

	26-Jun	3-Jul	Change		26-Jun	3-Jul	Change
BIST-100 Index	114.668	115.748	0,9 % ▲	EUR/USD	1,1217	1,1248	0,3 % ▲
TRY 2 Year Benchmark Rate	9,19%	9,63%	44 bp ▲	USD/TRY	6,8506	6,8596	0,1 % ▲
Turkey 5-Year CDS	488	456	-32 bp ▼	EUR/TRY	7,6898	7,7145	0,3 % ▲
MSCI EM Equity Index	999	1.033	3,4 % ▲	Gold (USD/ounce)	1.771	1.775	0,2 % ▲
US 10-Year Bond Rate	0,64%	0,67%*	3 bp ▲	Brent Oil (USD/barrel)	41,0	42,8	4,3 % ▲

bp: basis point

\* 2 July

Last week, despite second wave concerns fuelled by the increasing number of cases, global stock markets scored gains due to the increased risk appetite, with the impact of data announcements that came in better than market expectations and positive news flow regarding COVID-19 vaccine development efforts. In the US, nonfarm payrolls increased by 4.8 million people in June better than forecasts, while the unemployment rate decreased to 11.1%. The unemployment rate in the Euro Area, which was 7.3% in April, was realized as 7.4% in May. Manufacturing PMI data in Turkey increased to 53.9 in June, signaling a growth in the sector. In Turkey, the foreign trade deficit in the January-June period increased by 73% yoy and amounted to 23.84 billion USD. While domestic automotive sales increased by 66.3% in June yoy, sales rose by 30.2% in the January-June period. CPI reached its highest level since August 2019, with an annual level of 12.6% in June.

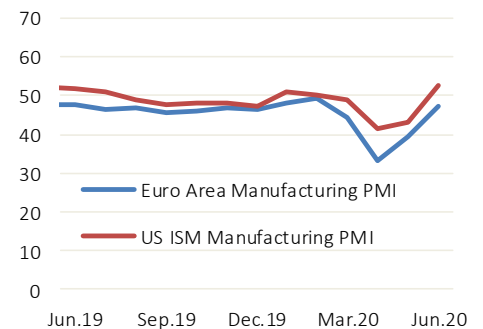
#### Fed minutes and data releases in the US...

In the minutes of the Fed meeting ended on 10 June, it is stated that interest rates will be kept low until the targets for employment and price stability targets are approached. The minutes stated that Fed will continue to monitor the implications of incoming information for the economic outlook, including information related to public health, as well as global developments and muted inflation pressures, and will use its tools and act as appropriate to support the economy. President Powell said in a statement that the economic recovery began earlier than expected, yet production and employment are still well below the pre-crisis levels. Pending home sales in the US increased 44.3% mom in May, recorded the fastest rise since 2011 when the data started to be collected. The consumer confidence index in the US was realized at 98.1, exceeding expectations. The ISM manufacturing index rose to 52.6 in June, indicating better performance than expected. While the foreign trade deficit expanded by 9.7% mom in May to 54.6 billion USD, the country's trade deficit with China widened by 7.3% mom and became 27.9 billion USD. In June, nonfarm payroll increased by 4.8 million persons, beating the market forecast of 3 million, while the unemployment rate decreased to 11.1%, which was 13.3% in May. Average hourly earnings fell by 1.2% mom, increased 5% yoy below market expectations. Labor force participation rose from 60.8% to 61.5%. Initial jobless claims declined to 1.43 million in the week ended on June 26. Factory orders, which had been declining for two months, increased by 8.0% mom in May. US stocks rose qoq as better than expected economic data outweighed mounting concerns over a possible second wave of COVID-19 cases, and Dow Jones increased 17.8% qoq and posted the fastest rise since 1987.

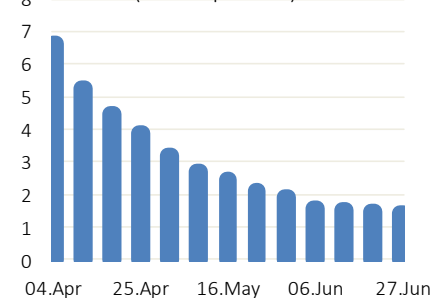
#### Data releases in the Euro Area...

According to the preliminary data announced in the Euro Area, consumer prices rose by 0.3% yoy in June. Manufacturing PMI data for June was revised to 47.4. In Germany, the region's largest economy, manufacturing PMI came in at 45.2 in the same period. While the economic confidence index increased by 8.2 points mom to 75.7 in June, material increases were recorded in all sub-sectors. The highest increase in economic confidence among the countries of the region was in France with 9.4 points, followed by the Netherlands, Spain, and Italy. The unemployment rate, which was 7.3% in April, came in at 7.4% in May, below market expectations of 7.7%. German Chancellor Merkel stated that Europe was going through the most difficult period in history with respect to the economy due to pandemic and that there should be an agreement on the EU budget and the rescue fund this summer. In the first quarter of 2020, as the coronavirus pandemic began to have an effect, the UK economy shrank by 2.2% as a result of the loss of activity in the services, manufacturing and construction sectors, and recorded the fastest contraction since 1979 on a quarterly basis. It was announced that no consensus could be reached in the last round of negotiations in Brussels with the UK, which left the EU on January 31, and that the talks would resume in London.

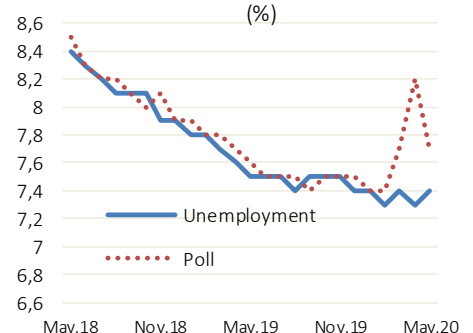
US and Euro Area PMI



US Initial Jobless Claims (million persons)



Euro Area Unemployment Rate (%)



Source: Datastream,

**China PMI data...**

The Caixin manufacturing PMI index in China reached 51.2 in June with the effect of the recovery in domestic demand, achieving the highest level in the last six months. The Caixin services PMI index also reached 58.4 in June, the highest level since April 2010. On the other hand, the US Senate unanimously approved the legislation, which envisages that banks that do business with the authorities who implement the controversial security law against Hong Kong could be included in the scope of sanctions and submitted it to the US President Trump for approval.

**Turkey's foreign trade data in June...**

According to the General Trade System (GTS), the foreign trade deficit decreased by 17.3% to 2.84 billion USD in June. In this period, exports increased by 15.8% yoy to 13.47 billion USD, while imports rose by 8.2% to 16.31 billion USD. The import coverage ratio was realized at 82.6%. In the January-June period, while the foreign trade deficit widened 73% yoy to 23.84 billion USD, exports and imports decreased by 15.1% and 3.2%, respectively. According to the Turkish Exporters Assembly, the leader of June was the automotive sector with 2,01 billion dollars in exports, the chemical sector with exports worth 1,425 billion USD was second, and the apparel sector with 1,358 billion USD was third.

**Turkey's manufacturing PMI data and June automotive sales...**

Turkey's manufacturing PMI, which recovered to a below-threshold level of 40.9 in May after dropping to its 11-year lowest level of 33.4 in April, signaled growth for the sector by rising to 53.9 in June, thanks to normalization steps. In June, a rapid increase in manufacturing recorded by easing most of the COVID-19 related restrictions and resuming of business. In June, output sub-index reached 55.5, whereas new export orders sub-index was realized at 50.5.

According to the data published by the Automotive Distributors Association, automobile and light commercial vehicle sales in June expanded by 66.3% compared to the same period of the previous year, exceeding 70 thousand units. In the January-June period, sales increased by 30.2% yoy. Automotive Distributors Association forecast that total sales in the automotive sector will be around 600-650 thousand units in 2020.

**CBRT Monetary Policy Committee meeting summary and Turkey's June inflation data...**

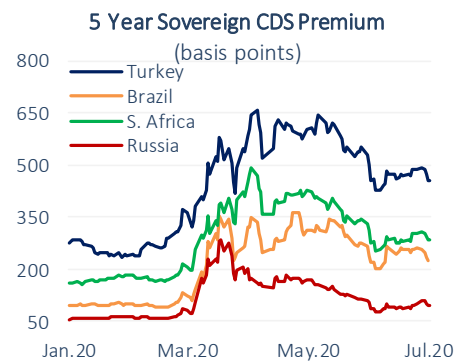
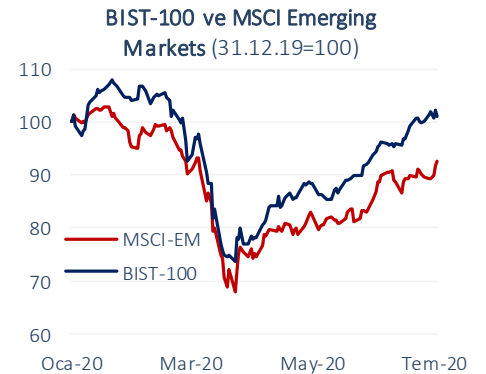
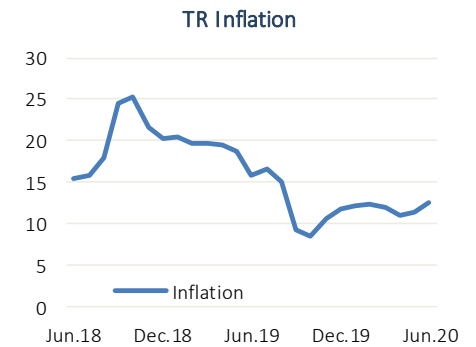
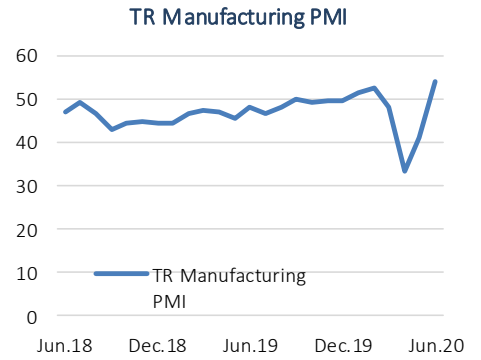
CBRT published the summary of the Monetary Policy Committee meeting held on June 25. In the release, it was stated that while the year-end inflation expectations have increased slightly, those for the next 12 months declined in June. In the statement, it is recorded that economic recovery has started as of May following gradual steps towards normalization, leading indicators demonstrated that new job posts increased, and the employment opportunities improved partially, thanks to the improvement in economic activity. In June, CPI increased by 1.13% posted rises on a monthly basis, above expectations of 0.65%. In this period, domestic PPI (D-PPI) increased by 0.69%. Annual rise in CPI reached its highest level since August 2019, with 12.6%. In June, 11 of the 12 main spending groups posted rises mom. Food and non-alcoholic beverages was the only main group that had a decreasing effect on monthly CPI inflation ([Our Inflation Report](#)).

**Coronavirus measures and tourism in Turkey..**

The President's Decision on the extension of the short-time employment allowance was published in the Official Gazette. Accordingly, the duration of the short-time employment allowance has been extended for another month. Cash wage support and ban on layoffs will continue for the same period. On the other hand, while negotiations with Germany to review its travel warning on Turkey continued, Turkey is included in the UK list of countries with the exemption of quarantine-upon-arrival. Likewise, Turkey is not included in the list of countries that a 10-day quarantine is required on arrival to Switzerland starting from 6 July.

**Financial markets...**

The Baltic Dry Cargo Index, which is one of the important indicators for worldwide economic activity and fell below 400 USD in May as a result of the trade disruption on a global scale due to the epidemic, reached its highest level since October 2019 with 1.894 USD last week. Brent crude oil increased by 4.3% wotw to the level of 42.8 USD/barrel, accompanied by positive economic data announcements. VIX (CBOE Volatility Index), one of the leading indicators for global risk perception, decreased to 27.6. BIST-100 index increased by 0.9% in Borsa Istanbul, where the Capital Markets Board of Turkey announced that the ban on short-selling for the top BIST-30 Index was lifted as of July 1. Turkey's CDS premium has decreased by 32 basis points to close at the level of 456. USD/TL closed the week at 6,8596, while the interest rate of the 2-year benchmark bond rose to 9.63%.



Source: Datastream

Data Releases

		Period	Consensus	Prior
<b>6 July</b>	Treasury 2Y Fixed Coupon Bond Reissuance	July	-	-
	Treasury 7Y Floating-Indexed Bond Reissuance	July	-	-
	US ISM Non-Manufacturing PMI	June	57.1 (A)	45.4
	US Services PMI, final	June	47.9 (A)	46.7
	Euro Area Retail Sales, yoy	May	-5.1% (A)	-19.6%
	Euro Area Sentix Sentiment Index	July	-18.2 (A)	-24.8
<b>7 July</b>	TR Treasury Cash Balance	June	-	-9.7 billion TRY
	Treasury 2Y Rent Coupon Issuance	July	-	-
	Treasury 5Y CPI-Indexed Bond Reissuance	July	-	-
	Germany Industrial Output, mom	May	10%	-17.9%
<b>8 July</b>	Treasury Domestic Redemption	July	16.5 million TRY	-
<b>9 July</b>	US Initial Jobless Claims, persons	29.6-4.7	1.378 million	1.427 million
	China CPI, yoy	June	2.5%	2.4%
<b>10 July</b>	TR Unemployment Rate	April	-	13.2%
	US PPI, yoy	June	-0.2%	-0.8%

(A) Actual

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## Economic Research Division

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

Dođan Őengöl, Ph. D.  
Asst. Manager  
dogan.sengul@isbank.com.tr

Alper Gurler  
Unit Manager  
alper.gurler@isbank.com.tr

Ahmet Berat Ocak  
Asst. Economist  
berat.ocak@isbank.com.tr

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