

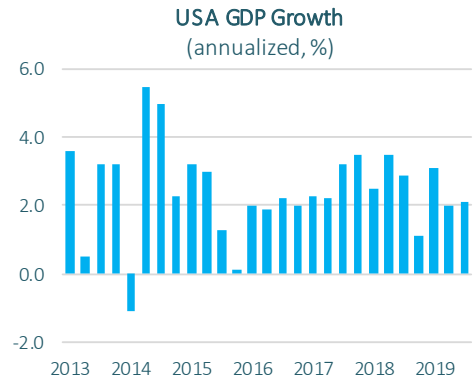
	22.Nov	29.Nov	Change		22.Nov	29.Nov	Change
BIST-100 Index	106,588	106,904	0.3 % ▲	EUR/USD	1.1022	1.1015	-0.1 % ▼
TRY 2 Year Benchmark Rate	11.86 %	12.14 %	28 bp ▲	USD/TRY	5.7122	5.7460	0.6 % ▲
Turkey 5-Year CDS	300	313	13 bp ▲	EUR/TRY	6.2953	6.3336	0.6 % ▲
MSCI EM Equity Index	1,049	1,040	-0.8 % ▼	Gold (USD/ounce)	1,462	1,464	0.1 % ▲
US 10-Year Bond Rate	1.77 %	1.78 %	0 bp ▲	Brent Oil (USD/barrel)	65.0	64.5	-0.8 % ▼

bp: basis point

Last week, data released in the US pointed to a slight acceleration in economic activity, while developments in global markets have been shaped along with US-Chinese relations. The second Financial Stability Report of the year and foreign trade data were followed in Turkey, where expectations for the relations with the USA had an impact on the course of the markets. GDP growth, which was announced as 0.9% today, was in line with the expectations. Meanwhile, manufacturing PMI data remains below 50, suggesting a weak outlook in the sector.

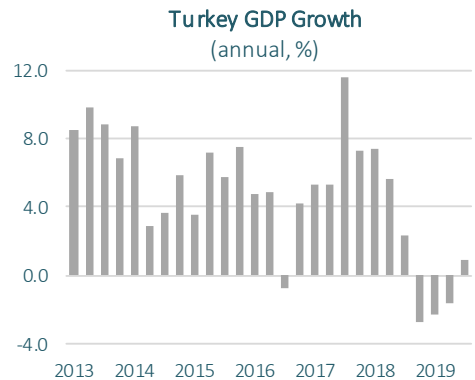
An intensive data agenda was followed in the USA.

In the US, annual GDP growth for the third quarter of 2019, which was announced as 1.9% previously, was revised to 2.1%, above expectations. In the same period, the increase in the core personal consumption expenditures price index was revised down by 0.1 points to 2.1%. In addition to Q3 growth data exceeding expectations, US durable goods orders rose by 0.6% mom in October, despite the expectations of a decline. The foreign trade balance declined both in annual and monthly basis in October and posted a deficit of 66.5 billion USD. New home sales for the same period declined on a monthly basis, but exceeded the projections coming at 733K. The upward revision of the September data was also a positive development. Moreover, the data on jobless claims for last week also showed a positive outlook. Despite data indicating that economic activity gained momentum, the consumer confidence index declined in November due to the deterioration in the current situation assessments.



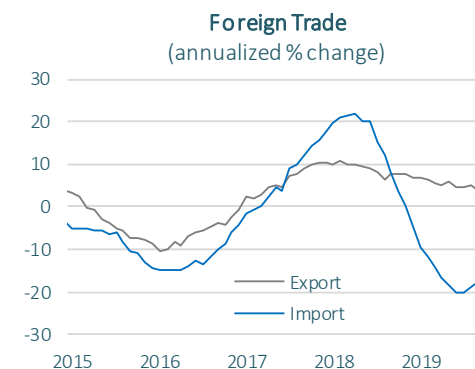
Turkish economy grew in line with expectations in 2019 Q3.

After having contracted three quarters on annual basis, Turkish economy grew by 0.9% yoy in the third quarter of 2019, in line with expectations. The contribution of net exports, which was quite high in the last four quarters, became -0.2 points in this period, while investment expenditures continued to pull growth down. On the other hand, consumption expenditures contributed 1.8 percentage points to GDP.



Foreign trade deficit continued to widen.

Foreign trade deficit, which was 497 million USD in October 2018, rose to 1.8 billion USD in the same period of this year. Export volume declined by 0.1% yoy to 15.7 billion USD, while import volume recorded the fastest annual increase (8%) since April 2018, and became 17.5 billion USD. According to the 12-month cumulative figures, exports and imports became 170.7 billion USD and 198.7 billion USD, respectively. The slowdown in EU countries as well as the deceleration in global economy fuelled by the protectionist trade policies stands out as the main downside risk on foreign demand. The recovery in domestic demand, on the other hand, is likely to lead to an upward trend in import volume. Therefore, we expect that foreign trade deficit will continue to widen in the upcoming period ([Our Foreign Trade Balance Report](#)).



Leading indicators gave mixed signals regarding economic activity.

According to seasonally adjusted data, real sector confidence index increased by 1.7 points mom to 105.9 where capacity utilization rate in manufacturing rose by 0.7 points mom to 76.7% in November. Economic confidence index also went up by

Source: Datastream

1.7% mom to 91.3 during the same period. Nevertheless, all these sub-indices; consisting of services, retail trade and construction; have pointed out a weak course. In November, seasonally adjusted confidence index in services rose slightly by 0.7% while declining in retail trade and construction by 1.1% and 1.9% mom respectively. Despite rising to 49.5 in November, PMI readings proving below 50-threshold also pointed out the weak course in the manufacturing industry.

CBRT published its Financial Stability Report.

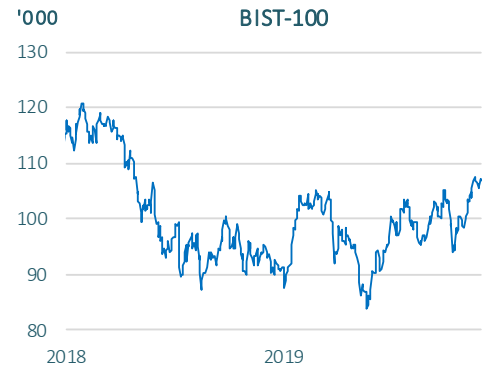
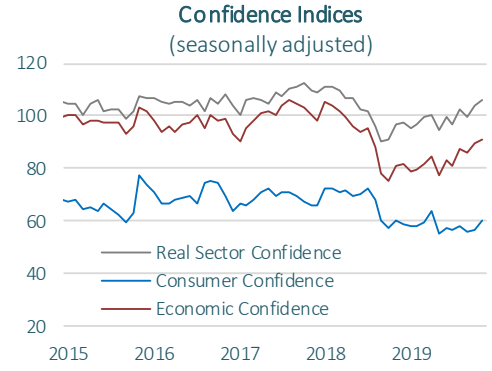
CBRT published the 2nd Financial Stability Report of the year. Having said that exchange rate volatility and risk premium of Turkey have diminished thanks to the moderate course in global financial conditions and falling inflation and inflation expectations in the domestic market in the third quarter of 2019; CBRT drew attention to these developments as being the supporters of economic activity. Projecting that the positive effects of recent recovery in credit conditions on domestic demand would be stronger starting from the fourth quarter of 2019; CBRT presented the rise in TRY liquidity, fall in funding costs and improved expectations of economic activity as being the main factors which led to credit expansion. While emphasizing the overall favourable economic activity outlook, CBRT considered the possibility of negative developments regarding the global growth prospects, risk appetite and perceptions of uncertainty, as well as geopolitical events as being the relevant risk factors.

Financial Markets...

News claiming that USA and China became too close to make the first agreement on trade talks, drove global stock markets higher during the first half of the week. On the other hand, Trump signed the bill which suggests imposing sanctions to Chinese officials as being responsible for using violence against Hong Kong protesters and violating human rights. China announced that they would have "forceful measures" in response to that. These developments have led to deterioration in the global risk appetite for the rest of the week.

In the domestic markets, uncertainties regarding US-Turkey relations put pressure on TRY denominated instruments. BIST-100 index closed the week 0.3% higher while TRY depreciated against USD and EUR.

This week US nonfarm employment figures would be high on the agenda. November readings of inflation data will be monitored in domestic markets.



Data Releases

		Period	Consensus	Prior
2 December	TR GDP Growth	2019 Q3	0.9% (A)	1.6%
	TR Manufacturing PMI	November	49.5 (A)	49.0
	USA ISM Manufacturing PMI	November	49.4	48.3
3 December	TR CPI Inflation, mom	November	0.7%	2.00%
	TR PPI Inflation, mom	November	-	0.17%
	Euro Area PPI Inflation, mom	October	-	0.1%
4 December	USA ADP Employment Report	November	138K	125K
	USA ISM Services PMI	November	54.5	54.7
5 December	USA Factory Orders, mom	October	-0.5%	-0.6%
	Euro Area GDP Growth, revised	2019 Q3	1.2%	1.2%
	Euro Area Retail Sales, mom	October	0.1%	0.1%
6 December	TR Treasury Cash Balance	November	-	-11.9 billion TRY
	USA Nonfarm Payrolls	November	183K	128K
	USA Michigan Consumer Confidence, prelim	December	96.5	96.8

(A) Actual

Source: Datastream

Sectoral Developments

White goods sales increased rapidly in October.

Domestic sales of white goods increased by 25.8% in October compared to the same month of last year and recorded a rapid recovery. Hence, contraction in the domestic market, which was 10.3% annually in January-September period, decreased to 7.9% in January-October period. In October, exports of white goods decreased by 2.9% and imports increased by 74.4%. In the January-October period, exports of the sector increased by 0.6%, while imports decreased by 43%.

Global automotive sector is shrinking.

The global automotive industry has been shrinking over the last two years because of the need for high investment driven by the transition to electric vehicles and the decline in automobile demand on a global scale; particularly in China. Credit rating agency Fitch sees the automotive industry as one of the most important reasons for the global slowdown. In a report published this year, Fitch stressed that the downturn in the industry has brought global GDP down by 0.2 percentage points due to the impact on other sectors. The fact that the automotive industry, which is also a major commodity consumer, uses about 10% of global metal production indicates that the contraction in the sector also affects global metal demand.

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