

	8-Mar	15-Mar	Change		8-Mar	15-Mar	Change
BIST-100 Index	101,538	103,304	1.7 % ▲	EUR/USD	1.1238	1.1325	0.8 % ▲
TRY 2 Year Benchmark Rate	18.67%	18.73%	6 bp ▲	USD/TRY	5.4260	5.4457	0.4 % ▲
Turkey 5-Year CDS	332	314	-18 bp ▼	EUR/TRY	6.1153	6.1699	0.9 % ▲
MSCI EM Equity Index	1,030	1,057	2.6 % ▲	Gold (USD/ounce)	1,298	1,301	0.2 % ▲
US 10-Year Bond Rate	2.63%	2.59%	-3 bp ▼	Brent Oil (USD/barrel)	64.5	66.4	3.0 % ▲

bp: basis point

A series of votes in the UK Parliament on Brexit process was high on the agenda of global markets last week. Although uncertainties over Brexit prevail, sterling has found support as the possibility of the worst-case scenario, a no-deal Brexit, has weakened. Markets also continued to monitor US-China trade negotiations. In Turkey, a bunch of data releases was followed. While the annual declines in industrial production and retail sales slowed down, budget deficit and employment data justify cautious assessments regarding the economic activity.

Brexit votes...

Rejecting Prime Minister May's revised Brexit deal, the UK Parliament also rejected a no-deal Brexit. The Parliament also voted for rejecting a second Brexit referendum, while approving to postpone Brexit. According to the motion, which makes it possible for the UK to ask EU for a Brexit postponement if the Parliament approves the Brexit deal until March 20, UK will request to postpone the exit date to June 30. On the other hand, if an agreement cannot be reached by March 20, a longer-term postponement will be possible. The demand for an extension must be accepted also by the EU. Meanwhile, sterling gained strength with the support of the expectations that the worst scenario will not happen.

Developments on trade wars...

The meeting between the US President Donald Trump and Chinese President Xi Jinping scheduled for the end of March is delayed to the end of April at the best. In addition, Trump's statement that he would not rush to make a deal, have put some pressure on risk appetite in the second half of the week. Progress in the recent negotiations had reinforced the expectations for an agreement between the two parties.

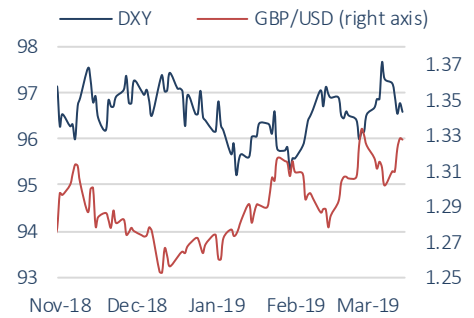
Global economic activity sends mixed signals.

The first quarter data on the US economy present a mixed outlook. In January, retail sales and durable goods orders exceeded expectations, while the core CPI increase in February was slightly below the forecasts. Industrial production failed to meet expectations in February with a monthly increase of 0.1%. Despite the decline in Germany's production, industrial production rose above the expectations with the rapid increase in energy production in the Euro Area. In China, while February industrial production data confirmed that the economy has lost further momentum, policymakers in the country continue to implement and plan new measures.

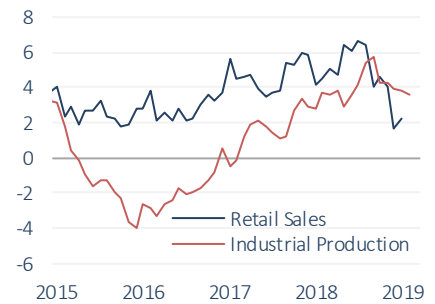
Rise in oil prices...

OPEC's oil production has declined in February because of the lower production of Venezuela and Saudi Arabia. In the first half of last week, oil prices rose rapidly due to the decline in oil production and the decrease in US crude oil inventories. Having increased more than 30% compared with the low levels in December, the price of Brent crude oil per barrel is 4% higher on a yearly basis.

GBP/USD & DXY



Economic Activity in the US
(annual % change)



Brent Crude Oil
(USD/barrel)



Source: Datastream

In Turkey, industrial production increased mom in January.

Following a 10% decline in December, calendar adjusted industrial production fell by 7.3% yoy in January. Production in manufacturing industry, where 18 out of 24 subsectors experienced a drop, has decreased by 7.5%. On the other hand, seasonally and calendar adjusted industrial production index posted a monthly rise for the first time in 5 months. In this period, recovery in the production of intermediate goods was notable.

Unemployment rate climbed to 13.5% in December period.

In December period, unemployment rate reached 13.5% by increasing 1.2 points which stands for the highest monthly rise since January 2009. Seasonally adjusted unemployment rate rose by 0.6 point mom to 12.7%, reaching its highest level since September 2009. Number of persons employed declined by 297K. The fall in the manufacturing industry became 182K. Employed persons also went down by 77K in the construction sector.

Budget posted a deficit of 16.8 billion TRY in February.

Central government budget revenues increased by 9.7% yoy in February whereas the expansion in expenditures was realized as 33.2%. Hence, budget deficit, which was 1.9 billion TRY in February 2018, climbed to 16.8 billion TRY in the same period of this year ([Our Budget Balance report](#)).

Inflation expectation for the year-end became 15.6%.

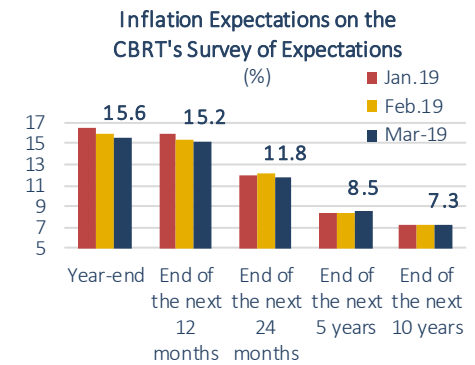
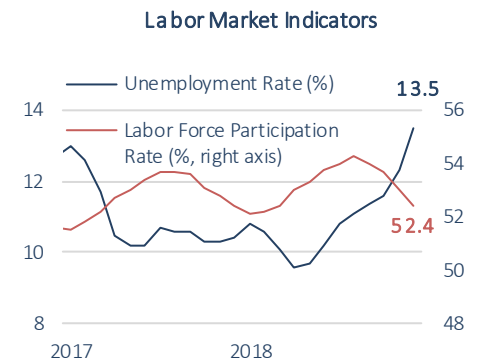
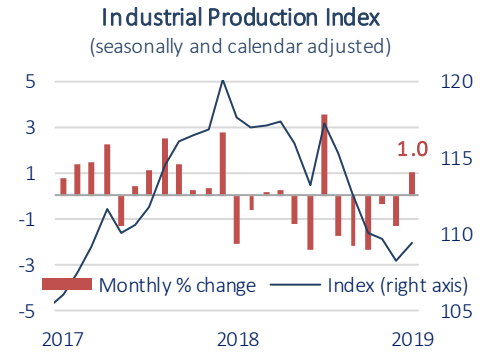
According to the CBRT's Survey of Expectations, the year-end, 12-month ahead and 24-month ahead inflation expectations declined slightly in March. Parallel to this, weighted average cost of CBRT funding was expected to decrease by 150 bps over the next 3 months and 565 bps over the next 12-months. While growth forecast for this year was around 1.2% in the last two surveys, the year-end current account deficit fell to 21.4 billion USD in March.

Domestic markets...

Last week, domestic stock market followed a positive course parallel to global markets. BIST-100 index rose by 1.7% wow. On the other hand, TRY depreciated against dollar and euro. Bond yields also increased somewhat. 2-year benchmark bond yield increased by 6 basis points to 18.73%.

Eyes will be on the Fed meeting this week...

This week, global markets will focus on the Fed meeting which will begin on Tuesday. Also, news on Brexit process will be closely followed. There is no significant data release in Turkey.



Data Releases

Date	Item	Period	Consensus	Prior
18 March	Japan Exports (annual change)	February	-0.9%	- 1.2% (A)
19 March	US Factory Orders (monthly change)	January	-0.5%	0.1%
	Treasury Zero Coupon Bond Issuance	March		
	Treasury CPI Indexed Bond Issuance	March		
20 March	Fed FOMC Interest Rate Decision	March	2.25-2.50%	2.25-2.50%
	Central Government Gross Debt Stock	February	-	1,098 billion TRY
	Treasury Debt Redemption (1.7 billion TRY)	March		
21 March	US Jobless Claims	11/16 March	-	229 thousand
	Euro Area Consumer Sentiment	March	-7.4	-7.4
	Consumer Confidence Index	March	-	57.8
22 March	US Markit Manufacturing PMI (flash)	March	53.7	53.0
	Euro Area Manufacturing PMI (flash)	March	49.5	49.3
	Euro Area Services PMI (flash)	March	52.7	52.8

(A) Actual

Source: Datastream

Sectoral Developments

Trade war may provide opportunities for Turkey's iron and non-iron metal exporters.

The Head of İstanbul Ferrous and Non-ferrous Metals Exporters' Association (IDDMIB), Tahsin Öztiryaki, made comments on the sector. Öztiryaki said that 2019 target for the sector's exports, which stood at 8.2 billion USD in 2018, is 10 billion USD. Stating that they will focus on India, Mexico, China and Russia as well as US and Africa markets, Öztiryaki suggested that the US market provides new opportunities for Turkish exporters due to the US-China trade war. Currently, exports to the US on the goods under IDDMIB umbrella amounts to 286 million USD, making the US tenth country on the list.

Retail sales increased on a monthly basis in January.

In January, the retail sales volume index performed similar to the industrial production index. In this period, calendar adjusted retail sales volume fell by 6.7% yoy. The annual decline in the index was 8.8% in December. In the first month of the year, food, drinks and tobacco sales decreased by 2.9%, while non-food sales excluding automotive fuel contracted by 10.3%. Compared to the previous month, seasonally and calendar adjusted retail sales increased by 1.3%. In this period, automotive fuel sales, which displayed the highest increase by 4.8%, were followed by a 2.1% increase in pharmaceutical products.

House sales fell by 18.2% in February.

After a 24.8% yoy fall in January, house sales declined by 18.2% to 78.450 units in February. The fall in the first two months of the year became 21.5% yoy. Mortgage house sales continued its downward trend, declining by 68.2% yoy to 8.890 units. Other home sales, constituting 89% of total sales, recorded a limited annual increase with 2.2%.

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