

	13-Sep	20-Sep	Change		13-Sep	20-Sep	Change
BIST-100 Index	103,072	100,237	-2.8 % ▼	EUR/USD	1.1073	1.1017	-0.5 % ▼
TRY 2 Year Benchmark Rate	15.33%	14.96%	-37 bp ▼	USD/TRY	5.6851	5.7429	1.0 % ▲
Turkey 5-Year CDS	378	379	1 bp ▲	EUR/TRY	6.2876	6.3268	0.6 % ▲
MSCI EM Equity Index	1,027	1,021	-0.5 % ▼	Gold (USD/ounce)	1,488	1,517	1.9 % ▲
US 10-Year Bond Rate	1.90%	1.75%	-15 bp ▼	Brent Oil (USD/barrel)	61.2	64.6	5.6 % ▲

bp: basis point

Last week, the meetings of leading central banks and geopolitical developments were high on the agenda of global markets. Fed cut policy rate by 25 basis points, while BoJ and BoE kept interest rates unchanged. Oil prices, which rose rapidly at the beginning of the week with the elevated geopolitical risks, fell in the following days. On the other hand, OECD revised its forecasts for global economic growth downwards. In Turkey, macroeconomic data mostly continued to signal a weak outlook.

Fed did not provide clear signals for the future decisions.

At its meeting ended on September 18, the Fed cut the policy rate by 25 basis points to 1.75-2.00% in line with market expectations. According to the projections published after the meeting, Fed members raised their growth forecasts for 2019 by 0.1 percentage point to 2.2%, while the growth forecast for 2020 was held at 2%. The median federal funds rate forecasts for 2019 and 2020, which were 2.4% and 2.1%, respectively in June projections, was reduced to 1.9%. Fed Chair Powell stated that weak global growth and trade tensions played an important role in the decision to cut interest rates. Powell emphasized that future interest rate decisions will be shaped by incoming macroeconomic data. After the liquidity squeeze in the US money market last week, the repo auctions were held for the first time in 10 years, fueling debate on monetary policy.

FED Projections

(%)	September Forecasts		Difference with June	
	2019	2020	2019	2020
GDP	2.2	2.0	0.1	0.0
Unemp Rate	3.7	3.7	0.1	0.0
PCE	1.5	1.9	0.0	0.0
Funds Rate	1.9	1.9	-0.5	-0.2

BoJ and BoE held rates steady.

At its meeting ended on September 19, the Bank of Japan (BoJ) kept the policy rate at -0.1%, noting that the macroeconomic outlook and prices will be assessed in more detail at the next meeting. The Bank of England (BoE) too did not change the interest rate and its policy guidance at its monetary policy meeting.

Geopolitical developments were effective in the course of oil prices.

Oil prices, which rose significantly earlier last week as a result of an attack on Saudi Arabia's oil facilities on September 14th, declined to some extent in the following days due to the news that Saudi Arabia could completely compensate the losses in 2-3 weeks. On the other hand, rise in geopolitical tension caused by the US administration's blaming Iran for the attack caused upward pressure on oil prices. Brent crude oil price rose by 5.6% weekly to 64.6 USD/barrel.

Favorable economic data in the US...

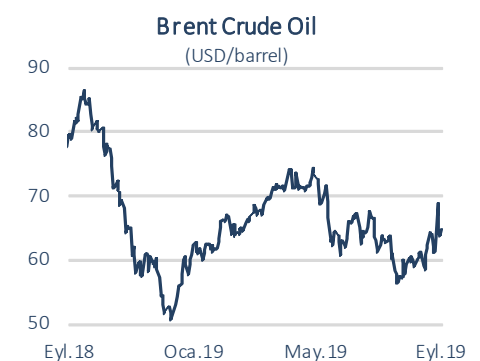
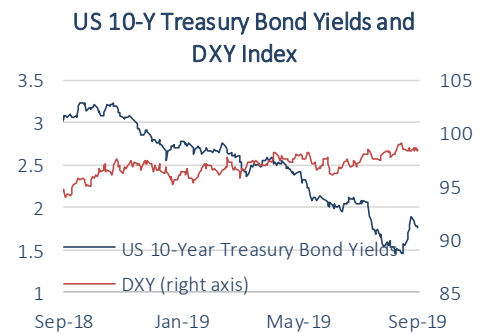
Industrial production in the US was recorded its fastest increase this year with a monthly rise of 0.6% in August. In this period, capacity utilization rate was also high at 77.9%. These data suggested that economic activity in the country remained solid.

OECD revised down its global growth forecasts.

OECD revised down its global economic growth forecast for 2019 and 2020 in the September update of its Economic Outlook report, citing particularly escalating trade tensions.

Unemployment rate came in at 13%.

The slowdown in economic activity continues to have a negative impact on employment figures. For the period of June, unemployment rate rose by 2.8 basis points yoy to 13%. During this period, employment in the construction,



Source: Datastream, FED, OECD

agriculture and industry sectors decreased by 493 thousand, 232 thousand and 121 thousand persons, respectively. Seasonally adjusted unemployment rate, on the other hand, dropped to 13.9%, falling by 0.1 percentage point compared to the previous month. This was mainly driven by the recovery in services sector employment.

One-off revenues played a big part in the budget performance.

The central government budget gave a surplus of 576 million TRY in August. While budget revenues increased by 34.1% yoy, budget expenditures surged up by 23.2% yoy. In August, the increase in budget revenues stemmed from the transfer of CBRT's reserve funds to budget revenues. In the first 8 month of the year, budget deficit expanded by 34.2% to 68.1 billion TRY ([Budget Balance report](#)).

Weak outlook in consumer confidence...

In September, consumer confidence index decreased by 4.3% mom to 55.8. In this period, rapid decline in the sub-indices regarding the probability of buying a car over the next 12 months and assessment of present condition for saving for the current period came to the forefront. On the other hand, ongoing recovery in the probability of buying or building a home stood out.

Financial markets...

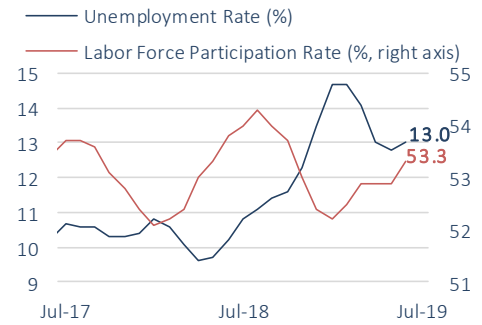
Decisions by the central banks of developed countries to support economic activity affected the stock markets positively. On the other hand, heightened geopolitical risks in the Middle East and the cautious stance of investors put pressure on the markets despite upbeat statements about the trade negotiations between the US and China.

On the domestic front, BIST-100 index declined by 2.8% on a weekly basis, while TRY depreciated against the US dollar and euro. The compound interest rate of the 2-year benchmark bond fell to 14.96%, dropping by 37 basis points w/w. Meanwhile, CBRT announced that reserve requirement ratios for FX deposits / participation funds have been increased by 100 basis points for all maturity brackets. As a result, approximately 2.1 billion USD of FX liquidity is expected to be withdrawn from the market.

This week's agenda...

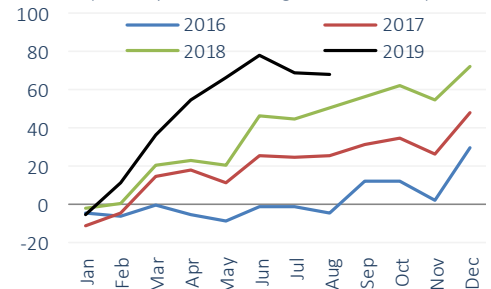
This week, global markets will monitor US GDP Q2 and preliminary manufacturing PMI data. In addition, developments related to the trade war and the reflections of the central bank decisions will be on agenda.

Labor Market Indicators

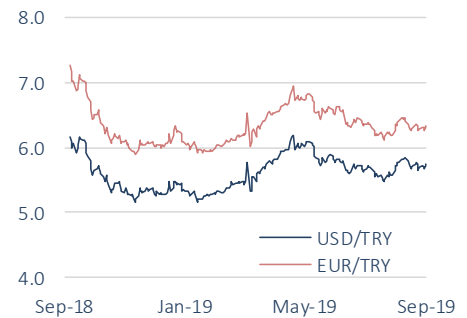


Course of Budget Deficit

(monthly cumulative figures, billion TRY)



Exchange Rates



Data Releases

		Period	Consensus	Prior
23-Sep	US Mfg PMI, flash	September	50.3	50.3
	Euro Area Mfg PMI, flash	September	45.6 (A)	47.0
24-Sep	US Consumer Confidence	September	134.0	135.1
	TR Manufacturing Confidence	September	-	102.5
	TR Capacity Utilization	September	-	76.6%
25-Sep	US New Home Sales	August	0.7 million units	0.6 million units
26-Sep	US GDP, final	Q2	2.0%	2.0%
	US Jobless Claims	16-21 Sep.	212k	208k
27-Sep	US U Mich Sentiment, final	September	92.0	92.0
	US Durable Goods	August	-1.2%	2.0%
	Core PCE, yoy change	August	1.8%	1.6%
	TR Economic Confidence Index	September	-	87.10

(A) Actual

Source: Datastream, Turkstat

Sectoral Developments

House sales increased in August.

Having declined on an annual basis since the beginning of 2019, house sales rose in August. According to the TURKSTAT, house sales in Turkey increased by 5.1% compared to the same month of the previous year to 110,538 units in August due to the fall in interest rates for housing loans. During this period, mortgaged sales surged up by 168% to 34,148 units. Thus, the share of mortgaged sales in total house sales became 30.9%. Other sales decreased by 17.3% yoy during this period.

Housing prices remained weak in July.

According to the Residential Property Price Index published by the CBRT, in July housing prices increased by 3.54% yoy in nominal terms while decreasing by 11.24% yoy in real terms. Analysis of housing prices in the largest 3 cities of Turkey showed that the prices decreased by 1.64% in İstanbul, while increased by 1.41% and 2.32% in Ankara and İzmir, respectively.

Construction costs declined in July.

According to the data released by TURKSTAT, construction costs declined in July, as was the case in June. The index decreased by 0.4% compared to the previous month, whereas it rose by 18.42% compared to the same period of the previous year, the slowest increase since March 2018. In the same period, material and labor indices went up by 15.33% and 25.75%, respectively.

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