

	21-Feb	28-Feb	Change		21-Feb	28-Feb	Change
BIST-100 Index	116,829	105,994	-9.3 % ▼	EUR/USD	1.0843	1.1025	1.7 % ▲
TRY 2 Year Benchmark Rate	11.24%	12.41%	117 bp ▲	USD/TRY	6.0924	6.2387	2.4 % ▲
Turkey 5-Year CDS	287	374	86 bp ▲	EUR/TRY	6.6118	6.8821	4.1 % ▲
MSCI EM Equity Index	1,084	1,006	-7.3 % ▼	Gold (USD/ounce)	1,643	1,585	-3.6 % ▼
US 10-Year Bond Rate	1.47%	1.13%	-34 bp ▼	Brent Oil (USD/barrel)	59.0	51.7	-12.4 % ▼

bp: basis point

The spread of the coronavirus to the countries other than China continued to put pressure on global financial markets. While the US and Asian stock markets slumped last week, supply chain disruptions due to the epidemic raised concerns about global growth. In Turkey, growth data for the last quarter of 2019 was monitored. Turkish economy grew by 6.0% in the fourth quarter of 2019 and 0.9% in the whole year. However, in the last days of the week, geopolitical developments originating from Syria overshadowed the economic agenda. On a weekly basis, the BIST 100 index fell by 9.3%, while the USD/TL rose to 6.24.

Virus outbreak...

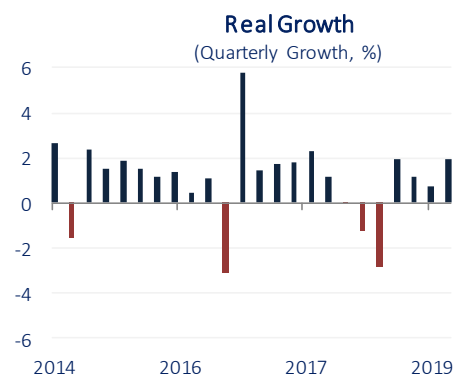
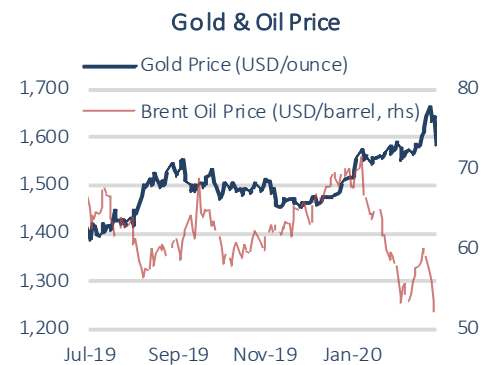
Last week negative effects of coronavirus outbreak on global markets continued to rise after the new cases in many countries especially Italy, Iran and South Korea. Several factories in China that previously halted production until February 24 have postponed this date to March 11. While February manufacturing PMI (Caixin PMI: 40.3, NBS PMI:35.7) data fell to record low levels in China, it is concerned that the outbreak may cause negative effects on global economy by disrupting the global supply chain. Due to these expectations, Brent crude oil price fell by 12.4% last week. Due to falling risk appetite, the US 10-year Treasury bond yield fell to a low level with 1.1160% intraweek. Due to the rising concerns caused by the outbreak, rate cut expectations from major central banks are gaining strength.

Busy data agenda in the US...

The growth data for the last quarter of 2019 in the US was announced as 2.1% in line with the advance GDP figure. New home sales in January have risen well above expectations, reaching the highest level since July 2007, with 764 thousand units. In the same period, durable goods orders also decreased by 0.2% mom compared to the expectation of a 1.5%. These data indicated that economic activity in the country kept its moderate performance. According to the data announced on the last trading day of the week, core personal consumption expenditures price index (PCE) increased by 0.1% monthly in January, slightly below expectations. Annual core PCE inflation also remained relatively flat, reaching 1.6%. In the country, personal revenues increased by 0.6% on a monthly basis and recorded the fastest increase in the last 11 months. Euro Area economy...

Turkish economy grew by 0.9% in 2019.

According to chained volume index, Turkish economy grew faster than expected in the 4th quarter of 2019 by 6% yoy. While the contribution of consumption expenditures to growth increased in the last quarter of the year, net exports limited the growth by 4.7 points. According to seasonally and calendar adjusted data, GDP expanded by 1.9% compared to the previous quarter. Throughout 2019, Turkey's economy has recorded the lowest annual growth with 0.9% after a contraction of 4.7% recorded in 2009.



Source: Datastream

Confidence indexes...

Seasonally adjusted real sector confidence index increased by 0.3 points mom in February to 106.7. Rapid increase in the total order quantity played an important role in the increase in real sector confidence. Furthermore, in this period, the recovery in the sub-index regarding the investment appetite of the real sector also attracted attention. In February, capacity utilization rate has become 76.6% in the manufacturing industry, while the economic confidence index rose to 97. due to the improvement in real sector and service sector confidence. In addition, reaching 52.4, February manufacturing PMI indicated that the growth in the sector is continuing.

White goods sales increased by 6.2% yoy in January.

The recovery in consumption expenditures continued in the first month of the year as well. White goods sales in Turkey increased by 6.2% on an annual basis in January. In this period, while the exports of the sector increased by 18.1% by units, total production expanded by 7.1%. According to 12-month cumulative data, the annual contraction in white goods sales (-5.3%) continued with a momentum loss.

Increase in the foreign trade deficit continues.

In January, exports increased by 6.4% yoy to 14.8 billion USD, while imports rose by 18.8% to 19.2 billion USD. In this period, foreign trade deficit increased by 94.3% to 4.4 billion USD. Import coverage ratio fell to 76.8% from 85.8%, the level in January 2019.

Fitch affirmed Turkey's credit rating and outlook.

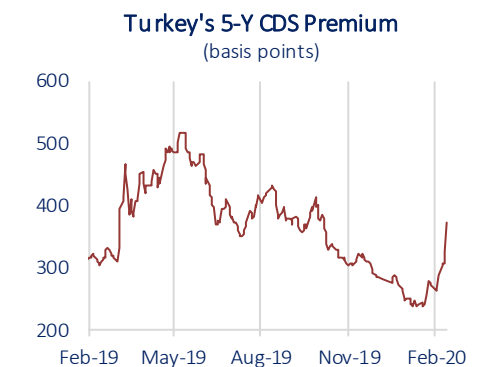
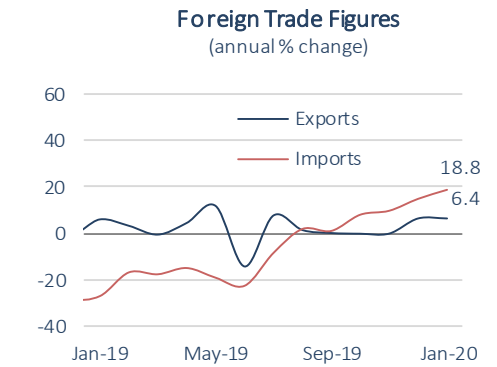
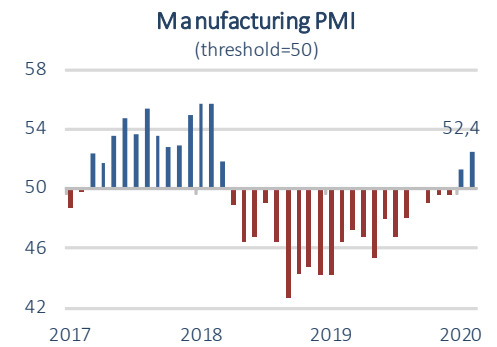
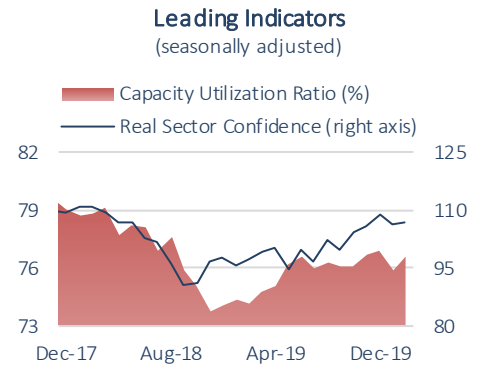
Fitch affirmed Turkey's "BB-" credit rating and kept rating outlook as "stable". While the Agency pointed out that economic growth accelerated due to the improvement in financing conditions, it increased the economic growth forecast for 2020 from 3.1% to 3.9%. The organization predicted that inflation will be 10.5% at the end of this year and 10% at the end of 2021.

Monetary policy committee meeting summary was published.

The summary of the Monetary Policy Committee meeting, in which CBRT held on February 19 and cut the policy rate by 50 basis points, was published. According to the summary, it was noted that the effects of coronavirus epidemic and geopolitical developments on economic activity were closely monitored, while the effects of the epidemic on capital flows, foreign trade and commodity prices were examined. The summary also assessed that macro prudential measures for credit growth and its composition can be reviewed to protect gains in the current account balance.

Financial markets...

While the BIST-100 index decreased by 9.3% this week, USD/TL rose 2.4% and finished the week at 6.2387. The compound interest rate of the 2-year benchmark bond rose by 117 basis points to 12.41%. Turkey's CDS premium increased by 86 basis points to 374. This week, US non-farm payrolls and Euro Area inflation will be followed in the global markets. In Turkey, geopolitical developments as well as inflation figures will be monitored.



Data Releases

		Period	Consensus	Prior
2 March	China Caixin Mfg PMI	February	40.3 (A)	51.1
	US Markit Mfg PMI (final)	February	-	50.8
	US ISM Mfg PMI	February	50.2	50.9
	TR Mfg PMI	February	52.4 (A)	51.3
3 March	Euro Area CPI yoy (Flash)	February	%1.2	%1.4
	TR CPI mom	February	%0.65	%1.35
	TR D-PPI mom	February	-	%1.84
4 March	China Caixin Services PMI	February	52.6	51.8
	US ISM Services PMI	February	54.5	55.5
	Euro Area Retail Sales, yoy	January	%0.9	%1.3
5 March	US Factory Orders, mom	January	-%0.3	%1.8
6 March	US Non-Farm Payrolls	February	175.000 persons	225.000 persons
	US Unemployment Rate	February	%3.6	%3.6
	Germany Industrial Production, mom	January	-	-%3.5

(A) Actual

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