

	8-Dec	15-Dec	Change		8-Dec	15-Dec	Change
BIST-100 Index	7,914	7,994	1.0 % ▲	EUR/USD	1.0761	1.0894	1.2 % ▲
TRY 2 Year Benchmark Rate	38.44 %	37.55 %	-89 bp ▼	USD/TRY	28.8557	28.9511	0.3 % ▲
Turkey 5-Year CDS Premium	329	286	-43 bp ▼	EUR/TRY	31.1480	31.5850	1.4 % ▲
MSCI EM Equity Index	975	1,001	2.7 % ▲	Gold (USD/ounce)	2,003	2,018	0.7 % ▲
US 10-Year Bond Rate	4.25 %	3.93 %	-32 bp ▼	Brent Oil (USD/barrel)	75.8	76.6	0.9 % ▲

bp: basis point

Last week, markets closely monitored the decisions of major central banks. While Fed, ECB, and BoE kept policy rates unchanged, the statements made after the Fed meeting led global risk appetite to increase. US data revealed that inflationary pressures eased and economic activity continued to lose momentum. Flash PMI data for December in Euro Area also confirmed the weakness in economic activity for the Region. In Türkiye, house sales continued to decline in November, when the central government budget posted a surplus of 75.6 billion TRY. According to CBRT's Survey of Market Participants, inflation and exchange rate expectations declined in December. Last week, despite its planned schedule, Moody's did not announce its review on Türkiye's credit rating. This week, US personal consumption expenditures data for November and CBRT Monetary Policy Committee meeting stands out on the agenda.

Fed held policy rate steady in line with expectations.

Last week, Fed held the policy rate at 5.25%-5.50%, in line with expectations. The projections published after the meeting showed that Fed members projected 75 bps interest rate cut in 2024, while the inflation projections of the members decreased compared to September forecasts. Fed Chairman Powell's statement that the timing of the interest rate cuts was discussed at the meeting, led timing of interest rate cut expectations to be brought forward in the markets. According to market expectations, the probability that the Fed's policy rate in March will be lower than the current level became 75%.

Last week, US data pointed out that the inflationary pressures have eased and the loss of momentum in economic activity continued. CPI, which recorded a limited increase on a monthly basis with 0.1% in November, recorded the fastest decline yoy in the last five months with 3.1%. Core CPI inflation, excluding energy and food, was above the headline inflation with 0.3% and 4.0% on a monthly and annual basis, respectively. While industrial production increased below expectations with 0.2% in November, flash manufacturing PMI data for December reached 48.2, indicating that the sector contracted in the last month of the year. During this period, flash services PMI showed that economic activity in services sector continued to expand at a limited rate with 51.3.

In the Euro Area, decline in economic activity continues.

In the Euro Area, flash manufacturing PMI continued to remain below the threshold level for the 18th consecutive month with 44.2, while flash services PMI data remained below the 50 value for the 5th month with 48.1, indicating a contraction in the sector.

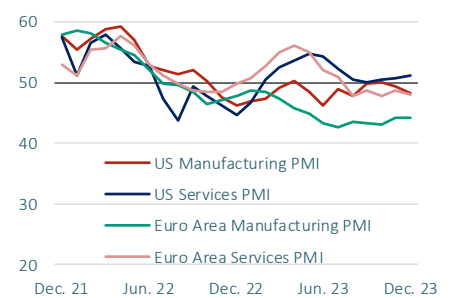
ECB and BoE held their policy rates steady.

European Central Bank (ECB) left reference interest rates unchanged at its December meeting. While ECB President Lagarde said in her statement that ECB would continue to follow a data-dependent approach to determining

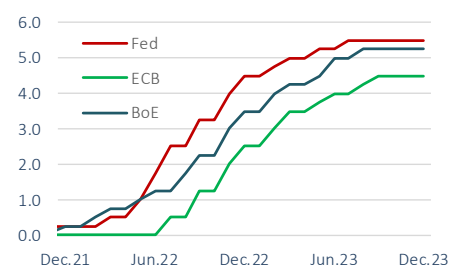
Fed Members' Projections (December 2023)

	2024	2025	2026	Long Term
Change in real GDP	1.4	1.8	1.9	1.8
September projection	1.5	1.8	1.8	1.8
Unemployment rate	4.1	4.1	4.1	4.1
September projection	4.1	4.1	4.0	4.0
PCE inflation	2.4	2.1	2.0	2.0
September projection	2.5	2.2	2.0	2.0
Core PCE inflation	2.4	2.2	2.0	-
September projection	2.6	2.3	2.0	-
Federal funds rate	4.6	3.6	2.9	2.5
September projection	5.1	3.9	2.9	2.5

US and Euro Area PMI Data



Fed, ECB and BoE Policy Rates (%)



Source: Fed, ECB, BoE, Datastream

the appropriate level and duration of restriction, while stating no discussion were held on rate cuts. In the projections published after the meeting, inflation and growth forecasts for 2024 were updated downwards. Accordingly, the annual HICP inflation forecast for next year revised from 3.2% to 2.7%, and the growth forecast was reduced from 1.0% to 0.8%. The Bank of England (BoE) also held the policy rate steady in line with market expectations, leaving it at 5.25%, the highest level in the last 15 years.

Central government budget posted a surplus of 75.6 billion TRY in November.

In November, budget revenues increased by 114.8% yoy to 746.8 billion TRY, while budget expenditures rose by 180.3% yoy to 671.1 billion TRY. Therefore, central government budget posted a surplus of 75.6 billion TRY in November. Thus, budget deficit was realized as 532.4 billion TRY in January-November period (Our Budget Balance report).

Inflation and USD/TRY expectations continued to decline.

According to CBRT's Survey of Market Participants, annual CPI inflation expectations fell to 65.4% for the end of 2023 and 41.2% for 12 months ahead. In the survey, USD/TRY expectations fell to 29.6 for the end of this year and 39.5 for 12 months ahead. Growth expectation for 2023 was realized at 4.2%. Participants' December policy rate expectation was realized as 42.5%, indicating that markets anticipate a 250 bps rate hike at this week's CBRT meeting.

House sales decreased in November as well.

In November, domestic house sales decreased by 20.6% yoy to 93,514 units. In this month, mortgaged house sales and other sales decreased by 68.5% and 12.7% yoy, respectively. In January-November period, house sales decreased by 14.9% compared to the same period in 2022 to less than 1.1 million units.

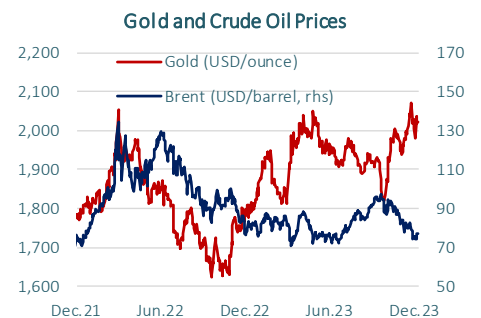
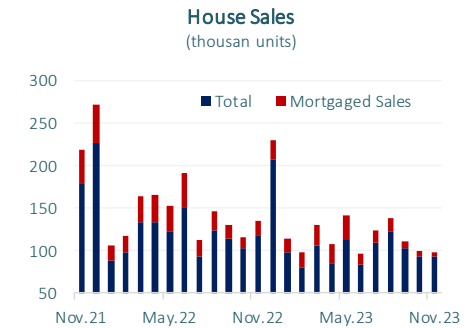
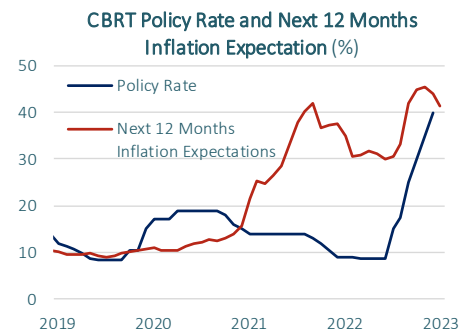
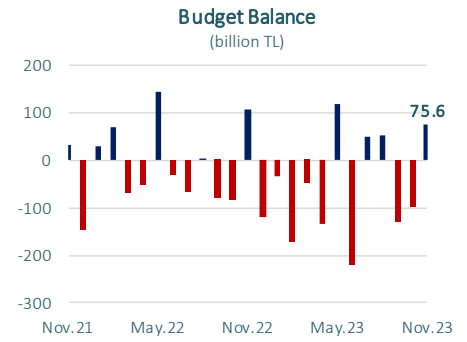
Financial markets...

Last week, global risk appetite increased after the Fed meeting, while the US dollar remained under pressure. Gold prices, supported by the fall in the US dollar, rose by 0.7% to 2,018 USD/ounce, while Brent crude oil prices rose by 1.9% to 76.6 USD/ barrel.

BIST-100 index, which was under pressure in the first half of the week, recovered its losses in the following days and ended the week with a limited rise. 2-year benchmark bond yield rose on a weekly basis, while the Turkish lira continued to decline against the US dollar and euro. Moody's, which was expected to make an assessment on Türkiye's credit rating on Friday last week, did not release any statement.

This week's agenda...

This week, the CBRT meeting and US personal consumption expenditures data stand out on the agenda.



Source: Datastream

Data Releases

		Period	Consensus	Prior
18 December	TR Residential Property Price Index, yoy	October	-	%17.8
19 December	USA Housing Starts, units	November	1.36 million	1.37 million
	Euro Area CPI Inflation, final, mom	November	-0.5%	0.1%
20 December	TR Consumer Confidence Index	December	-	75.5
	TR Central Government Gross Debt Stock	November	-	6.3 billion TL
	USA Consumer Confidence	December	104.3	102.0
	USA Existing Home Sales, units	November	3.77 million	3.79 million
	Euro Area Consumer Confidence, flash	December	-16.5	-16.9
	China Central Bank Meeting	December	-	3.45%
21 December	CBRT Monetary Policy Meeting	December	42.5%	40.0%
	USA GDP Growth, final, yoy	2023 Q3	5.2%	5.2%
	US Philadelphia Fed Business Index	December	-3.0	-5.9
22 December	TR Foreign Visitors, yoy	November	-	3.83%
	USA Personal Consumption Expenditures, mom	November	0.0%	0.0%
	USA Core PCE, mom	November	0.2%	0.2%
	USA Durable Goods Orders, mom	November	2.0%	-5.4%
	USA Michigan Consumer Confidence, final	December	69.7	69.4
	USA New Home Sales, units	November	685 thousand	679 thousand

Source: Datastream

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