

	15-Jul	22-Jul	Change		15-Jul	22-Jul	Change
BIST-100 Index	2,382*	2,517	5.6 % ▲	EUR/USD	1.0087	1.0210	1.2 % ▲
TRY 2 Year Benchmark Rate	23,87 %*	22.12 %	-175 bp ▼	USD/TRY	17.3950	17.7173	1.9 % ▲
Turkey 5-Year CDS Premium	857	844	-13 bp ▼	EUR/TRY	17.5481	18.1180	3.2 % ▲
MSCI EM Equity Index	962	990	3.0 % ▲	Gold (USD/ounce)	1,707	1,726	1.2 % ▲
US 10-Year Bond Rate	2.93 %	2.78 %	-15 bp ▼	Brent Oil (USD/barrel)	101.2	103.2	2.0 % ▲

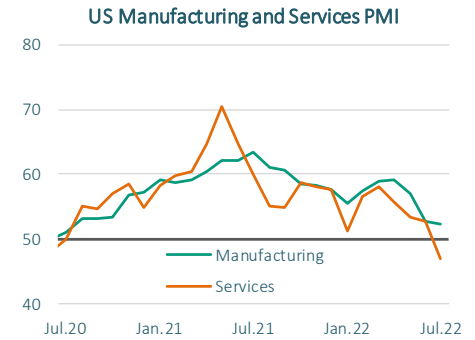
bp: basis point

(*) As of July 14.

Last week, in the US and the Euro Area preliminary PMI data signaled a slowdown in the economic activity. The European Central Bank hiked the policy rate by 50 basis points at its meeting last week, for the first time since 2011. The CBRT kept the policy rate unchanged at 14%. In June, the central government debt stock rose to 3.4 trillion TRY. Confidence indices for July presented a mixed outlook. This week, the Fed meeting and the update of the IMF World Economic Outlook report stand out on the global markets' agenda. In addition, preliminary growth data for the second quarter in the US and the Euro Area will be announced. In Turkey, the CBRT's Inflation Report will be followed.

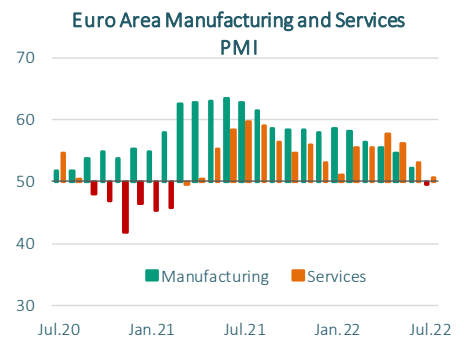
In the US, preliminary services PMI signaled a contraction in the sector.

In the US, preliminary manufacturing PMI for July came in at 52.3, pointing out that the growth in the sector continues. The preliminary services PMI declined to 47.0 in July, the lowest level since May 2020. Consumers' rising tendency to save due to price increases was behind this development. House sales and employment indicators in the country displayed a negative performance as well. In June, existing home sales decreased by 5.4% yoy due to the rising interest rates and house prices, declining to the lowest level of the last 2 years. During this period, housing starts were also at their lowest level since September 2021. In the week ending July 16, initial jobless claims rose to 251,000, the highest level since November 2021.



ECB hiked the policy rate by 50 basis points.

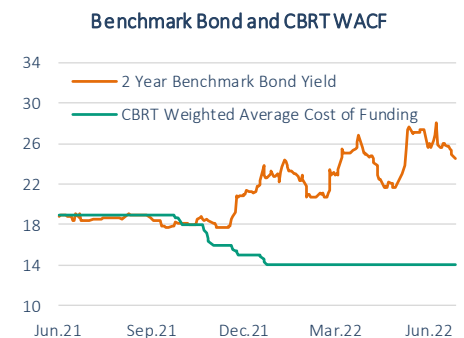
The European Central Bank hiked the interest rates by 50 basis points at its July meeting, above the expectations of 25 basis points. Thus, the ECB increased interest rates for the first time since 2011 by raising the policy rate to 0.50%. The ECB also approved the Transmission Protection Instrument, which allows the use of bond purchases in order to ensure the balance between European Union countries in the normalization process in monetary policy.



In the Euro Area, preliminary services PMI declined to 50.6 in July, the lowest level of the last 15 months. Manufacturing PMI also displayed the lowest performance since May 2020, pointing to a contraction in the sector with 49.6. In July, preliminary consumer confidence index decreased by 3.2 points mom to -27, which is historically low. Inflationary pressures were effective in the aforementioned developments.

The CBRT kept the policy rate at 14%.

At its meeting last week, the CBRT kept its policy rate unchanged at 14% in line with expectations. In the text published after the meeting, CBRT stated that the high course of energy prices and the likelihood of a recession in main trade partners keep the risks on current account balance alive. The addition of "credits" to the statement saying "collateral and liquidity policy actions will continue to be implemented to strengthen the effectiveness of the monetary policy transmission mechanism" was interpreted as the Central Bank may announce new macroprudential measures for credits in the coming period.



Source: Datastream,

The central government gross debt stock rose to 3.4 trillion TRY.

As of June, the central government gross debt stock increased by 67.9% yoy and reached 3.431 billion TRY. 2,300 billion TRY of the debt stock consisted of foreign currency debts, while 1,131 billion TRY consisted of Turkish lira-denominated debts. The share of foreign currency debts in gross debt stock rose by 8.4 points yoy and became 67%, as of June.

In Turkey, confidence indices presented a mixed outlook in July.

The seasonally adjusted consumer confidence index, which fell to its historical low level of 63.4 in June, increased by 7.4% mom to 68.0 in July. Analyzing sub-indices, the double digit increases in the household's financial situation and general economic situation expectations in the next 12 months compared to the previous month were behind the improvement in the index. In this period, seasonally adjusted real sector confidence index decreased by 2.1 mom to 102.5. In July, confidence indices decreased by 1.5% and 4.5% in the services and retail trade sectors, respectively, while it increased by 2.4% in the construction sector.

The increase in house sales continued to lose momentum in June.

House sales in Turkey increased by 11.7% yoy in June, displaying the slowest increase in the last 9 months, and reached 150.5K units. In this period, mortgaged house sales surged by 40.6% yoy, while the share of mortgaged sales in total house sales was 27%. While the rise in sales to foreigners maintained its strong outlook with 81.8% yoy in June, Russian citizens continued to rank first in sales to foreigners.

According to the data of the White Goods Manufacturers' Association of Turkey; domestic white goods sales decreased by 8% yoy in the January-June period, while exports increased by 1%. The decrease in consumption appetite due to the decline in purchasing power is expected to affect the production and sales of the sector negatively in the coming period.

A positive trend was followed in global markets.

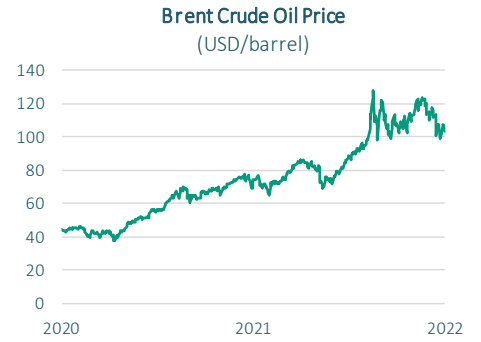
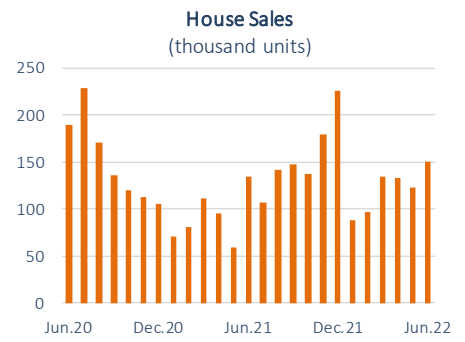
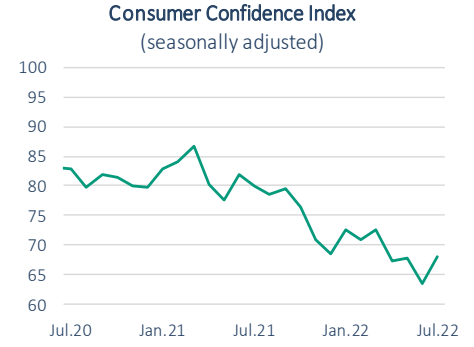
Last week, global stock markets followed an upward trend throughout the week despite the data releases pointing to a loss of momentum in economic activity. Oil prices which rose rapidly at the beginning of the week, due to the fact that Russian energy company Gazprom will not be able to supply gas to many of Europe's large-scale energy companies due to extraordinary reasons beyond its control, receded a little following the resumption of Russian gas shipments from the Nord Stream line to Europe on July 21 and the decline in global economic activity. The US's strategic oil reserves fell to the lowest level since July 1985, raising the concerns about the energy markets. The barrel price of Brent crude oil increased by 2% wow to 103.2 USD.

In Turkey, BIST-100 index went up by 5.6% wow. The USD/TRY exchange rate, which continued to rise after the CBRT meeting, closed the week at 17.7 with an increase of 1.9%. Although Turkey's 5-year CDS premium decreased by 13 basis points on a weekly basis, it maintained its high level.

According to the Grain Export Deal signed by the United Nations, Turkey, Russia and Ukraine on Friday, grain and food products will be transported safely from Ukrainian ports. The agreement is expected to be effective in tackling rising food inflation and supply shortages. On the other hand, the escalating geopolitical tension in the region over the weekend indicated that there may be a risk on the target in question.

This week's agenda...

This week, the Fed's July meeting and the update of the IMF's World Economic Outlook report stand out on the agenda of global markets. In addition, preliminary growth data for the second quarter in the US and the Euro Area will be announced. In Turkey, final foreign trade statistics and the CBRT's Inflation Report will be followed.



Source: Datastream, CBRT, Turkstat

Data Releases

		Period	Consensus	Prior
25 July	TR Capacity Utilization Rate	July	78.2% (A)	77.6%
	TR Real Sector Confidence Index	July	103.7 (A)	106.4
	Services, Retail Trade and Construction Confidence Indices	July	-	-
26 July	TR Housing Price Index	May	-	383.1
	USA Consumer Confidence, flash	July	97.3	98.7
	USA New Home Sales, units	June	664K	696K
27 July	Fed Meeting	July	2.25-50%	1.5-75%
	USA Durable Goods Orders, mom	June	-0.3%	0.8%
	USA Pending Home Sales, mom	June	-%1.5	0.7%
28 July	CBRT Inflation Report	2022 Q3	-	42.8%
	TR Economic Confidence	July	-	93.6
	USA GDP Growth, prelim, yoy	2022 Q2	0.4%	-1.6%
29 July	TR Trade Balance	June	-	-10.6 billion USD
	TR Foreign Visitors, yoy	June	-	308%
	Euro Area GDP Growth, flash, yoy	2022 Q2	3.4%	5.4%
	Euro Area CPI Inflation, flash, yoy	July	8.7%	8.6%

(A) Actual

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