	6-Mar	13-Mar	Change		6-Mar	13-Mar	Change
BIST-100 Index	109,601	95,605	-12.8% ▼	EUR/USD	1.1285	1.1105	-1.6 % ▼
TRY 2 Year Benchmark Rate	10.93%	11.29%	36 bp ▲	USD/TRY	6.0899	6.3301	3.9 % ▲
Turkey 5-Year CDS	381	473	92 bp ▲	EUR/TRY	6.8777	7.0307	2.2 % ▲
MSCI EM Equity Index	1,012	891	- 11.9 % ▼	Gold (USD/ounce)	1,674	1,529	-8.6 % ▼
US 10-Year Bond Rate	0.71%	0.95%	25 bp ▲	Brent Oil (USD/barrel)	45.4	32.8	-27.8 % ▼

bp: basis point

Last week, the World Health Organization declared the coronavirus outbreak a "pandemic". While volatility in global markets increased significantly, stock markets registered historic losses. In order to mitigate the negative impact of the coronavirus and to support the markets, central banks announced new decisions and governments took more drastic measures. The Fed made its second emergency rate cut in March, lowering the policy rate to a range of 0-0.25%. The Fed also pledged to increase its asset purchases by at least 700 billion USD. It was also announced that the six major central banks decided to act in a coordinated manner in order to provide US dollar liquidity to the markets. With the diagnosis of coronavirus in Turkey as well, sharp decreases were observed in the domestic markets.

The World Health Organization declared the coronavirus outbreak as a "pandemic".

The coronavirus was declared as a "pandemic" by the World Health Organization. While the total number of cases around the world reached almost 170 thousand, the death toll from the disease exceeded 6,500. Following the latest developments, it is observed that many countries tightened their border controls and have taken various measures within the country. In addition, new incentives have been announced by policy makers to limit the negative impact of the outbreak on the economy.

It is noteworthy that data releases in China, where the coronavirus first emerged, draws a more negative picture than expectations. For the January-February period, industrial production, retail sales, and fixed capital investments fell by 13.5%, 20.5% and 24.5%, respectively, on an annual basis. This indicates that the country's economy will contract in the first quarter of this year.

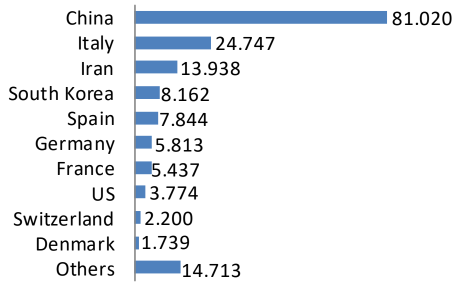
Concerns arising from coronavirus caused rapid losses in global markets.

With the deepening of concerns regarding the global epidemic, sharp movements were observed in the markets over the past week. Transactions were interrupted twice with the application of circuit breakers after stock indices fell sharply in the US. The Dow Jones index suffered the biggest decline since 1987, at 9.99%. In Europe, the Stoxx Europe 600 index also fell by 11.5%, posting its biggest daily drop ever. VIX, which shows the global risk perception, went above the level of 75. The yield of the US 10-year Treasury bond recorded its historical low at 0.3%. The yield of the 5-year Treasury bond in Germany was traded below -1% for the first time in its history. Gold prices, which reached the highest level of more than 7 years at the beginning of last week, came under selling pressure as investors turned to cover margin calls after the rapid declines in other markets.

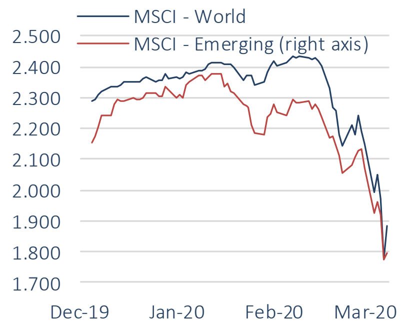
The Fed lowered its policy rate by 100 bps to a target range of 0-0.25%.

The Federal Open Market Committee's scheduled meeting on March 17-18 was cancelled. In order to mitigate the economic impact of the coronavirus outbreak, The Fed made its second emergency rate cut in March and lowered the policy rate to a range of 0-0.25%, where it was during the 2008 global financial crisis. The Fed also pledged to increase its asset purchases by at least 700 billion USD. Fed Chair Powell said the Fed would be patient before raising interest rates again.

Coronavirus Global Cases
(persons, last data: 16 March 2020)



Global Stock Markets



VIX Index

Source: Datastream, Johns Hopkins

Other central banks also announced new decisions to support the markets.

The six major central banks (Fed, ECB, BOJ, BOE, Canada and Swiss central banks) decided to act in a coordinated manner in order to provide liquidity to the market.

The Bank of England reduced the policy rate by 50 basis points to 0.25% with an extraordinary meeting. While the ECB kept its interest rates unchanged, it would buy an extra 120 billion euros worth of bonds by the end of the year. ECB revised down its Euro Area growth forecast from 1.1% to 0.8% for 2020 and 1.4% to 1.3% for 2021. BOJ, which also decided to set an extraordinary meeting, doubled its asset purchases while keeping its policy rate at -0.1%. Moreover, central banks of New Zealand, Canada, Hong Kong and South Korea delivered interest rate cuts.

Despite the decisions taken by the central banks, high volatility in the markets has persisted. Fiscal policy is expected to come to the forefront in an environment where the scope and effectiveness of monetary policy have been questioned.

Oil prices decreased sharply.

As a result of disagreement among OPEC+ countries in terms of cutting oil supply, Saudi Arabia announced that oil production would be increased from 9.7 million barrel per day to 12.3 million barrel per day by April. This development led to a 30% decrease in oil prices on daily basis. As a result, Brent crude oil prices fell below 35 USD per barrel, the lowest level of the last 4 years. Russia also declared oil production would be increased by 250-300 thousand barrel per day. International Energy Agency reduced its expectation for 2020 global oil demand for the first time since 2009 due to the coronavirus outbreak. Brent crude oil prices fell to 32.8 USD/barrel, decreasing by 27.8% wow.

In December 2019, unemployment rate came in at 13.7%.

Unemployment rate increased by 0.2 point on a yearly basis and become 13.7% in December 2019. In this period, while youth unemployment rate rose by 0.5 point to 25%, labor force participation rate decreased by 0.6 point to 51.8%. Even though economic activity has improved in fourth quarter of 2019, employment indicators exhibited a week performance. Industrial production index revealed a significant improvement in January as the coronavirus outbreak hasn't had much impact yet on the economy. According to seasonally adjusted data, industrial production picked up by 7.9% yoy.

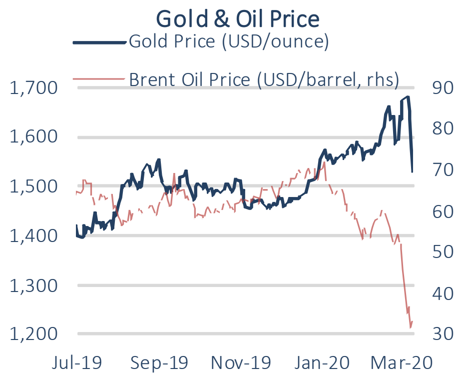
Current account posted a deficit of 1.8 billion USD in January.

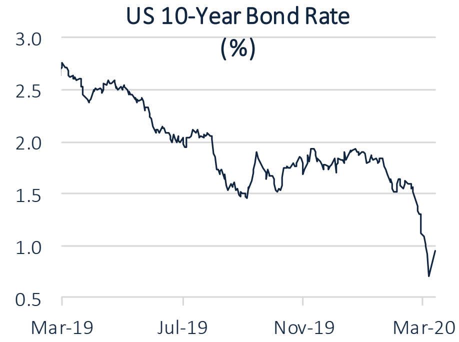
The revisions in foreign trade statistics based on general trade system and the inclusion of international trade in services by Turkstat have been started to be reflected to balance of payments figures. Accordingly, current account surplus which was 1.7 billion USD for 2019 was revised to 8 billion USD. As a result of the revision, current account surplus to GDP ratio increased to 1.1% in 2019. The current account posted a deficit of 1.8 billion USD in January as the foreign trade deficit continued to expand thanks to the recovery in economic activity. In this period, the upward trend in net tourism revenues continued to limit the deterioration in the current balance (Our Balance of Payment Report).

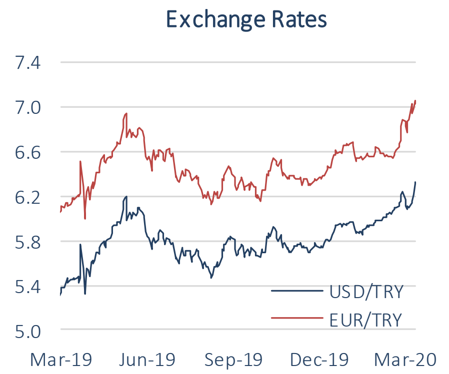
The announcement of the first coronavirus case put downward pressure on domestic markets.

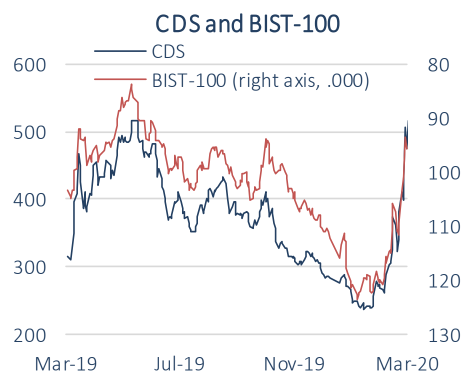
As Turkey announced its first case of the coronavirus, domestic markets were affected adversely. BIST-100 index fell by 12.8% weekly also due to heavy losses in global markets. USD/TRY finished the week at 6.33 with a weekly rise of 3.9%. Turkey's 5-year CDS spreads surged up by 92 bps to 473 bps.

This week, developments regarding the coronavirus as well as the reflection of the decisions by central banks and policy makers will be monitored in global markets.









Source: Datastream

Data Releases

		Period	Consensus	Prior
16 March	NY Fed Manufacturing Index	March	4.4	12.9
	TR Budget Balance, mom	February	7.4 billion TRY (A)	21.5 billion TRY
17 March	US Retail Sales , mom	February	0.2%	0.3%
	US Industrial Production, mom	February	0.4%	-0.3%
	Germany ZEW Economic Sentiment	March	-26.4	8.7
18 March	US Housing Starts (unit)	February		1.567 million
	Euro Zone CPI, yoy	February	1.2%	1.4%
	TR Treasury Domestic Redemption(1.7 billion TRY)	March	-	-
19 March	CBRT Monetary Policy Committee Meeting	March	-	%10,75
	US Weekly Jobless Claims	March	220k persons	211k persons
20 March	US Existing House Sales	February	5,50 million	5,46 million
	TR Treasury Domestic Redemption(64 million TRY)	March	-	-

(A) Actual

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