

	2/Mar	9/Mar	Change		2/Mar	9/Mar	Change
BIST-100 Index	116,859	116,915	0.0 % ▲	EUR/USD	1.2317	1.2305	-0.1 % ▼
TRY 2 Year Benchmark Rate	13.10%	13.53%	43 bp ▲	USD/TRY	3.8061	3.8101	0.1 % ▲
US 10 Year Bond Rate	2.86%	2.89%	4 bp ▲	EUR/TRY	4.6892	4.6893	0.0 % ▲
EMBI+ (spread)	331	338	7 bp ▲	Gold (USD/ounce)	1,322	1,324	0.1 % ▲
EMBI+ Turkey (spread)	301	300	-1 bp ▼	Brent Oil (USD/barrel)	64.8	65.3	0.8 % ▲

bp: basis point

Last week, developments regarding US import tariff plan, easing signals in US-North Korea relations, US non-farm payrolls and monetary policy decisions by ECB and BoJ were followed in global markets. In Turkey, CBRT's meeting and Moody's' decision were high on the agenda.

### Global markets focused on political developments last week.

Last week, global markets followed a volatile course due to US plan to introduce custom duty on steel and aluminum imports and news regarding easing tensions between the US and North Korea. Statements from EU and China that they might respond to the new tax plan raised concerns about a global trade war; however, those concerns decreased after US expressed that it may grant exemptions to other countries as it did to Canada and Mexico. On the other hand, the news stating that North Korea leader will meet South Korea and US leaders in the coming period supported the global markets. DXY index, which indicates the value of US dollar against other developed currencies, was volatile last week, while the EUR/USD parity remained flat at 1.23.

### Data releases in the US...

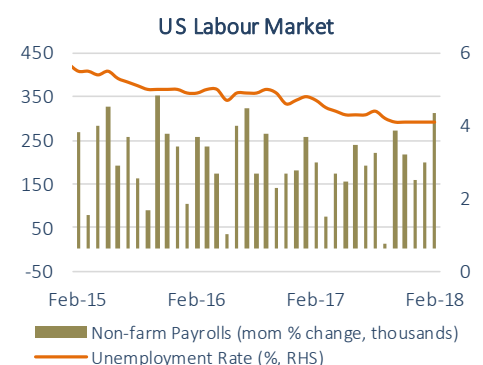
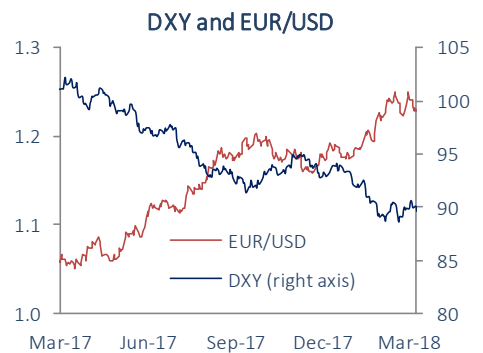
Data releases last week gave mixed signals regarding US economy. While PMI services was in line with expectations at 55.9, non-manufacturing ISM index exceeded expectations with 59.5. Nonfarm payrolls increased well above expectations supporting the positive outlook in labor market. Unemployment rate in February was 4.1% remaining at its lowest level for the last 17 years. However, average hourly earnings increased less than expected at a rate of 0.1% monthly and 2.6% yoy, decreasing the concerns about the pace of US consumer inflation.

### ECB and BoJ kept their monetary policy unchanged.

ECB, in line with expectations, did not make any changes in interest rates and its asset purchasing programme at its meeting on March 8th. However, ECB removed the phrase "... ready to increase the asset purchase programme in terms of size and/or duration" featured in previous monetary policy meetings. Speaking after the meeting, President Draghi underlined that inflation remain subdued and have yet to show convincing signs of a sustained upward trend. He also added that inflation will hover around 1.5% for the remainder of the year. Bank of Japan also didn't change its policy interest rates, while announcing that its asset purchase programme will continue at the same pace.

### CBRT emphasized inertia in inflation.

At its meeting on March 7th, Monetary Policy Committee did not change interest rates in line with the expectations. In the statement released



Source: Datastream

following the meeting, it was pointed out that underlying trend indicators displayed inertia and the core inflation remained elevated. CBRT suggested that tight stance in monetary policy would be maintained until inflation outlook displays significant improvement independent of base effects and temporary factors and became consistent with the targets.

#### Current account deficit was realized as 7.1 billion USD in January.

In January, current account deficit (CAD) was realized above expectations as 7.1 billion USD. In this period, the rise in foreign trade deficit put an upward pressure on CAD. While direct investments declined annually, the rapid increases in portfolio investments and other investments were significant. Moreover, the rise in reserve assets (4.4 billion USD) was regarded as a positive development ([Our Balance of Payments report](#)).

#### Moody's downgraded Turkey's credit rating.

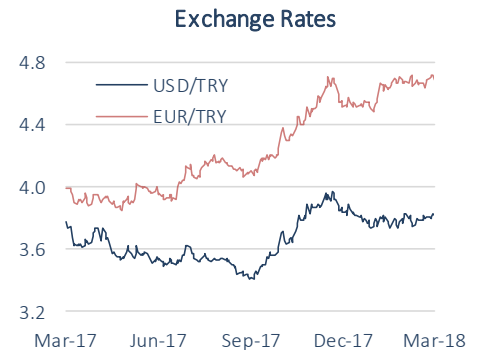
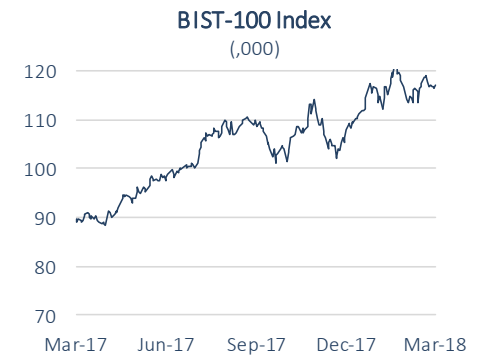
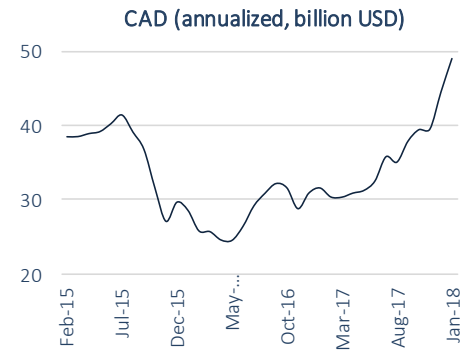
Moody's downgraded Turkey's "Ba1" credit rating to "Ba2" with a "stable" outlook. Turkey's continued loss of institutional strength and increased risk for external shocks were given as rationale behind the credit rating downgrade.

#### EUR/TL rose to a record intraday high.

Last week, BIST-100 index followed a flat course, while 2-year benchmark bond yield increased to 13.53%. USD/TL, which rose at the beginning of the week after above expectations CPI data, fluctuated throughout the week in parallel with US dollar's course in global markets. EUR/TL, following an upward trend since the beginning of the week, surged up to the highest level with 4.7434 on 8 March with the impact of credit rating downgrade by Moody's and ECB meeting. USD/TL and EUR/TL closed the week at 3.81 and 4.68, respectively.

#### This week's agenda...

Industrial production and inflation data in the US and Euro Area will be closely monitored in global markets this week. In domestic market, budget balance, employment indicators and industrial production data will be announced.



#### Weekly Data Releases

		Period	Consensus	Prior
<b>12 March</b>	TR Current Account Balance	January	-7.1 billion USD (A)	-7.7 billion USD
<b>13 March</b>	US CPI, monthly sa	February	0.2%	0.5%
<b>14 March</b>	US Retail Sales, monthly	February	0.3%	-0.3%
	Euro Area Industrial Production, annually	January	4.7%	5.2%
	Germany CPI, monthly	February	0.5%	0.5%
	TR Treasury's Domestic Debt Redemption (1,451 million TRY)	March	-	-
<b>15 March</b>	US Initial Jobless Claims	5-10 March	225 thousand	231 thousand
	TR Unemployment Rate	December	-	10.3%
	TR Budget Balance	February	-	1.7 billion USD
<b>16 March</b>	US Housing Starts	February	1.28 million	1.33 million
	US Industrial Production	February	0.3%	-0.1%
	US Capacity Utilization	February	77.7%	77.5%
	US Consumer Sentiment, preliminary	March	99.3	99.7
	Euro Area inflation, monthly final	February	0.2%	-0.9%
	TR Industrial Production	January	-	8.7%

(A) Actual

Source: Datastream

## Sectoral Developments

### **6.2 billion USD was invested in power plants.**

According to Ministry of Energy and Natural Resources data, 6.2 billion USD was invested for new electricity production capacity last year. Thus, total installed power capacity reached 85,200 megawatts at the end of 2017. The largest investments were made in natural gas (2.2 billion USD) and imported coal (1.6 billion USD) power plants.

### **Zero tariff for meat imports has been extended.**

According to Council of Ministers' decision published in the Official Gazette on 7 March, zero tariff for live animals and meat imports, which expired at 31 December 2017, was expanded to 1 June 2018 for the section covering approximately 20% of imports (quarter carcass).

### **Steel exports were realized as 1.6 million tons in February.**

According to the Steel Exporters' Association, steel exports decreased by 3.4% compared to the same month of the previous year to 1.6 million tons in February. Italy, Belgium, Germany and Egypt were the main export markets in February. It is noteworthy that steel exports to Belgium and Egypt increased by 400% and 341% on an annual basis, respectively. Besides, exports to the US decreased by 60% yoy in the first two months of 2018.

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