

	4-Dec	11-Dec	Change		4-Dec	11-Dec	Change
BIST-100 Index	1,331	1,371	3.0 % ▲	EUR/USD	1.2120	1.2111	-0.1 % ▼
TRY 2 Year Benchmark Rate	13.76%	14.69%	93 bp ▲	USD/TRY	7.7981	7.8562	0.7 % ▲
Turkey 5-Year CDS	351	376	26 bp ▲	EUR/TRY	9.4574	9.5200	0.7 % ▲
MSCI EM Equity Index	1,251	1,258	0.5 % ▲	Gold (USD/ounce)	1,838	1,839	0.1 % ▲
US 10-Year Bond Rate	0.97%	0.89%	-8 bp ▼	Brent Oil (USD/barrel)	49.3	50.0	1.5 % ▲

bp: basis point

Last week, developments regarding the vaccines and the stimulus package in the US as well as the European Central Bank (ECB) meeting were closely monitored in global markets. While the ECB did not change the policy interest rates, they decided to expand the asset purchase program by EUR 500 billion and extend the time frame. While the number of coronavirus cases exceeded 70 million people worldwide, the start of vaccination in some countries supported global markets. On the other hand, the lack of agreement on the stimulus package in the US has put pressure on the markets. In Turkey, a fluctuating course in domestic markets prevailed due to the developments regarding the relations with the US and the EU. BRSA announced that some temporary regulations implemented due to the pandemic were extended until the end of June 2021. While the broadly defined unemployment rate was realized as 22.9% in September, the current account deficit became 31.1 billion USD in the first ten months. According to the data released this morning, industrial production increased by 10.2% yoy in October. A heavy data agenda will be monitored in global markets this week, including the Fed meeting.

ECB took expansionary steps in monetary policy.

At its meeting on December 10, the ECB kept the policy rate at 0% and the deposit facility rate at - 0.5%, in line with market expectations. The ECB announced that asset purchases will extend at least the end of March 2022, while expanding the Pandemic Emergency Asset Purchase Program by EUR 500 billion to EUR 1 trillion 850 billion. At her speech after the meeting, ECB President Lagarde stated that the second wave of the pandemic is stronger than expected and that the economy may contract sharply in the last quarter. Highlighting that there are no exchange rate targets, Lagarde stated that the appreciation of the euro creates a downward pressure on prices and this situation is closely monitored. According to the current estimates of the ECB, the contraction forecast for 2020 in the region's economy was revised from 8% to 7.3%, while the growth forecast for 2021 was reduced from 5% to 3.9%. The inflation forecast for this year was also reduced from 0.3% to 0.2%, while the inflation forecast for 2021, which was 1%, was not changed.

According to the final data, economic growth in the Euro Area in the third quarter was 12.5% compared to the previous quarter. France, Italy, Spain, Portugal and Malta grew above the average of the region. On the other hand, the region's economy contracted by 4.3% in the third quarter compared to the same quarter of the previous year.

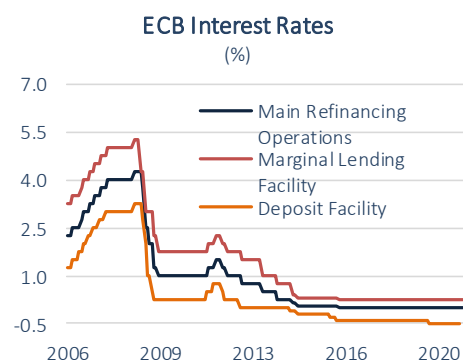
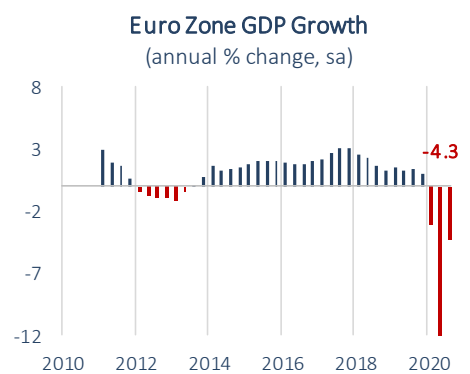
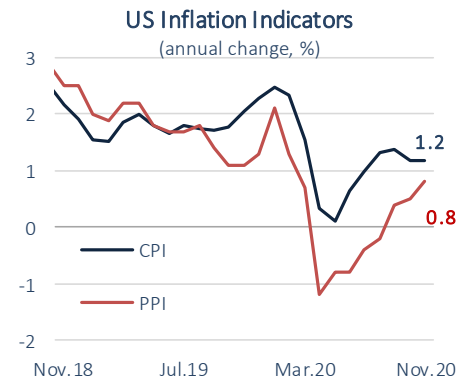
Data releases in the US...

The weekly initial jobless claims in the week ending December 5 exceeded market expectations of 725 thousand people with 853 thousand people. The expiring pandemic-specific benefits as well as the restrictions against the pandemic played an important role in this development. Having increased by 0.2% mom in November, the annual rise in consumer prices came in at 1.2%. 0.1 % monthly increase in PPI indicated that the price increases will be slow in the coming period.

Developments regarding the stimulus package in the US took a significant place on the agenda. Failure to reach consensus on the package throughout the week created some pressure on the markets.

The current account deficit became 31.1 billion USD in the first 10 months.

Current account, which posted a surplus of 2.7 billion USD in October 2019, gave a deficit of 273 million USD in October 2020. In addition to widening in foreign trade deficit, the annual decrease in net inflows in services balance was effective in this development. The current account deficit became 31.1 billion USD in the first 10



Source: Datastream

months, while 12-month cumulative current account deficit became 33.8 billion USD in October ([Our Balance of Payments report](#)).

The manufacturing industry export climate index fell to 48.9 in November.

Published by Istanbul Chamber of Industry and IHS Markit, the manufacturing industry export climate index, which is a leading indicator for the conditions of Turkish manufacturing sector on main export markets, fell to 48.9 in November after being above the threshold value of 50 in the last 4 months. The decline in the index stemmed from the re-introduced restrictive measures against a second wave of the pandemic.

Broad unemployment rate became 22.9%.

The unemployment rate fell by 1.1 points yoy to 12.7% in the September period, covering data on August, September and October. The decrease in the labor force participation rate by 3 points to 50.5% played an important role in this development. Total employment decreased by 733 thousand people on an annual basis in the September period. The number of employed persons decreased by 520K in the services sector, 350K in the agricultural sector, 29K industrial sector, while it increased by 166K in the construction sector. The broad unemployment rate, calculated by the inclusion of seasonal workers and people who are ready to work but have not applied for a job for the last 4 weeks, became 22.9% in September.

Industrial production rose by 10.2% yoy in October.

According to the calendar adjusted data, industrial production increased by 10.2% on an annual basis in October. The expectations were that industrial production would grow by 9%. In this period, the highest increase was recorded in the production of durable consumer goods with 21%. This was followed by the manufacture of intermediate goods with 12.1%. In this period, seasonal and calendar adjusted industrial production also rose by 1.1% on a monthly basis.

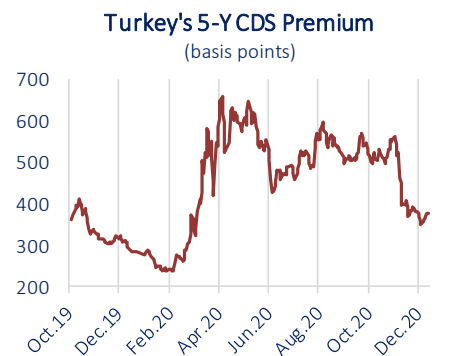
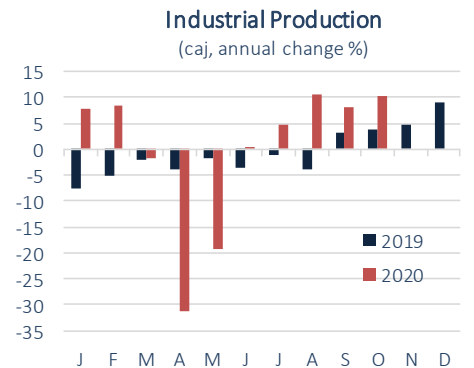
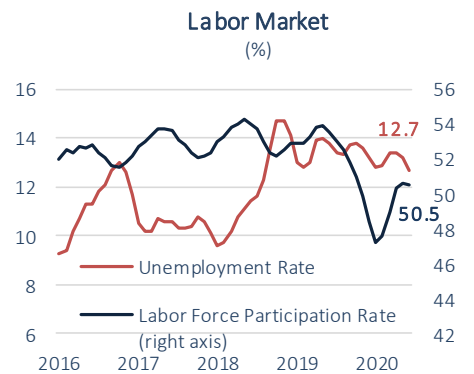
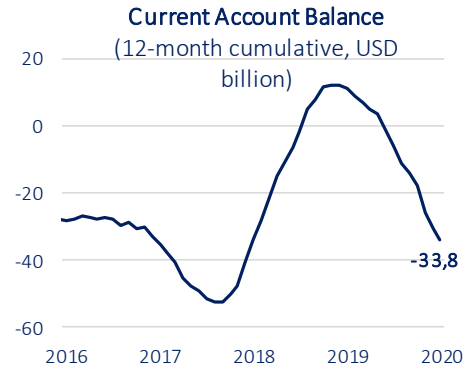
BRSA extended the duration of its temporary regulations.

On December 8th, the BRSA announced that the previous measures taken to support real sector and customers during the pandemic were extended. In this framework, it was decided to extend the temporary regulations until June 30, 2021, including the calculation of the capital adequacy, net foreign currency position and the classification of loans. In addition, it was decided that the enforcement regarding 1-day settlement delay on purchases of foreign exchange and gold is abolished.

Financial markets...

Last week, domestic markets showed a volatile outlook due to the developments on Turkey's relations with the US and the EU. EU leaders agreed to re-address sanctions against Turkey at a summit in March. The US Senate passed a draft law including the sanctions against Turkey under CAATSA for its procurement of the S-400 air defense systems from Russia. Meanwhile, US President Trump announced he would veto the new defense spending bill which includes sanctions against Turkey. Last week, the USD/TRY increased as the US and EU sanction drafts came to the fore. The USD/TRY, which exceeded 8.02 on Friday, is hovering around 7.90 today. EUR/TRY also rose by 0.7% wow to 9.52. Turkey's 5-year CDS risk premium increased by 26 bps wow to 376 bps. BIST-100 index completed the week at 1,371 points, increasing by 3% wow.

This week, in addition to the Fed meeting, a heavy data agenda will be followed in global markets. In Turkey, the central government budget data for November and 2021 monetary and exchange rate policy as well as the developments in the relations with the US and the EU will be monitored.



Source: Datastream, TURKSTAT

Data Releases

		Period	Consensus	Prior
14 December	TR Industrial Production, mom	October	10.2% (A)	8.1%
	Euro Area Industrial Production, mom	October	2.1% (A)	-0.4%
15 December	TR Budget Balance	November	-	-4.9 billion TRY
	US Industrial Production, mom	November	0.3%	1.1%
	US Capacity Utilization Rate, SA mom	November	72.9%	72.8%
	US New York Fed Manufacturing Index	December	6.8	6.3
16 December	CBRT's Monetary and Exchange Rate Policy for 2021	December	-	-
	Fed (FOMC) Meeting	December	0-0.25%	0-0.25%
	US Markit Services PMI, prelim	December	55.0	58.4
	US Markit Manufacturing PMI, prelim	December	55.8	56.7
	US Retail Sales, mom	November	-0.3%	0.3%
	Euro Area Markit Services PMI, prelim	December	41.0	41.7
	Euro Area Markit Manufacturing PMI, prelim	December	53.0	53.8
	17 December	US Weekly Initial Jobless Claims	7-12 Dec.	800K persons
	US Housing Starts, number	November	1.530 million	1.530 million
	US Philadelphia Fed Manufacturing Index	December	19.0	26.3
	Euro Area CPI, mom	November	-0.3%	0.2%
18 December	Germany Ifo Business Climate	December	90.5	90.7

(A) Actual

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