

	22-Jul	29-Jul	Change		22-Jul	29-Jul	Change
BIST-100 Index	2,517	2,592	3.0 % ▲	EUR/USD	1.0210	1.0218	0.1 % ▲
TRY 2 Year Benchmark Rate	22.12 %	22.86 %	74 bp ▲	USD/TRY	17.7173	17.9114	1.1 % ▲
Turkey 5-Year CDS Premium	844	812	-32 bp ▼	EUR/TRY	18.1180	18.3186	1.1 % ▲
MSCI EM Equity Index	990	994	0.3 % ▲	Gold (USD/ounce)	1,726	1,765	2.2 % ▲
US 10-Year Bond Rate	2.78 %	2.64 %	-14 bp ▼	Brent Oil (USD/barrel)	103.2	110.0	6.6 % ▲

bp: basis point

Last week, IMF's World Economic Outlook Update, the second quarter growth data for the US and Euro Area economies and the Fed meeting were closely monitored in global markets. While IMF underlined the global recession concerns by revising its global growth forecasts, the US economy contracted again in the second quarter of the year and entered a technical recession. At its meeting ended on Wednesday, the Fed raised the policy rate by 75 bps to the level of 2.25%-2.50%. In Turkey, the third Inflation Report of 2022 was published by CBRT. In the report, CBRT raised its year-end inflation forecast from 42.8% to 60.4%. In the second quarter of the year, the number of foreign visitors and tourism revenues nearly doubled on yoy basis. Manufacturing PMI fell to 46.9 in July, remaining below the threshold level for the fifth consecutive month. This week, the US employment data, as well as the OPEC+ and BoE meetings come to the fore on the agenda of global markets. In Turkey, July inflation and Treasury cash balance data will be closely followed.

#### IMF revised its global growth forecasts downwards.

IMF, which had announced its global growth forecasts for both 2022 and 2023 as 3.6% in its World Economic Outlook Report in April, reduced its forecasts to 3.2% and 2.9%, respectively in the July Update. Noting that the downside risks from high inflation and the Ukraine war were materializing and could push the world economy to the brink of recession if left unchecked and emphasized that in an alternative scenario where the current risks deepen, the said global growth rates may decrease to the levels of 2.6% and 2.0%, respectively. IMF, on the other hand, increased its global inflation forecasts by 0.9 points for both years to 8.3% and 5.7%, respectively. The growth forecasts for the Turkish economy were increased from 2.7% to 4% for 2022, and from 3% to 3.5% for 2023.

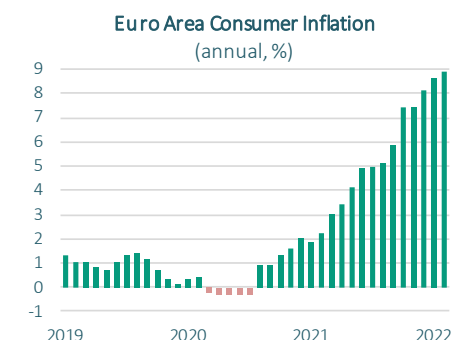
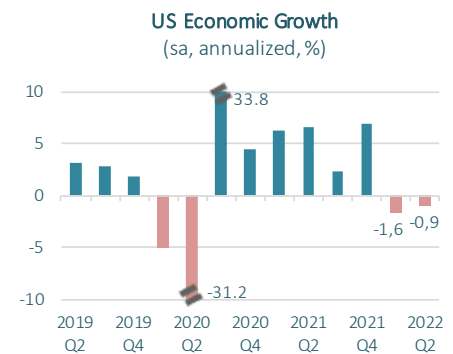
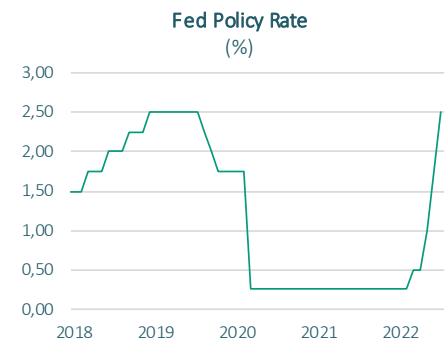
#### In the US, where interest rate hikes continued, economic activity contracted in the second quarter of the year as well.

At its meeting that ended on Wednesday, the Fed raised the policy rate by 75 basis points to the level of 2.25%-2.50%. Hence, the Fed has increased interest rates by a total of 225 bps since March. Fed Chairman Jerome Powell stated that interest rate hikes may be slowed down in the coming period depending on the course of inflation, but if price pressures do not ease, an "unusually large" rate hike may be appropriate at the September meeting.

According to preliminary annualized data, the US economy contracted by 0.9% in the second quarter of 2022, against 0.5% growth expectations. The US economy, which contracted in the first two quarters of the year, is considered to enter a technical recession. In addition, jobless claims remained high with 256 thousand people in the week ending July 23, thus supported the negative expectations on the labor market. In June, personal consumption expenditures and personal incomes increased slightly above market expectations on a monthly basis, supporting inflation concerns. The July consumer confidence index in the country also took its lowest value since February 2021, amid growing inflationary pressures and concerns over slowdown in economic activity caused by policy rate hike.

#### Euro Area economy grew above expectations.

In the second quarter of 2022, the Euro Area economy grew by 0.7% qoq. Thus, the annual growth rate came in at 4%, above expectations. In the region, the annual CPI increase, which was 8.6% in June, reached a historical high of 8.9% in July. The ongoing cost increases, especially in energy, and the upward pressure on inflation supported the expectation that the ECB may accelerate monetary tightening steps in the forthcoming period.



Source: Datastream

### Upward pressure on energy prices continues.

Last week, Russia's announcement that it would reduce gas supplies to Europe to 20% of the pipeline's capacity put upward pressure on natural gas prices. As a response, EU members agreed to cut their gas consumption by 15% voluntarily. But this action was inadequate to offset the said upward pressure on gas prices. Following these developments, both US crude oil stocks recorded the highest decline since May and the increase in gasoline demand resulted in a sharp increase in oil prices.

### CBRT published the third Inflation Report of the year.

In the third Inflation Report of 2022, the CBRT raised its year-end inflation forecast from 42.8% to 60.4%, while increasing its 2023 year-end inflation forecast from 12.9% to 19.2%. Upward revisions in TL-denominated import prices, food inflation assumptions and unit labor costs were influential on the hike in the inflation forecasts. CBRT Chairman Kavcıoğlu stated that the rapid increases in global commodity prices in the second quarter, as well as supply constraints caused by supply chain disruptions and the increase in exchange rates, were effective in the rise in inflation.

### House Price Index increased by 145.5% yoy in May.

According to the data released by the CBRT, House Price Index increased by 12.4% mom and 145.5% yoy in May. The annual increase in the real house price index was 41.1%.

### Manufacturing PMI fell to 46.9 in July.

Manufacturing PMI fell to 46.9 in July, its lowest level since May 2020. While the slowdown in July was mainly due to insufficient demand, uncertainty in market conditions and ongoing price pressures aggravated the problems regarding manufacturing industry activities. In July, the economic confidence index decreased by 0.2% compared to the previous month and became 93.4. Thus, the index took its lowest value since May 2021. In this period, the construction sector and consumer confidence indices performed a relatively positive performance.

### Tourism revenues exceeded 2019 levels in the first half of the year.

According to TURKSTAT, tourism revenues increased by 190.2% yoy to 8.7 billion USD in the second quarter of the year, exceeding the level of 8 billion USD in the same period of 2019. Thus, as of the first half tourism revenues increased by 159.7% on an annual basis and reached 14.2 billion USD which was 12.5% more than the amount recorded in the same period of 2019. In the first half of 2022, the number of foreign visitors also rose by 185.7% yoy and reached 16.4 million people.

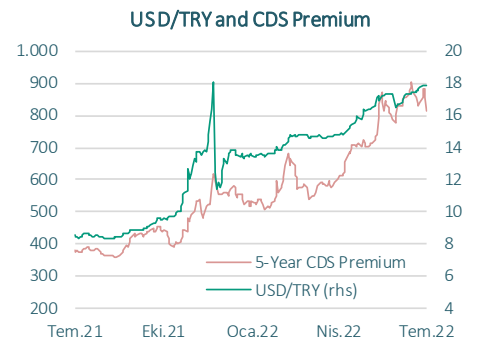
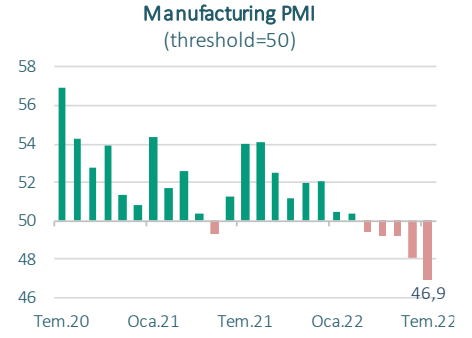
### Financial markets...

Despite the cautious stance in the global markets before the Fed meeting, the strengthening of slower-than-expected rate hike after the weak US's GDP and employment data positively affected the markets in the last week. While the global and emerging market's stock indices increased on a weekly basis, the DXY, which shows the value of the US dollar against major developed country currencies, declined slightly on a weekly basis.

BIST-100 index followed a parallel course to the global stock markets and ended the week with an increase of 3%. Turkish Lira continued its depreciation against the US dollar last week and USD/TRY increased by 1.1% wow to 17.91. Turkey's 5-year CDS which exhibited a volatile course in the last week, fell by 32 bps wow to 812 bps.

### This week's agenda...

This week, the US employment data, as well as the meetings of OPEC+ and the Bank of England, come to the fore on the agenda of global markets. In Turkey, inflation and Treasury cash balance data for July will be closely monitored.



Source: Datastream, ICI, TurkStat

Data Releases

		Period	Consensus	Prior
<b>1 August</b>	TR Manufacturing PMI	July	46.9 (A)	48.1
	US ISM Manufacturing PMI	July	52.0	53.0
	Euro Area Manufacturing PMI, final	July	49.8 (A)	49.6
	Euro Area Unemployment Rate	June	6.6% (A)	6.6%
	China Caixin Manufacturing PMI, final	July	50.4 (A)	51.7
<b>3 August</b>	TR CPI Inflation, yoy	July	80.50%	78.62%
	TR D-PPI Inflation, yoy	July	-	138.31%
	US ISM Services PMI	July	53.5	55.3
	US Factory Orders, mom	June	-	-
	US Services PMI, final	July	0.4%	1.6%
	Euro Area PPI Inflation, mom	June	1.0%	0.7%
	Euro Area Retail Sales, mom	June	0.1%	0.2%
	China Caixin Services PMI	July	-	54.5
<b>4 August</b>	US Initial Jobless Claims	25-30 Jul.	255K	256K
<b>5 August</b>	TR Treasury Cash Balance	July	-	-14.6 billion TRY
	US Nonfarm Payrolls	July	250K	372K
	US Unemployment Rate	July	3.6%	3.6%

(A) Actual

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