

| | 15-Nov | 22-Nov | Change | | 15-Nov | 22-Nov | Change |
|---------------------------|---------|---------|----------|------------------------|--------|--------|----------|
| BIST-100 Index | 105,380 | 106,588 | 1.1 % ▲ | EUR/USD | 1.1050 | 1.1022 | -0.3 % ▼ |
| TRY 2 Year Benchmark Rate | 12.11% | 11.86% | -25 bp ▼ | USD/TRY | 5.7443 | 5.7122 | -0.6 % ▼ |
| Turkey 5-Year CDS | 307 | 303 | -4 bp ▼ | EUR/TRY | 6.3508 | 6.2953 | -0.9 % ▼ |
| MSCI EM Equity Index | 1,049 | 1,049 | 0.0 % ▼ | Gold (USD/ounce) | 1,467 | 1,462 | -0.3 % ▼ |
| US 10-Year Bond Rate | 1.83% | 1.77% | -6 bp ▼ | Brent Oil (USD/barrel) | 63.3 | 65.0 | 2.7 % ▲ |

bp: basis point

Mixed signals on US-China trade talks, as well as concerns about ongoing demonstrations in Hong Kong, weighed on the markets last week. PMI data released in the US and Euro Area drew an unclear picture of economic activity. In her speech on Friday, ECB President Lagarde stressed that expansionary monetary policy should be supported by fiscal policy. The OECD announced that it predicts the global economy to grow by 2.9% in both 2019 and 2020. On the other hand, the Organization revised the growth forecasts for the Turkish economy upwards.

Global markets watched PMI data.

The flash PMI data for the US and Euro Area for November were closely monitored. In the US, manufacturing PMI rose to 52.2, while services PMI surpassed expectations by coming in at 51.6. Despite remaining below the threshold level of 50, manufacturing PMI in Euro Area outperformed expectations in November. During this period, manufacturing PMI rose to 46.6 in Euro Area, while PMI in Germany, the region's largest economy, increased to 43.8. After a contraction of 0.1% qoq in the second quarter of 2019, German economy had avoided recession in the third quarter by recording a limited growth of 0.1% qoq. Recent data releases have pointed to a slight recovery in the country's economy. On the other hand, although services PMI data in Euro Area remained above the threshold of 50 with 51.5 in November, it marked the lowest print in the last 10 months.

Lagarde's first speech as ECB President...

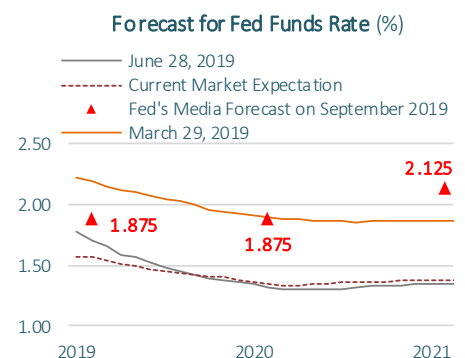
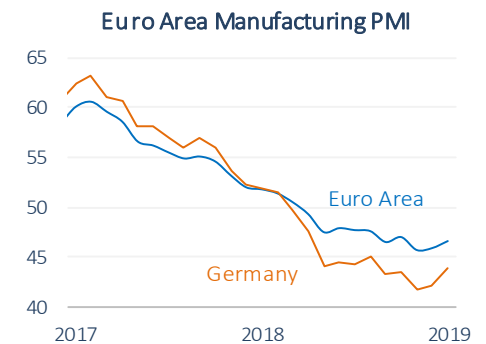
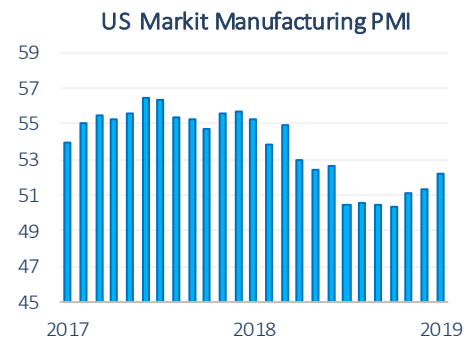
ECB's new President, Christine Lagarde, pointing to the increasing uncertainty in the global economy, stated that monetary policy will continue to support the economic activity. However, Lagarde added that they closely follow the side effects of the policy currently followed. She emphasized that fiscal policy should also be supportive of growth in order to reach the targets faster and with less side effects.

Fed minutes signaled a pause in easing cycle.

Last week Fed released the minutes from its October policy meeting, where it cut policy interest rates by 25 bps. According to the minutes, even though Fed officials believe that risks to the US economy remain, there is a consensus that rates should remain unchanged after three cuts this year. The statements in the minutes indicate that Fed officials think that risks to global economic growth and trade persist and this poses a risk to the US economy.

The OECD published its Economic Outlook report.

While the OECD did not change its global economic growth forecast for 2019, it decreased that of 2020 by 0.1 point. The Organization's global



Source: Datastream

economic growth forecast for both 2019 and 2020 is 2.9%. The OECD suggested that the global economy came under pressure as the objective of supporting economic activity has been consistently addressed by only monetary policy rather than in coordination with fiscal policy, especially in advanced countries. The Organization also pointed out that trade war has adversely affected investments and increased the downside risks on employment. The OECD revised up its economic growth forecast for Turkey from -0.3% to 0.3% in 2019 while raising its growth forecast for 2020 from 1.6% to 3%.

Recovery in consumer confidence...

Having increased by 2.1% in October, consumer confidence index rose by 5.2% to 59.9 in November. Analyzing sub-indexes, the probability of buying a car over the next 12 months recorded the fastest rise, with increasing 11.2% mom. While the fastest decline was observed in the probability of spending money on home improvements or renovations over the next 12 months, the recovery in the probability of buying or building a home was noteworthy.

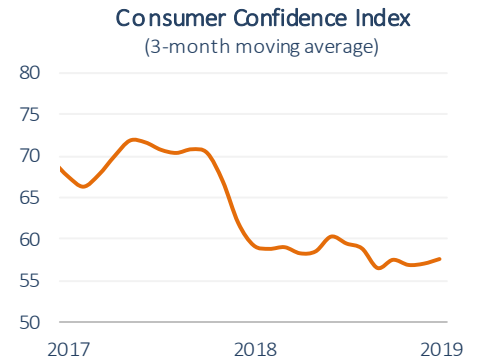
Non-residents' equity portfolio has increased.

According to the data released by the CBRT, in the week of November 15, non-residents' equity securities and government domestic debt securities transactions posted a net purchases of 301 million USD and 9 million USD, respectively. Considering year-end figures, non-residents' equity portfolio grew by 415 million USD, while that of government domestic debt securities transactions posted a net sales of 3.1 billion USD.

Financial markets...

Last week, the developments regarding the future of the US and China trade negotiations continued to be high on the global economic agenda. Mixed signals from trade negotiations had a negative impact on global risk appetite. Having a calm data agenda last week, domestic markets had a volatile course in a narrow band during the week parallel to the global markets. While BIST-100 index closed the week with 1.1% increase, Turkish Lira appreciated against the US dollar and the euro on a weekly basis.

| OECD GDP Growth Projections (%) | | | |
|---------------------------------|------|------|------|
| | 2019 | 2020 | 2021 |
| World | 2.9 | 2.9 | 3.0 |
| US | 2.3 | 2.0 | 2.0 |
| Euro Area | 1.2 | 1.1 | 1.2 |
| Japan | 1.0 | 0.6 | 0.7 |
| China | 6.2 | 5.7 | 5.5 |
| India | 5.8 | 6.2 | 6.4 |
| Turkey | 0.3 | 3.0 | 3.2 |



Data Releases

| | | Period | Consensus | Prior |
|--------|---|----------|-----------|-----------------|
| 25-Nov | TR Capacity Utilization Rate | November | 77.2% (A) | 76.4% |
| | TR Real Sector Confidence Index | November | 102 (A) | 100.9 |
| | Germany Ifo Business Climate | November | 95 (A) | 94.6 |
| 26-Nov | US New Home Sales | October | 707 K | 701 K |
| 27-Nov | US GDP Growth | 2019 Q3 | 1.9% | 1.9% |
| | US Core PCE Index, mom | October | 0.2% | 0 |
| 28-Nov | Germany HICP Consumer Price Index, mom (prel) | November | -0.8% | 0.1% |
| 29-Nov | TR Foreign Trade Balance | October | - | 2.1 billion USD |
| | Euro Area CPI, mom (prel) | November | 0.7% | 0.7% |
| | Euro Area Unemployment Rate | October | 7.5% | 7.5% |

(A) Actual

Source: Datastream

Sectoral Developments

House sales decreased in October.

In Turkey, house sales decreased by 2.5% yoy in October. Mortgaged house sales kept on rising following August 2019 by increasing 525% in September whereas other house sales decreasing by 33% yoy. Last week, CBRT published September readings of house price index as well. House prices, despite accelerating by 6.3%, continued falling in real terms compared to the same period of last year.

Hotel investments continue with 73 new projects.

Hotel Association of Turkey figures revealed that number of projects regarding accommodation investments declined in the first 9 months of 2019 while investment amount was up by 7.5%. According to data published by the Ministry of Trade, during the same period, 73 new hotel investments covering 27 cities were granted with incentive certificate. Total amount of investment of these new projects was calculated as 2.3 billion TRY. Accordingly, top 3 cities in terms of accessing incentive certificates have lined up as Antalya, İstanbul and Muğla.

Economic Research Division

İzlem Erdem
Chief Economist
izlem.erdem@isbank.com.tr

Hatice Erkiletliođlu
Asst. Manager
hatice.erkiletlioglu@isbank.com.tr

Alper Grler
Unit Manager
alper.gurler@isbank.com.tr

Aslı Őat Sezgin
Economist
asli.sat@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

LEGAL NOTICE

This report has been prepared by Trkiye İŐ Bankası A.Ő. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Trkiye İŐ Bankası A.Ő. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Trkiye İŐ Bankası A,Ő, accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.
