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	27-Dec	3-Jan	Change			27-Dec	3-Jan	Change
BIST-100 Index	113,684	113,684	0.0 % ▲		EUR/USD	1.1175	1.1158	-0.2 % ▼
TRY 2 Year Benchmark Rate	11.68%	11.77%	9 bp ▲		USD/TRY	5.9492	5.9713	0.4 % ▲
Turkey 5-Year CDS	282*	283	1 bp ▲		EUR/TRY	6.6476	6.6620	0.2 % ▲
MSCI EM Equity Index	1,119	1,124	0.5 % ▲		Gold (USD/ounce)	1,510	1,551	2.7 % ▲
US 10-Year Bond Rate	1.87%	1.79%	-9 bp ▼		Brent Oil (USD/barrel)	68.9	69.7	1.2 % ▲

bp: basis point
(*) December 23

Last week, the focus of global markets was on the trade agreement between the US and China, which is expected to be signed. Although the ongoing optimism supported the rise in the stock market indices, the geopolitical developments in the second half of the week had a negative impact on the markets and led to a rapid increase in gold and oil prices. Data releases continued to point the gradual recovery in domestic economy. Annual CPI inflation was 11.84% at the end of 2019, while annual D-PPI inflation was realized as 7.36%. This week, geopolitical developments will be in the agenda of the markets.

The first stage of the trade agreement between the US and China is at the signing stage.

Last week, markets closely followed the developments indicating that the trade agreement between the US and China would be signed in the first half of January. It was announced that China's Deputy Prime Minister and chief negotiator in the trade talks, Liu He would head China's delegation, which is expected to sign the agreement. This announcement supported the global markets and US stock markets hit historic record highs. However, the geopolitical tension between the US and Iran deteriorated the optimism in the markets on the last trading day of the week. This news flow caused a significant rise in oil and gold prices on Friday last week.

PMI data was closely followed in the first week of 2020.

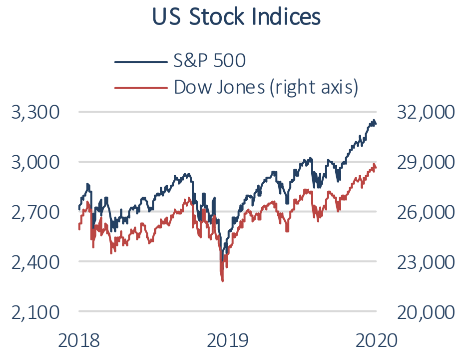
Last week, manufacturing PMI data, important for shaping expectations for the course of economic activity, came to the fore in the markets. In the last month of the year, the manufacturing PMI in the US was above the threshold level with 52.4, indicating that production activities in the country continued to expand. On the other hand, the ISM manufacturing index fell to 47.2, the lowest in more than 10 years. Manufacturing PMI in the Euro Area was realized as 46.3 in December, referring that the contraction in production was carried to the 11th consecutive month. In the UK, manufacturing PMI dropped to 47.5 in December, the second lowest level since 2012.

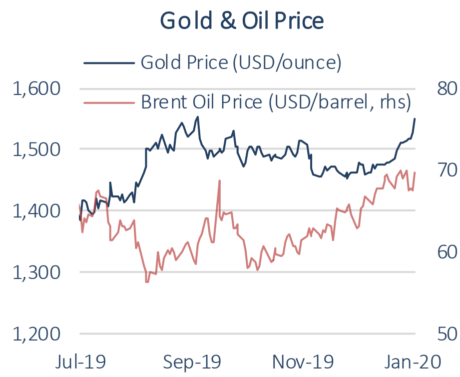
People's Bank of China acts to support economic activity.

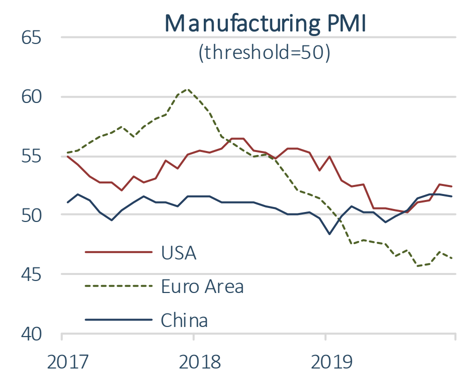
People's Bank of China (PBoC) reduced the reserve requirement ratios for banks by 50 basis points. PBoC, which reduced the reserve requirements for eight times since the beginning of 2018, is expected to provide liquidity of around 800 billion yuan (114.9 billion USD) with this move. Although the manufacturing PMI, being published by Caixin and Markit, decreased to 51.5 in December, it remained above the threshold level for the fifth consecutive month and pointed out that the manufacturing industry continued to grow.

In Turkey, foreign trade deficit expanded rapidly in November.

In November, export volume had a flat course compared to the previous year and reached 15.5 billion USD, while import volume increased by 9.7% and was realized as 17.7 billion USD. Thus, foreign trade deficit continued to expand and reached 2.2 billion USD in November. According to the 12-month cumulative figures, the







Source: Datastream

export volume became 171 billion USD. The decline in the cumulative import volume has lost momentum and this figure has exceeded 200 billion USD after a 5-month interval (Foreign Trade Balance). According to provisional data published by the Ministry of Trade, exports increased by 6.4% yoy to 14.7 billion USD in December, while imports rose by 14.9% to 19 billion USD. Thus, in 2019 export and import volumes were realized as 171.6 billion USD and 202.7 billion USD, respectively.

2019-end inflation is at 11.84%.

CPI increased by 0.74% mom in December while Domestic PPI (D-PPI) recorded an increase of 0.69% mom. Therefore, annual CPI inflation, which ended 2018 at 20.30%, became 11.84% in 2019-end. During the same period, D-PPI declined from 33.64% to 7.36%. We expect annual CPI inflation to hover around double-digits during the first half of 2020 and to end the year at single digits (Our Inflation Report).

Manufacturing PMI showed that the weakness in the sector continued in December.

Manufacturing PMI in Turkey remained unchanged at 49.5 in December compared to the previous month. Output sub-index recorded a limited growth in December as it was the case in November while new orders and export orders pointed to a contraction. In the last month of the year, the decline in employment sub-index continued.

Automotive sales shrank by 22.9% in 2019.

Along with the fall in economic activity in 2019, domestic automotive sales declined by 22.9% compared to 2018 and became 479k. This level indicated to the lowest sales since 2003. Automobile and light commercial vehicle sales fell by 20.4% yoy and 31.8% yoy, respectively.

VAT discount in furniture...

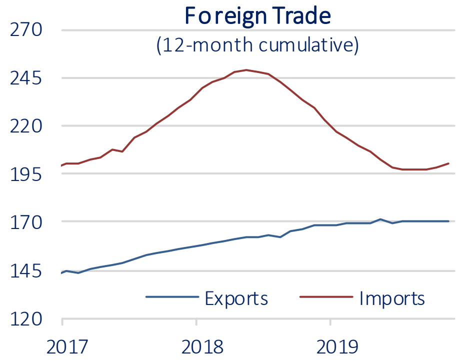
VAT on domestic furniture sales is reduced from 18% to 8%. Latest VAT discount on furniture had begun back in November 2018 and continued until June 2019. Yet, no specified time interval has been announced for this recent discount.

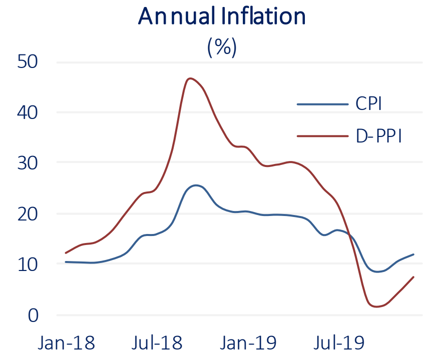
Number of foreign visitors kept growing in November.

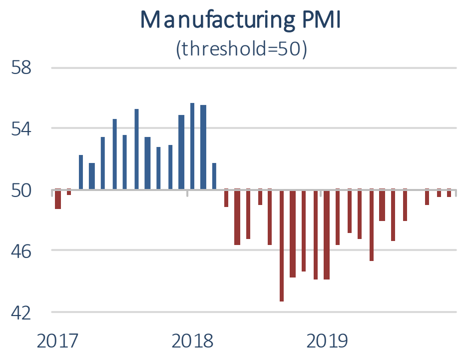
Number of foreign visitors to Turkey has been rising. According to Culture and Tourism Ministry figures, number of foreign visitors increased by 11.4% yoy to 2.2 million in November. In January-November period, number of visitors went up by 14.3% yoy to 42.9 million. In the first 11 months, highest number of visitors (6.9 million) came from Russia and it was followed by Germany (4.8 million).

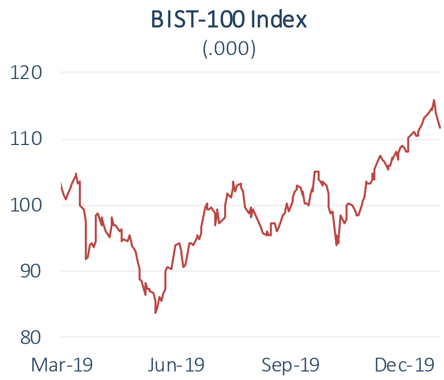
Domestic markets...

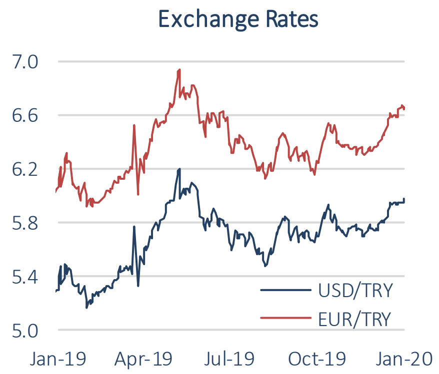
Last week, the trading volume was low because of the festive season and markets displayed a volatile course. While ongoing uncertainties related to US-Turkey relations affected domestic markets, rising geopolitical risks in the Middle East weighed on the markets in the second half of the week. BIST-100 index, after completing 2019 at the highest level of the year, closed the week flat due to sell-off recorded on Friday. TRY, which has followed a weak course throughout the week, declined by 0.3% wow against currency basket. Interest rates also followed a volatile course and rose on a weekly basis with sales coming on Friday. This week, US-China trade deal and geopolitical developments in the Middle East would be high on the agenda. In addition, US non-farm payroll figures to be released on 10 January will be closely monitored as well.











Source: TURKSTAT, Markit, Datastream

Data Releases

		Period	Consensus	Prior
6 January	Euro Area PPI, annual	November	-1.4% (A)	-1.9%
7 January	Euro Area HICP, annual, flash	December	1.3%	1.0%
	Euro Area Retail Sales, annual	November	1.3%	1.4%
	USA Foreign Trade Balance, monthly	November	-49 billion USD	-47.2 billionUSD
	USA Factory Orders, monthly	November	0.2%	0.3%
	USA ISM Non-manufacturing PMI	December	54.5	53.9
8 January	TR Treasury Debt Redemption (1.4 billion TRY)	January	-	-
	Euro Area Consumer Confidence	December	-8.1	-8.1
9 January	China CPI, annual	December	-	4.5%
	China PPI, annual	December	-	-1.4%
	Euroa Area Unemployment Rate	November	7.5%	7.5%
10 January	TR Unemployment	October	-	13.8%
	USA Non-farm Payrolls	December	165K people	266K people
	USA Unemployment Rate	December	3.5%	3.5%

(A) Actual

Economic Research Division

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

Doğan Şengül, Ph. D.
Asst. Manager
dogan.sengul@isbank.com.tr

Alper Gürler
Unit Manager
alper.gurler@isbank.com.tr

İlker Şahin
Economist
ilker.sahin@isbank.com.tr

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