

	23-Aug	30-Aug	Change		23-Aug	30-Aug	Change
BIST-100 Index	97,149	96,718	-0.4 % ▼	EUR/USD	1.1144	1.0989	-1.4 % ▼
TRY 2 Year Benchmark Rate	16.25%	16.49%	24 bp ▲	USD/TRY	5.7589	5.8296	1.2 % ▲
Turkey 5-Year CDS	418	427	9 bp ▲	EUR/TRY	6.4160	6.4000	-0.2 % ▼
MSCI EM Equity Index	974	984	1.1 % ▲	Gold (USD/ounce)	1,526	1,520	-0.4 % ▼
US 10-Year Bond Rate	1.53%	1.51%	-2 bp ▼	Brent Oil (USD/barrel)	59.0	61.1	3.6 % ▲

bp: basis point

Trade wars and Brexit developments were on the agenda of the markets last week. The global markets, which started the week with sales due to increasing pessimism regarding the trade wars, recovered in the coming days with the support of moderate statements from US and Chinese officials. The fact that the UK Parliament will remain closed until October 14 raised concerns that Brexit will be realized without a deal. According to the data, Turkey's economy contracted by 1.5% in the second quarter of 2019, and foreign trade deficit decreased by 46.9% yoy in July. This week, domestic markets will follow the inflation data which will be released on Tuesday.

### Global markets...

Last week, new developments regarding the trade wars were followed in global markets. Markets started the week with sales following the additional taxes imposed in the previous week. In the following days, US President Donald Trump pointed out the possibility of a trade agreement with China and said he believes China is sincere in reaching an agreement. Moreover, Chinese Ministry of Commerce spokesman Gao Feng said that they are opposed to the escalation of trade war tensions with the US and that China will not retaliate against the additional tariffs announced by the US in the previous week. The moderate statements made by the officials of the two countries were effective in compensating some of the losses in the global markets. On the other hand, as announced earlier, the US has imposed additional customs duties on products worth of 110 billion USD from China as of September 1, as part of the trade wars. As well as the trade wars, the effects of the authority given to the Argentina's central bank to restrict foreign exchange purchases on emerging markets will be followed this week.

### Euro Area and Brexit...

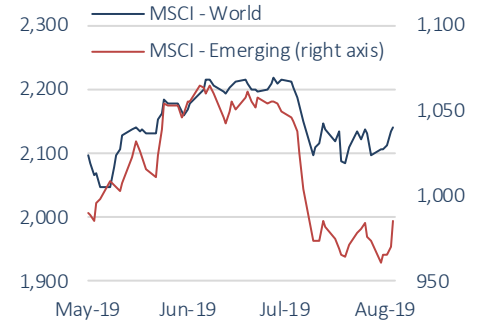
In Euro zone August annual inflation and July unemployment data released last week were unchanged. In the region, Markit's manufacturing PMI was confirmed as 47 in August. On the other hand, the decline in retail sales in Germany on a monthly basis in July increased concerns about the slowdown in economic activity.

In Europe, Brexit continues to be on the agenda. Approval of the UK Parliament to remain closed until October 14th, has raised concerns that Brexit will be realized without a deal. With this decision, the UK Parliament may not have enough time to prevent a possible "no-deal Brexit" from the EU before October 31st. On the subject, European Commission spokesman Andreeva stated that Britain should come to the EU as soon as possible with a concrete proposal for a negotiated separation. Following the developments, the pound depreciated against the dollar and the euro.

### Oil and gold...

Last week, the fall of crude oil inventories in the US above the expectations and the optimistic views regarding the trade wars led to an increase in oil prices. Accordingly, the barrel price of Brent oil increased by 3.6% to USD 61.1. On the other hand, gold prices, which have recently risen rapidly due to the uncertainties in the global economy, declined slightly last week.

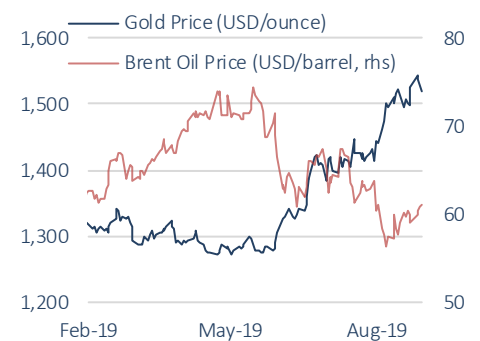
Global Stock Markets



GBP/USD



Gold & Oil Price



Source: Datastream

### Turkey's economy contracted by 1.5% in the second quarter of the year.

Turkey's economy contracted by 1.5% compared to the same period of last year in the second quarter of 2019. According to seasonally and calendar adjusted figures, the country's economy grew by 1.2% in the second quarter compared to the previous quarter. In this period, private and public consumption expenditures increased qoq, but the decline in investment expenditures continued ([Our Gdp Growth Report](#)).

### In July, foreign trade deficit contracted by 46.9%.

Along with the weak course in economic activity, the foreign trade deficit continued to contract annually at the beginning of the second half of the year. Foreign trade deficit contracted by 46.9% yoy in July. Export volume expanded by 7.9% yoy to 15.2 billion USD, while import volume decreased by 8.5% yoy to 18.4 billion USD in this period. The import coverage ratio rose by 12.6 pts compared to July 2018 and became 82.6% ([Our Foreign Trade Report](#)).

### Manufacturing PMI remained below the threshold level.

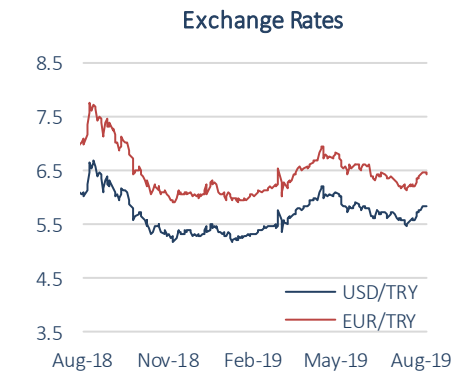
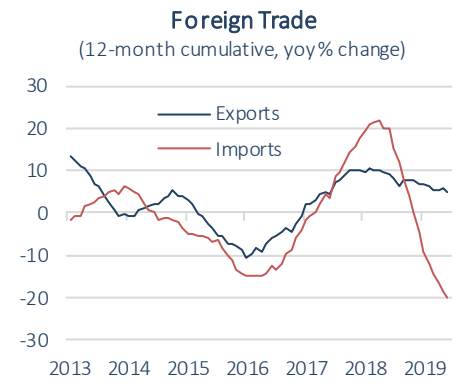
Domestic manufacturing PMI rose to 48 in August, the highest level since July 2018. The loss of momentum in new orders in August was at the most moderate level in the last 17 months, which led to optimistic expectations for the coming period, but the index below the threshold value of 50 indicated that the weakness in the economy continued.

### Domestic markets...

A negative outlook prevailed in the domestic markets last week. The USD/TRY, which followed an upward trend throughout the week, closed the week at 5.8296, increasing by 1.2% wow. BIST-100 index was slightly negative, while the 2-year benchmark bond yield increased by 24 basis points to 16.49%.

### This week's agenda...

In global markets an intensive data agenda will be followed this week. Markets will focus on August employment data in the US. In domestic markets, inflation data will be followed on Tuesday.



### Data Releases

		Period	Consensus	Prior
<b>September 02</b>	TR GDP, yoy	Q2	-1.5% (A)	-2.6%
	TR Manufacturing PMI	August	48 (A)	46.7
	Euro Area Markit Manufacturing PMI	August	47 (A)	47
<b>September 03</b>	TR CPI, monthly	August	-	1.36%
	TR PPI, monthly	August	-	-0.99%
	US ISM Manufacturing PMI	August	51.4	51.2
<b>September 04</b>	US Foreign Trade Balance	July	-55.4 billion USD	-55.2 billion USD
	TR Foreign Trade Balance, preliminary	August	-	3.2 billion USD
	Euro Area Retail Sales, yoy	July	1.3%	2.6%
<b>September 05</b>	US ISM Services PMI	August	54.1	53.7
	US Factory Orders, mom	July	-	0.6%
<b>September 06</b>	US Nonfarm Payrolls	August	155 k	164 k
	Euro Area GDP, yoy	Q2	1.2%	%1.1
	Germany Industrial Production	July	-0.4%	-1.5%

(A) Actual

Source: Datastream, Ministry of Treasury and Finance, Turkstat

## Sectoral Developments

### **Economic confidence index increased in August.**

Economic confidence index rose by 7.9% on a monthly basis to 87.1 in August. Thus, the index has reached its highest level since August 2018. While all sub-indices increased in this period, the rapid rises in services and construction sectors stood out.

### **Tourism statistics for July were released.**

According to the data released by the Ministry of Tourism, number of foreign visitors rose by 16.7% yoy to 6.6 million persons in July. In January-July period, the number of visitors arrived increased by 14.1% yoy to 24.7 million persons. The most foreign visitors to Turkey came from Russia with the share of 15.8% (1 million person). Germany and Great Britain placed the second and third in terms of foreign visitors with a share of 13.1% and 6.4%, respectively.

According to the data released by the Hotels Association of Turkey (TUROB) occupancy rates increased by 2.1% yoy to 76.1%. In the first 7 months the said ratio rose by 1.2% to 65.6%. Average revenue per room surged up by 14% yoy to 100.3 euro, recorded as a positive development in terms of tourism revenues.

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