

| | 31-Jan | 7-Feb | Change | | 31-Jan | 7-Feb | Change |
|---------------------------|---------|---------|---------|------------------------|--------|--------|----------|
| BIST-100 Index | 119,140 | 121,015 | 1.6 % ▲ | EUR/USD | 1.1093 | 1.0943 | -1.4 % ▼ |
| TRY 2 Year Benchmark Rate | 10.20% | 10.52% | 32 bp ▲ | USD/TRY | 5.9812 | 6.0143 | 0.6 % ▲ |
| Turkey 5-Year CDS | 240 | 257 | 17 bp ▲ | EUR/TRY | 6.6350 | 6.5890 | -0.7 % ▼ |
| MSCI EM Equity Index | 1,062 | 1,092 | 2.8 % ▲ | Gold (USD/ounce) | 1,590 | 1,570 | -1.3 % ▼ |
| US 10-Year Bond Rate | 1.52% | 1.58% | 6 bp ▲ | Brent Oil (USD/barrel) | 57.8 | 54.0 | -6.7 % ▼ |

bp: basis point

Selling pressure stemming from coronavirus concerns in global markets eased last week. However, the effects of the virus outbreak on economic activity in China are not yet clear. The mentioned uncertainty puts pressure on oil prices. The announcement of tariff reduction applied to the US by China was among the positive developments of the last week. Stable economic activity in the US ensures the tightness in employment market. With the recovery in domestic economic activity, the foreign trade deficit continued to widen in January. While automotive sales rose significantly in January, market volume estimates for the end of the year were revised upwards.

Concerns about coronavirus outbreak are easing in the financial markets.

Ongoing concerns in global financial markets regarding the coronavirus epidemic in China faded somewhat. Although the number of casualties due to the virus has approached 1,000 persons, the fact that the disease has not spread on a global scale and the expectation that the disease can be prevented by the Chinese administration have supported the global markets last week. Besides, announcement of Ministry of Finance in China, stating that the custom tariffs applied to 75 billion worth imported products from the US will be halved as of February 14, was noted as a positive development by the global markets last week.

Mixed outlook in Chinese economy...

Views that Chinese economic growth will decelerate to 5% yoy in 2020 due to loss of economic activity as a result of virus epidemic gains ground. China, the second largest economy in the world, completed 2019 with an annual growth rate of 6.1%. As a matter of fact, PMIs for January pointed a loss of momentum in the economic activity. Although manufacturing PMI was above the threshold for six consecutive months, it decreased by 0.4 points mom to 51.1 in January. Services PMI also fell to 51.8, the lowest level in the last three months.

US labor market remains strong.

Employment data in the US were better than expectations in January. Nonfarm payrolls increased by 225 thousand people, beating the expectations of 165 thousand people. In this period, unemployment rate increased to 3.6% due to the rise in labor force participation, which became %63.4, while annual rise in average hourly earnings was 3.1%.

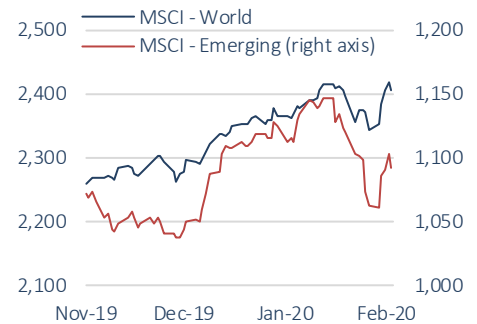
PMI data point a mixed outlook in the Euro Area.

In Euro Area. Manufacturing PMI increased rapidly compared to the previous month to 47.9, showing that the contraction in the sector continued in January. Services PMI was announced at 52.5. Thanks to the rapid increase in manufacturing PMI, the composite PMI reached 51.3, the highest since August.

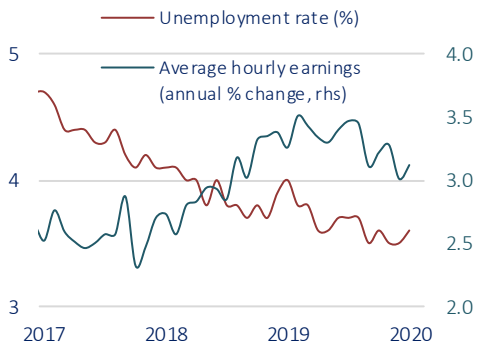
The decline in oil prices continues.

Oil prices continued to decline in the past week due to the possible impact of coronavirus on global demand. On the other hand, news indicating that OPEC+ countries are considering an additional cut in oil supply in the face of this development limited the decline in oil prices. Brent crude oil price dropped by 6.7% to 54 USD per barrel.

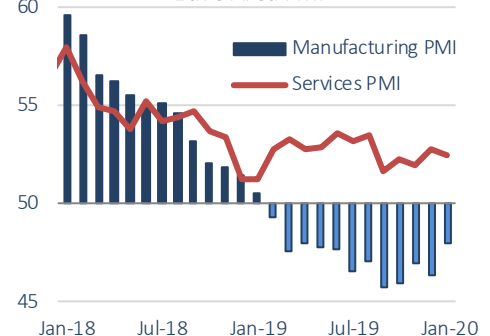
Global Stock Markets



US Labour Markets



Euro Area PMI



Source: Datastream

Foreign trade deficit continues to widen.

According to the data released by the Ministry of Trade, foreign trade deficit continued to widen in January due to the recovery in economic activity. In this period, exports expanded by 5.5% on an annual basis to 13.9 billion USD, while the import volume increased by 18.2% to 18.5 billion USD. Thus, foreign trade deficit was expanded by 85.4% compared to the same month of 2019 and reached 4.6 billion USD. In the first month of the year, motor vehicles item was the leading exporting chapter, while mineral fuels and oils was the leading import item.

Unemployment rate declined in November.

According to the data released by TURKSTAT, unemployment rate increased by 1 point yoy to 13.3% in November period. In the same period, the labor force participation rate fell by 0.5 point to 52.5%. Seasonally adjusted unemployment rate decreased by 0.3 points compared to previous month to 13.2%.

Automobile sales recorded a rapid increase in January.

According to the Automotive Distributors' Association, domestic automobile sales doubled in January compared to the same period in 2019. In this period, light commercial vehicle sales increased by 55% yoy. Automotive market, which was 479 thousand units in 2019, is expected to reach 575-625 thousand units in 2020, according to the association's forecasts. The previous forecast was 525-575 thousand units.

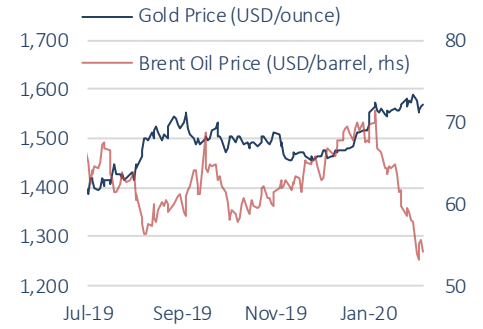
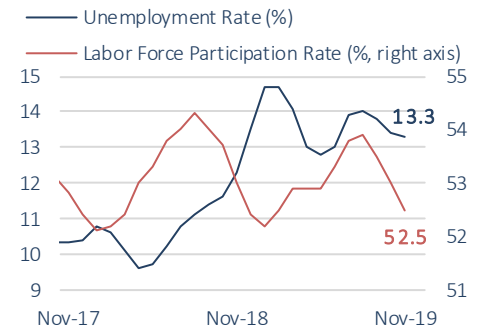
BRSA revised banks' swap limits.

BRSA announced that the total notional amount of banks' currency swaps, forwards, options and other similar derivative transactions with non-residents, where banks receive TL at the maturity date, would be limited not to exceed 10% of the bank's most recently calculated regulatory capital. Above-mentioned ratio was applied as 25% since August 2018. Also, fees that banks can charge their commercial clients and financial consumers were revised.

Turkish financial markets...

Having started the week with a positive mood in line with the global markets, domestic markets came under pressure by the geopolitical developments in the following days. Despite the falls in the last two days of the week, BIST-100 index increased by 1.6% wov and closed at 121.015 on Friday. Turkish lira remained almost flat during the week along with a lower volatility. On the other hand, 2-year benchmark bond yield rose by 32 bps on a weekly basis.

News flow on coronavirus, Euro Area growth figures and US CPI data come to the fore this week. On the domestic front, December industrial production and balance of payments data as well as CBRT's Survey of Expectations will be monitored closely.

Gold & Oil Price**Labor Market Indicators****BIST-100 Index (.000)****Data Releases**

| | | Period | Consensus | Prior |
|---------------|---|----------|-----------|------------------|
| 10-Feb | TR Unemployment Rate | November | 13.3% (A) | 13.4% |
| 11-Feb | 2-Year Lease Certificate (Sukuk) Open | February | - | - |
| | 7-Year Floating Coupon Bond Re-open | February | - | - |
| | UK GDP, flash, quarterly | Q4 | - | 0.4% |
| 12-Feb | TR Treasury Domestic Redemption (6.4 billion TRY) | February | - | - |
| | Euro Area Industrial Production, mom | December | -1.5% | 0.2% |
| 13-Feb | TR Industrial Production, cad, yoy | December | - | 5.1% |
| | USA CPI, mom | January | 2.4% | 2.3% |
| 14-Feb | TR Current Account Balance | December | - | -0.5 billion USD |
| | CBRT Survey of Expectations | February | - | - |
| | Euro Area GDP, flash, qoq | Q4 | 0.1% | 0.1% |
| | Germany GDP, flash, qoq | Q4 | 0.1% | 0.1% |
| | USA Retail Sales, mom | January | 0.3% | 0.3% |

(A) Actual

Source: Datastream

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