

WEEKLY OUTLOOK

\$250bn worth of business deals between USA and China...

Last week the US president Trump's visit to China has been closely followed by markets. During the visit, Trump and his administration officials oversaw the signing of more than USD 250 billion worth of business deals with Chinese counterparts. The deals were reported to be concentrating mainly in energy and industry, involving some global corporations like Boeing, General Electric and Qualcomm. On the other hand, it also attracted some critics that some of the agreements were non-binding, and few represented newer contracts than those struck in the past.

According to preliminary figures, in November, consumer sentiment came in below market expectations with the value 97.8 in the USA. In this period, compared to the previous month, some limited deterioration in consumer sentiment for the current and the coming period has been observed. On the other hand, the increase in the expectations for 12-month inflation rate has been noted. The forecast that the increase in wages will gain momentum with the help of improvement signs in labour market has been effective in this development.

In his comments about monetary policies last week, Philadelphia Fed President Harker suggested that he is likely to support an interest-rate hike in 2017's final meeting in December. Harker said he wants to see signs of inflation moving higher before backing monetary tightening in 2018.

Decade high growth forecast for Euro Area...

In September, producer prices in Euro Area rose by 0.6% mom beating market consensus. In the same period, increase in retail sales also realised slightly more than the forecasts. On the other hand, industrial output in Germany fell by 1.6% in September after the steep bounce in August. It is thought that the stumble in output is stemmed from the base effect to some extent and preliminary indicators suggest resurgence signals in the coming months ahead.

The European Commission raised its growth forecast for Euro Area to 2.2% from 1.7% for the year 2017. The Commission revised its growth forecasts for 2018 and 2019, as 2.1% and 1.9%, respectively. In the report released; role played by private consumption expenditures, upswing in global economy and reduction in unemployment is emphasised in robust and better-than-expected growth in Euro Area. It was also mentioned that the increase in wages remained sluggish despite the on-going improvements in labour market. In this respect, the report acknowledged the appropriateness of monetary policies employed by ECB. On the other hand, the commission said the economic activity was expected to "remain subdued over the forecast horizon" in the UK, where Bank of England raised interest rates in the previous week.

Turkish industrial production growth accelerated beating expectations.

In Turkey, calendar adjusted industrial production rose by 10.4% yoy in September. As a result, third quarter's annual increase in industrial production index was realised at 10% mostly with the help of low base effect. The hike in durable consumer goods production was 36.5% yoy, parallel with the demand accelerated in the final month of the special consumption tax reduction period. This increase was stemmed from the furniture manufacturing with

WEEKLY DATA

	3 Nov	10 Nov	Change		3 Nov	10 Nov	Change
BIST-100 Index	111,293	108,949	-2.1 % ▼	EUR/USD	1.1607	1.1663	0.5 % ▲
TRY 2 Year Benchmark Rate	13.29%	13.55%	26 bp ▲	USD/TRY	3.8854	3.8608	-0.6 % ▼
US 10 Year Bond Rate	2.34%	2.40%	6 bp ▲	EUR/TRY	4.5136	4.5053	-0.2 % ▼
EMBI+ (bps)	341	348	7 bp ▲	Gold (USD/ounce)	1,269	1,276	0.5 % ▲
EMBI+ Turkey (bps)	320	329	9 bp ▲	Brent Oil (USD/barrel)	62.3	63.8	2.4 % ▲

bp: basis point

the greatest output increase of 66.3% among all sub-manufacturing sectors. The production of electrical equipment sector that contains white (durable) goods scored a limited increase with 1.7%. On the other hand, the steepest slip in September output figures has been realised in other transportation vehicles with 8.6%. Two other sectors with output declines were pharmaceutical products and beverages. Following the faster-than-expected pace of industrial output data, the GDP growth rate forecasts for the end of 2017 were upgraded higher. In this respect, the forecasts that see 2017 GDP growth rate higher than 5% gained ground.

GDP growth rate forecasts for Turkey upgraded higher.

European Commission revised GDP growth forecasts for Turkey for 2017 and 2018 upwards. In this respect, the GDP growth rate forecast for 2017 was increased to 5.3% from 3%, and forecast for 2018 was increased to 4% from 3.3%. The Commission stated that Turkey demonstrated a strong growth that is propelled by foreign demand, impetus in construction activity and a series of government incentives, credit guarantees in particular. On the other hand, the commission also mentioned high loan growth, inflation, uncertain business environment and high unemployment as downside risks that can hinder growth performance over the forecast horizon.

The European Bank for Reconstruction and Development (EBRD) has also forecasted that Turkish economy will grow at 5.1% in 2017 and 3.5% in 2018. The previous projections of EBRD for related years were at 2.6% and 3%, respectively. EBRD mentioned that external imbalances remain a major vulnerability and high current account deficit, over-indebtedness of real sector and geopolitical risks created vulnerability for TRY. Elsewhere, EBRD emphasised the stable banking system in Turkey and low public debt. EBRD also reported that growth may accelerate if the government introduces new stimuli before 2019 elections.

New measures by CBRT...

Central Bank of Turkey (CBRT), mentioning the “recent unsound price formations” in the markets, lowered the upper limit for the FX maintenance facility to 55% from 60% and reduced all tranches by 5 points within the reserve options mechanism. The CBRT said an approximate liquidity of 5.3 billion TRY will be withdrawn from the market and 1.4 billion USD will be provided to banks. In addition, the repayments of rediscount credits for export and foreign exchange earning services, which will be due by 1 February 2018, are allowed to be made in TRY at an exchange rate of 3.7 for the USD, 4.3 for the Euro, and 4.8 for the GBP, provided that they are paid at maturity. It is observed that the short-term effects of the above-mentioned measures of CBRT fell somewhat short of expectations. Reflecting the recent adverse effects on TRY, real effective exchange rate of TRY decreased to 87.96 with a 2.6% monthly decline in October 2017 according to the CBRT data. The related index had recorded the all-time-low figure of 87.55 in January 2017.

Financial markets...

It was a volatile week in financial markets. Having gained value at the start of the week because of geopolitical risks, USD eased after the news that the long-awaited tax reforms bill might have to be postponed until 2019. With USD weakening, EUR/USD parity closed the week higher after better outlook for Eurozone economies prevailed. In line with the declining risk-appetite, safe-haven demand for gold prompted and prices scored gains. Oil prices rose with the news of a probe in Saudi Arabia, the rise in prices was deterred by the increase in US crude oil inventories. Energy Information Administration (EIA) of USA upgraded its projections for oil prices higher. In this respect, it is forecasted that the Brent oil will average USD 53/bbl in 2017 and USD 56/bbl in 2018.

Having gained value against USD and EUR with the effect of positive sentiment at the start of the week, TRY stumbled with the deteriorating risk appetite in the following days. The measures taken by CBRT to increase the FX liquidity have not created major effects on markets. In the midst of the week, USD/TRY and EUR/TRY parities surged to near-record levels of 3.9 and 4.52 respectively. TRY stabilised with the help of stronger-than-forecast industrial production and developments about the easing of distressed Turkey-USA relations. Although BIST-100 index surpassed the all-time-high level led by increasing risk appetite on Monday, it declined after sales prevailed during the rest of the week. Consequently, BIST-100 index shed 2% on a weekly basis and 2-year benchmark yield reached 13.55% with an increase of 26 basis points at the end of the week.

INDUSTRY NEWS

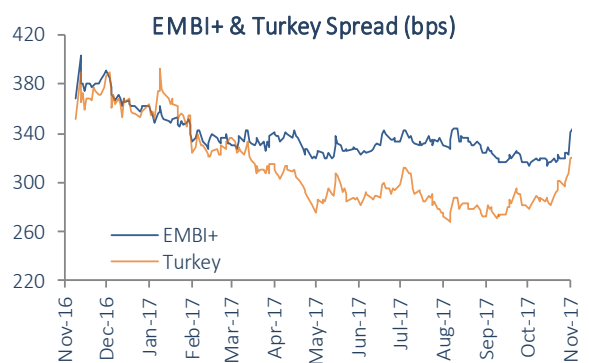
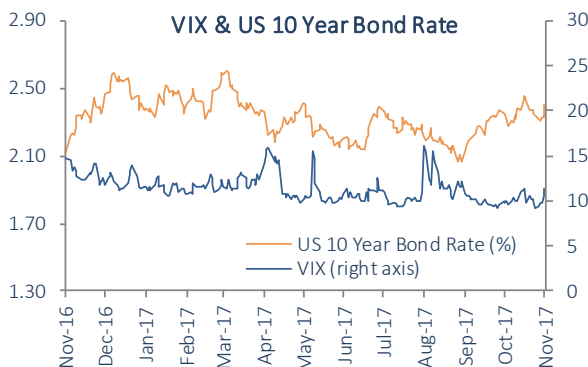
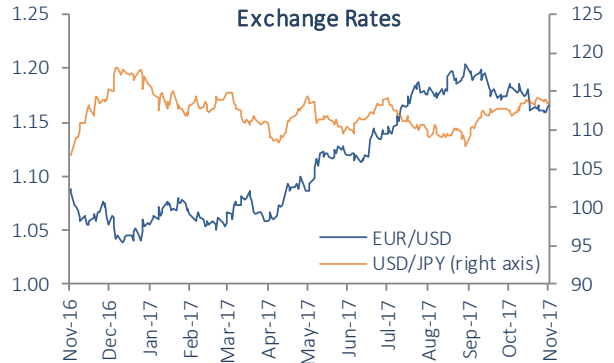
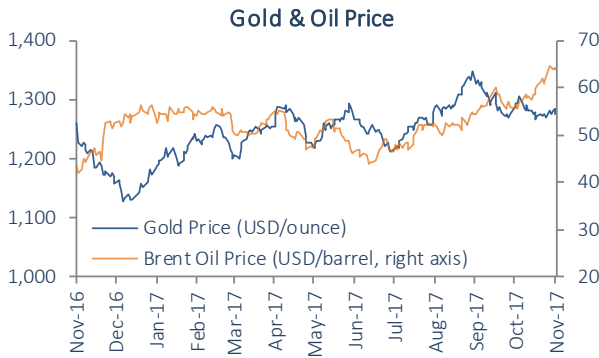
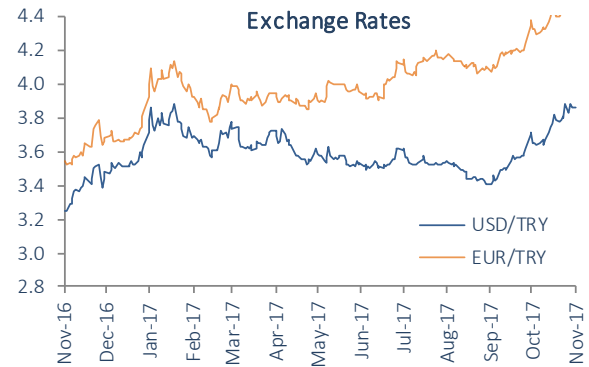
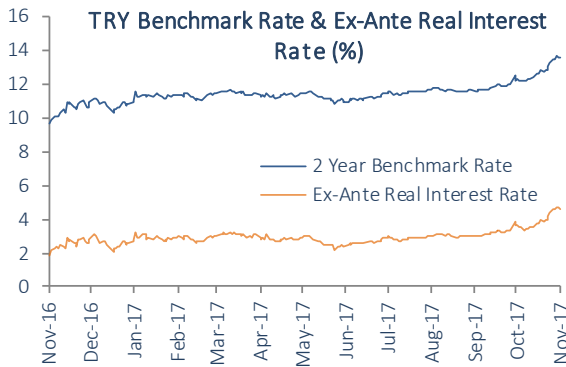
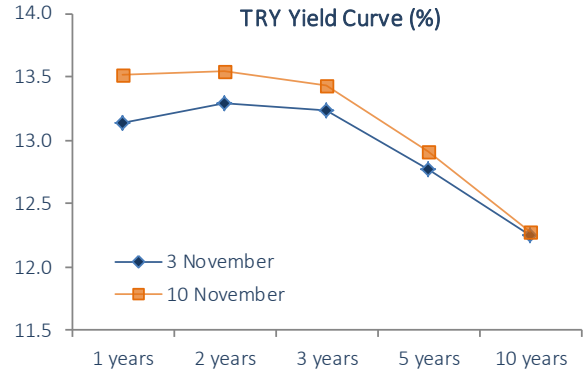
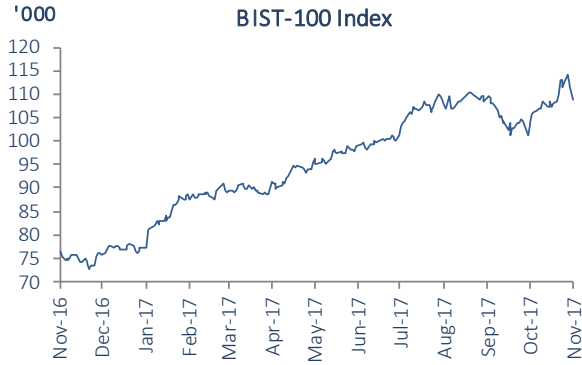
Roadmap for the 7-month livestock production was announced.

Ministry for Agriculture announced that the livestock and carcass meat imports that will be realised by Meat and Milk Board in the 7-month period ahead have been determined. Accordingly, the Board will import 350k livestock and 66k tonnes of carcass meat until the end of 2017. In the first 5 months of 2018, the import of 152k livestock and 51k tonnes of carcass meat is planned. Regarding the long-term projections for the livestock sector, the red meat production is forecasted to reach 1.7 million tonnes by 2013 with an increase of 45%. As a result, it is emphasised that the domestic demand will be covered completely by local production. In addition, 32% and 24% increase projections are given for poultry meat and raw milk production. On the other hand, in order to create efficiency increase, long-term allocation of grasslands for livestock production will be available. It is also announced that a certain level of cultivation for feed to address the needs of current livestock will be given opportunity.

Investments in accommodation sector continues.

Hoteliers Association of Turkey announced that 140 new projects received investment incentives in January-September 2017. In this period, majority of the investments were recorded in 3 star hotels by 60 new projects. This was mainly because the new hotel projects have spread throughout Anatolia region. On the other hand, in terms of bed capacity, majority of the new investments were recorded in 5 star hotels in the first 9 months of this year. Besides, 15 new hotel projects in 10 different cities were granted investment incentives in September. These projects worth 281 million TRY in total. In January-September, total amount of the incentives provided to the sector rose by 1.7% yoy to 2.3 billion TRY. Ministry of Economy figures revealed that, tourism industry as a whole was provided 237 investment incentives worth 4.4 billion TRY in the first 9 months. In terms of items, 85% of these incentives were actually provided for new investments.

FINANCIAL MARKETS



WEEKLY DATA RELEASES

		Period	Consensus
13 November	Balance of Payments Statistics (Current Account Deficit)	September	-4.5 billion USD (A)
14 November	Issuance of Fixed Coupon Bond with 2-year Maturity	Novmeber	-
	Re-opening of Fixed Coupon Bond with 10-year Maturity	Novmeber	-
	US Producer Price Index (PPI)	October	0.1% mom
	Euro Area GDP Growth (Preliminary)	2017Q3	0.6 % qoq
	Euro Area Industrial Production	September	-0.6% mom
	Germany GDP Growth (Preliminary)	2017Q3	0.6 % qoq
	China Industrial Production	October	6.3% yoy
15 November	Employment Statistics	August	-
	Central Government Budget Balance	Novmeber	-
	Treasury Domestic Debt Redemption (2.4 Billion TRY)	Novmeber	-
	US Consumer Price Index (CPI)	October	0.1% mom
	US Retail Sales	October	0.1% mom
16 November	US Industrial Production	October	0.5% mom
	Euro Area Consumer Price Index	October	0.1% mom
17 November	US Housing Starts	October	1.2 million units

(A) Actual

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