

	19-Aug	26-Aug	Change		19-Aug	26-Aug	Change
BIST-100 Index	3,020	3,146	4.2 % ▲	EUR/USD	1.0034	0.9961	-0.7 % ▼
TRY 2 Year Benchmark Rate	17.62 %	14.66 %	-296 bp ▼	USD/TRY	18.0850	18.1433	0.3 % ▲
Turkey 5-Year CDS Premium	787	742	-45 bp ▼	EUR/TRY	18.1566	18.0972	-0.3 % ▼
MSCI EM Equity Index	1,001	1,007	0.5 % ▲	Gold (USD/ounce)	1,748	1,737	-0.6 % ▼
US 10-Year Bond Rate	2.99 %	3.04 %	5 bp ▲	Brent Oil (USD/barrel)	96.7	101.0	4.4 % ▲

bp: basis point

Last week, in addition to the leading PMI data released in the US and Euro Area, Fed Chairman Powell's statements at the Jackson Hole symposium were followed in global markets. Powell stated that tight monetary policy will be required "for some time" until inflation is brought under control. Leading PMI data in the US showed that the growth in manufacturing sector continued, while the contraction in the services sector deepened. In the Euro Area the rise in energy and food costs continued to put pressure on manufacturing and services sectors. In Turkey, confidence indices presented a mixed outlook in August. The CBRT set the annual compound reference interest rate as 15.34% for September. This week, non-farm payrolls in the US and CPI inflation data in the Euro Area come to the fore on the agenda of global markets. In Turkey, the second quarter GDP and August PMI data will be followed closely.

### Powell stated that the Fed would need to maintain tight monetary policy "for some time".

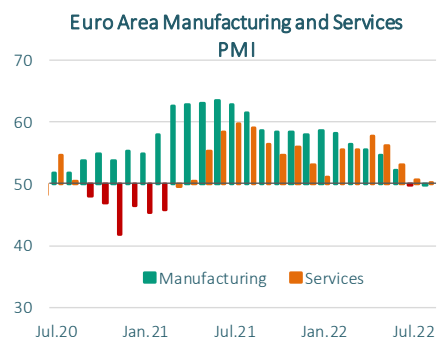
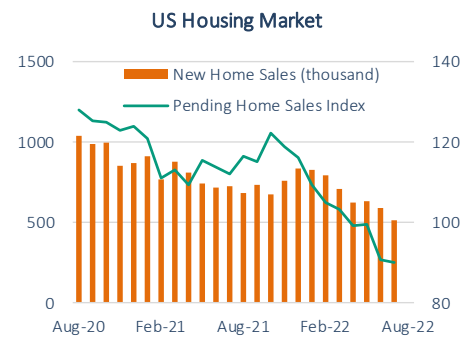
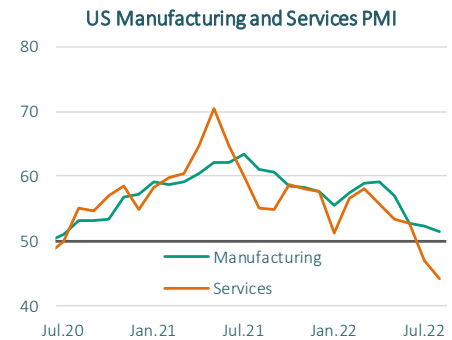
Last week, the statements made by Fed Chairman Jerome Powell at the Jackson Hole Symposium were followed in global markets. In his speech, Powell did not provide specifics on the interest rate hike at Fed's September meeting, but stated that tight monetary policy is required "for some time" in order to reduce high inflation. Stating that maintaining the tight stance in monetary policy in order to fight inflation will bring along slower growth and softer labor market conditions, Powell added that this situation may bring some pain to households and businesses.

### Leading indicators announced in the US gave mixed signals.

In the US, annualized second-quarter growth, which was previously announced as -0.9%, was revised to -0.6% thanks to the increase in consumption expenditures and inventories. On the other hand, the fastest increase in mortgage rates since 1980 in the US puts pressure on the housing market. In July, new home sales decreased by 12.6% mom to the lowest level since January 2016, while the pending home sales index decreased by 1% on a monthly basis to the lowest level of the last 27 months. The rise in consumer expenditures lost momentum in July due to the decrease in fuel prices, while consumer confidence was positively affected by this development. Michigan consumer confidence index increased by 6.7 points compared to the previous month to 58.2 in August. In this period, the decline in consumers' one-year inflation expectations from 5.2% to 4.8% drew attention. The leading manufacturing PMI data for August fell to the lowest level of the last 2 years with 51.3, while the services PMI indicated that the contraction in the sector deepened with 44.1.

### In the Euro Area, the leading PMI data for August came in below expectations.

Data released in the Euro Area gave negative signals regarding the course of economic activity. According to the leading data, the manufacturing PMI pointed to a contraction in the sector with 49.7 in August, while the services PMI decreased to 50.2. The fact that manufacturing industry activity remained below the threshold value for two months in a row heightened recession concerns. The minutes of the European Central Bank's meeting on July 21 showed that concerns about the persistence of high inflation and the deterioration in long-term inflation



Source: Datastream,

expectations have risen.

### The CBRT lowered the reference interest rate for September to 15.34%.

The CBRT lowered the reference interest rate by approximately 100 basis points to 15.34% for September. Thus, banks will establish securities at the rate of 20% for commercial loans to be extended with an interest rate above 21.48% and 90% for those to be extended with an interest rate above 27.61%. These rates were at 22.85% and 29.38% for August, respectively.

### The central government gross debt stock rose to 3.6 trillion TRY.

The central government gross debt stock stood at 3,620.7 billion TRY as of July 2022. 2,450.5 billion TRY of the said debt stock consisted of foreign currency debts, while 1,170.2 billion TRY consisted of debts in Turkish Lira. In this period, the share of foreign currency debts in gross debt stock increased by 10.5 points yoy to 67.7%.

### In July, the foreign trade deficit reached 10.7 billion USD.

According to the data announced by TURKSTAT, exports increased by 13.4% yoy to 18.6 billion USD in July, while imports rose by 41.4% yoy to 29.2 billion USD. In this period, the foreign trade deficit went up by 147% compared to the same period of last year and became 10.7 billion USD.

According to the data of the Turkish White Goods Manufacturers' Association, domestic sales of white goods contracted by 2% and production by 4% yoy in July. In this period, exports decreased by 7% yoy in parallel with the slowdown in economic activity in European countries, which are Turkey's main export markets. In the January-July period, while domestic sales contracted by 7% yoy, exports followed a relatively flat course.

### Confidence indices displayed a mixed outlook in August.

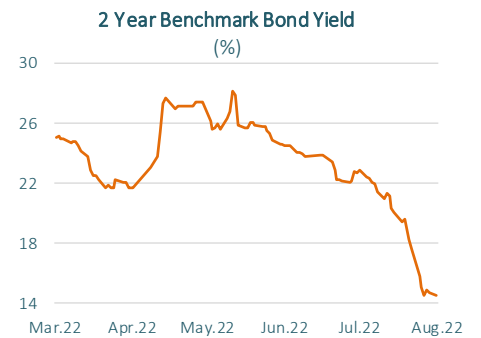
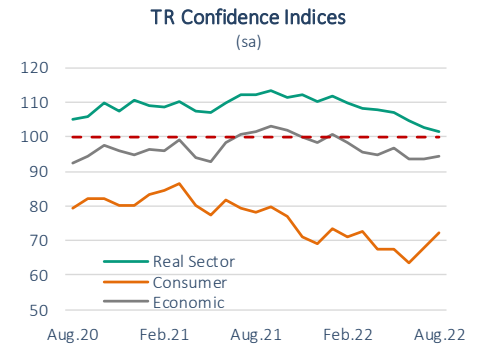
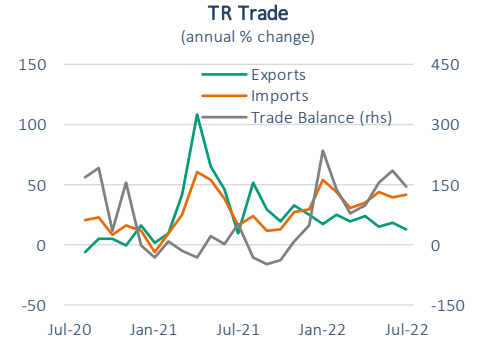
Seasonally adjusted real sector confidence index decreased by 1.1 points compared to the previous month and became 101.4 in August. In this period, the financial services confidence index announced by the CBRT fell by 3.5 points mom to 168.3. In August, confidence indices decreased by 1.3% and 0.4% mom in the services and retail trade sectors, respectively, but increased by 1.5% in the construction sector. In addition, the consumer confidence index rose by 6.1% mom to 72.2 in August.

### Global stock markets presented a volatile outlook.

Last week, global stock markets followed a volatile course as investors acted cautiously before Fed Chairman Powell's speech. In his speech on Friday, Powell's statements saying that a tighter monetary policy is needed for a while, weakened the expectations that the Fed will take steps to ease the markets, as it did in the past, and put pressure on global markets.

A positive outlook prevailed in domestic markets last week. With the effect of the rapid rise in banking shares, the BIST-100 index reached its historical high level with an increase of 4.2% on a weekly basis. The USD/TRY parity continued its upward trend throughout the week and reached 18.14, while Turkey's 5-year CDS premium decreased by 45 basis points to 742 bps at the end of the week. After the CBRT's decision to replace the required reserve facility of banks with securities facility, the interest rate of the 2-year benchmark bond decreased by 296 basis points on a weekly basis due to the increase in demand for bonds.

This week, non-farm payrolls in the US and leading CPI data in the Euro Area for August stand out in global markets agenda. In Turkey, second-quarter GDP and August PMI data will be followed closely.



Source: Datastream, Turkstat ,CBRT,

Data Releases

		Period	Consensus	Prior
29 August	TR Trade Balance	June	-	-10.6B USD (A)
	TR Economic Confidence	August	-	94.3 (A)
30 August	USA Consumer Confidence, final	August	97.9	95.7
	Euro Area Consumer Confidence, final	August	-24.9	-27.0
31 August	TR GDP Growth	2022 Q2	7.5%	7.3%
	Euro Area CPI Inflation, flash, yoy	August	9.0%	8.9%
1 September	TR Manufacturing PMI	August	-	46.9
	USA Manufacturing PMI, final	August	-	51.3
	Euro Area Manufacturing PMI, final	August	49.7	49.8
	Euro Area Unemployment Rate	July	6.6%	6.6%
2 September	USA Nonfarm Payrolls	August	300K	528K
	USA Factory Orders, mom	July	0.2%	2.0%
	Euro Area PPI Inflation, yoy	July	37.0%	35.8%

(A) Actual

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