

	9/Mar	16/Mar	Change		9/Mar	16/Mar	Change
BIST-100 Index	116,915	117,216	0.3 % ▲	EUR/USD	1.2305	1.2287	-0.1 % ▼
TRY 2 Year Benchmark Rate	13.53%	13.93%	40 bp ▲	USD/TRY	3.8101	3.9186	2.8 % ▲
US 10 Year Bond Rate	2.89%	2.85%	-5 bp ▼	EUR/TRY	4.6893	4.8121	2.6 % ▲
EMBI+ (spread)	331	337	6 bp ▲	Gold (USD/ounce)	1,324	1,313	-0.8 % ▼
EMBI+ Turkey (spread)	300	312	12 bp ▲	Brent Oil (USD/barrel)	65.3	64.9	-0.7 % ▼

bp: basis point

Last week, “trade wars” remained high on global markets’ agenda. Other than the news and developments on Trump administration’s possible protectionist measures, statements from China and the EU raised the fears of a global trade war. Data on Turkish economy last week, on the other hand, signaled a positive outlook for economic activity in general. Nevertheless, TRY-denominated assets remained under pressure due to geopolitical developments.

In the US, protectionist policies and political developments are in focus.

News regarding Trump administration’s plan to narrow the US-China trade deficit by 100 billion USD and, as a part of it, impose tariffs targeting particularly Chinese technology and telecom products related to the ongoing investigation into infringements of intellectual property rights intensified the concerns over a global trade war. In response to the recent steps taken by the US administration, the European Commission issued a list of US-based products that could be subjected to customs taxation, while Chinese officials suggested that protectionism is a zero-sum game. US trade deficit with China and the EU is over 500 billion USD in total. Political agenda in the US was also heavy. Last week, a supporter of strong growth, Kudlow’s appointment as Chief Economic Adviser to the President and the removal of the Minister of Foreign Affairs and the rumors that National Security Adviser will also be replaced weighed on global markets.

Mixed signals on the US economy...

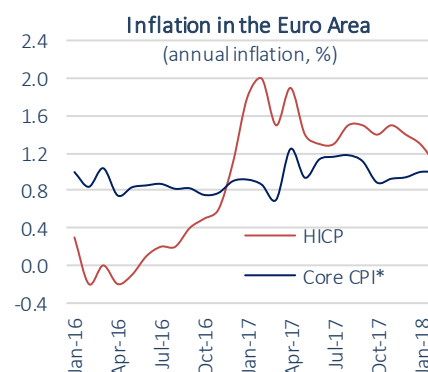
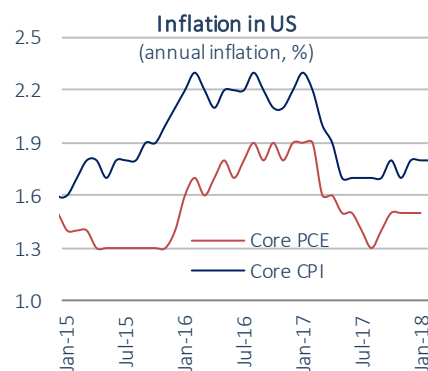
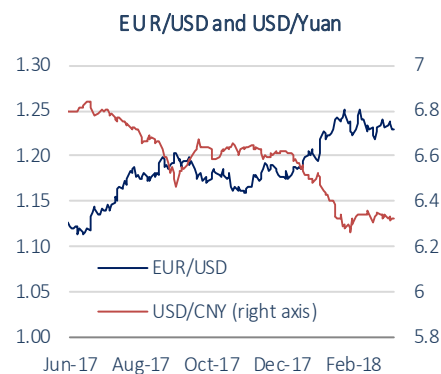
US economy seemed to have lost some momentum in the first quarter of this year. Contrary to the expectations of an increase, retail sales continued to decline and fed the concerns over the outlook for private consumption expenditures. On the other hand, CPI and PPI came in line with expectations in February and supported the view that the increase in inflation would be gradual.

US to ease financial regulations...

US Senate has approved a draft bill that would loosen some of the financial regulations enacted during the global crisis. Should it pass into law, the asset threshold for banks to be categorized as systemically important financial institution and hence to be subjected to strict scrutiny will be raised from 50 billion USD to 250 billion USD. Some argue that the easing measures could increase financial risks.

Inflation declined in Euro Area in February.

According to the recent revision, Euro Area inflation indicators remained weak in February. CPI declined to 1.1%, while core inflation excluding energy prices was 1% in this month. ECB President Draghi, on the other hand, announced that the asset purchase program will not be ended without a sustained adjustment in the path of inflation toward the target. Draghi said that appreciation in euro also put downward pressure on inflation indicators. At the last meeting of the ECB, the expression stating that the bond purchases could be increased was removed from the monetary policy statement.



(*) Excluding energy, food, alcohol and tobacco.

Source: Datastream

New industrial production index...

Turkstat revised the base year of industrial production index to 2015. In January, calendar adjusted industrial production surged by 12% compared to the same month of the previous year. In this period, contributions of mineral products, food and textiles sectors to the manufacturing production were noteworthy. Revised industrial production data better fit the new national income series. The annual increase in industrial production in 2017 became 8.9%, strengthening the expectations that economic growth will exceed 7% in 2018.

The strong performance of domestic economic activity mirrored in labor market. The unemployment rate declined by 2.3 points on an annual basis and became 10.4% in December 2017. Services sector, where employment rose by 895 thousand persons in this period, drove the improvement in the labor market. In addition, seasonally adjusted unemployment rate in the last month of 2017 fell to 9.9%, falling to one-digit level for the first time since March 2016.

Central government budget...

In February, budget deficit narrowed by 72.6% yoy to 1.9 billion TRY. The rapid increase in tax revenues, due particularly to the support of the rise in corporation tax, boosted the budget performance in this period. On the expenditure side, the increases in capital and personnel expenditures were worthy of attention ([Budget Balance report](#)).

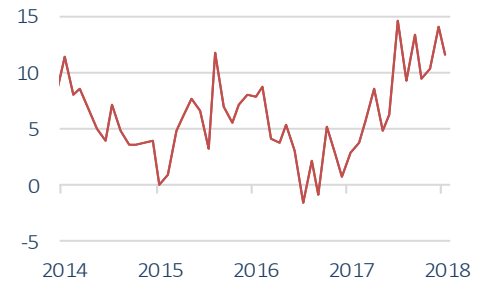
Markets...

While global stock market indices struggled to find direction, TRY-denominated assets were negatively decoupled from global markets due to geopolitical developments. On Friday, EUR/TRY rose to its historic high level with 4.83 while USD/TRY tested 3.92. Having made a positive start to the week, BİST-100 index remained under selling pressure in the following days. The index ended the week with a gain of 0.3% anyway.

This week's agenda...

Fed meeting ending on Wednesday is at the top of the agenda of global markets. With near certainty, the Fed will raise its policy rate. Also, Fed Chairman Powell's speech after the meeting will be closely monitored by global markets. On the domestic front, Treasury bond issues will be followed.

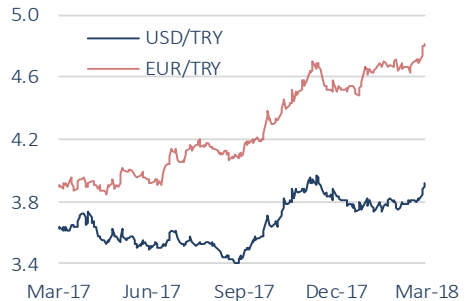
Industrial Production
(calendar adjusted, annual % change)



BİST-100 Index
(,000)



Exchange Rates



Weekly Data Releases

		Period	Consensus	Prior
20 March	TR Consumer Confidence	March	-	72.25
	TR Central Government Debt Stock	February	-	892.6 billion TRY
	TR Treasury Reissuance of 2 Year-Fixed Coupon Bond	March	-	-
	TR Treasury Direct Sale of 10 Year-Fixed Coupon Bond	March	-	-
	UK CPI	February	-	3.0%
21 March	TR Treasury's Domestic Debt Redemption (1,048 million TRY)	-	-	-
	US Fed Open Market Committee Announcement	March	1.50-1.75%	1.25-1.50%
22 March	US Existing Home Sales	February	5.47 million unit	5.38 million unit
	TR Real Sector Confidence Index	March	-	110.8
	TR Capacity Utilisation Ratio	March	-	77.8%
	UK Bank of England Announcement	March	0.5%	0.5%
	Euro Area Manufacturing PMI, flash	March	-	58.6
23 March	US Manufacturing PMI, flash	March	-	55.3
	US Durable Goods Order	February	-	-3.7%
	US New Home Sales	February	611 thousand unit	593 thousand unit

Source: Datastream, TURKSTAT

Sectoral Developments

Tourism incentives...

In order to keep the competitiveness of the tourism sector, an arrangement by Ministry of Culture and Tourism was published in Official Gazette. In this context, some payments will be made to the A-group travel agencies for each flight carrying tourists to Turkey and for each tourist travelling by cruises. In this respect, it is aimed to increase tourism revenues and their positive effects on the current account balance.

Financing of Çanakkale Bridge has been secured.

2.3 billion EUR worth of loan has been provided for the construction of Çanakkale Bridge by Çanakkale Otoyol ve Köprüsü İnşaat Yatırım ve İşletme A.Ş., which is a joint venture of Daelim-Limak-SK-Yapı Center. The fund was provided from 24 banks and financial institutions from 10 different countries. 1.6 billion EUR of the financing was secured by foreign banks and the remaining part will be granted by foreign branches of Turkish banks. The loan will be paid in 15 years with a five year grace period. The countries participating in the loan deal are South Korea, Germany, France, Italy, United Arab Emirates, Kuwait, China, UK, Denmark and Turkey.

Economic Research Division

İzlem Erdem
Division Head
izlem.erdem@isbank.com.tr

H. Erhan Gül
Asst. Manager
erhan.gul@isbank.com.tr

Alper Gürler
Unit Manager
alper.gurler@isbank.com.tr

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

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

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