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	18-Jan	25-Jan	Change			18-Jan	25-Jan	Change
BIST-100 Index	98,455	101,801	3.4 % ▲	EUR/USD		1.1361	1.1412	0.4 % ▲
TRY 2 Year Benchmark Rate	18.19%	18.19%	0 bp ●	USD/TRY		5.3273	5.2678	-1.1 % ▼
Turkey 5-Year CDS	329	315	-15 bp ▼	EUR/TRY		6.0577	6.0103	-0.8 % ▼
MSCI EM Equity Index	1,018	1,032	1.4 % ▲	Gold (USD/ounce)		1,281	1,303	1.7 % ▲
US 10-Year Bond Rate	2.78%	2.75%	-3 bp ▼	Brent Oil (USD/barrel)		62.2	61.7	-0.8 % ▼

bp: basis point

In the Global Economic Outlook published last week, IMF revised its growth forecasts downwards emphasizing trade wars and tight financial conditions. While European Central Bank did not make any change in its monetary policy in the first meeting of the year, President Draghi drew attention to the downside risks regarding the economy. On Friday, US President Trump signed the agreement that would temporarily end the government shutdown. If a permanent deal cannot be reached, Federal government will be shut down on the February 15th, once again. Domestic markets especially the stock exchange market displayed a positive performance last week. On the other hand, primary indicators kept on giving weak signals.

IMF published the "World Economic Outlook Update".

In its January edition of World Economic Outlook Update, IMF downgraded its growth forecasts for the global economy by 0.2 and 0.1 points, respectively to 3.5% and 3.6% for the years of 2019 and 2020. While citing the potential negative outcomes which might arise due to the trade tensions, IMF revised its growth forecasts downwards for the Euro Area economies including Germany. In this report, IMF also stated that recession in the Turkish economy would be much deeper than expected previously. IMF downgraded its growth projections for emerging Europe countries by 1.3 and 0.4 points, respectively for 2019 and 2020 as well. The main reason for that was given as the expectations of a significant contraction in the Turkish economy in 2019 and a relatively slow recovery in 2020 as a result of tight economic policies and limited access to the external financing. IMF's earlier growth projection for the Turkish economy published back in October 2018 stood at 0.4%.

ECB did not change its monetary policy.

At its meeting last week, ECB did not change its monetary policy as expected. Ending its asset purchase programme last month, ECB keep on pointing out the summer of 2019 for a possible rate hike. In his remarks after the meeting, Draghi indicated the increasing downside risks related to economic activity and explained the reasons for weak growth as lower demand for exports and industry-based issues. Pointing out the slowdown in China's economy and less effective fiscal stimulus in US, Draghi expressed that the weak growth momentum would remain if the risks continue. Even though euro depreciated against the dollar after Draghi's remarks, and reaching to its lowest level since mid-December, EUR/USD closed the week by increasing %0,4.

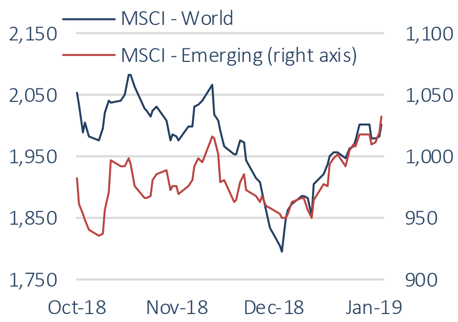
US government will reopen today.

Despite not being able to have the 5.7 billion USD funding for building a wall between US-Mexico border, US President Trump signed the agreement on Friday which ends the partial shutdown of the federal government for a 3-week period. Unless a permanent deal can be made, government will be shut down once again on February, 15th. The estimated cost of this government shutdown to the US economy is reported as nearly 6 billion USD where public spending in certain areas came to a halt since December,22nd. On the other hand, jobless claims in the US fell to 50-year lows at 199K, confirming the strong outlook in the employment market.

Global markets...

Global markets continued its positive course last week thanks to the rise in risk appetite and strong earnings posts of US corporates. Despite the more-than-expected US stock data, political turmoil in Venezuela, limited the decline in oil

Global Stock Markets



EUR/USD Parity

Oil Price
(Brent, USD/barrel)

Source: Datastream

prices. Accordingly, last week Brent crude oil price fell by 0.8% to 61.7 USD/barrel.

Leading indicators for January…

Consumer confidence index, which is being announced in seasonally adjusted terms starting from this month, decreased by 0.9 points mom to 58.2 in January. Even though "probability of saving in the next 12 months" is the only item that has declined among the sub-items, its 19.2% decrease has caused the consumer confidence index to decline.

The seasonally adjusted real sector confidence index decreased by 2.3 points mom and was realized at 95.4. The fact that the index remained below the 100 threshold level indicates that the confidence of the real sector representatives regarding the economic activity continues to follow a weak outlook. On the other hand seasonally adjusted manufacturing industry capacity utilization rate (CUR), , increased slightly compared to the previous month. The CUR, which was realized as 74.1% in December, increased by 0.3 points in January to 74.4%. …

World Economic Forum…

Speaking at the World Economic Forum meetings, Minister of Finance and Treasury Berat Albayrak has stated that the peak is seen in inflation, and this year's plan is to reduce inflation to 15%. Indicating that they do not expect a recession during the year, Albayrak stated that the steps taken to revive economic activity and employment at the beginning of January will support the balancing of the economy at the first half of the year.

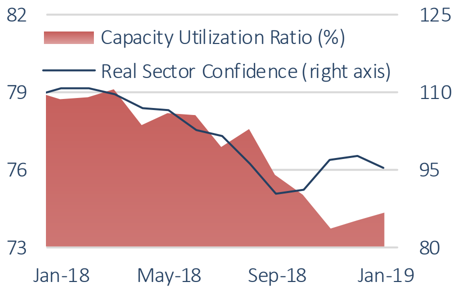
Positive outlook in domestic markets…

Domestic markets maintained their positive outlook last week. The statements regarding the fiscal discipline and the independency of the Central Bank will be preserved, the positive approach for developing countries and the fact that TL assets are cheaper than the similar ones, were effective in this development. Also, The BIST-100 index rose 3.4% to exceed 100,000 points for the first time since September. Moreover, Turkish lira appreciated against the dollar and the euro.

This week's agenda…

This week Brexit developments, Fed meeting and the US and Euro Area employment indicators will be on the agenda. Developments regarding the trade tensions between the US and China will continue to be monitored. In the domestic market, foreign trade PMI data and the CBRT's Inflation Report will be followed.

Leading Indicators
(seasonally adjusted)



Exchange Rates

BIST-100 Index
(,000)

Data Releases

		Period	Consensus	Prior
29 January	US Consumer Confidence	January	126	128.1
	Parliamentary Vote on Brexit	-	-	-
30 January	Treasury Debt Redemption (570 million TRY)	January	-	-
	CBRT Inflation Report	January	-	-
	Consumer Confidence Index	-	-	-
	US Employment Change	January	175k person	271k person
	US GDP, quarterly	4th Quarter	2.8%	3.4%
	Fed Interest Rate Decision	-	2.5%	2.5%
	Euro Zone Consumer Confidence Index	January	-7.9	-7.9
31 January	TR Balance of Trade			
	Euro Zone Unemployment Rate	December	-	7.9%
	Euro Zone GDP, yearly	-	-	1.6%
	China Manufacturing PMI	January	49.3	49.4
1 February	TR Manufacturing PMI	January		44.2
	US Non-Farm Payroll	January	183k person	312k person
	US Unemployment Rate	January	3.9%	3.9%
	Euro Zone CPI, yearly	January	-	1.6%
	US ISM Manufacturing PMI	January	54	54.1

Source: Datastream

Sectoral Developments

Brexit problem in textile exports...

Istanbul Apparel Exporters' Association (IHKIB) Chairman Mustafa Gültepe has stated that a possible leave of England from Customs Union after Brexit means that 12% tax on garment and apparel will be applied to Turkish products. Being Turkey's third biggest market in garment and apparel, if England leaves EU without a free trade agreement Turkey would lose 15-20% of its market, he added.

Amendments were made on collateral rates in housing and automobile loans.

It is now decided that the ratio of the amount of the loan to the value of the housing taken as collateral could not exceed 80% in the loans to be used for the purpose of obtaining housing and in the housing collateralized loans except for the vehicle loans. This rate will not exceed 90% for energy class A housing and 85% for energy performance class B houses. In addition, the limit on the ratio of the loan amount to the value of the vehicle was increased from TRY 100,000 to TRY 120,000 in the vehicle loans and vehicle-secured loans or financial leasing transactions to be performed. In addition, in vehicle loans, vehicle-secured loans and financial leasing transactions, the ratio of the loan amount to the value of the vehicle will not exceed 75% for those with a final price of 120 thousand TRY or less. In the case of cars exceeding 120 thousand TRY, the final invoice amount is 75% for the portion of the cost up to 120 thousand TL and 50% for the portion over 120 thousand TRY.

Source: Datastream, CBRT, Turkstat

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