

	22-May	29-May	Change		22-May	29-May	Change
BIST-100 Index	103,024	105,520	2.4% ▲	EUR/USD	1.0900	1.1098	1.8 % ▲
TRY 2 Year Benchmark Rate	9.07%	9.17%	10 bp ▲	USD/TRY	6.8107	6.8182	0.1 % ▲
Turkey 5-Year CDS	550	554	4 bp ▲	EUR/TRY	7.4263	7.5739	2.0 % ▲
MSCI EM Equity Index	905	930	2.8 % ▲	Gold (USD/ounce)	1,734	1,726	-0.4 % ▼
US 10-Year Bond Rate	0.66%	0.64%	-2 bp ▼	Brent Oil (USD/barrel)	35.2	35.3	0.4 % ▲

bp: basis point

As of the end of May, the total number of coronavirus cases on a global scale exceeded 6 million persons, and the number of people who lost their lives exceeded 370 thousand people. While normalization steps continue to be taken worldwide, policy makers keep on working on new incentive packages to mitigate the effects of the pandemic. Expectations that the normalization steps will support global economic activity throughout the past week and the optimism that the vaccine will be found earlier than expected increased the risk appetite in the global markets. However, the ongoing tension between the US and China on Hong Kong caused the stock market indices to be under pressure in these two countries. Economic growth in Turkey for Q1 came in at 4.5% yoy, below expectations. Manufacturing PMI data in May increased to 40.9, but it still indicated that the contraction in the sector continued. On the other hand, as a part of the normalization process in Turkey, many restrictions, including domestic travel restrictions, have been removed as of today.

According to revised data, the US economy shrank by 5% in the first quarter of the year.

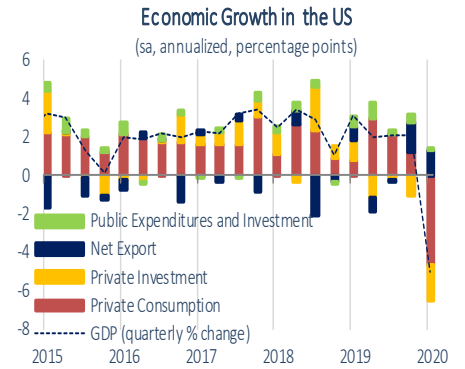
According to the data revised last week, the US economy contracted 5% qoq on an annualized basis in the first quarter of 2020. It was previously announced that the US economy shrank by 4.8%. The data was recorded as the most rapid contraction after the 8.4% contraction in the last quarter of 2008 during the global financial crisis. The decline in personal consumption and investment expenditures and net exports became the determining factors in this development. In April, due to the continued impact of the coronavirus pandemic, durable goods orders fell 17.2% in the country, recording the most rapid decline since August 2014. In addition, while weekly jobless claims came in at 2.1 million people in the week ending May 23, the total number of jobless claims has reached nearly 41 million people since mid-March. The core personal consumption expenditure price index in the US decreased by 0.4% mom in April, while increasing by 1% yoy.

European Commission has unveiled plans for a recovery fund worth 750 billion EUR.

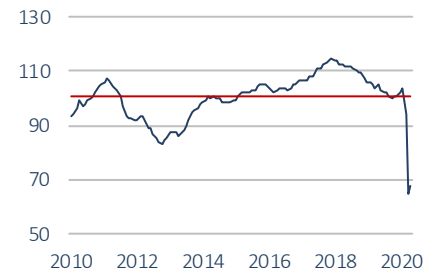
European Commission announced the plan for an aid package of 750 billion EUR to support the post-pandemic economic activity. While the amount of 500 billion EUR of the mentioned fund is planned to be in grants, low interest loans will be provided for the rest of the amount. In addition, in Japan, it was announced that an incentive package with a size of 117 trillion yen (1.1 trillion USD) was prepared.

Data releases in the Euro Area...

In the Euro Area, economic sentiment index rose to 67.5 in May due to the expectations for an increased economic activity thanks to the easing of coronavirus measures. Index was at historical low level in April (64.9). Consumer confidence index for the same period declined to -18.8 in the line with market expectations while services sentiment declined to -43.6 indicating a pessimistic outlook for the hotels, restaurants and tourism sector. According to preliminary data in Euro Area, annual CPI inflation was 0.1%, lowest level in four years. European Central Bank President Christine Lagarde stated that the mild scenario already outdated. In the mild scenario, ECB forecasted Euro Area to contract by 5-12% in 2020. The expected contraction has been revised to 8-12%.



Euro Area Economic Confidence Index



Annual Inflation in the Euro Area (%)



Source: Datastream, Johns Hopkins

Fitch revised global growth forecast for 2020 down to -4.6%.

In its Global Economic Outlook report, Fitch revised the forecast for global economic growth for 2020 to -4.6% from the previous forecast in April which was -3.9%. Contraction expectations were increased from 7% to 8.2% for Euro Area, from 6.3% to 7.8% for UK and from 1.9% to 4.5% for emerging economies except China. Fitch forecasted the Turkish economy to contract by 3% in 2020 and to rebound by a 5% growth in 2021.

Turkish economy expanded by 4.5% in the first quarter of 2020.

In the first quarter of 2020, Turkish economy expanded by 4.5% yoy, below the expectation which was around 5.5%. While consumption expenditures supported the growth, net exports continued to drag the growth down in the first quarter of the year. The breakdown of household consumption expenditures showed that services expenditures made the largest contribution to growth in this period while this was followed by durable goods consumption expenditures. Having fallen by 0.6% yoy in the previous quarter, investment expenditures contracted by 1.4% yoy in the first quarter of this year. In this period, investment expenditures lowered the growth by 0.4 pp ([Our GDP Growth report](#)).

Although the manufacturing PMI rose from 33.4 in April to 40.9 in May, it indicated that the contraction in the sector continued as it remained below the 50 threshold level.

Economic confidence index recovered in May.

In Turkey, economic confidence index rose by 20.4% mom to 61.7 in May, following the historical low level of 51.3 in April. The increase in consumer, real sector, service, retail trade and construction sector confidence indices contributed the rise of the economic confidence index.

According to Turkstat data, foreign trade deficit increased by 67% in April to 4.56 billion USD. Exports decreased by 41.4% in April yoy, while imports decreased by 25% to 13.55 billion USD. Thus, in the January-April period, exports decreased by 13.7% compared to the same period of the previous year and reached 51.66 billion USD, while imports increased by 1% to 69.21 billion USD. In this period, foreign trade deficit increased by 102.3% and reached 17.54 billion USD.

Financial markets...

In addition to the relaxation of the coronavirus measures, optimism for a vaccine supported the risk appetite in the global markets last week. However, the tension between the US and China on Hong Kong security law negatively affected the risk perception. While the BIST-100 index increased by 2.4% on a weekly basis, USD/TRY closed the week at 6.8182. The compound interest rate of the 2-year benchmark bond increased by 10 basis points compared to the previous week and reached 9.17%. Turkey's 5-year CDS premium has increased by 4 basis points and finished the week at 554 basis points level.

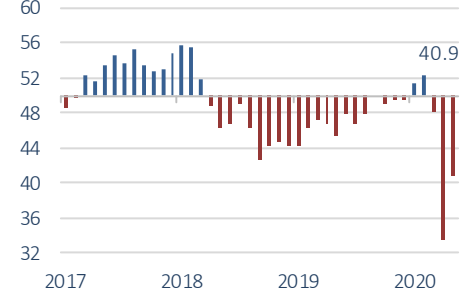
Within the scope of the normalization process in Turkey, starting from 1 June, the domestic travel restriction was lifted, and it was decided that businesses such as restaurants, cafes, patisseries will start serving within some rules. High-speed rail services also restarted on designated lines.

This week in the global markets, the normalization steps in the economies, the tension between the US and China along with the effects of the protests in the US will be followed. In addition, manufacturing PMI data, ECB meeting and US non-farm payrolls also stand out this week. In Turkey, inflation data will be monitored on Wednesday

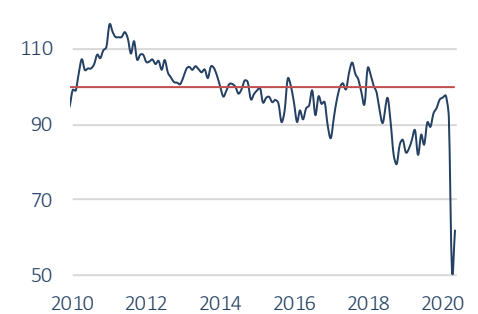
Contributions to GDP Growth (% points)

	2019			2020
	Q3	Q4	Annual	Q1
Consumption	1,8	4,3	1,1	4,0
Private	1,1	3,9	0,4	3,0
Public	0,7	0,4	0,6	0,9
Investment	-3,5	-0,2	-3,6	-0,4
Change in Stock	2,9	6,5	1,1	5,3
Net Export	-0,2	-4,7	2,3	-4,3
Exports	1,2	1,0	1,5	-0,2
Imports	-1,5	-5,8	0,8	-4,1
GDP	1,0	6,0	0,9	4,5

Manufacturing PMI
(threshold=50)



Economic Confidence Index



CDS and BIST-100



Source: Datastream

Data Releases

		Period	Consensus	Prior
1-Jun	US Markit Manufacturing PMI, final	May	-	39.8
	US ISM Manufacturing PMI	May	42.5	41.5
	Euro Area Markit Manufacturing PMI, final	May	39.4 (A)	39.5
	Germany Markit Manufacturing PMI	May	36.6 (A)	36.8
	TR Manufacturing PMI	May	40,9 (A)	33.4
3-Jun	US Markit Services Sector PMI, final	May	-	36.9
	US Factory Orders, mom	April	-14.6%	-10.4%
	US ISM Non-Manufacturing PMI	May	44.0	41.8
	US Markit Composite PMI	May	-	36.4
	Euro Area Markit Composite PMI, final	May	30.5	30.5
	Euro Area Markit Services Sector PMI, final	May	28.7	28.7
	Euro Area Unemployment Rate	April	8.2%	7.4%
	TR CPI, yoy	May	-	10.94%
4-Jun	US Initial Jobless Claims	25-30 May	1,800k	2,123k
	Euro Area Retail Sales, mom	April	-15.0%	-11.2%
	ECB Meeting	June	-	-
5-Jun	US Non-Farm Payrolls	May	-8.300k	-20.500k
	US Unemployment Rate	May	19.6%	14.7%
	TR Treasury Cash Balance	May	-	-46.24 billion TRY

(A) Actual

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