

	20-May	27-May	Change		20-May	27-May	Change
BIST-100 Index	2,372	2,439	2.8 % ▲	EUR/USD	1.0560	1.0727	1.6 % ▲
TRY 2 Year Benchmark Rate	27.08 %	27.36 %	28 bp ▲	USD/TRY	15.8951	16.1807	1.8 % ▲
Turkey 5-Year CDS Premium	715	707	-8 bp ▼	EUR/TRY	16.7973	17.4081	3.6 % ▲
MSCI EM Equity Index	1,035	1,043	0.8 % ▲	Gold (USD/ounce)	1,846	1,853	0.4 % ▲
US 10-Year Bond Rate	2.79 %	2.74 %	-5 bp ▼	Brent Oil (USD/barrel)	112.6	119.4	6.1 % ▲

bp: basis point

Last week, preliminary PMI data released in the US recorded a decline in May and the contraction in GDP for the first quarter of 2022 data was revised downwards. Besides that, the decline in the preliminary manufacturing and services PMI for May in the Euro Area supported the views that economic activity lost momentum on a global scale. Moody's did not release an assessment on Turkey's credit rating on Friday, but revised its global economic growth forecasts downwards in its Global Macroeconomic Outlook Report. The CBRT kept the policy rate at 14% in line with the expectations at the MPC meeting and published the Financial Stability Report on Friday. This week, the final PMI data for May and the US employment data stand out in global markets. In Turkey, inflation, preliminary foreign trade and PMI data for May will be closely monitored. The GDP growth data for the first quarter of 2022 will also be released in this week.

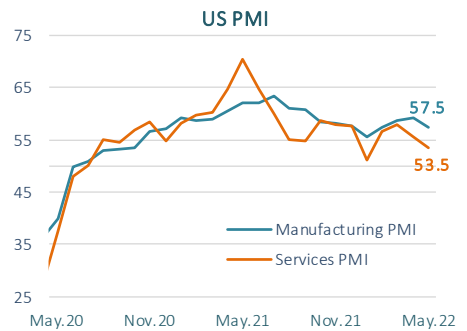
### Leading indicators in the US signaled weakening in economic activity.

According to annualized data, GDP contraction in the US for the first quarter of 2022 was revised from 1.4% yoy to 1.5% yoy. In April, annualized new home sales in the country decreased by 16.6% mom to the lowest level since April 2020 due to the increase in home prices and interest rates. In the same period, increases in personal consumption expenditures and durable goods orders also lost momentum. Preliminary manufacturing PMI data for May declined to 57.5, the lowest level of the last 3 months, and services PMI decreased to 53.5, the lowest level of the last 4 months. Michigan consumer confidence index decreased to 58.4 in this period, the lowest level of the last 11 years. The recent leading indicators, which point to weaker economic conditions, heightened the concerns that the economic outlook in the country might slow down faster than expected.



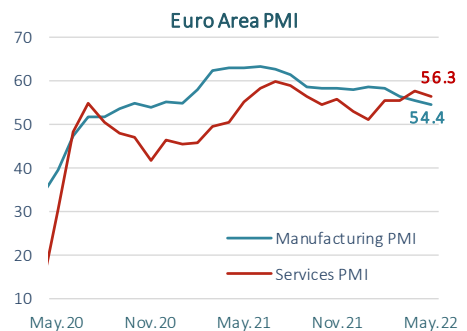
### The Fed released the minutes of its May meeting.

In the minutes of the Fed's May meeting, it was seen that the majority of Fed members supported an increase of 50 basis points at each of the next two meetings. Also, it was emphasized that an additional 125 basis point increase in the policy rate could be made until the middle of 2023. In the minutes, it was stated that both the strong outlook in the employment figures and the 2% inflation target could be achieved through the appropriate tightening in the monetary policy.



### Preliminary PMI data in the Euro Area recorded a decline in May.

According to May's preliminary data manufacturing PMI in the Euro Area fell to 54.4 (55.5 in April) the lowest level in the last 18 months. Although services PMI declined to 56.3, it remained well above the threshold level in this period. Even though it is observed that the strong demand in the services sector continues to support economic activity, the loss of momentum in economic activity and the increase in living costs might suppress the growth in the sector in the upcoming period.



### Moody's revised its global economic growth forecasts.

Moody's published the Global Macro Outlook update for the 2022-2023 period. In the report, which pointed out that the ongoing Russia-Ukraine war and a lower-than-expected economic growth in China pose risks to global economic activity, the economic growth forecasts for 2022 were cut for developed and emerging economies to 2.6% and 3.8%, respectively. While keeping unchanged its economic growth forecasts for the Turkish economy for 2022 and 2023 at 3.5% and 4%, respectively, Moody's increased the inflation forecast for the end of 2022 from 35% to 52.1%. On the other hand, Moody's, did not release an assessment on Turkey's

Source: Datastream

credit rating on Friday despite having been scheduled.

### The CBRT kept the policy rate at 14%.

At its meeting on May 26, CBRT kept the policy rate unchanged at 14%, in line with expectations. In the text published after the meeting, CBRT highlighted that the macroprudential policy set will be implemented decisively with additional measures, a comprehensive review of the policy framework continues with the aim of encouraging permanent and strengthened liraization in all policy tools and the collateral and liquidity policy actions, of which the review process is finalized, will be implemented.

In its' first Financial Stability Report of the year, published on Friday, CBRT stated that the rise in global commodity prices delayed the improvement in the current account deficit despite the boom in exports and the recovery in the tourism sector. The report also mentioned that the indebtedness ratio of the real sector diverged favorably from peer countries. In addition, according to the report, increasing working capital needs due to rising input costs led the recent acceleration in loan growth.

### The Economic confidence index rose in May.

The economic confidence index, which has been declining since February, increased by 2.1% mom to 96.7 in May. In this period, while the services sector confidence index was the fastest rising sub-index with 6.1%, the real sector and construction sector confidence indices continued to decline.

### The number of foreign visitors to Turkey increased by 226% in April.

According to the data of the Ministry of Culture and Tourism, the number of foreign visitors to Turkey in April increased by 226% yoy, amounting to 2.6 million people. In April, the number of visitors from Germany increased 6-times compared to the same period of the previous year. Germany, which rose to the first place among other foreign visitors to Turkey, was followed by Bulgaria and England. On the other hand, the number of visitors from Russia and Ukraine decreased by 16.6% and 43.7% yoy, respectively. While the number of foreign visitors coming to Turkey in the January-April period increased by 172.5% compared to the same period of the previous year, with approximately 7.5 million people, it was 14.4% lower than the same period of 2019 (pre-pandemic period).

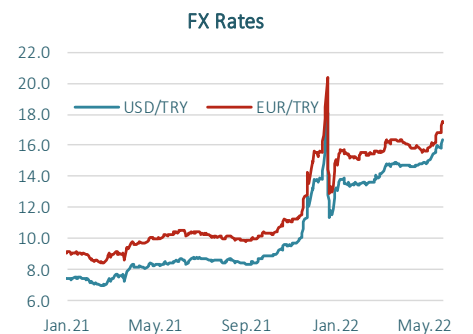
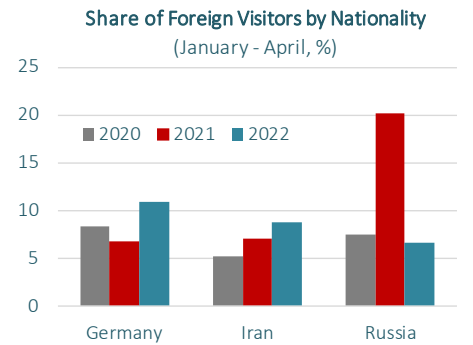
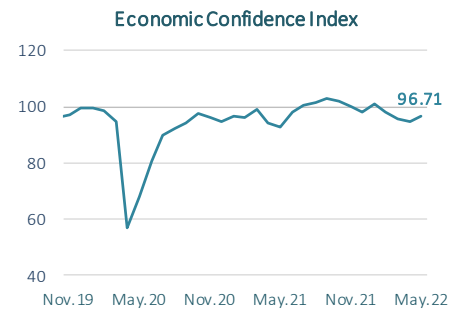
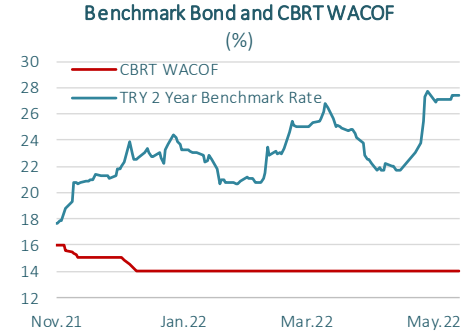
### Financial markets...

Last week, as weaker-than-expected economic data releases were noteworthy in the US, the signals of the Fed officials that the interest rate hike trajectory could be re-evaluated after the 50 basis point rate hikes planned to be conducted in each of the next two meetings supported the global financial markets. The US stock markets logged gains last week, while the DXY index, which started the week above the level of 103, closed at 101.7.

In parallel with the positive outlook in the global markets, the BIST-100 index completed the week at 2,439 points with an increase of 2.8% wow. USD/TRY, which rose to 16.45 levels during the week, slightly declined to 16.18 at the end of the week thanks to the depreciation of the US dollar in global markets, by recording a weekly increase of 1.8%. Last week, the EUR/TRY also increased by 3.6% wow, closing the week at 17.41.

### This week's agenda...

This week a heavy data agenda will be followed. Final PMI data for May will be on the focus of the global markets. In addition, May employment data in the US and inflation data in the Euro Area will also be closely monitored. In Turkey, manufacturing PMI, inflation and preliminary foreign trade data for May and GDP growth data for the first quarter of the year will be followed.



Source: Turkstat, CBRT, Datastream

Data Releases

		Period	Consensus	Prior
30 May	Euro Area Consumer Confidence, final	May	-21.1	-21.1
31 May	TR GDP Growth, yoy	2022 Q1	7.1%	9.1%
	TR Trade Balance	April	-	-8.170 billion USD
	USA Consumer Confidence	May	103.9	107.3
	Euro Area CPI Inflation, flash, yoy	May	7.7%	7.4%
1 June	TR Manufacturing PMI	May	-	49.2
	USA ISM Manufacturing PMI	May	54.5	55.4
	USA Manufacturing PMI, final	May	-	57.5
	USA ADP Employment Report	May	280k	247k
	Euro Area Manufacturing PMI, final	May	54.4	54.4
	Euro Area Unemployment Rate	April	6.7%	6.8%
	China Caixin Manufacturing PMI, final	May	-	46.0
2 June	TR Trade Balance, flash	May	-	-6.102 billion USD
	USA Factory Orders, mom	April	0.8%	2.2%
	Euro Area PPI Inflation, yoy	April	38.6%	36.8%
3 June	TR CPI Inflation, yoy	May	-	69.97%
	TR D-PPI Inflation, yoy	May	-	121.82%
	USA Nonfarm Payrolls	May	320k	428k
	USA Unemployment Rate	May	3.5%	3.6%
	USA ISM Services PMI	May	56.4	57.1
	USA Services PMI, final	May	-	53.5
	Euro Area Services PMI, final	May	56.3	56.3
	Euro Area Retail Sales, mom	April	0.3%	-0.4%

---

## Economic Research Division

---

Alper Grler  
Division Head  
alper.gurler@isbank.com.tr

Mustafa Kemal Gndođdu, PhD.  
Asst. Manager  
kemal.gundogdu@isbank.com.tr

H. Erhan Gl  
Unit Manager  
erhan.gul@isbank.com.tr

rem Turan Taş  
Asst. Economist  
irem.turan@isbank.com.tr

---

Our reports are available on our website <https://research.isbank.com.tr>

### **LEGAL NOTICE**

This report has been prepared by Trkiye İř Bankası A.ř. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Trkiye İř Bankası A.ř. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Trkiye İř Bankası A,ř, accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.