect global oil supply negatively and gold prices also closed higher.

Last week, domestic markets displayed a positive outlook. BIST-100 index increased by 5.5% and closed at 2,051 points. Turkey's 5-year CDS premium has decreased by 31 basis points wow, while the Turkish lira appreciated slightly against the US dollar and euro.

### This week's agenda...

This week, Fed minutes of the meeting held on January will be followed in global markets. In Turkey, central government budget balance and the CBRT meeting will be watched closely. In addition, geopolitical developments will continue to weigh on the agenda.



Source: Datastream

## Data Releases

		Period	Consensus	Prior
<b>15 February</b>	TR Budget Balance	January	-	-145.7 billion TRY
	USA PPI Inflation, yoy	January	9.1%	9.7%
	USA NY Fed Manufacturing Index	February	12.0	-0.7
	Euro Area GDP Growth, flash, yoy	2021 Q4	4.6%	4.6%
<b>16 February</b>	TR Housing Price Index	December	-	229.1
	Fed Minutes	January	-	-
	USA Industrial Production, mom	January	0.4%	-0.1%
	USA Retail Sales, mom	January	1.8%	-1.9%
	Euro Area Industrial Production, yoy	December	-0.8%	-1.5%
	China CPI Inflation, yoy	January	1.0%	1.5%
	China PPI Inflation, yoy	January	9.4%	10.3%
	CBRT Monetary Policy Meeting	February	-	-
<b>17 February</b>	USA Housing Starts, units	January	1.7 million	1.7 million
	USA Philadelphia Fed Manufacturing Index	February	20.0	23.2
<b>18 February</b>	TR Consumer Confidence Index	February	-	73.2
	TR House Sales, yoy	January	-	113.7%
	USA Existing Home Sales, units	January	6.12 million	6.18 million
	Euro Area Consumer Confidence, flash	February	-8.0	-8.5

Source: Datastream

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