

	2-Oct	9-Oct	Change		2-Oct	9-Oct	Change
BIST-100 Index	1,145	1,166	1.8 % ▲	EUR/USD	1.1713	1.1824	0.9 % ▲
TRY 2 Year Benchmark Rate	12.97%	13.53%	56 bp ▲	USD/TRY	7.7708	7.8566	1.1 % ▲
Turkey 5-Year CDS	516	506	-10 bp ▼	EUR/TRY	9.1066	9.2951	2.1 % ▲
MSCI EM Equity Index	1,082	1,123	3.8 % ▲	Gold (USD/ounce)	1,899	1,929	1.6 % ▲
US 10-Year Bond Rate	0.69%	0.78%	8 bp ▲	Brent Oil (USD/barrel)	39.3	42.9	9.1 % ▲

bp: basis point

Last week, US President Trump's health status and the ongoing stimulus package negotiations in the US were high on the global agenda. In US initial jobless claims exceeded the market expectations while foreign trade deficit reached 67.1 billion USD, the highest level in 14 years. Global markets also monitored the minutes of the Fed and the ECB meetings in September. In Turkey, Treasury cash balance in September posted a deficit of 30.8 billion TRY. In the week ending with 2 October, Turkey recorded the first monthly net portfolio inflow of the year, while the CBRT continued to take new normalization steps. Current account deficit rose to 4.6 billion USD in August. Unemployment rate declined to 13.4% in July.

### Data releases in the US...

US initial jobless claims were registered at 840k persons, above the market estimates of 820k in the week ended at October 3rd. Foreign trade deficit in August was recorded as 67.1 billion USD, the highest level of 14-years. The minutes of the Fed meeting on 15-16 September demonstrated the need for additional fiscal stimulus for economic growth and ongoing uncertainty about economic outlook.

### ECB meeting minutes...

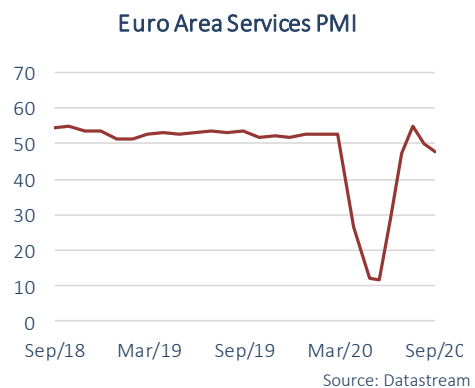
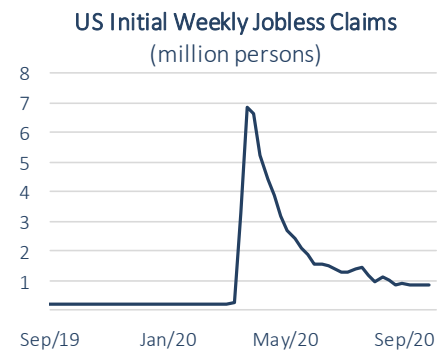
In the Euro Area, services PMI declined to 48 in September, indicating a contraction in the sector. In this period, services PMI which increased to 50.6 in Germany, the largest economy in the Euro Area, declined in Spain, France and Italy. Following this data, European Central Bank (ECB) president Christine Lagarde stated that the measures that could be taken for the second wave of the pandemic pose a serious risk of recovery. Lagarde pointed out that the situation had become more extreme, especially in France and Spain, and expressed concern about the previously expected V-shaped recovery. Lagarde said the ECB is ready to change its approach to the crisis, while calling on governments not to put an end to financial support soon. The minutes of the ECB meeting on 9-10 September also indicated that members are more pessimistic about growth than post-meeting perceptions.

### Treasury cash balance gave a deficit of 30.8 billion TRY in September.

While the Treasury cash balance posted a deficit of 30.8 billion TRY in September, the primary deficit was 16.4 billion TRY. Thus, in the first 9 months of the year, the cash balance had a deficit of 140.7 billion TRY. Treasury borrowed 2.5 billion USD last week, with a 5-year maturity issue of eurobonds. The bond yield was 6.40%. For this year, the treasury aims 9 billion USD of borrowing through bond issues from international capital markets. With this transaction, the total amount of funds received from the international capital markets in 2020 reached 6.5 billion USD.

### The current account deficit rose to 4.6 billion USD in August.

The current account balance, which posted a surplus of 3.3 billion USD in



August last year, gave a deficit of 4.6 billion USD in the same period of this year. The contraction of net tourism revenues by 10.3 billion USD yoy due to the pandemic was effective in this development. ([Our Balance of Payments report](#)).

According to the data published by TURKSTAT, the unemployment rate decreased by 0.5 points yoy to 13.4% in the July period. During this period, the labor force participation rate decreased by 3.5 points to 50.3%. Total employment decreased by 1.3 million people yoy. According to the seasonally adjusted data in July, the unemployment rate became 13.6%, decreasing by 0.5 points compared to the previous period.

#### Weekly securities statistics...

On the week of October 2, non-residents' stock portfolio expanded by 131 million USD and government securities portfolio by 479.1 million USD, adjusted for market price and exchange rate movements. Thus, the first monthly inflow were recorded in Turkey since the beginning of 2020. The gross reserves of the CBRT stood at 83.6 billion USD as of the week of October 2. In the same period, the net reserve of the CBRT decreased to 16.8 billion USD. The CPI-based real effective exchange rate index, which was 63.80 in August, decreased by 1.59 points in September to 62.21.

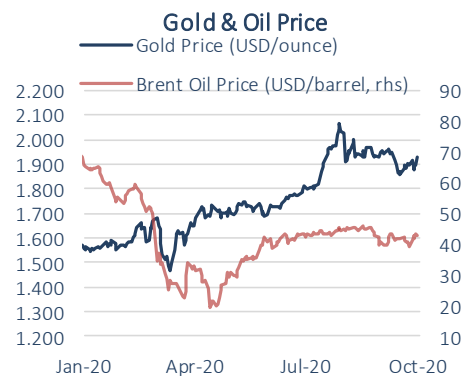
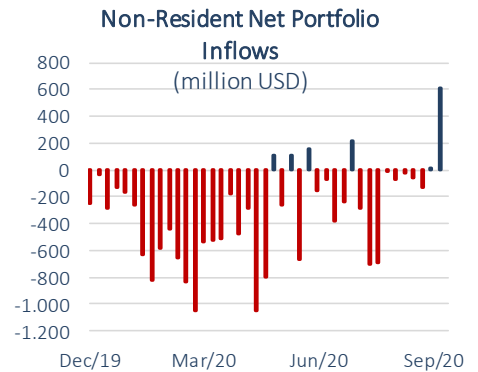
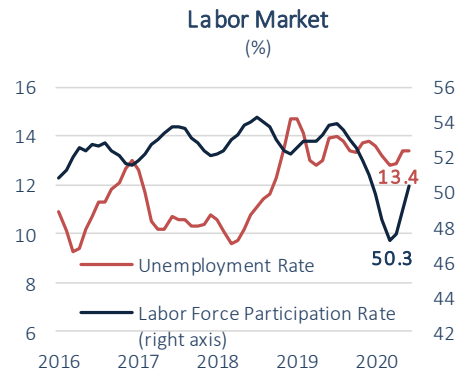
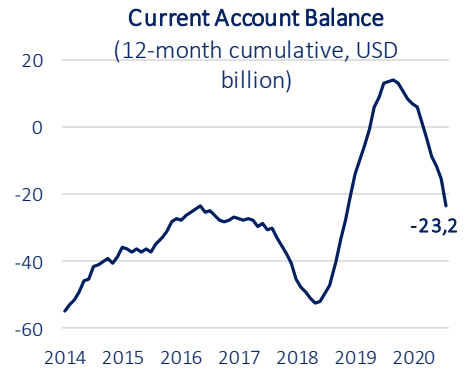
CBRT announced on Friday that TRY interest rate was raised from 10.25% to 11.75% in the TRY swap market for foreign exchange, while the interest rate applied to Turkish Lira required reserves was increased from 5% to 7% as of October 16. In the statement, it was announced that the interest rate will be applied as 9% for banks which meet the real credit growth conditions as of 06.03.2020, and 2% for other banks. In addition, the CBRT halved the commission rates applied on the part of the banks' required reserves in foreign currency up to the amount that should be kept for deposit/participation fund liabilities.

#### Financial markets...

Last week, US President Trump's health status and stimulus package negotiations were closely followed in global markets. Brent oil price rose to 42.9 USD per barrel BIST-100 increased by 1.8% wow to 1,166 points. Last week, Turkey's CDS premium fell by 10 bps to 506 bps. USD/TL exchange rate, which mostly followed an upward trend last week due mainly to the geopolitical developments, reached a historical high level with 7.9558 on Friday. Even though the exchange rate fell after the CBRT's the swap rate hike, it completed the week from 7.8566 with 1.1% increase. EUR/TL also rose by 2.1% to 9.2951.

#### This week's agenda...

This week, industrial production data in the US and Euro Area will be followed in global markets. Also, "World Economic Outlook" report published by the IMF will be followed. In the domestic markets, industrial production and budget balance data along with geopolitical events will be closely monitored.



Source: Datastream, TURKSTAT

Data Releases

		Period	Consensus	Prior
12 October	TR Current Account Balance	August	-4.6 billion USD(A)	-1.9 billion USD
	TR Unemployment Rate	July	13.4%(A)	13.4%
13 October	TR Industrial Production,yoy	August	-	4.4%
	US CPI,yoy	September	0.2%	0.4%
14 October	Euro Zone ZEW Survey of Expectations	October	70.5	73.9
	US PPI,yoy	September	0.2%	-0.2%
	Euro Zone Industrial Production,yoy	August	-7.1%	-7.7%
15 October	TR Budget Balance	September	-	28.22 billion TRY
	US Initial Jobless Claims, persons	5-10 Oct	830k persons	840k persons
	US New York Fed Manufacturing Index	October	16.5	17.0
	US Philadelphia Fed Manufacturing Index	October	15.5	15.0
16 October	US Retail Sales,mom	October	0.5%	0.6%
	US Industrial Production,mom	September	0.4%	0.4%
	US Capacity Utilization Rate,SA mom	September	71.9%	71.4%
	US Michigan Sentiment Index, prelim	October	80.9	80.4
	Euro Zone CPI,mom	September	0.1%	-0.4%

(A) Actual

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