

	19-Jun	26-Jun	Change		19-Jun	26-Jun	Change
BIST-100 Index	113,612	114,668	0.9% ▲	EUR/USD	1.1175	1.1217	0.4% ▲
TRY 2 Year Benchmark Rate	8.94%	9.19%	25 bp ▲	USD/TRY	6.8498	6.8506	0.0% ▲
Turkey 5-Year CDS	467	488	21 bp ▲	EUR/TRY	7.6609	7.6898	0.4% ▲
MSCI EM Equity Index	1,001	999	-0.2% ▼	Gold (USD/ounce)	1,743	1,771	1.6% ▲
US 10-Year Bond Rate	0.70%	0.64%	-6 bp ▼	Brent Oil (USD/barrel)	42.2	41.0	-2.8% ▼

Last week, the total number of coronavirus cases on a global scale surpassed 10 million persons while the number of people who lost their lives exceeded 500K people. With the effect of the normalization steps, PMI data in June indicated a partial recovery in economic activity in the US and Euro Area. The IMF revised its global contraction forecast for 2020 from -3% to -4.9%. ECB has announced that it will launch a new repo program to provide euro liquidity to central banks outside the Euro Area. Oil prices fell due to the increase in the number of cases in the US and the rise of crude oil inventories to a high level in the country, while gold prices continued to rise along with the weakening in risk appetite. In Turkey, the capacity utilization rate and confidence indices have improved in June. The CBRT kept the policy interest rate unchanged at 8.25% at the meeting held last week.

PMI data indicates recovery.

In the US, manufacturing PMI exceeded expectations in June and reached 49.6, while the service sector PMI increased to 46.7. In the same period, manufacturing PMI in the Euro Area came in at 46.9, above the market expectation of 43.0. After seeing its lowest level in April and rising to 30.5 in May, the Euro Area services PMI rose to 47.3 in June and also signaled recovery. Despite the increases in PMI data, indices remaining below the threshold value of 50 indicate that the contraction in the sectors continues.

Data releases in the US...

Initial jobless claims in the US were recorded at 1.48 million persons in the week ended June 20th. Thus, total number of application for jobless claims during the pandemic exceeded 47.5 million persons. In May, the monthly rise in durable goods orders became 15.8% and exceeded the expectations of 10.9%. Personal income, which increased by 10.8% in April with the effect of government aids in the country, fell by 4.2% in May. On the other hand, personal consumption went up by 8.2% in May following the 12.6% decrease in April. In US, core personal consumption expenditures price index increased by 0.1% mom and 1.0% yoy in May.

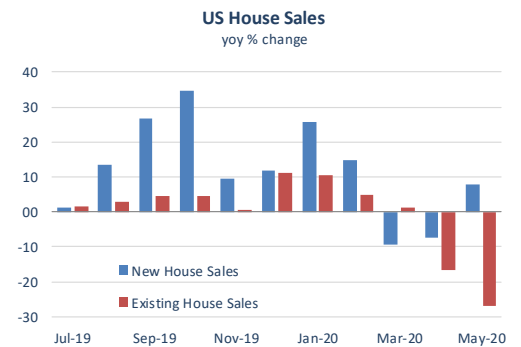
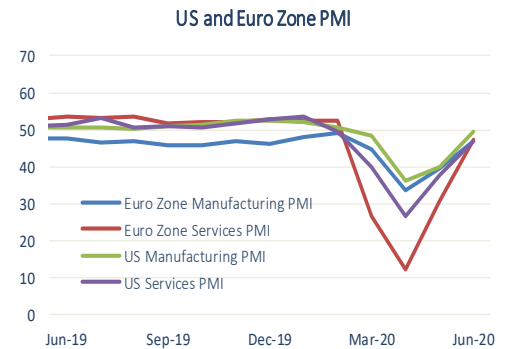
In recent months existing house sales in the US housing market have been more adversely affected from the outbreak compared to new house sales. While new house sales in the country were above expectations in May, it was noted that the existing house sales declined sharply by 9.7% mom and 26.6% yoy.

ECB has announced a new repo program.

European Central Bank (ECB) has announced a new facility which is called Eurosystem repo facility for central banks (EUREP) that provides euro liquidity for the central banks outside the Euro Area. In this context, ECB will be able to provide euro liquidity to non-euro area central banks in exchange for euro collateral. EUREP facility, which is offered in addition to bilateral swap and repo agreements between central banks, will be valid until June 2021.

IMF revised its global growth forecast downwards.

The International Monetary Fund (IMF) revised its global growth projection for 2020 from -3% to -4.9% in its World Economic Outlook report of June. While the organization has pulled down its growth forecast for 2021 from 5.8% to 5.4%, it stated that a second wave of outbreak could reduce growth by 0.5%. Stating that developed economies are more affected by the pandemic, IMF predicts that in 2020 the US economy and Euro Area economy will shrink by 8% and 10.2%, respectively. IMF also stated that China, where businesses have reopened in April and the number of new cases is low, is the only major economy expected to have positive growth rate this year. In its June update, IMF did not change economic growth expectations for Turkey. Thus IMF expects Turkish economy to shrink by 5% in 2020 and grow at the same rate in 2021.



IMF Projections

	April Projections (%)		June Projections (%)	
	2020	2021	2020	2021
GDP				
World	-3.0	5.8	-4.9	5.4
DE	-6.1	4.5	-8.0	4.8
US	-5.9	4.7	-8.0	4.5
Euro Area	-7.5	4.7	-10.2	6.0
UK	-6.5	4.0	-10.2	6.3
Japan	-5.2	3.0	-5.8	2.4
EM	-1.0	6.6	-3.0	5.9
Russia	-5.5	3.5	-6.6	4.1
China	1.2	9.2	1.0	8.2
Turkey	-5.0	5.0	-5.0	5.0

Source: Datastream, IMF

In its report published last week, The World Trade Organization (WTO), announced that the global trade volume is unlikely to face the worst-case scenario projected earlier thanks to the positive effects of the economic measures taken. In its report dated April 2020, WTO was expecting that global commodity trade volume could decrease by 13% and 32% according to the optimistic and pessimistic scenarios, respectively. On the other hand, in its current report, the Organization expects the world trade volume to increase more slowly in 2021 compared to its forecasts in April. The Organization, which predicted that the world trade volume could grow between 21% and 24% in 2021, dropped these forecasts to the range of 5%-20% in its June report.

CBRT did not change the policy rate.

At the Monetary Policy Committee meeting held on June 25, the CBRT kept the policy rate at 8.25%. The market expectation was 25 basis point cut in policy rate. After the meeting CBRT stated that, while the slowdown in economic activity became more pronounced in April, economic recovery started with the gradual normalization steps as of May and despite the restraining effects of aggregate demand conditions, some increase in the trends of core inflation indicators was observed due to the reflections of the unit cost increases. In the statement, CBRT asserted that international commodity prices have continued to restrain inflation, while food inflation has increased due to seasonal and pandemic effects. In addition to that CBRT also declared that demand-oriented disinflationary effects will become more pronounced in the second half of the year. Since July 2019, CBRT has cut interest rate by 1,575 basis points. CBRT's decision was interpreted as the CBRT will not change the policy rate until a downward trend is seen in inflation.

Improvement in confidence indices

The seasonally adjusted capacity utilization ratio of manufacturing industry (CUR) increased by 3.1 points mom to 65.8% in June. In this period, real sector confidence index rose by 16.3 points mom to 89.8. The increase in the real sector confidence was driven by the improvement of the overall orders thanks to the favorable course in both domestic and export orders. Expectations regarding next 3 months orders, employment and production also supported the index. In June, the sectoral confidence indices improved as well. The seasonally adjusted service sector confidence index rose by 8.5% mom to 55.5, while the retail trade confidence index rose by 9.3% mom to 86.4. During this period, the rapid increase in the construction confidence index, which rose to 78, drew attention. In this development 48% increase in current orders and 25.5% rise in total employment expectation over next 3 months were effective. In June, consumer confidence index also went up by 5.2% mom to its highest level (62.6) since April 2019. Confidence indices saw dip levels in April 2020 due to the pandemic. Despite the said improvements, indices are still below the threshold of 100.

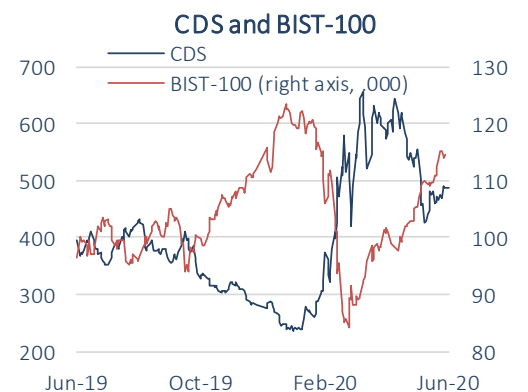
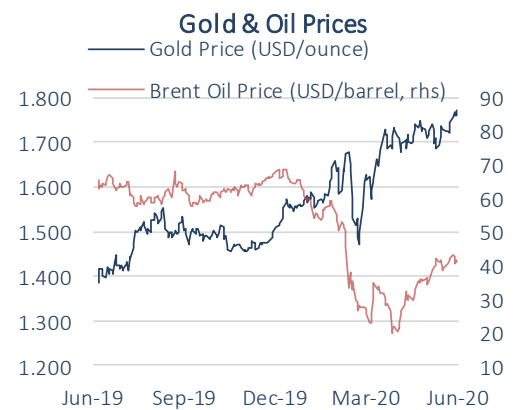
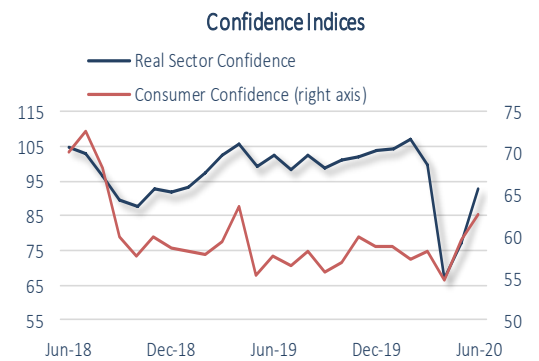
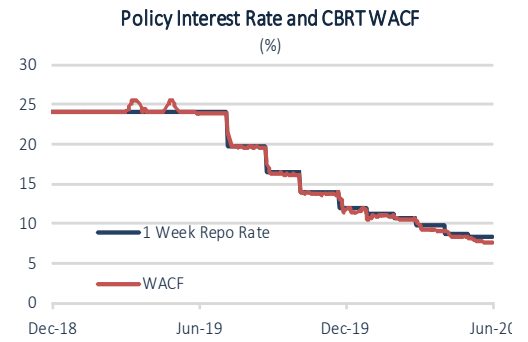
Additional customs duties...

An arrangement published over the weekend announced that additional customs duties up to 20% will be applied over 400 miscellaneous products in order to reduce the negative effects of the coronavirus pandemic on the Turkish economy and to protect domestic industry from increasing import pressure. The new custom duties will be valid until September 30th and will be applied at lower rates up to 10 points after this period.

Markets...

The increase in the number of coronavirus cases and re-restrictions in some parts of the US affects global risk appetite negatively. Last week, Brent crude oil prices came down due to the rise in US crude oil inventories to historic high levels as well as the negative demand outlook arising from the increase in coronavirus cases. Barrel price of Brent crude oil decreased by 2.8% w/w to 41 USD. Gold prices rose by 1.6% w/w to 1,771 USD/ounce during the week along with the demand for safe havens.

As well as the concerns about the pandemic, the US's conflicting statements on the trade agreement with China led global stock markets to fluctuate last week. BIST-100 index rose by 0.9% w/w to 114,668. While Turkey's 5 year CDS premium went up by 21 basis points during the week to 488 basis points, value of TRY had a flat course against USD and EUR. The compound interest rate of the 2-year benchmark bond increased by 25 bps w/w to 9.19%.



Source: Datastream

Data Releases

		Period	Consensus	Prior
29 June	US Pending Home Sales, mom	May	19.7%	-21.8%
	Euro Area Consumer Confidence Index, final	June	-14.7	-18.8
	Euro Area Economic Sentiment	June	80.0	67.5
	Germany CPI, mom, prelim	June	0.3%	-0.1%
	TR Economic Confidence Index	June	73.50 (A)	61.70
30 June	US Consumer Confidence Index	June	91.6	86.6
	US Chicago PMI	June	45.0	32.3
	Euro Area CPI, yoy	June	0.1%	0.1%
	United Kingdom GDP, yoy	2020 Q1	-1.6%	-1.6%
	China NBS Manufacturing PMI	June	50.4	50.6
1 July	TR Foreign Trade Balance	May		-4.56 billion USD
	US ISM Manufacturing PMI	June	49.0	43.1
	China Caixin Manufacturing PMI	June	50.5	50.7
2 July	TR Manufacturing PMI	June	-	40.9
	US Nonfarm Payrolls	June	3 million persons	2.5 million persons
	US Unemployment Rate	June	12.3%	13.3%
	US Initial Jobless Claims	22-26 June	1.35 million	1.48 million
	US Factory Orders, mom	May	8.3%	-13.0%
3 July	Euro Area Unemployment Rate	May	7.7%	7.3%
	Euro Area PPI, mom	May	-0.4%	-2.0%
	China Caixin Services PMI	June	49.9	55.0
	TR CPI, mom	June		1.36%
	TR D-PPI, mom	June		1.54%

(A) Actual

Economic Research Division

İzlem Erdem
Chief Economist
izlem.erdem@isbank.com.tr

Dilek Sarsın Kaya
Asst. Manager
dilek.kaya@isbank.com.tr

Alper Grler
Unit Manager
alper.gurler@isbank.com.tr

İlkim Bengisu Tuncer
Asst. Economist
bengisu.tuncer@isbank.com.tr



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