

	12-Jan	19-Jan	Change		12-Jan	19-Jan	Change
BIST-100 Index	7,986	7,997	0.1 % ▲	EUR/USD	1.0949	1.0897	-0.5 % ▼
TRY 2 Year Benchmark Rate	40.94 %	42.36 %	142 bp ▲	USD/TRY	30.0636	30.2017	0.5 % ▲
Türkiye 5-Year CDS Premium	305	320	15 bp ▲	EUR/TRY	32.9539	32.9071	-0.1 % ▼
MSCI EM Equity Index	996	971	-2.5 % ▼	Gold (USD/ounce)	2,049	2,029	-1.0 % ▼
US 10-Year Bond Rate	3.95 %	4.15 %	20 bp ▲	Brent Oil (USD/barrel)	78.3	78.6	0.3 % ▲

bp: basis point

Davos Summit and the busy data agenda in the US and Euro Area were closely followed in the last week. US data which pointed to a favorable outlook in economic activity in general, led to ease rate cut expectations. In the Euro Area, annual CPI inflation was realized as 2.9% in December, confirming the preliminary data. In China, economic growth was 5.2% in 2023 and expectations for accommodative economic policies over 2024 have strengthened. According to the CBRT Survey of Market Participants, inflation expectations continued to decline in January. In 2023, house sales contracted by 17.5% yoy to 1.2 million units. This week, CBRT's Monetary Policy Committee meeting, US growth data for the last quarter of 2023 and ECB meeting will be top on the agenda. In addition, flash PMI data for January to be released in the US and Euro Area will be closely monitored.

#### Davos Summit was followed last week.

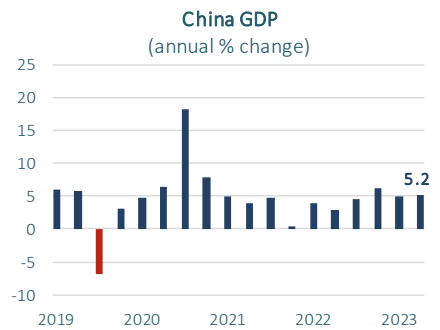
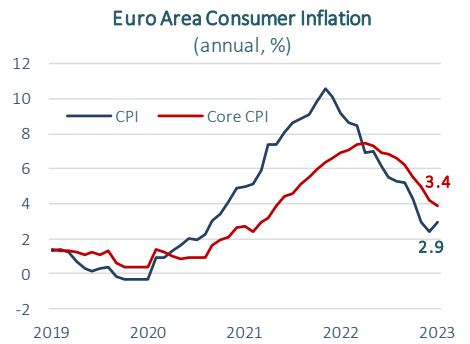
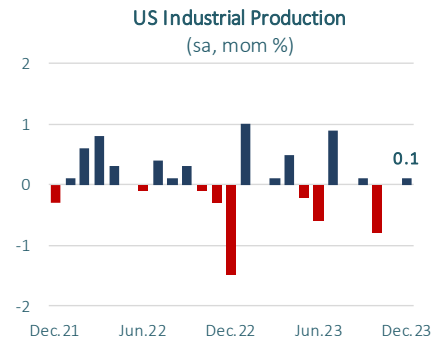
Last week, The World Economic Forum held in Davos was closely monitored. Geopolitical developments, climate change and artificial intelligence were the main agenda items at the summit. Assessments that supply chains disruptions related with the conflicts in Middle East and Ukraine could jeopardize energy and food security, came to the fore. In 2024, it is anticipated that expectations for the global economy remained "subdued" and that tight financial conditions and geopolitical developments could put pressure on economic activity.

#### Following the data releases in the US, expectations for a rate cut in March weakened.

In the January Beige Book report released in the US last week, it was stated that economic activity has remained largely flat in most regions since November, while the labor market slowed down in almost all regions. In the report, it was noted that manufacturing activities declined across the country and high interest rates continued to have a negative impact on automotive and real estate sales. Despite the assessments in the Beige Book report, recent US data presented a relatively positive outlook for economic activity. Contrary to the flat market expectations, industrial production in the country increased by 0.1% mom while capacity utilization rate remained unchanged at 78.6% in December. In the same period, retail sales data rose by 0.6% mom, above market expectations. In January, Michigan Consumer Confidence index came in at 78.8, the highest level since July 2021. After the data releases, expectations for the rate cut in March declined. While this situation strengthened the selling pressure in the US stock markets, it also led to increase in bond yields.

#### Annual CPI inflation in the Euro Area was realized as 2.9% in December.

Recent data releases in Euro Area indicated that the economic activity displayed a weak performance in the last quarter of 2023. In November, industrial production in the region fell by 0.3% mom, while the annual decline in production was 6.8%. In Germany, the largest economy of the region, GDP contracted by 0.3% in 2023, in line with the forecasts. In December, CPI inflation in the Euro Area confirmed the preliminary data with monthly and annual increases of 0.2% and 2.9%, respectively. Monthly core inflation, which excludes food and energy prices, was announced as 0.5%, above the market expectations and the preliminary data.



Source: Datastream,

### Chinese economy grew by 5.2% in 2023.

In the last quarter of 2023, Chinese economy grew by 5.2% yoy, slightly below market expectations. Thus, annual economic growth in 2023 was realized as 5.2%, above the 5% target. While the favorable base effect in 2022 was influential on this growth performance, expectations for accommodative economic policies over 2024 have strengthened. Central Bank of China kept interest rates unchanged at its first meeting of the year in line with market expectations.

### The downward trend in inflation expectations continued.

According to CBRT's Survey of Market Participants, annual CPI inflation expectations for the current year-end was realized as 42% in January, while the expectation for 24-month ahead decreased to 23.69%. In the survey, USD/TRY expectations for the end of 2024 were realized as 40.00. Participants' January policy rate expectation was realized as 45%, indicating that the market expects a 250 basis points rate hike at this week's CBRT meeting. On the other hand, growth expectation for 2024 increased by 0.1 points to 3.4% compared to the previous survey.

### House sales declined by 17.5% yoy in 2023.

House sales decreased by 33.4% yoy to 138,577 units in December. In this period, mortgaged house sales and other sales contracted by 72.3% and 28.8% yoy, respectively. In December, house sales to foreigners also fell by 67.7% to 2,064 units, the fourth straight month of decline. Thus, house sales in 2023 contracted by 17.5% yoy to 1.2 million units, the lowest level of the last 9 years.

The slowdown in demand in the housing sector also limits the increase in house prices. The house price index rose by 1.9% mom in November, the lowest monthly increase since January 2021. In November, the index rose by 82.8% in nominal terms and 12.4% in real terms compared to the same period of the previous year. However, despite losing momentum, increase in house prices remained above headline annual consumer inflation. In November, the highest annual increase in the index was recorded in Ağrı, Ardahan, Kars and Iğdır region with 130.7%, while the rates of increase in Istanbul, Ankara and Izmir were 69.2%, 96.3% and 76.9%, respectively.

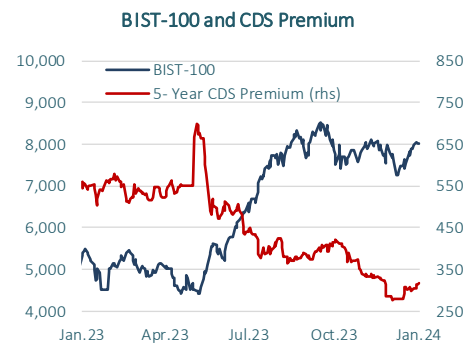
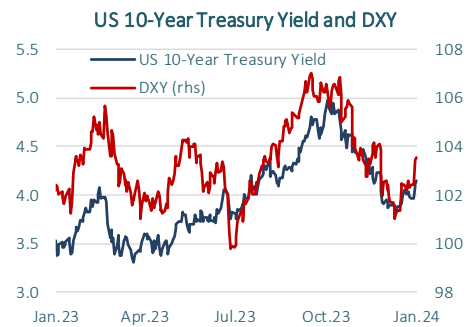
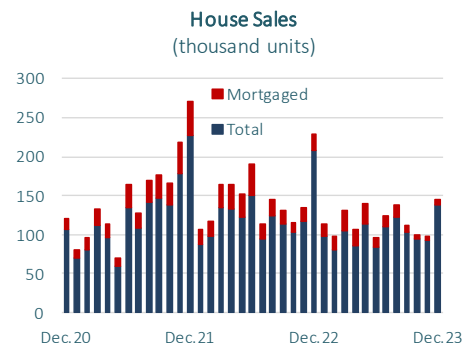
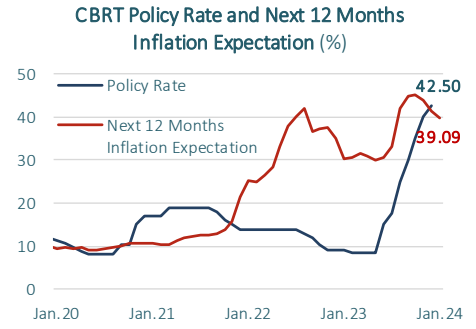
### Financial markets...

Better-than-expected US economic data slightly weakened the expectations that the Fed would cut interest rates in March meeting. This development put selling pressure on global equity markets throughout last week, while the US 10-year bond yield rose by 20 basis points on a weekly basis and reached 4.15%. Despite the fact that supply and demand imbalances in the US due to weather conditions throughout the week put some pressure on oil prices, Brent crude oil prices rose by 0.3% on a weekly basis due to the ongoing geopolitical developments in the Middle East. In previous week, the dollar index reached a one-month high of 103.5, gold prices declined slightly and ended the week at 2,029 USD/ounce.

BIST-100 index exceeded the 8,000 level during the week and followed a relatively flat course on a weekly basis, closed at 7,997 level on Friday. Türkiye's 5-year CDS premium increased by 15 basis points to 320, while the 2-year benchmark bond yield was realized as 42.36%. Turkish lira depreciated against the US dollar and appreciated slightly against the Euro in line with the decline in the EUR/USD parity.

### This week's agenda...

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Source: Datastream, CBRT, TurkStat

Data Releases

		Period	Consensus	Prior
22 January	TR Central Government Gross Debt Stock	December	-	6.6 trillion TRY
	China Central Bank Meeting	January	3.45% (A)	3.45%
23 January	TR Consumer Confidence Index	January	-	77.4
	Euro Area Consumer Confidence, flash	January	-14.0	-15.0
24 January	USA Manufacturing PMI, flash	January	48.0	47.9
	USA Services PMI, flash	January	51.0	51.4
	Euro Area Manufacturing PMI, flash	January	44.8	44.4
	Euro Area Services PMI, flash	January	49.0	48.8
25 January	CBRT Monetary Policy Meeting	January	45.00%	42.50%
	TR Real Sector Confidence Index	January	-	99.1
	TR Capacity Utilization Rate	January	-	77.5%
	USA GDP Growth, prelim, yoy	2023 Q4	2.0%	4.9%
	USA Durable Goods Orders, mom	December	1.0%	5.4%
	USA New Home Sales, mom	December	640K units	590K units
26 January	ECB Meeting	January	4.50%	4.50%
	USA Core PCE, mom	December	0.2%	0.1%
	USA Personal Consumption Expenditures, mom	December	0.4%	0.2%
	USA Pending Home Sales, mom	December	-	0.0%

(A) Actual

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