

	12-Aug	19-Aug	Change		12-Aug	19-Aug	Change
BIST-100 Index	2,864	3,020	5.4 % ▲	EUR/USD	1.0258	1.0034	-2.2 % ▼
TRY 2 Year Benchmark Rate	20.07 %	17.62 %	-245 bp ▼	USD/TRY	17.9324	18.0850	0.9 % ▲
Turkey 5-Year CDS Premium	647	787	140 bp ▲	EUR/TRY	18.4028	18.1566	-1.3 % ▼
MSCI EM Equity Index	1,017	1,001	-1.5 % ▼	Gold (USD/ounce)	1,802	1,748	-3.0 % ▼
US 10-Year Bond Rate	2.85 %	2.99 %	14 bp ▲	Brent Oil (USD/barrel)	98.2	96.7	-1.5 % ▼

bp: basis point

Last week, the statements of Fed and ECB officials on monetary policy were closely monitored in the markets. While US data gave mixed signals regarding the course of economic activity, the Euro Area economy grew by 0.6% in the second quarter of the year compared to the previous quarter. The CBRT, lowered the policy rate by 100 basis points to 13% at its meeting last week and announced new macroprudential measures regarding the monetary transmission mechanism. House sales in Turkey decreased in July for the first time since August 2021. In the same period, number of foreign visitors increased by 52.8%. This week, in addition to the Jackson Hole meeting, preliminary PMI data for the US and Euro Area stand out in the global markets. In Turkey, confidence indices and capacity utilization rate data for August will be announced.

The data announced in the US did not picture a clear outlook.

US industrial production increased by 0.6% in July mom, slightly above the expectations. In the same period, 0.8% monthly increase in core retail sales also gave partially positive signals regarding consumption expenditures. Housing starts and existing home sales in the US decreased by 9.6% and 5.9%, respectively, in July. Rise in housing prices and loan interest rates put pressure on sales.

Fed and ECB officials made statements on monetary policy.

In the minutes of the Fed's July meeting, Fed members underlined that interest rate hikes would continue until a significant decrease in inflation is recorded. In the minutes, which did not include a clear guidance on the rate hikes in the coming period, it was stated that the pace of interest rate hike would be determined depending on the data. While the statements in the minutes showed that the Fed took into account the effects of monetary tightening on economic activity, it was noted that the opinions on the pace of interest rate hike diverged in the statements made by Fed officials on Thursday.

ECB officials also shared their assessments on monetary policy last week. Underlining that there has been no improvement in the inflation outlook since the interest rate hike in July, ECB Board Member Schnabel stated that the decision to be made in September will depend on the upcoming data. The announcement reinforced expectations that the ECB could raise interest rates by 50 basis points at its September meeting.

Euro Area economy grew by 3.9% yoy in the second quarter.

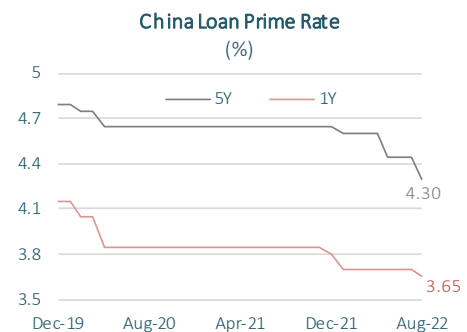
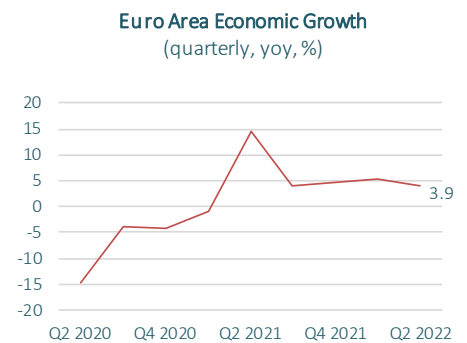
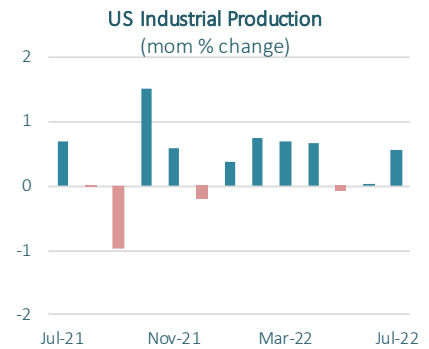
Euro Area economy which grew by 0.5% in the first quarter of 2022 compared to the previous quarter, displayed the strongest growth performance for the last three quarters by growing 0.6% in the second quarter according to the revised data. In this period, the annual GDP growth was revised from 4% to 3.9%.

PBoC cut the 1-year and 5-year loan prime rates.

The People's Bank of China (PBoC) reduced the 1-year and 5-year loan prime rates, which are benchmark lending rates for banks. Accordingly, the 1-year loan prime rate was reduced by 5 basis points to 3.65%, and the 5-year loan prime rate by 15 basis points to 4.30%. Chinese government has been continuously taking steps to support the real estate sector and economic activity.

CBRT lowered the policy rate by 100 basis points.

CBRT lowered the policy rate from 14% to 13% at its meeting held on Thursday. Market expected be no change in the policy rate. In the press release published



Source: Datastream

after the meeting, CBRT stated that leading indicators for the third quarter point to some loss of momentum in the economic activity. Highlighting the importance of the financial conditions remaining as supportive to preserve the growth momentum in industrial production and the positive trend in employment, the CBRT assessed that the updated level of policy rate is adequate under the current outlook. In addition, it was emphasized that the spread between policy rate and loan interest rate, which had been significantly expanded recently, reduced the effectiveness of the monetary transmission. Within this framework, the CBRT decided to strengthen its macroprudential policy set further with tools to support the effectiveness of the monetary transmission mechanism.

The CBRT announced new macroprudential measures regarding the monetary transmission mechanism on 20 August. In this context, the reserve requirement maintenance being applied at a ratio of 20% will be replaced by maintenance of securities at 30% for banks to enhance the efficiency of the practice. Securities equalling the loan amount exceeding the loan growth rate of 10% as of 30 December 2022 compared to 29 July 2022 will be maintained for a period of one year. In case the types of loans that are excluded are not extended against expenditure, such loans will be subject to the securities maintenance practice. In addition, for commercial loans to be extended from the publication date of the Communique until the end of 2022, securities will be maintained based on annual compound interest rate; 20% if the rate 1.4 times higher than the CBRT-released annual compound reference rate and 90% for the ones that are 1.8 times higher.

House sales fell in July.

House sales in Turkey decreased by 37.6% mom and by 12.9% yoy in July. In this period, mortgage sales decreased by 6.8% and sales to foreigners by 12.4% compared to the same period of the previous year. House prices, on the other hand, rose by 160.6% in nominal terms and by 47% in real terms on an annual basis in June.

The number of foreign visitors increased by 128.3% yoy in the first 7 months.

The number of foreign visitors increased by 52.8% yoy in July and 128.3% in the first 7 months compared to the same period of the previous year, amounting to 23 million. During this period, the country which sent most visitors to Turkey was Germany with 3 million people, followed by Russia with 2.2 million people and the UK with 1.8 million people. However, when compared to the first 7 months of 2019, the number of foreign visitors decreased by 6.7%.

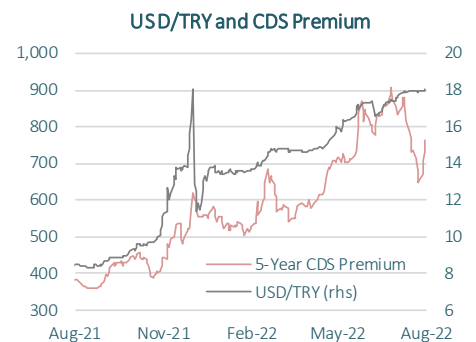
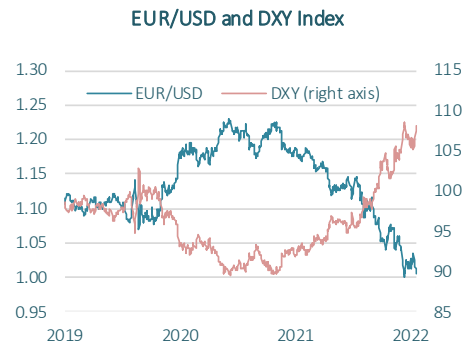
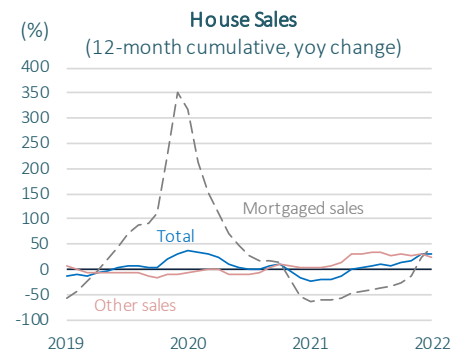
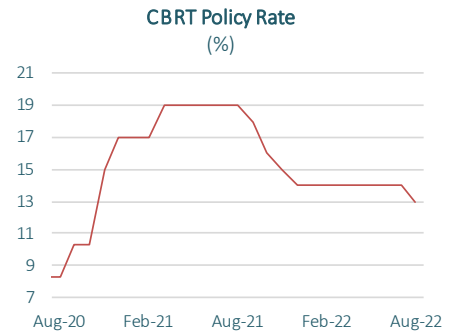
Financial markets...

Last week, signals from the Fed and ECB officials which were pointing out that interest rate hikes would continue in the coming period, had a negative impact on financial markets. The DXY index, which measures the value of the US dollar against other developed country currencies, rose on a weekly basis, while the US 10-year Treasury bond yield increased by 14 bps to 2.99%. The EUR/USD, on the other hand, fell by 2.2% to 1.00.

BIST-100 index displayed a rapid rise throughout last week, exceeding 3,000 points. Led by the CBRT's policy rate decision as well as the appreciation of the US dollar in global markets, USD/TRY closed the week at 18.09 rising by 0.9%. Turkey's 5-year CDS premium which increased by 140 bps to 787 at close, exceeded 800 bps on the first trading day of this week.

This week's agenda...

This week, the Jackson Hole meeting, which will bring together the leading central bank officials in global markets and preliminary US and Euro Area PMI data come to the fore. In Turkey, confidence indices and capacity utilization rate data for August will be announced. Impacts of the new macroprudential measures on the markets will also be closely monitored.



Source: Datastream, CBRT, TurkStat

Data Releases

		Period	Consensus	Prior
22 Ağustos	TR Central Government Gross Debt Stock	July	-	3.4 trillion TRY
	TR Foreign Visitors, yoy	July	53% (A)	145%
23 Ağustos	TR Consumer Confidence Index	August	-	68.0
	US Manufacturing PMI, flash	August	51.9	52.2
	US Services PMI, flash	August	49.1	47.3
	US New Home Sales, units	July	575K	590K
	Euro Area Manufacturing PMI, flash	August	49.0	49.8
	Euro Area Services PMI, flash	August	50.5	51.2
	Euro Area Consumer Confidence, flash	August	-28.0	-27.0
24 Ağustos	US Durable Goods Orders, mom	July	0.5%	2.0%
	US Pending Home Sales, mom	July	-3.8%	-8.6%
25 Ağustos	TR Real Sector Confidence Index	August	-	103.7
	TR Capacity Utilization Rate	August	-	78.2%
26 Ağustos	US GDP Growth, revision, yoy	2022 Q2	-0.8%	-0.9%
	US Personal Consumption Expenditures, mom	July	0.4%	1.1%
	US Michigan Consumer Confidence, final	August	55.2	55.1

(A) Actual

Economic Research Division

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

Aslı Gksun Őat
Asst. Manager
asli.sat@isbank.com.tr

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

Kaan Tuncalı
Asst. Economist
kaan.tuncali@isbank.com.tr

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

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