

	12-Jun	19-Jun	Change		12-Jun	19-Jun	Change
BIST-100 Index	109,835	113,612	3.4% ▲	EUR/USD	1.1254	1.1175	-0.7% ▼
TRY 2 Year Benchmark Rate	9.29%	8.94%	-35 bp ▼	USD/TRY	6.8106	6.8498	0.6% ▲
Turkey 5-Year CDS	475	467	-8 bp ▼	EUR/TRY	7.6677	7.6609	-0.1% ▼
MSCI EM Equity Index	987	1,001	1.5% ▲	Gold (USD/ounce)	1,730	1,743	0.8% ▲
US 10-Year Bond Rate	0.70%	0.70%	0 bp ●	Brent Oil (USD/barrel)	38.7	42.2	8.9% ▲

bp: basis point

Global markets followed a volatile course over the past week in line with concerns about the second wave in the coronavirus pandemic and the statements of Powell emphasizing the uncertainty of the timing and strength of the recovery in the economy. While the positive outlook of retail sales and industrial production data announced in the US signals a recovery in the country, IEA reported that oil market presents better prospect than expected for 2020. However, according to IEA, the demand-driven recovery in the oil market will still take a long time. Residential Property Price Index in Turkey increased by 16.7% annually in April. Housing sales in May decreased by 44.6% on an annual basis to 50.9 thousand units. The CBRT amended the reserve requirement implementation to provide flexibility to the banks for meeting their loan requests.

#### US data provided a positive outlook.

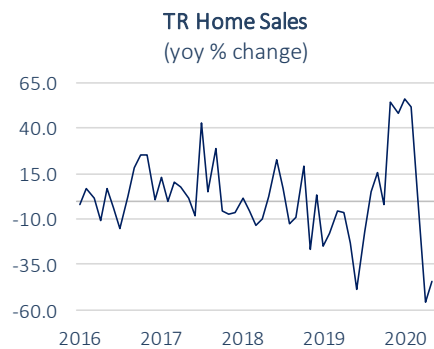
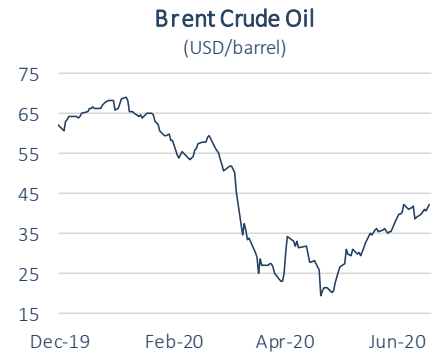
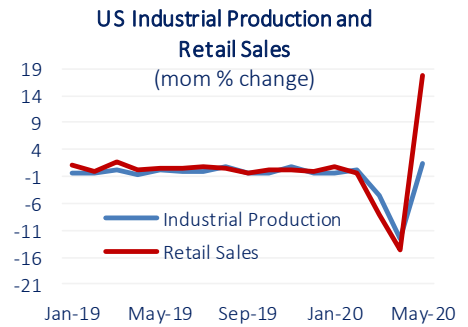
While the normalization steps in the US supported the economic recovery, the data also gave positive signals about the outlook. Retail sales increased significantly in May by 17.7% mom which is above the expectation of 8%. Industrial production also rose by 1.4% in the same period with signaling a recovery in production. Housing starts have also increased by 4.3% on a monthly basis in May, ending its 3-month downfall. On the other hand, Fed President Powell stated in his speech that the uncertainty regarding the time and strength of the economic recovery is not over yet. Fed President reiterated that interest rates will be kept at the current level until the economy is on track to meet the unemployment and inflation goals, and that they are determined to use all means to support the economy. Powell also noted that the unemployment rate would take quite a long time to return to its pre-pandemic level and thus it is important to extend the unemployment benefits that will end in July.

#### Oil market offers a cautious optimism.

In the Oil Market Report published by the International Energy Agency (IEA), global oil demand forecast has been revised up by approximately 500 thousand barrels per day to 91.7 million barrels for 2020. The rapid rise in oil demand of China and India was behind this upward revision. IEA expects that oil demand will increase by approximately 5.7 million barrels per day in 2021. In the report, it is also stated that the fall in the global oil supply by 11.8 million barrels per day, in line with the decision taken by OPEC + countries, offers an optimistic picture regarding the oil market as well as the recent recovery of oil demand. However, the gloomy outlook in the aviation industry and uncertainty about pandemic are expected to put pressure on the oil demand for a long time. Last week, the price of Brent crude oil reached 42.5 USD/barrel with an increase of 9.7% wow.

#### House sales fell by 44.6% yoy in May.

According to the data released by the CBRT, housing price index increased by 1.7% on a monthly basis and 16.7% on an annual basis. Housing price index increased by 1.7%, 1.9% and 1.0% mom in Istanbul, Ankara and Izmir, respectively. On the other hand, house sales declined by 44.6% yoy to 50.9 thousand units in May, and decreased by 2.2% in the first 5 months of the year compared to the same period of the previous year. In the first five months of the year, mortgage sales increased by 118.2% yoy while other sales declined by 26.8% yoy.



Source: Turkstat, Datastream

### Treasury bond issuances...

Last week, Treasury's auctions for a reissuance of a 6-month zero-coupon Treasury bill and an issuance of a 3-year Turkish lira overnight reference rate-index bond (TLREF) were held. The Treasury, which borrowed 5.7 billion TRY from the market with these two issuances, plans a total domestic borrowing of 27 billion TRY compared to a domestic debt service of 12.4 billion TRY.

### The CBRT's Survey of Expectations...

According to the CBRT's Survey of Expectations released on Friday, the growth expectation for 2020 remained the same as the previous survey period at -1.3%, while annual CPI inflation expectation for the year-end increased to 9.54% from 9.38%. The year-end USD/TRY expectation decreased to 6.99 from 7.02. The year-end current account deficit, which was expected to be 7.2 billion USD in the previous month, is anticipated to be 11.6 billion USD.

### CBRT made changes in reserve requirements.

CBRT has decided to temporarily suspend the enforcement of the rule of having adjusted real loan growth rate below 15% for the banks with a real annual loan growth rate above 15% in order to make them to be able to benefit from reserve requirement incentives. The revision will be effective from the calculation date of 12 June 2020 to the calculation date of 25 December 2020.

On Friday, the first usage of the Chinese Yuan (CNY) funding under the swap agreement signed between the Central Bank of the Republic of Turkey (CBRT) and the People's Bank of China in 2019 has been realized. This agreement aims to support banks and companies in expanding their international activities, by providing Turkish companies in various sectors to pay their import bills from China using CNY through relevant banks. The utilization of swap agreement resources is important in terms of facilitating the use of local currencies in international trade payments and the easy access of Turkish firms to international liquidity.

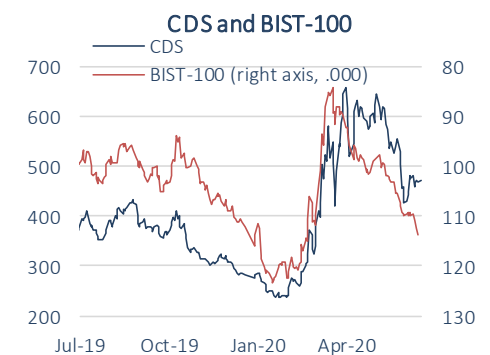
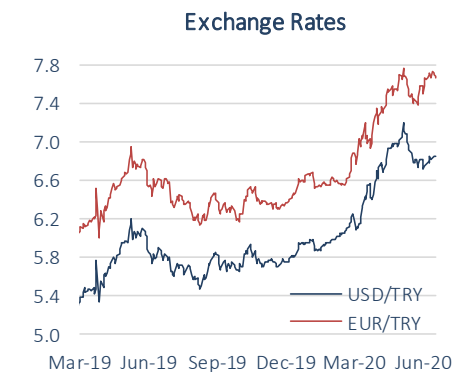
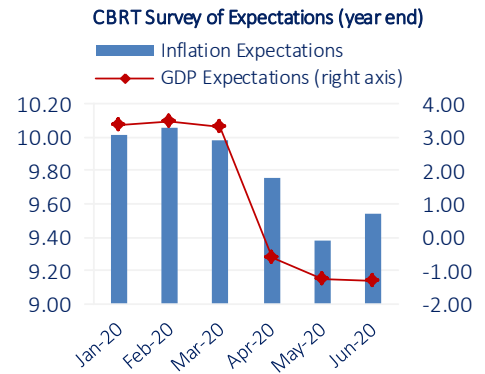
### Financial markets...

In line with the Fed's announcement on buying corporate bonds, China's positive industrial production data in May and Bank of Japan's expansion of the stimulus package, global stock markets started to week with a rise. But Fed President Powell's speech on uncertainty about the recovery in economic activity and initial jobless claims higher than expectations limited this positive outlook. Likewise, Asian stock markets followed mixed course throughout the week.

While the BIST-100 index gained 3.4% on a weekly basis, the compound interest rate of the 2-year benchmark bond decreased by 35 basis points compared to the previous week and declined to 8.94%. Turkey's 5 year CDS decreased 8 bps and completed the week at 467. USD/TRY started last week at 6.81 and closed the week at 6.85.

### This week's agenda...

This week a heavy data agenda will be followed in domestic and global markets. Preliminary PMI data for June in global markets and final growth data in the US will be monitored. In Turkey, the CBRT meeting that will be held on Thursday stands out. Capacity utilization ratio and real sector confidence index will also be monitored.



Source: CBRT, Datastream

Data Releases

		Period	Consensus	Prior
22 June	TR Consumer Confidence Index	June	62.6 (A)	59.50
	Foreign Arrivals, yoy	May	-%99.3 (A)	-99.26%
	US Existing Home Sales (unit)	May	4.1 million	4.3 million
23 June	Euro Area Consumer Confidence Index, prelim	June	-15.0	-18.8
	US Manufacturing PMI, prelim	June	47.8	39.8
	US Housing Starts (unit)	May	634k	623k
	Euro Area Manufacturing PMI, prelim	June	44.0	39.4
24 June	Germany Manufacturing PMI, prelim	June	41.5	36.6
	TR Capacity Utilization	June	-	62.6%
	TR Real Sector Confidence	June	-	76.9
25 June	Germany Ifo Business Climate	June	85.0	79.5
	CBRT Monetary Policy Committee Meeting	May	-	8.25%
	US GDP, final	2020 Q1	-5.0%	-5.0%
26 June	US Durable Goods Order, mom	May	10.6%	-17.7%
	US Weekly Jobless Claims (persons)	15-19 June	1.3 million	1.5 million
	US Core PCE, mom	May	0.0%	-0.4%

(A) Actual

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