

	29-Mar	5-Apr	Change		29-Mar	5-Apr	Change
BIST-100 Index	93,784	98,783	5.3 % ▲	EUR/USD	1.1217	1.1214	0.0 % ▼
TRY 2 Year Benchmark Rate	21.19%	21.19%	0 bp ●	USD/TRY	5.5405	5.6252	1.5 % ▲
Turkey 5-Year CDS	425	388	-37 bp ▼	EUR/TRY	6.2765	6.3143	0.6 % ▲
MSCI EM Equity Index	1,058	1,085	2.6 % ▲	Gold (USD/ounce)	1,292	1,291	0.0 % ▼
US 10-Year Bond Rate	2.41%	2.50%	9 bp ▲	Brent Oil (USD/barrel)	68.4	70.5	3.1 % ▲

bp: basis point

Last week, as well as a busy data calendar, Brexit process and trade talks were followed by global markets. Growing optimism that the trade negotiations between the US and China might reach a conclusion affected global markets positively. However, uncertainties regarding the Brexit process have remained on the agenda. Data releases suggesting robust global economic activity supported oil prices. While developments after local elections were closely monitored in Turkey, inflation was at the forefront in the busy economic calendar.

Growing optimism regarding trade talks...

Growing expectation that the trade negotiations between the US and China might reach a conclusion had a positive effect on global markets last week. Although US officials stated that both parties agreed in principle, US President Trump said that trade talks could continue at least four more weeks. Trump's statements limited optimism about the trade wars in the markets. A busy data calendar was followed in the US as optimism about trade talks prevailed. While retail sales declined by 0.2% mom in February, durable goods orders declined for the first time in four months even though it was realized better than expectations. On the other hand, ISM manufacturing PMI exceeded the expectations with 55.3 and supported the positive views about the course of economic activity. Nonfarm payrolls data, an important indicator for markets, surpassed expectations with 196K persons. Strong payrolls data pointed out the ongoing recovery in the labor market. On the other hand, the increase in the average hourly earnings was 0.1% mom, and below the projections (0.3%).

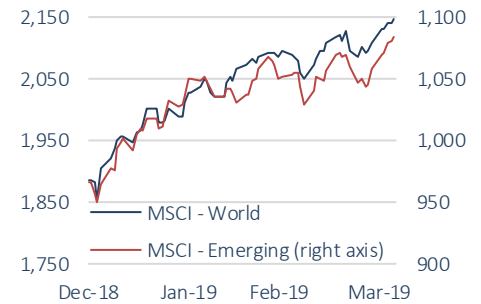
WTO lowered its global trade volume growth forecast.

World Trade Organization (WTO) said that world merchandise trade volume declined by 0.3% in the last quarter of 2018, while it grew by 3% in the whole year. WTO revised down its forecast for trade volume growth for 2019 to 2.6% from the previous forecast of 3.7%. For the reasons of the downward revision, WTO listed several factors like weaker global economic growth, volatility in financial markets, tighter monetary conditions in developed countries, new tariffs and retaliatory measures affecting widely-traded goods.

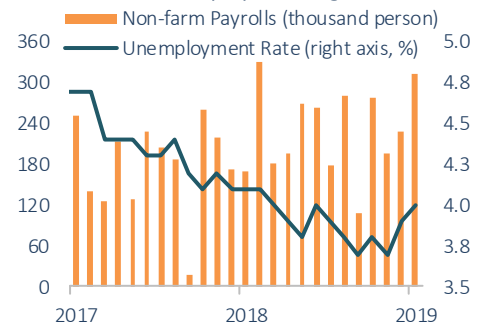
Uncertainty regarding the Brexit process continued.

Last week, the UK Parliament rejected four alternatives regarding the Brexit process. On the other hand, The House of Commons, which is the lower wing of the British Parliament, adopted the bill to prevent a no-deal Brexit. British Prime Minister Theresa May asked the EU Commission to delay Brexit until June 30. EU leaders will discuss the extension in the emergency summit on April 10th. If the EU does not approve a further extension, the probability of a “no-deal” disorderly Brexit will increase.

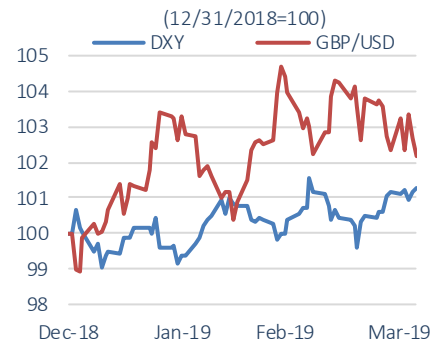
Global Stock Markets



US Employment Figures



GBP and Dollar Index



Source: Datastream

Increase in oil prices...

Last week, Brent crude oil prices climbed beyond 70 USD/barrel and reached the highest level since November 2018 due to favorable data releases regarding the manufacturing sectors in the US and China, as well as growing optimism about the trade war negotiations. Despite rising oil production in the US, OPEC's ongoing supply cuts supported oil prices.

CPI in Turkey came in above expectations.

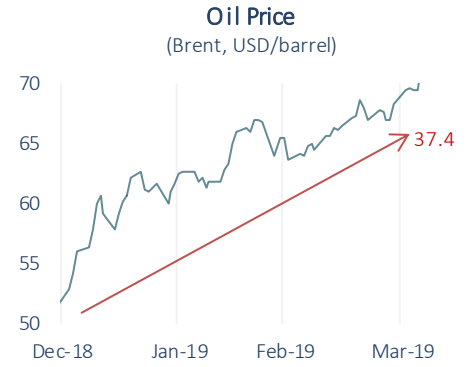
March CPI came in above expectations, rising by 1.03% mom. Domestic PPI (D-PPI) recorded a monthly increase of 1.58% in this period due to the increase in commodity prices. Annual consumer inflation, which was hovering around 20% since December 2018, was realized at 19.71% in March. The declining trend in annual D-PPI inflation since October, on the other hand, came to an end in March (Our Inflation Report).

Volatility in domestic markets..

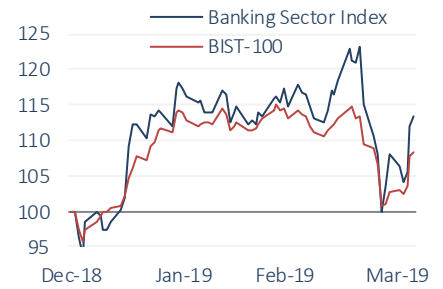
Last week, domestic markets followed the developments in Turkey-US relations and the news about local elections. While BIST-100 index closed the week with a 5.3% rise, the two-year benchmark compound interest rate finished the week relatively flat after a volatile week. The European Bank for Reconstruction and Development (EBRD) stated that "it is interested to deepen its work in the non-performing loans space in Turkey and ready to engage, if the structure meets commercial and sound banking requirements." The statements of the EBRD affected the Borsa Istanbul Banks Index positively.

This week's agenda...

This week both global and domestic markets will follow a relatively calm data agenda. The focus of the global markets will be on the monetary policy meeting of the European Central Bank on April 10th, while the trade negotiations and the Brexit process will continue to be closely monitored. In domestic markets, as well as the local election results, the reform package which will be announced this week and the developments in Turkey-US relations will be at the forefront of the agenda.



BIST-100 and Banking Index
(index, 12/31/2018=100)



Exchange Rates



Data Releases

		Period	Consensus	Prior
8-Apr	EA Sentix	April	-0.3 (A)	-2.1
	US Factory Orders	February	-0.6%	0.1%
10-Apr	UK Industrial Production (yoy %)	February	-	-0.9%
	ECB Monetary Policy Meeting	April	-	-
11-Apr	US CPI (yoy %)	March	1.8%	1.5%
	Fed Minutes	March	-	-
	China CPI (yoy %)	March	2.3%	1.5%
12-Apr	TR Balance of Payments	February	-	-813 million USD
	US Jobless Claims	1-6 April	-	202k person
	US PPI (yoy %)	March	1.9%	1.9%
	EA Industrial Production (mom %)	February	-0.5%	1.4%
	US Michigan Sentiment Index, flash	April	97.5	98.4
	China Foreign Trade Balance	March	8.8 billion USD	4.1 billion USD

(A) Actual

Source: Datastream

Sectoral Developments

Contraction in automotive market continues.

According to the Automotive Distributors Association, passenger car and light commercial vehicle sales decreased by 35.5% yoy in March. It is observed that the ongoing contraction in sales lost momentum in March, when sales are expected to recover seasonally. The annual decline in January and February sales were realized as 59% and 47.1%, respectively. Despite the tax cuts, sales in the sector decreased by 44.2% year-on-year in the first quarter and became 88,469 units. The domestic automotive market is shrinking on an annual basis since April 2018 due to the tightening of demand conditions as well as the rise in FX rates.

According to data released by Turkey Exporters Assembly, the export performance of the automotive sector also demonstrated a weak outlook. In March, the total exports of the sector declined by 8.2% yoy to 2.9 billion USD. Following the limited increase recorded in January on an annual basis, exports decreased in February and March on an annual basis and the sector's total exports contracted by 5.7% yoy in the first quarter of 2019.

Electricity production continues to decline.

In March, domestic electricity production decreased by 1.5% yoy. During this period, a significant decrease was recorded in electricity production based on natural gas and coal (excluding hard coal), while the increase in electricity generation in hydroelectric power plants significantly limited the contraction in total production. March electricity production based on other renewable sources also increased. Electricity production recorded a decrease of 1.21% yoy in the first quarter of 2019.

Global iron ore prices are rising.

Prices of iron ore, the raw material of steel, surged globally due to supply concerns. Last week, iron ore future prices in China exceeded 100 USD/ton for the first time because of security concerns in Brazil's iron ore mines and the cyclones battering Western Australia regions. The recent price increases in iron ore caused the analysts to revise up their price forecasts for 2019.

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