

	20-Mar	27-Mar	Change		20-Mar	27-Mar	Change
BIST-100 Index	85,796	88,125	2.7 % ▲	EUR/USD	1.0694	1.1140	4.2 % ▲
TRY 2 Year Benchmark Rate	10.90%	11.30%	40 bp ▲	USD/TRY	6.5505	6.4530	-1.5 % ▼
Turkey 5-Year CDS	516	492	-23 bp ▼	EUR/TRY	7.0083	7.1913	2.6 % ▲
MSCI EM Equity Index	803	843	4.9 % ▲	Gold (USD/ounce)	1,498	1,618	8.0 % ▲
US 10-Year Bond Rate	0.94%	0.74%	-19 bp ▼	Brent Oil (USD/barrel)	24.2	22.2	-8.1 % ▼

bp: basis point

Last week, developments and measures regarding the pandemic were at the top of the agenda in the world and in Turkey. Governments and central banks around the world have adopted more aggressive measures to mitigate the negative impacts of the pandemic on economic activity. While the data released worldwide during this period confirmed that economic activity lost momentum, the negative effects of the coronavirus on the service sector became more evident. Even though the announcements of new incentive packages aiming to combat coronavirus crisis provided some relief to the markets, volatility remained high last week due to the heightened concerns over the pandemic. Despite making a partial recovery, domestic markets also fluctuated.

Stimulus packages against the coronavirus pandemic...

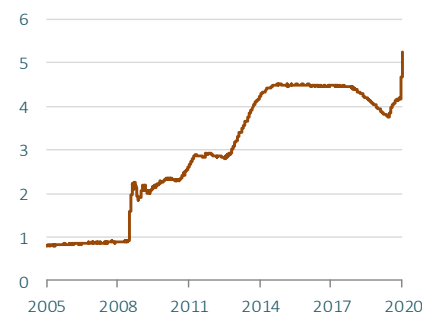
The total number of coronavirus cases on a global scale has exceeded 700k. The US has overtaken Italy as the country with the most coronavirus cases in the world. Monetary and fiscal policy instruments continued to be used on a global scale to limit the negative effects of the pandemic on global economy and markets. G20 leaders also stated in a joint statement that they will do "whatever needed" against the coronavirus epidemic and inject 5 trillion USD into the global economy to minimize the economic damage from the pandemic.

Fed announced a 300 billion USD loan package to support the US economy while stating that it would buy Treasury and mortgage-backed securities as much as needed. The Fed's balance sheet exceeded 5.2 trillion USD for the first time with asset purchases in recent weeks. In the US, a consensus was also reached on the 2.2 trillion USD stimulus package to support the economy. Japan's government has been considering a fiscal stimulus package worth roughly 56 trillion yen (503 billion USD) including cash payouts to households. A spending package of 750 billion EUR was approved in Germany. ECB announced that it will not apply issuer limit (a limit on buying no more than 33% of any country's debt) under the temporary Pandemic Emergency Purchase Programme (PEPP). Total asset purchases announced by the ECB are estimated to reach 7.3% of Euro Area GDP. In addition, the ECB Chief Lagarde asked the member countries' finance ministers to give serious consideration to a one-off joint issue of "corona bonds".

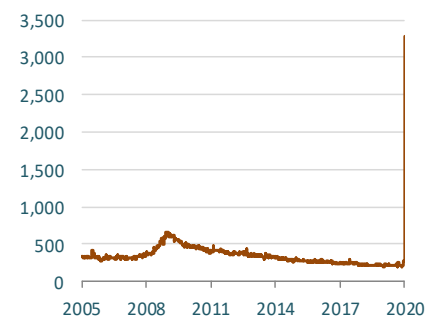
US weekly jobless claims surged to a record of more than 3.2 million.

In the week ending March 21, initial claims for unemployment benefit came in well above expectations as the measures taken against the coronavirus pandemic disrupted economic activity and spurred layoffs. Weekly claims reached 3 million 283 thousand people, an all-time high level. While layoffs were concentrated in services sectors, the accommodation and food service, health care and social assistance, arts, entertainment and transportation became prominent sub-sectors. The highest increase in unemployment benefits was recorded in 1982, with 695K. In the 2007-2009 crisis period, during which 8.7 million people lost their jobs, the highest number of applications was 665K.

Fed's Balance Sheet
(trillion USD)



US Weekly Jobless Claims
(thousand persons)



Source: Datastream,

Services PMI data, which stood at 49.4 in February, fell to a historic low of 39.1 in March. Although the manufacturing PMI also declined from 50.7 to 49.2, the decline in the manufacturing industry was still moderate compared to the services sector.

The US economy grew at a 2.1% annualized rate in the fourth quarter of 2019, in line with the expectations. It is predicted that economic growth will weaken in the first quarter of this year with the impact of the coronavirus pandemic, while it may see a sharp contraction in the second quarter. Fed President Powell stated that the country's economy may already be in a recession, and that economic activity will resume once the spread of the coronavirus is under control.

Negative outlook for economic activity in the Euro Area...

The composite PMI data covering the manufacturing and service sectors in the Euro Area fell from 51.6 to 31.4 in March, dropping to its lowest level. It was noteworthy that the contraction came in above market expectations in services sectors while the fall in manufacturing sectors was below expectations. The Ifo index, which showed business confidence in Germany, fell to 86.1 in March, recording its lowest level since July 2009.

Economic growth forecasts have been revised down.

IMF has announced the global recession could be at least as bad as during the 2008-2009 global financial crisis. Moody's also reduced its global growth forecast from 2.6% to -0.5% for 2020, while expecting a 3.2% growth for global economy in 2021. The agency forecast Turkish economy to contract by 1.4% in 2020 while expecting growth rate of 0.8% in 2021. Institute of International Finance (IIF) expected global economy to shrink by 1.5% in 2020. IIF stated that the growth momentum in Turkish economy gained pace in the beginning of 2020. For this reason, despite an estimated sharp output contraction in the second quarter, Turkey could complete the year with a positive growth rate. IIF expects Turkish economy to growth by 0.6% in 2020.

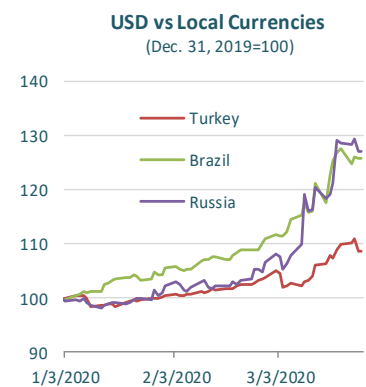
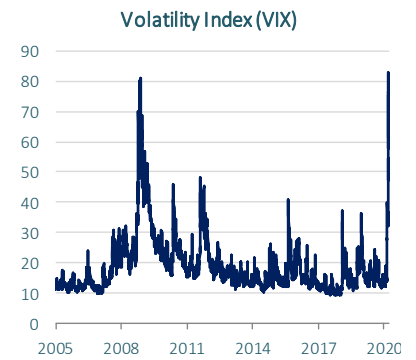
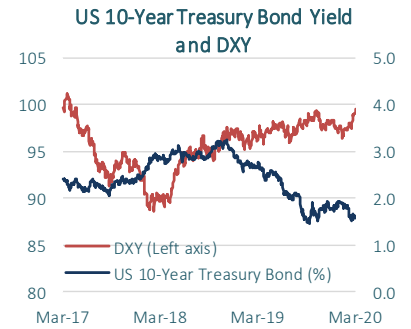
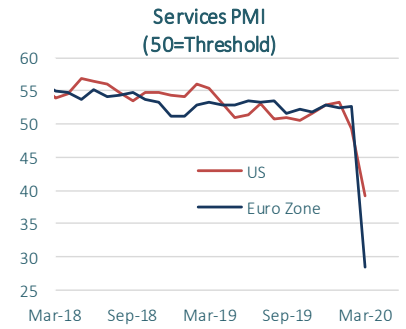
Real sector confidence index recorded the fastest decline of the last 12 years.

According to the seasonally adjusted data, the capacity utilization rate fell by 0.4 point on a monthly basis to 76.2% in March. Real sector confidence index also went down by 8.1 points to 98.6, posting its sharpest decline since November 2008.

Continued volatility in the markets...

Global equity indices recovered to somewhat in the last week following the announcement of stimulus packages. However, VIX index, which indicates the global risk perception, remained above the level of 60 for the tenth consecutive days. Due to fall in global oil demand and disagreements among oil-producing countries, the price of Brent crude oil fell to 22.2 USD/barrel, dropping by 8.1% w/w.

BIST 100 index rose by 2.7% on a weekly basis to 88,125 points. USD/TRY completed the week at 6.4530, declining by 1.5% w/w. Turkey's 5 year CDS declined by 23 bps to 492 bps after rising in the previous week.



Data Releases

		Period	Consensus	Prior
30 March	US Pending Home Sales, mom	February	-1.3%	5.2%
	Euro Zone Economic Sentiment	March	91.8	103.5
31 March	TR Trade Balance	February	-	-4,45 billion USD
	US Consumer Confidence Index	March	111.5	130.7
	Euro Zone CPI, yoy prelim	March	0.8%	1.2%
	UK GDP, quarterly	4Q 2019	0.0%	0.0%
	China NBS Manufacturing PMI	March	45	35.7
1 April	TR Manufacturing PMI	March	-	52.4
	Treasury Debt Redemption (12.3 Billion TRY)	April	-	-
	US ISM Manufacturing PMI	March	44.3	50.1
	Euro Zone Manufacturing PMI, final	March	44.8	49.2
	Euro Zone Unemployment Rate	February	7.4%	7.4%
2 April	China Caixin Manufacturing PMI	March	45.8	40.3
	US Factory Orders, mom	February	0.2%	-0.5%
3 April	TR CPI, yoy	March	-	12.37%
	US Non-Farm Payrolls, persons	March	-123k persons	273k persons
	US Unemployment Rate, mom	March	3.9%	3.5%
	US ISM Services PMI	March	45.0	57.3
	Euro Zone Services PMI, final	March	28.4	52.6
	Germany Services PMI	March	34.3	52.5
	China Caixin Services PMI	March	-	26.5

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