

| | 10-Jun | 17-Jun | Change | | 10-Jun | 17-Jun | Change |
|---------------------------|---------|---------|----------|------------------------|---------|---------|----------|
| BIST-100 Index | 2,543 | 2,533 | -0.4 % ▼ | EUR/USD | 1.0515 | 1.0498 | -0.2 % ▼ |
| TRY 2 Year Benchmark Rate | 25.81 % | 25.83 % | 2 bp ▲ | USD/TRY | 17.0718 | 17.3255 | 1.5 % ▲ |
| Turkey 5-Year CDS Premium | 815 | 823 | 8 bp ▲ | EUR/TRY | 18.0091 | 18.1933 | 1.0 % ▲ |
| MSCI EM Equity Index | 1,055 | 1,008 | -4.4 % ▼ | Gold (USD/ounce) | 1,871 | 1,839 | -1.7 % ▼ |
| US 10-Year Bond Rate | 3.16 % | 3.23 % | 7 bp ▲ | Brent Oil (USD/barrel) | 122.0 | 113.1 | -7.3 % ▼ |

bp: basis point

Last week, interest rate decisions of major central banks, especially the Fed, came to the fore in the agenda of the global markets. After the announcement of Fed members' projections, the concerns about economic growth and inflation strengthened in the markets. In Turkey, the central government budget posted a surplus of 144 billion TRY in May. According to the Market Participants Survey, year-end inflation expectation increased to 64.59%. This week, the preliminary PMI data for June stands out on the agenda of global markets. In Turkey, the CBRT meeting will be closely monitored. Confidence indices for June will also be released this week.

The Fed raised interest rates the highest in 28 years.

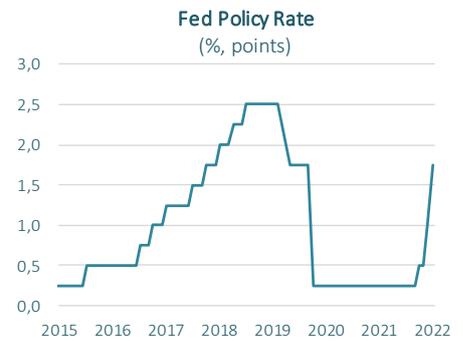
Fed raised its policy rate by 75 basis points to a range of 1.5-1.75% at its meeting last week, marking its highest rate hike in 28 years. In the text published after the meeting, it was stated that it would be appropriate to continue the interest rate hikes in the rest of the year in order to achieve the long-term full employment and 2% inflation target. In addition, in line with the balance sheet reduction plan announced in May, the Treasury bonds and mortgage-backed securities held by the Fed will continue to be reduced. In his speech after the meeting, Fed Chairman Powell signaled that a 50 or 75 basis point rate hike could be made at the July meeting in order to control inflation and stated that he does not expect 75 basis point rate hikes to be common in the upcoming meetings.

According to the revised forecasts, Fed officials expect the policy rate to be 3.4% by the end of 2022. Hence, the Fed may increase the policy rate by 1.75 points in the next 4 meetings. Growth forecast for 2022, decreased by 1.1 points compared to March forecasts and declined to 1.7%. Fed members predict that the annual rise in the personal consumption expenditures (PCE) index would be 5.2% and the core PCE 4.3%.

BoE raised interest rates by 25 basis points.

Last week, alongside the Fed meeting, policy decisions of other major central banks were followed. The Bank of England (BoE) increased the policy rate by 25 basis points in line with market expectations. Thus, the policy rate rose to 1.25%, the highest level since 2009. Emphasizing the increase in inflation, BoE officials stated that they are ready for higher interest rate hikes in the coming period. The Swiss National Bank also increased interest rates by 50 basis points for the first time since 2007. On the other hand, Bank of Japan kept the policy rate unchanged.

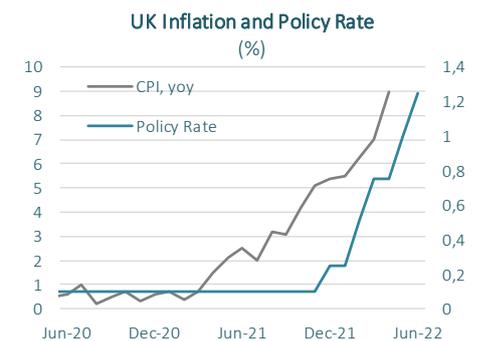
Governing Council of the ECB, which is expected to increase interest rates by 25 basis points at its meeting in July, held an extraordinary meeting last week. After the meeting, it was announced that flexibility will be applied in the reinvestment of the principal payments of the assets purchased under the Pandemic Emergency Asset Purchase Program (PEPP), and a new tool



Fed Projections

| | June Projections (%) | | Change* (% point) | |
|--------------------|----------------------|------|-------------------|------|
| | 2022 | 2023 | 2022 | 2023 |
| GDP Growth | 1.7 | 1.7 | -1.1 | -0.5 |
| PCE Inflation | 5.2 | 2.6 | 0.9 | -0.1 |
| Core PCE | 4.3 | 2.7 | 0.2 | 0.1 |
| Federal Funds Rate | 3.4 | 3.8 | 1.5 | 1.0 |
| Unemployment Rate | 3.7 | 3.9 | 0.2 | 0.4 |

(*) Difference from March projections



Source: Datastream, Fed

would be developed in response to the divergence risks in the bond yields of EU countries.

Central government budget posted a surplus of 144 billion TRY in May.

In May, budget revenues tripled on an annual basis and amounted to 317.8 billion TRY, while budget expenditures expanded by 47.3% to 173.8 billion TRY. Thus, the central government budget posted a surplus of 144 billion TRY in May and 124.6 billion TRY in the first five months of the year. The amount of payments made to BOTAS in the January-May period, including the assignment expenses, reached 71.4 billion TRY. In addition, in the March-May period, expenses related to the FX-protected Turkish Lira deposit were realized as 21.1 billion TRY ([Our Budget Balance report](#)).

House sales increased by 107.5% yoy in May.

House sales in Turkey rose by 107.5% yoy to 122,800 units in May. In this period, new house sales increased by 80.5% yoy and second-hand house sales went up by 119.5% yoy. While house sales to foreigners recorded a rapid increase by 235.7% in this period, the share of these sales in total sales became 4.9%. The housing price index rose by 10.2% mom and 127% yoy in April. In terms of 3 big cities, prices surged by 142% in Istanbul, 131% in Ankara and 123% in Izmir. In this period, the real increase in housing prices across the country was 34.9%.

CBRT published the Survey of Market Participants.

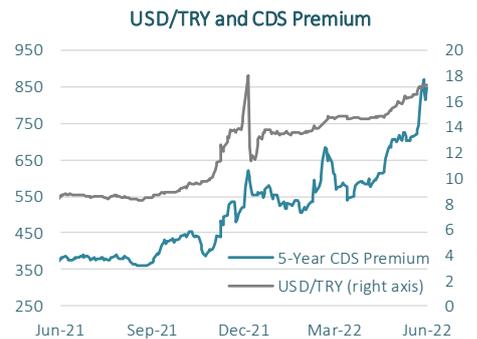
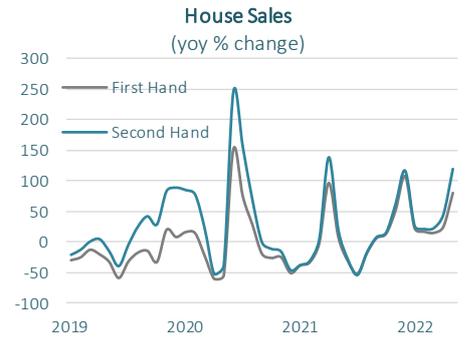
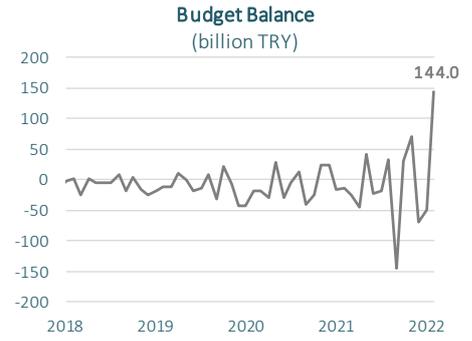
According to the results of the Survey of Market Participants, the year-end inflation expectation for 2022 became 64.59%. The 12-month ahead inflation expectation, which was 33.28% in the previous survey period, rose to 37.91% in June. Survey participants expect growth to be 3.5% in 2022, and USD/TRY parity to stand at 18.89 by the end of the year.

Financial markets...

Global stock markets, where a 75 basis point interest rate hike was priced in before the Fed meeting, followed a downward trend last week due to recession concerns. Brent crude oil barrel price decreased by 7.3% wow, depending on the expectation that global economy would slow down and demand would decline. In parallel to this, a negative outlook was dominant in Turkish markets as well. While Turkey's 5-year CDS premium finished the week at 823 bps with an increase of 8 bps, the USD/TRY parity became 17.3 with a weekly increase of 1.3%, mainly due to the rise in the DXY index.

This week's agenda...

This week, preliminary PMI data for June come to the fore on the data agenda of global markets. In Turkey, where CBRT meeting will be followed closely, confidence indices for June will be released this week.



Source: Datastream, CBRT

Data Releases

| | | Period | Consensus | Prior |
|---------|---|--------|------------|-----------------|
| 20 June | TR Central Government Gross Debt Stock | May | - | 3.1 billion TRY |
| | TR Foreign Visitors, yoy | May | 308.0% (A) | 225.6% |
| 21 June | USA Existing Home Sales, mom | May | - | -2.4% |
| 22 June | TR Consumer Confidence Index | June | - | 67.6 |
| | Euro Area Consumer Confidence, flash | June | -20.8 | -21.1 |
| 23 June | CBRT Monetary Policy Meeting | June | - | - |
| | USA Services PMI, flash | June | 53.6 | 53.4 |
| | USA Manufacturing PMI, flash | June | 56.4 | 57.0 |
| | Euro Area Services PMI, flash | June | 55.5 | 56.1 |
| | Euro Area Manufacturing PMI, flash | June | 53.9 | 54.6 |
| 24 June | TR Real Sector Confidence Index | June | - | 109.4 |
| | TR Capacity Utilization Rate | June | - | 78.0% |
| | USA New Home Sales, mom | May | - | -16.6% |
| | USA Michigan Consumer Confidence, final | June | 50.2 | 50.2 |

(A) Actual

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