

	15-Feb	22-Feb	Change		15-Feb	22-Feb	Change
BIST-100 Index	102,715	103,186	0.5 % ▲	EUR/USD	1.1293	1.1341	0.4 % ▲
TRY 2 Year Benchmark Rate	18.60%	18.82%	22 bp ▲	USD/TRY	5.2704	5.3176	0.9 % ▲
Turkey 5-Year CDS	314	320	6 bp ▲	EUR/TRY	5.9520	6.0312	1.3 % ▲
MSCI EM Equity Index	1,031	1,059	2.7 % ▲	Gold (USD/ounce)	1,321	1,328	0.5 % ▲
US 10-Year Bond Rate	2.67%	2.66%	-1 bp ▼	Brent Oil (USD/barrel)	66.0	66.8	1.2 % ▲

bp: basis point

Last week, Fed and ECB's meeting minutes and the US-China trade negotiations were closely monitored by the global markets. How trade wars will proceed in the coming period is especially important for global growth. Currently, data from the US and Euro Area indicate that economic activity has lost some momentum. Leading indicators in Turkey confirm the ongoing weakness in economic activity. GDP growth and PCE in the US along with trade negotiations will be closely monitored this week. In the domestic market, foreign trade statistics come to the front in the data agenda.

Minutes of the Fed meeting were published.

According to the minutes of the January meeting, several Fed officials said that rate hikes might be necessary only if inflation figures came in higher than anticipated. On the other hand, several members said that if economic activity proceeds as expected, rate hikes would be appropriate. It is seen in the minutes that officials widely favored ending the run-off of the central bank's 4 trillion USD balance sheet this year while debating over how long Fed's "patient" stance should last.

Minutes of the ECB meeting pointed to a further slowing of growth.

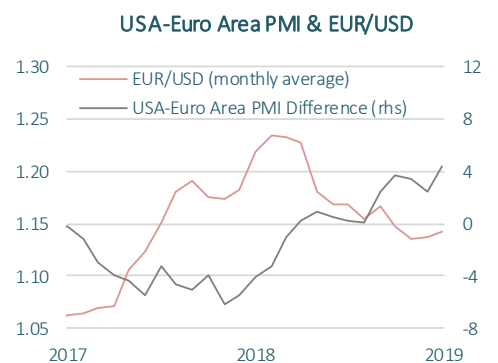
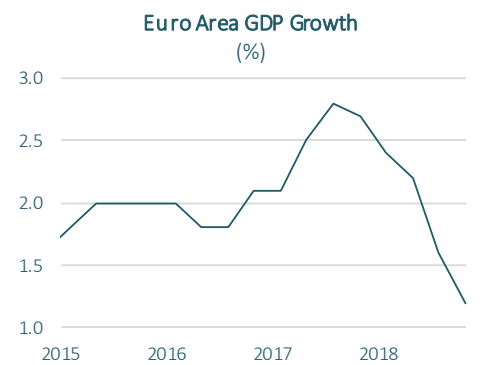
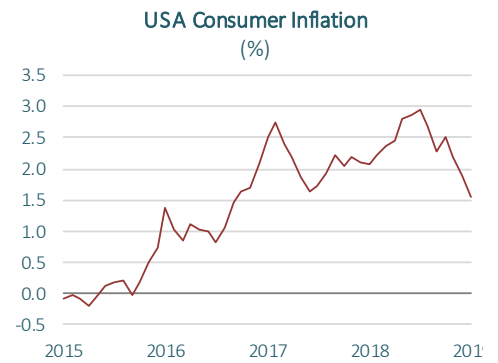
The minutes of the ECB's monetary policy meeting that ended on January 24th, were also released last week. While it is stated that growth momentum would likely be weaker than previously anticipated, uncertainty has elevated despite the low probability of a recession. Decreasing its growth forecasts last month, it is expected that ECB will keep interest rates unchanged this year. Moreover, views suggesting ECB's next move might be "to actively support the economy" come up at the agenda. Praet, a member of the ECB Board of Directors and Chief Economist, said that the ECB would soon consider issuing long-term loans to banks. Moreover, Praet added that the protectionist trade policies and the uncertainties regarding the Brexit process pose the biggest risks to the economy.

Trade talks between the US and China was closely monitored.

Last week, trade talks in Washington were high on global markets agenda. While optimism regarding trade negotiations supported the markets during the week, US president Trump announced that tariffs that were scheduled to begin on March 1 to Chinese imports amounting to 200 billion USD were postponed. Also, Trump said that he was planning to meet Chinese President Xi in March. On the other hand, Trump had a meeting with European officials about imports of European cars and auto parts. He stated that tariffs on the said items would be imposed if the agreement does not take place.

Weak data releases regarding economic activity...

Data releases in the US signaled that economic activity has lost some momentum. Although manufacturing PMI was above the threshold level of 50 in February, it fell to 53.7, the lowest level of the last 17 months.



Source: Datastream

Philadelphia Fed business index dropped into negative territory for the first time since May 2016 and was realized as -4.1 in February. Also, durable goods orders remained below expectations, rising by 1.2% in December.

Weak data releases in Euro Area showed that economic activity continued to slow down as well. Manufacturing PMI came in below expectations with 49.2. The reading below the 50 threshold evaluated as the contraction in manufacturing industry. As a result, the widening gap between the US and Euro Area PMI data may put pressure on the EUR/USD parity.

Domestic leading economic indicators...

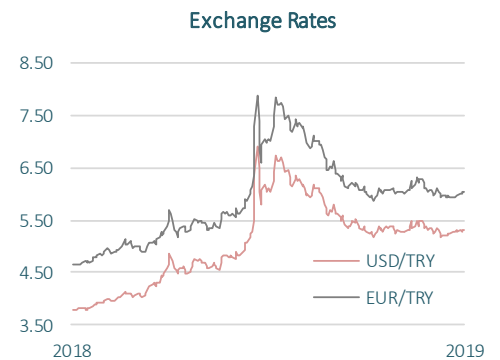
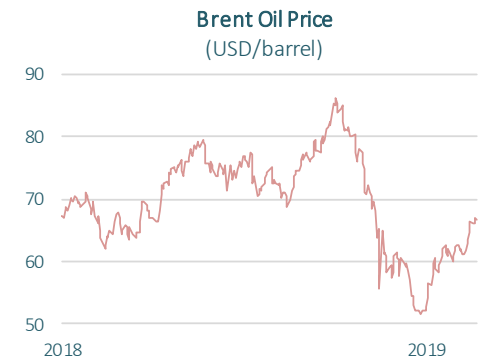
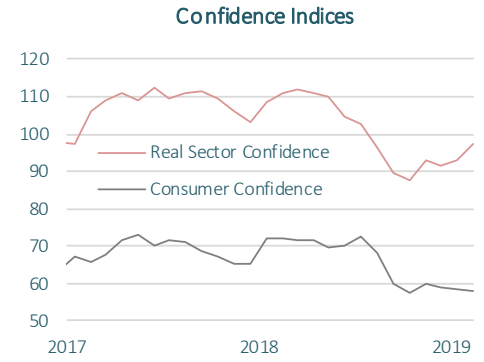
The capacity utilization rate of manufacturing industry fell to 74% in February, decreasing by 0.4 pp mom and 3.8 pp yoy. According to main industrial groups; the annual drop in the capacity utilization of intermediate and investment goods was 7.4 and 8.5 points, respectively, indicating that the slowdown in economic activity persisted in this period. Analysis in sub-sectors showed that exporting sectors continued to display a relatively positive performance, while capacity utilization rate of iron-steel, cement, glass and ceramics sectors, which are closely related to construction activities, sharply declined in February. In addition, the capacity utilization rate of machinery and equipment dropped by 13 pp yoy to 67%.

The seasonally adjusted real sector confidence index for February rose by 1.5 points to 96.9 on a monthly basis. On the other hand, the consumer confidence index for the same period declined to 57.8. Thus, the index has remained close to the lowest level of the last 10 years.

Markets...

Although, OPEC's production cuts and US sanctions on Venezuela supported oil prices, increase in US oil production and the anticipated slowdown in global economic activity limited the rise in oil prices. Brent crude oil price rose by 1.2% to 66.8 USD/barrel last week.

TL depreciated against dollar and euro due to the downward pressure of the reduction in reserve requirements on the domestic market. BIST-100 increased by 0.5% wow while 2-year benchmark bond yield rose by 22 basis points to 18.82% on a weekly basis.



Data Releases

		Period	Consensus	Prior
26 February	USA Housing Starts	December	1.253M unit	1.256M unit
	USA Consumer Confidence Index	February	125.0	120.2
27 February	TR Economic Confidence Index	February	-	78.5
	TR Treasury Debt Redemption	February	288 million TRY	-
	USA Factory Orders, mom	December	0.6%	-0.6%
	Euro Area Consumer Confidence Index	February	-7.4	-7.4
28 February	TR Foreign Trade Balance	January	-	2,7 billion USD deficit
	USA GDP Growth	2018 Q4	2.4%	3.4%
1 March	TR Manufacturing PMI	February	-	44.2
	USA Core PCE, yoy	December	1.9%	1.9%
	USA ISM Manufacturing	February	55.9	56.6
	Euro Area Consumer Inflation, yoy	February	1.5%	1.4%

Source: Datastream

Sectoral Developments

Housing sector...

According to TurkStat data, home sales in Turkey decreased by approximately 24.8% to 72,937 units in January compared to the same month of the previous year. In this period, mortgage sales recorded a sharp decline by 77.2%. Thus, share of mortgage sales in total sales decreased to 9% in the first month of 2019 from 29.6% in January of last year. Moreover, the number of new housing sold contracted by 30% yoy, indicating that the sluggish demand conditions continued at the beginning of 2019.

House price data for December 2018 also confirmed the weak outlook in the housing market. Hedonic price index increased by 5.4% in December compared to the same month of the previous year, while house prices in real terms fell by 12.4%. Looking at the developments in three major cities in this period; it was observed that housing prices in real terms decreased by 15.8% in Istanbul, 15.2% in Ankara and 10% in Izmir.

Honda will cease its Civic production in Turkey in 2021.

Japanese carmaker Honda, as a result of changes in its international operations, announced that it will cease its Civic production in Turkey in 2021 going forward. Although Honda said that it intends to pursue its activities in Turkey without making a statement about the path to follow after 2021. The Honda factory, which started production in 1997 in Kocaeli and has an annual production capacity of 50K vehicles, produced 38K units of Civic in 2018. The factory employs approximately 1,100 people.

Domestic sales of white goods declined in January.

According to White Goods Manufacturers' Association of Turkey (TURKBESD) data, domestic sales of white goods fell by 13.3% yoy in January. In the same period, while exports contracted by 0.5%, decline in white goods production was 11.1%. Domestic white goods sales shrank by 17% throughout 2018 despite SCT incentives. In the year-end assessment, TURKBESD Chairman stated that if the SCT incentive, extended until the end of March, does not continue throughout 2019, sector might contract by 15% this year.

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