

	13-Mar	20-Mar	Change		13-Mar	20-Mar	Change
BIST-100 Index	95,605	85,796	-% 10.3 ▼	EUR/USD	1.1105	1.0694	-% 3.7 ▼
TRY 2 Year Benchmark Rate	%11.29	%10.90	-39 bp ▼	USD/TRY	6.3301	6.5505	% 3.5 ▲
Turkey 5-Year CDS	473	516	42 bp ▲	EUR/TRY	7.0307	7.0083	-% 0.3 ▼
MSCI EM Equity Index	891	803	-% 9.9 ▼	Gold (USD/ounce)	1,529	1,498	-% 2.1 ▼
US 10-Year Bond Rate	%0.95	%0.94	-2 bp ▼	Brent Oil (USD/barrel)	32.8	24.2	-% 26.3 ▼

bp: basis point

The coronavirus outbreak raises global recession concerns and put downward pressure on oil prices. Policy makers, on the other hand, continue to take extraordinary measures in terms of both monetary and fiscal policies to prevent the expected contraction. In order to alleviate the impact of the outbreak, the CBRT cut the policy rate by 100 basis points. 100 billion TRY support package announced in Turkey was also at the top of the agenda last week. The manufacturing PMI data, which will be announced globally this week, will be closely monitored as a proxy reflecting the impact of the virus on the real economy.

#### Concerns about the virus outbreak put pressure on global stock markets.

Concerns over the coronavirus epidemic continue to drive the global markets. US stock markets closed the week with rapid declines. On a weekly basis, Dow Jones and S&P 500 declined by 17.3% and by 15%, respectively, while Euro Stoxx 50 index decreased by 1.5%, showing a relatively limited decline. DXY index, which shows the value of the US dollar against other developed countries currencies, increased over 100, its highest level since January 2017. Brent crude oil price fell to 24.2 USD per barrel, completing the week with a 26.3% decrease.

#### Global growth forecasts were revised downwards.

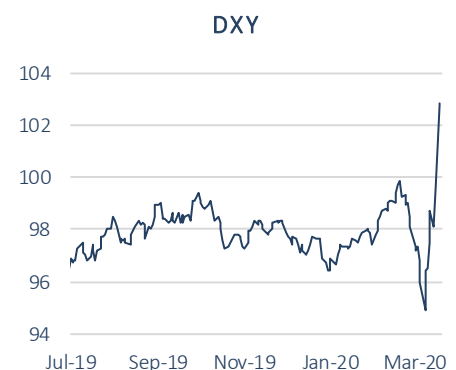
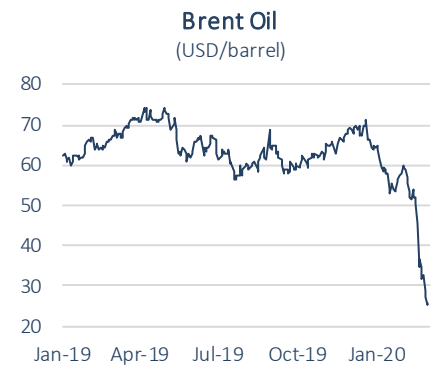
With the spread of the coronavirus outbreak around the world, growth forecasts for the global economy were revised downwards. Fitch lowered its 2020 global growth forecast from 2.5% to 1.3%, while IIF renewed its recent forecast which has been declared 2 weeks ago from 1.6% to 0.4%. Revisions in growth expectations and poor performance in the financial markets prompt policy makers to take new measures.

#### New measures by central banks to support economies...

Following the Fed's two interest rate cuts by a total of 150 basis points in March, many central banks around the world started to implement expansionary monetary policy. Early last week, in order to increase dollar liquidity in a coordinated manner, the ECB, Fed, BoJ, Canada and Swiss central banks announced that they will perform 84-day maturity US dollar repo operations at a pricing of overnight index swaps (OIS) rate plus 25 basis points. BoJ announced that it will double the amount of asset purchases and provide 4 trillion yen to the financial system. BoJ will also buy medium and long term bonds totaling to 300 billion yen. In the middle of the week, the ECB announced a 750 billion euro bond purchase program. The Bank of England decided to increase its asset purchases by 200 billion pound to 645 billion pound and reduced the policy rate by 15 basis points.

#### A series of fiscal package announcements...

Governments also supported the decisions of central banks. The US has started to consider a rescue package worth 1 trillion USD. Introducing a support package of 550 billion euro, Germany has committed to providing unlimited liquidity if needed. Italy, the most affected European country by the coronavirus epidemic, has announced that it has approved a support package worth of 25 billion euro.



Source: Datastream, Johns Hopkins

### CBRT cut the policy rate.

Following the loosening of monetary policies by the major central banks during the week, CBRT Monetary Policy Committee reduced the policy rate by 100 basis points to 9.75%. In addition to the interest rate cut, a series of measures were also announced aiming to provide liquidity to banks, to support cash flow of exporting firms through arrangements on the rediscount credits. BRSA announced on March 17 that the time allowed for loans to remain unpaid before they are classified as non-performing was increased from 90 days to 180 days. This implementation will be in effect until 31 December 2020. Also new arrangements were made for the repayment of restructured loans.

### A support package of 100 billion TRY was announced in Turkey.

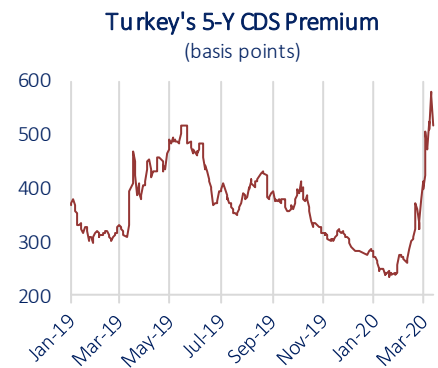
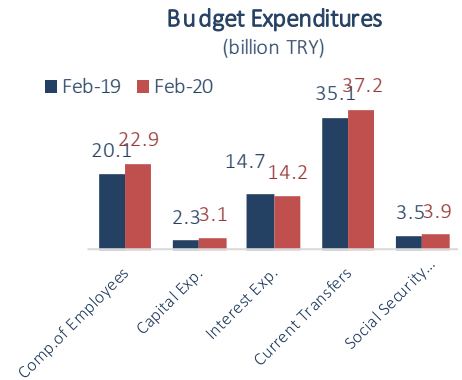
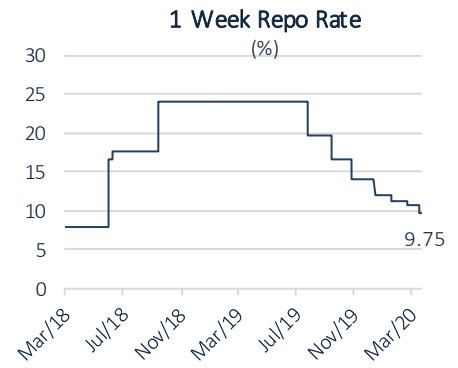
On March 18, the "Coordination Meeting on the Fight against Coronavirus" was held under the chairmanship of the President. Following the meeting, a support package titled "Economic Stability Shield" was announced. It was stated that, a resource of approximately 100 billion TRY (around 2% of the national income) will be used for the mentioned package including the measures taken to reduce the negative effects of the virus outbreak on the economy. It was announced that, within the scope of the package, the credit guarantee fund limit will be increased from 25 billion TRY to 50 billion TRY, financing support will be provided to companies that are negatively affected by the process, and tax payments of certain sectors mainly retail, logistics, accommodation and entertainment that are directly affected by the epidemic process, will be delayed for 6-months. Also, inventory financing support will be provided to the exporting companies. Furthermore, it is stated that the package will aim at sustaining employment.

### Central government budget gave a deficit of 7.4 billion TL in February.

The central government budget deficit fell by 56.1% on an annual basis in February to 7.4 billion TRY. In this period, while primary surplus was 6.8 billion TRY, interest expenditures decreased by 3.7% compared to the same period of the previous year. In the January-February period, the budget gave a surplus of 14.1 billion TRY (our Budget Balance report).

### Increasing coronavirus concerns also put domestic markets under pressure.

Due to the coronavirus outbreak, domestic markets also displayed a negative performance over the past week. While the BIST 100 index closed the week with 10.3% decline to 85,796 points, Turkey's 5-year CDS premium rose to 516 basis points. This week, March manufacturing PMI data will be on the agenda of global markets, while manufacturing industry capacity utilization rate and real sector confidence index will be followed in Turkey. Virus outbreak developments will continue to shape markets.



### Data Releases

		Period	Consensus	Prior
23 March	Consumer Confidence Index	March	-	57.30
	Eurozone Consumer Confidence Index	March	-14.2	-6.6
24 March	US Manufacturing PMI	March	43.0	50.7
	US New Home Sales	February	750k	764k
	Eurozone Manufacturing PMI	March	39.0	49.2
	Germany Manufacturing PMI	March	40.0	48.0
25 March	TR Capacity Utilization	March	-	76%
	TR Manufacturing Confidence Index	March	-	106.9
	US Durable Goods Orders	February	-0.8%	-0.2%
	Germany IFO - Business Climate Index	March	87.5	96.1
	UK CPI, yoy	February	1.6%	1.8%
	US GDP, final	Q4	2.1%	2.1%
26 March	US Weekly Jobless Claims	16/21 March	750k persons	281k persons
	Economic Confidence Index	March	-	97.5
27 March	US Core PCE Index, mom	February	0.2%	0.1%
	US Michigan Consumer Sentiment Index, final	March	90.0	95.9

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