

	12.Apr	18.Apr	Change		12.Apr	18.Apr	Change
BIST-100 Index*	9,814	9,525	-3.0 % ▼	EUR/USD	1.0642	1.0643	0.0 % ●
TRY 2 Year Benchmark Rate*	43.58 %	45.49 %	191 bp ▲	USD/TRY	32.3468	32.5224	0.5 % ▲
Türkiye 5-Year CDS Premium	308	315	7 bp ▲	EUR/TRY	34.4203	34.4610	0.1 % ▲
MSCI EM Equity Index	1,042	1,019	-2.2 % ▼	Gold (USD/ounce)	2,343	2,378	1.5 % ▲
US 10-Year Bond Rate	4.50 %	4.65 %	15 bp ▲	Brent Oil (USD/barrel)	90.5	87.1	-3.7 % ▼

bp: basis point (*) 9 April data

This week, geopolitical developments and Fed officials' statements were the main drivers of the markets. Hawkish statements of Fed officials, especially Fed Chairman Powell, led interest rate cut expectations to delay in the US, while rising tensions between Iran and Israel caused global risk perception to rise. IMF published its World Economic Outlook report and revised its global growth forecast for 2024 upwards. IMF's 2024 growth and year-end inflation expectations for Türkiye were announced as 3.1% and 45.0%, respectively. This week, the data agenda in Türkiye was busy as well. Current account deficit, central government budget deficit, unemployment rate, retail and trade sales volume indices were closely tracked. Trade sales volume index, in which the effects of CBRT's tightening steps were monitored, increased by 2.3% mom, indicating that domestic demand remained relatively strong. Next week, along with geopolitical developments, CBRT meeting, US first quarter GDP growth and US personal consumption expenditures inflation for March will be closely monitored.

Statements of Fed officials have been watched in the US.

This week Fed Chair Powell said in his speech that the recent data did not provide greater confidence for a rate cut, and accordingly, interest rates may remain elevated for longer than expected. Emphasizing the strong outlook in the labor market and the progress in inflation so far, Powell said that further time is needed to monitor the lagged effects of restrictive policies. Minneapolis Fed President Neel Kashkari stated that the Fed could "potentially" hold rates steady all year, while Atlanta Fed President Raphael Bostic repeated his view that a rate cut would not be appropriate until the end of the year. Following these statements, markets are pricing two 25 bps rate cuts by the Fed during the year, starting in September.

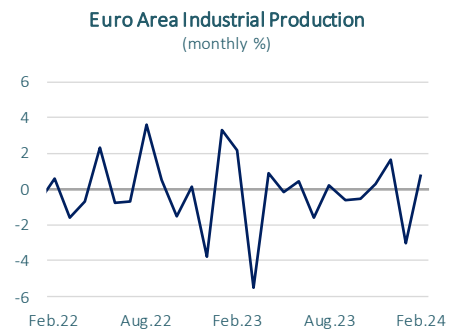
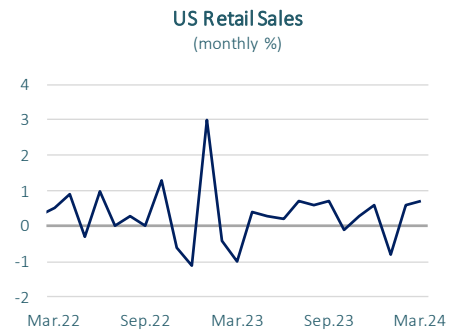
Data released this week also showed that economic activity in the US maintained its buoyancy. In March, retail sales and industrial production increased by 0.7% and 0.4% mom, respectively.

Expectations that ECB may cut interest rates at its June meeting are gaining weight.

Industrial production in Euro Area, which increased by 0.8% mom in February, declined by 6.4% yoy. Durable and capital goods production increased by 1.4% and 1.2% mom, respectively, whereas the 3.0% contraction in energy production limited the recovery in overall industrial production. In the Region, final HICP inflation in March was realized as 0.8% mom and 2.4% yoy, in line with the flash figures. In this period, annual core HICP inflation was realized as 3.1%. The improving trend in inflation indicators supports the expectations that ECB may cut interest rates at the June meeting.

IMF published its World Economic Outlook.

In its World Economic Outlook report, IMF raised its global growth forecast for 2024 by 0.1 ppt to 3.2% compared to January. The report emphasized that inflation indicators are moving towards target levels and most indicators continue to point the soft landing scenario. IMF kept its economic growth forecasts for Türkiye unchanged at 3.1% and 3.2% for 2024 and 2025, while year-end CPI inflation forecasts were announced as 45.0% and 28.3%, respectively.



IMF Projections (annual % change)

	April		Change*	
	2024	2025	2024	2025
GDP Growth				
World	3.2	3.2	0.1	0.0
US	2.7	1.9	0.6	0.2
Euro Area	0.8	1.5	-0.1	-0.2
Türkiye	3.1	3.2	0.0	0.0

(*) Difference from January projections

Source: IMF, Datastream

In February, current account deficit came in below expectations with 3.27 billion USD.

In February, current account deficit was realized as 3.27 billion USD, slightly below market expectations, while current account surplus excluding gold and energy came in at 2.1 billion USD. In February, 12-month cumulative current account deficit narrowed to 31.8 billion USD ([Our Balance of Payments report](#)).

Unemployment rate declined to 8.7% in February.

According to seasonally adjusted figures, employment increased by 147 thousand people in February, while unemployment rate decreased by 0.3 ppt mom to 8.7%. Thus, employment rate rose to 49.3% in this month. Due to the rise in employment, the labor underutilization rate, which is composed of time-related underemployment, potential labor force and unemployed, decreased by 1.9 ppt mom to 24.5%.

Budget deficit widened to 209 billion TRY in March.

Central government budget deficit widened by 3.5 times yoy to 209 billion TRY in March. In this period, budget expenditures expanded by 107.4% yoy, while budget revenues increased by 68.7% yoy. Thus, in the first quarter of the year, total budget deficit and primary deficit were realized as 513.5 billion TRY and 263 billion TRY, respectively ([Our Budget Balance report](#)).

Trade sales volume expanded by 2.3% mom in February.

In February, trade sales volume rose by 2.3% mom and 11.3% yoy. In this period, retail sales recorded the fastest monthly increase of the last 11 months with 3.5%, while retail sales volume expanded in all expenditure groups that make up the index in February. Computers, books, and communication devices recorded the highest monthly increase at 7.5%.

According to the CBRT survey, the market's year-end inflation expectation for 2024 was 44.16%.

According to the results of the CBRT's Survey of Market Participants, the year-end inflation expectation for 2024 remained stable at 44.16% compared to last month. Inflation expectations for 12 and 24 months ahead continued to improve, while USD/TRY expectations for the year-end decreased to 40.01. GDP growth forecasts for 2024 and 2025 were 3.3% and 3.7%, respectively.

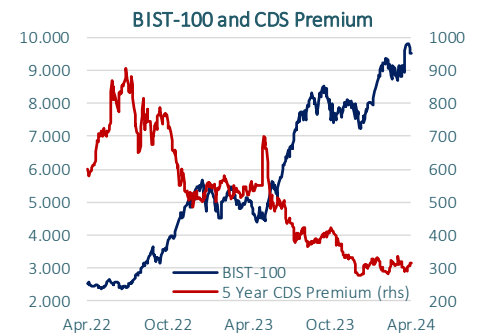
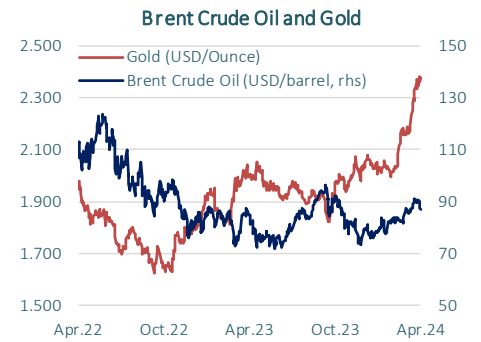
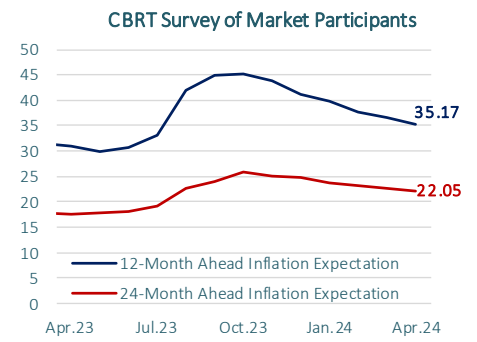
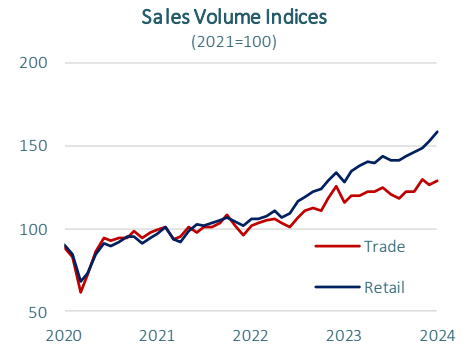
Financial markets...

This week, global risk appetite remained under pressure due to Fed officials' statements and rising geopolitical tensions. Brent oil prices, which started the week above 90 USD/barrel and increased due to the Iran-Israel tension, declined slightly in the second half of the week thanks to the strong rise in US crude oil stocks. In the current period of high uncertainty, gold prices continued to rise as a safe haven investment.

BIST-100 index, which reached historic highs before the Eid holiday, remained under selling pressure this week in parallel with global markets. With the deterioration in risk perception, Türkiye's 5-year CDS premium maintained its upward trend throughout the week.

This week's agenda...

Next week, CBRT's Monetary Policy Committee meeting as well as US first quarter GDP growth and March PCE data will be closely monitored. Geopolitical developments are also expected to be high on the agenda.



Source: CBRT, TurkStat, Datastream

Data Releases

		Period	Consensus	Prior
22 April	TR Central Government Gross Debt Stock	March	-	7.2 trillion TRY
	TR Consumer Confidence Index	April	-	79.4
	Euro Area Consumer Confidence, flash	April	-14.3	-14.9
	China Central Bank Meeting	April	-	3.45%
23 April	US Manufacturing PMI, flash	April	-	51.9
	US Services PMI, flash	April	-	51.7
	US New Home Sales, mom	March	-	-0.3%
	Euro Area HCOB Manufacturing PMI, flash	April	46.5	46.1
	Euro Area HCOB Services PMI, flash	April	51.9	51.5
24 April	TR Real Sector Confidence Index	April	-	104.4
	TR Capacity Utilization Rate	April	-	76.2%
	TR Housing Price Index, yoy	February	-	68.0%
	US Durable Goods Orders, mom	March	2.0%	1.3%
25 April	CBRT Monetary Policy Meeting	April	-	50.00%
	US GDP Growth, prelim, yoy	2024 Q1	2.1%	3.4%
26 April	US Core PCE, mom	March	0.3%	0.3%
	US Michigan Consumer Confidence, final	April	-	77.9

Economic Research Division

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

İlker Şahin
Economist
ilker.sahin@isbank.com.tr

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

Caner Uygur Gndođdu
Asst. Economist
uygar.gundogdu@isbank.com.tr

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

LEGAL NOTICE

This report has been prepared by Trkiye İř Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Trkiye İř Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Trkiye İř Bankası A,Ş, accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.