

	27-Jan	3-Feb	Change		27-Jan	3-Feb	Change
BIST-100 Index	5,192	4,998	-3.7 % ▼	EUR/USD	1.0867	1.0793	-0.7 % ▼
TRY 2 Year Benchmark Rate	10.39 %	10.49 %	10 bp ▲	USD/TRY	18.8079	18.8186	0.1 % ▲
Türkiye 5-Year CDS Premium	549	521	-28 bp ▼	EUR/TRY	20.4440	20.3241	-0.6 % ▼
MSCI EM Equity Index	1,051	1,039	-1.2 % ▼	Gold (USD/ounce)	1,927	1,866	-3.2 % ▼
US 10-Year Bond Rate	3.52 %	3.53 %	1 bp ▲	Brent Oil (USD/barrel)	86.7	79.9	-7.8 % ▼

bp: basis point

Last week, global markets focused on major central banks' interest rate decisions. Fed increased its policy rate by 25 basis points while ECB and BoE increased by 50 basis points each. US labour market maintained its strong outlook in January. Euro Area economy recorded a limited growth of 0.1% in the 4th quarter of 2022. In the January update of the World Economic Outlook report, the IMF raised its global growth forecast for 2023 to 2.9%. In Türkiye, CPI which recorded the fastest rise for the last 9 months by 6.65% mom in January, annual inflation decreased to 57.68% thanks to the base effect. While the foreign trade deficit realised as 14.4 billion USD in January, the manufacturing PMI pointed to growth for the first time since February 2022. This week, unemployment rate and industrial production data will be announced in Türkiye.

IMF revised upwards its growth forecasts for 2023.

In the January update of the World Economic Outlook report, IMF drew an optimistic picture compared to the previous report. In the report, global economic growth forecast for 2023, which was announced as 2.7% in October 2022, was revised to 2.9%. On the other hand, IMF kept its growth forecast for Türkiye at 3.0%.

Monetary tightening steps of the major central banks continued.

At its meeting last week, Fed increased the policy rate by 25 basis points to the range of 4.5-4.75%. In the text released after the meeting by the Fed, which reduced the pace of increase, it was stated that despite the recent slowdown inflation still remains at high levels. Pointing out that rate hikes should be continued until the inflation target has been reached, Fed Chair Powell said that the disinflationary process has begun, yet it is premature to declare victory against inflation.

In the first meeting of the year, ECB increased its policy rate by 50 bps to 3.0% in line with market expectations. In the statement made after the meeting, it was emphasized that ECB will maintain its tight monetary policy stance until the medium-term inflation target has been reached. Bank of England (BoE) also increased its policy rate by 50 basis points to 4.0%.

Non-farm payrolls in the US rose above expectations.

While non-farm payrolls in the US increased by 517 thousand people in January, well above the expectations, the unemployment rate fell to 3.4%. The recovery in the services sector was effective in this strong rise in employment. In this period, the annual increase in average hourly wages declined from 4.8% to 4.4%, interpreted as the impact of rising employment on inflation might be limited. Data on production and expenditures on the other hand, drew a relatively negative picture. The ISM manufacturing PMI was at 47.4 in January, the lowest level since May 2020. The consumer confidence index decreased by 1.9 points on a monthly basis to 107.1 in January, despite the market's expectations for a rise.

Euro Area economy recorded a limited growth.

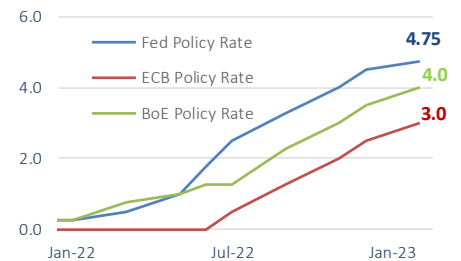
Despite the expectations of a contraction in the 4th quarter of 2022, the Euro Area economy recorded a limited growth of 0.1% compared to the previous quarter.

IMF Projections (yoy % change)

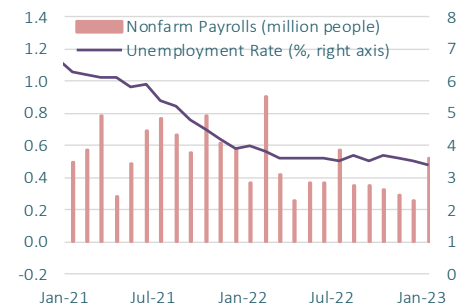
	January		Change*	
	2023	2024	2023	2024
Growth				
World	2.9	3.1	0.2	-0.1
US	1.4	1.0	0.4	-0.2
Euro Zone	0.7	1.6	0.2	-0.2
Türkiye	3.0	3.0	0.0	0.0

(*): Difference from October 2022 projections

Fed, ECB and BoE Policy Rates (%)



US Labor Market



Source: Datastream

During this period, the German economy contracted by 0.2%. While the annual growth in the region for the last quarter was 1.9%, it was observed that the pressure on consumption caused by geopolitical developments and high inflation negatively affected the growth performance. Euro Area economy grew by 3.5% in 2022. Moreover, preliminary data indicated that CPI decreased by 0.4% mom in January while annual inflation decreased to 8.5%. On the other hand, 7% annual rise in core inflation, which was above the expectations, gave a negative signal regarding the course of inflation in the region.

Monthly CPI rise in Türkiye became 6.65% in January.

CPI inflation in Türkiye, realizing as 6.65% mom in January, recorded its fastest rise for the last 9 months. On the other hand, annual inflation was down to 11-month low due to the high-base, becoming 57.68%. In this period, monthly rise in D-PPI was realized as 4.15% whereas annual inflation declined to its lowest level since December 2021 by 86.46%. Slowdown in annual inflation mainly stemmed from the decline in global energy prices ([Our Inflation Report](#)).

Foreign trade deficit hit its highest level in January.

According to preliminary data announced by the Ministry of Trade, in January export volume rose by 10.4% yoy where import volume increased by 21.2%. Hence, foreign trade deficit expanded by 39.6% yoy to 14.4 billion USD, reaching its historic high. It was notable that the import coverage ratio excluding energy fell by 15.3 points yoy to 73% in January.

In 2022, tourism revenues became 46.3 billion USD.

Tourism revenues reached 46.3 billion USD in 2022, increasing by 53.4% yoy. In this period, number of visitors to Türkiye rose by 75% yoy to 51.4 million persons. According to the statements of Minister of Culture and Tourism, 60 million tourists along with tourism revenues worth of 56 billion USD are projected for 2023.

Manufacturing PMI exceeded 50-threshold in January.

In Türkiye, manufacturing PMI went up to 50.1 in January, signalling growth in manufacturing activity for the first time since February 2022. Among the covered; production rise was recorded in 8 out of 10 sectors. Yet, the decline in productions of food and textiles was noticeable. In this period, export orders improved due to relative recovery in the external markets whereas rise in costs were significant thanks to minimum wage increases.

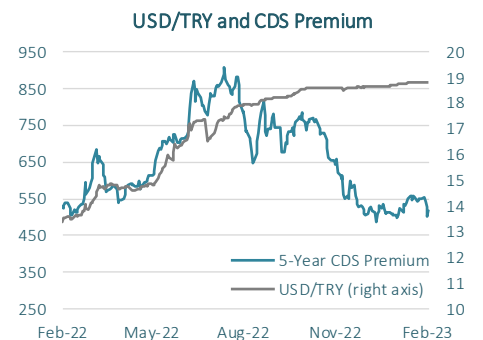
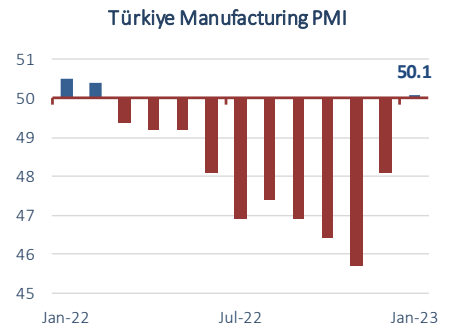
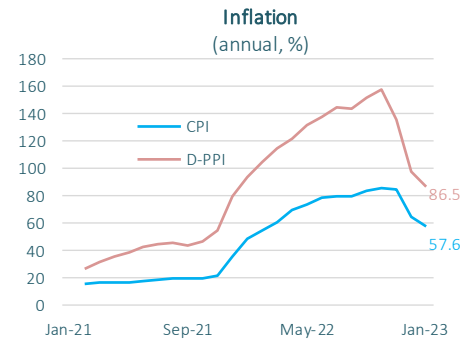
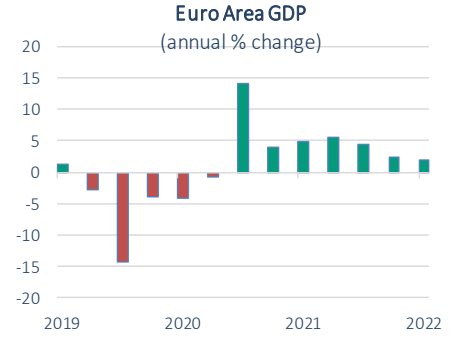
Financial markets...

Last week, stock markets followed a volatile course. In the second half of the week, global risk appetite recovered in line with the deceleration of Fed's rate hikes and Powell's remarks on disinflation. Oil prices on the other hand, declined throughout the week as a result of OPEC+ countries' decision of keeping the existing production policy.

In the domestic markets, BIST-100 index closed the week 3.7% lower. Türkiye's 5-year CDS premium dropped by 28 bps where Turkish lira remained its stable course against US dollar.

This week's agenda...

This week, Euro Area Sentix confidence index for February and China's inflation figures for January stand out in the global markets' agenda. In Türkiye, unemployment rate and industrial production data will be announced.



Source: Datastream

Data Releases

		Period	Consensus	Prior
6 February	CPI Based Real Effective Exchange Rate	January	-	54.7
	Euro Area Sentix Index	February	-8.0 (A)	-13.5
	Euro Area Retail Sales, mom	December	-2.5%	0.8%
7 February	TR Treasury Cash Balance	January	-	-108.27 billion
10 February	TR Industrial Production, yoy	December	-	-1.3%
	TR Unemployment Rate	December	-	10.2%
	China CPI Inflation, yoy	January	2.1%	1.8%
	China PPI Inflation, yoy	January	-0.5%	-0.7%

(A) Actual

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