

	1-Apr	8-Apr	Change		1-Apr	8-Apr	Change
BIST-100 Index	2,252	2,393	6.3 % ▲	EUR/USD	1.1053	1.0876	-1.6 % ▼
TRY 2 Year Benchmark Rate	24.95 %	24.17 %	-78 bp ▼	USD/TRY	14.6825	14.7441	0.4 % ▲
Turkey 5-Year CDS Premium	548	587	39 bp ▲	EUR/TRY	16.2285	16.0422	-1.1 % ▼
MSCI EM Equity Index	1,146	1,128	-1.6 % ▼	Gold (USD/ounce)	1,924	1,946	1.1 % ▲
US 10-Year Bond Rate	2.39 %	2.70 %	31 bp ▲	Brent Oil (USD/barrel)	104.4	102.8	-1.5 % ▼

bp: basis point

Last week, statements regarding the monetary policy in the Fed minutes and the new sanctions against Russia came to the fore in global markets. Annual PPI inflation in the Euro Area reached 31.4% in February, while the European Central Bank (ECB) minutes for March highlighted the risk of stagflation. As well as the manufacturing industry figures, services PMI data in China has also pointed to a rapid contraction in March. In Turkey, current account balance posted a deficit of 5.2 billion USD in February due to rising energy costs. According to the results of the CBRT's Survey of Market Participants for April, the year-end inflation expectation rose from 40.47% to 46.44%. This week, the March inflation data in the US and the meeting of the ECB stand out in global markets. In domestic markets, in addition to the industrial production and budget balance data, the CBRT's Monetary Policy Committee meeting will be closely monitored.

Fed minutes signalled acceleration in monetary policy tightening.

The minutes of the Fed's meeting held on March 15-16 were published last week. According to the minutes, many participants noted that one or more 50 basis point rate hike could be appropriate in future meetings, particularly if inflation pressures remained elevated. In addition, it was stated that reducing the size of the Fed's balance sheet could begin as soon as May. It was also noted that participants generally agreed that monthly caps of about 95 billion USD would likely be appropriate.

New sanctions against Russia has been announced.

Within the scope of the additional sanctions announced against Russia, US announced full sanctions on Sberbank and Alfa Bank, one of the largest financial institutions in Russia, as well as important enterprises affiliated to the Russian state. The European Commission stopped the import of coal and various products worth 5.5 billion euros from Russia, while banning Russian ships and trucks from entering the EU borders with the exemptions applying for medical, food, energy, and humanitarian purposes. In addition, the EU's package included a ban on transactions with various Russian banks and additional bans on the export and import of various products with Russia. Japan also decided to freeze the assets of some Russian banks, while stopping coal imports from Russia.

PPI inflation in the Euro Area rose to 31.4% in February.

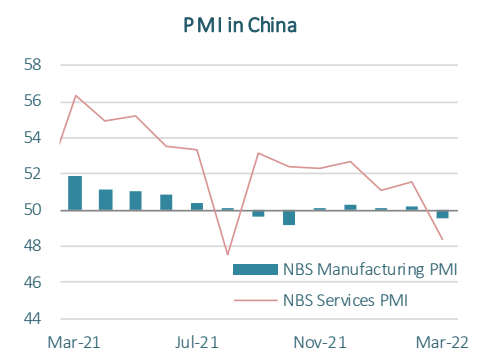
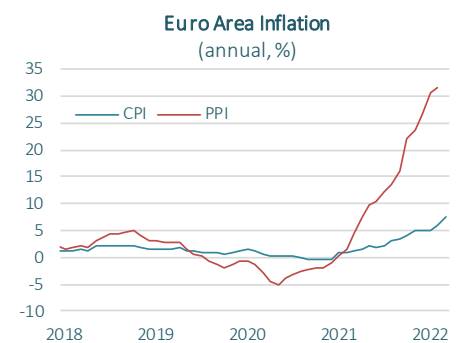
Annual PPI inflation in the Euro Area reached 31.4% in February. The increase in historically high PPI was driven by the rise in energy and intermediate goods prices. Rising inflationary pressures and the risks posed by the Russia-Ukraine war on economic activity led to an increase in stagflation concerns in the region. In the minutes of the ECB meeting held on March 9-10, it was noted that some of the ECB members emphasized a possible risk of stagflation.

Services PMI data in China pointed to a rapid contraction in March.

Caixin services PMI data in China dropped to 42 in March from 50.2 in February, pointing to a contraction in the sector's activities. The rise of Covid-19 cases in the country, putting social mobility and demand under pressure, was effective in this development. In this period, manufacturing PMI data in the country had also signalled a contraction in the economic activity. On the other hand, the annual CPI and annual PPI increases were announced as 1.5% and 8.3% respectively in March, above the expectations, indicating that the inflationary pressures in the country have increased.

Fed Projections (March 2022)

	2022	2023
Change in Real GDP	2.8	2.2
December Projection	4.0	2.2
Unemployment Rate	3.5	3.5
December Projection	3.5	3.5
Core PCE Inflation	4.3	2.7
December Projection	2.6	2.3
Fed Policy Rate	1.9	2.8
December Projection	0.9	1.6



Source: Datastream

Current account balance posted a deficit of 5.2 billion USD in February.

The current account gave a deficit of 5.2 billion USD in February, due to rising energy costs. Thus, the 12-month cumulative current account deficit rose to 21.85 billion USD. In February, goods item deficit within the balance of payments figures increased by 3.9 billion USD to 6 billion USD. Despite the expansionary effect of the growth in foreign trade deficit on the current account balance, the increase in travel and transportation revenues limited this effect to some extent. According to the temporary foreign trade data announced by the Ministry of Commerce, foreign trade deficit continued to increase by 76.6% yoy in March, indicating that current account balance may post a high level deficit in the coming period as well ([Our Balance of Payments report](#)).

Unemployment rate fell to 10.7% in February.

Unemployment rate in Turkey decreased by 0.5 points to 10.7% in February. While the seasonally adjusted employment rate remained flat at 46.6%, labour force participation rate decreased by 0.2 points to 52.2%. The labour underutilization rate, which consists of time-related underemployment, potential labour force and unemployed, fell by 0.9 points compared to the previous month to 21.8%.

Year-end inflation expectations rose.

According to the results of CBRT's Survey of Market Participants for April, the year-end inflation expectation rose from 40.47% to 46.44%. CPI inflation expectation for the next 12-month period also increased from 26.43% to 28.41%. According to the survey, USD/TRY forecast for the end of the year went up from 16.68 to 16.85, while GDP growth expectation decreased from 3.4% to 3.2%.

Passenger car and light commercial vehicle market contracted by 23.5% in the first quarter.

According to Automotive Distributors' Association data, passenger car and light commercial vehicle market shrank by 33.4% yoy in March. Hence, the auto market contracted by 23.5% yoy in the first quarter of 2022. In addition to the problems experienced in the supply of semiconductor materials, worsening of supply chain disruptions due to the geopolitical developments continue to put pressure on the activities of the automotive industry on a global scale. In addition to the fall in purchasing power in the domestic market, the recent rise in VAT rate to be paid by those who buy and sell second-hand vehicles from 1% to 18%, indicates that the weak course in automotive demand may continue in the coming period.

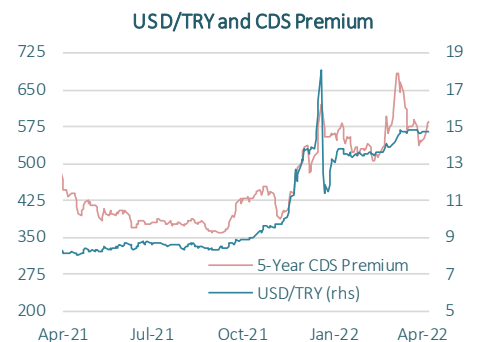
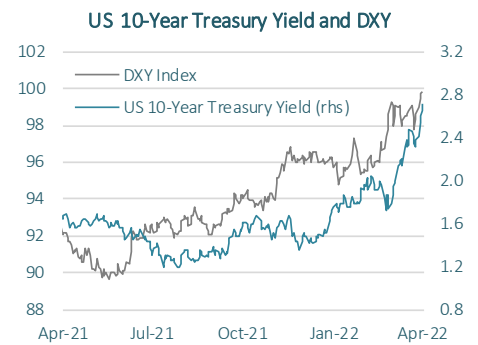
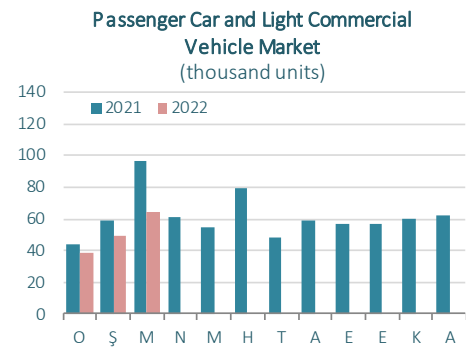
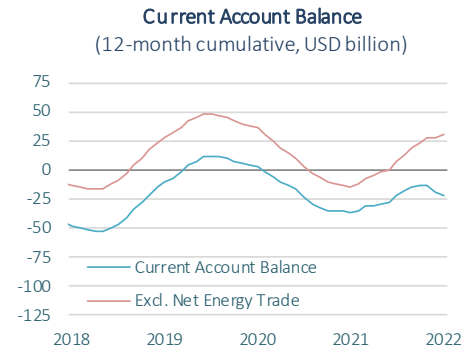
Financial markets...

Last week, Fed statements signalling that further monetary tightening would be the case in the coming period, caused a selling pressure in global markets. The US 10-year Treasury bond yield increased by 31 bps on a weekly basis to 2.70% while the DXY index closed at 99.8 on Friday, the highest level recorded since May 2020. Oil prices fell upon the announcement of International Energy Agency ensuring that member countries would supply 120 million barrels of oil to the market. The barrel price of Brent crude oil closed the week at 102.8 USD, down by 1.5%. In addition, the Central Bank of Russia cut the policy rate from 20% to 17%, taking into account the rapid rise in inflation, slowdown in the economic activity as well as increasing risks regarding financial stability.

BIST-100 index rose by 6.3% last week. The compound rate of Turkey's 2-year benchmark bond continued to decline on a weekly basis, falling to 24.17%. On the other hand, The USD/TRY rate recorded a limited increase due to the appreciation of the US dollar in global markets while Turkey's 5-year CDS premium increased by 39 basis points, reaching 587.

This week's agenda...

This week, the US inflation data for March and ECB's April meeting stand out in global markets. In Turkey, industrial production data for February and budget balance statistics for March will be published. In addition, the April meeting of CBRT will be closely followed.



Source: Datastream, CBRT, TurkStat

Data Releases

		Period	Consensus	Prior
11 April	TR Current Account Deficit	February	-5.2 billn USD (A)	-7.2 billn USD
	TR Unemployment Rate	February	10.7% (A)	11.4%
	China CPI Inflation, yoy	March	1.5% (A)	0.9%
	China PPI Inflation, yoy	March	8.3% (A)	8.8%
12 April	TR Industrial Production, yoy	February	9.2%	7.6%
	US CPI Inflation, yoy	March	8.5%	7.9%
13 April	US PPI Inflation, yoy	March	10.5%	10.0%
	China Trade Balance	March	22.4 billn USD	116.0 billn USD
14 April	CBRT Monetary Policy Meeting	April	-	14.00%
	US Retail Sales, mom	March	0.6%	0.3%
	US Michigan Consumer Confidence, prelim.	April	58.8	59.4
	ECB Meeting	April	0.00%	0.00%
15 April	TR Budget Balance	March	-	69.7 billn TRY
	US Industrial Production, mom	March	0.4%	0.5%

(A) Actual

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