

	17-Jul	24-Jul	Change		17-Jul	24-Jul	Change
BIST-100 Index	1,188	1,192	0.3% ▲	EUR/USD	1.1426	1.1654	2.0% ▲
TRY 2 Year Benchmark Rate	10.22%*	10.57%	35 bp ▲	USD/TRY	6.8553	6.8446	-0.2% ▼
Turkey 5-Year CDS	525	491	-34 bp ▼	EUR/TRY	7.8380	7.9807	1.8% ▲
MSCI EM Equity Index	1,055	1,060	0.5% ▲	Gold (USD/ounce)	1,809	1,901	5.1% ▲
US 10-Year Bond Rate	0.63%	0.59%	-4 bp ▼	Brent Oil (USD/barrel)	43.1	43.3	0.5% ▲

bp: basis point

(\*) July 16

Last week, the total number of coronavirus cases surpassed 16 million persons while the number of people who lost their lives exceeded 640K people. Preliminary PMI data in July pointed out to growth in the manufacturing and services sector in the US and the Euro Area. European Union agreed a new recovery package of 750 billion EUR, while it a new incentive program of 1 trillion USD was started to be discussed in the US. Oil prices increased thanks to expectation of economic recovery, while gold prices rose to historical high levels due to the increasing tensions between the US and China. In Turkey, the capacity utilization rate and real sector confidence index have improved in July, while consumer confidence fell to 60.9.

### Recovery in global manufacturing PMI data continues.

Preliminary manufacturing PMI data, which fell to the lowest levels in April due to the negative effects of the pandemic, continued to recover in July. Manufacturing PMI data exceeded the threshold level of 50 indicating growth in these sectors in the US and Euro Area. US manufacturing PMI rose to 51.3 in July, while the services sector PMI was recorded as 49.6. Manufacturing PMI in the Euro Area, which was 47.4 in June, rose to 51.1 in July. Thus, the index has reached its highest level since December 2018. Services sector PMI data in the region also increased from 48.3 in June to 55.1 in July.

### Positive outlook in the US housing market...

In the US, new home sales in June increased by 13.8% mom and became 776 thousand units, the highest level of 13 years. Existing home sales also increased by 20.7% in June compared to May, reaching 4.72 million units, recording the fastest increase ever. Existing home sales in the country had a rapid decline in May by 9.7% mom.

In the US, initial jobless claims have increased by 1.42 million in the week ended July 18th indicating a weekly increase for the first time since March 28. The market's expectation for initial claims was 1.3 million persons. Thus, total number of application for jobless claims during the pandemic exceeded 52.9 million persons since the week ended March 14th, when the pandemic began to affect the labor market. On the other hand, while the US Congress continues to discuss on a new incentive package, it was stated that the amount of the package will be at least 1 trillion USD. Unemployment benefits are also expected to be extended with the incentive package.

### The European Union announced a new recovery package.

Last week, EU leaders agreed on a new 750 billion EUR rescue package against the economic impact of the outbreak. 390 billion EUR of the package consists of grants and 360 billion EUR of low-interest loans. At the EU leaders' summit, EU's 1 trillion EUR budget for the next 7 years was also approved.

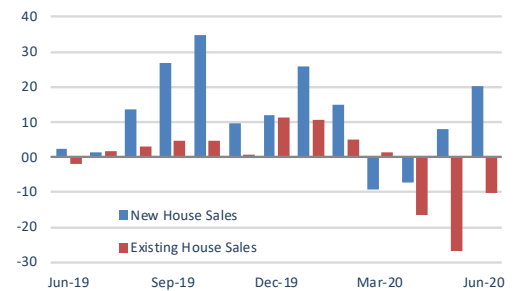
### CBRT did not change the policy rate.

At the Monetary Policy Committee meeting held on July 23, the CBRT kept the policy rate at 8.25% for the second time in a row, in line with market expectations. In the statement made after the meeting, it was declared that the economic recovery which started in May with the gradual steps towards normalization is gaining strength, also easing travel restrictions are expected to lead a partial improvement in tourism sector despite decreasing tourism revenues after the pandemic. It is also stated that the rise in unit costs due to the pandemic increased the trends of core inflation indicators while

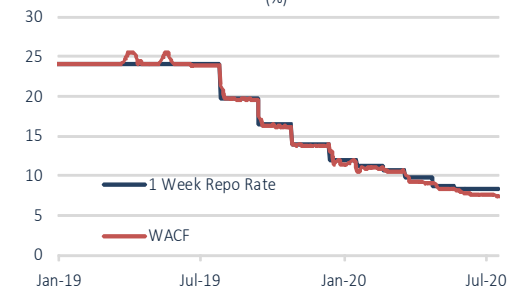
US and Euro Zone PMI



US House Sales  
yoy % change



Policy Interest Rate and CBRT WACF (%)



Source: Datastream

food inflation has also risen due to seasonal and pandemic related effects. The Board pointed out the importance of maintaining the cautious stance in monetary policy, stating that the maintaining sustained disinflation process is important in terms of achieving lower sovereign risk, lower long-term interest rates and having stronger economic recovery. CBRT also stated that The Committee maintains the view that demand-driven disinflationary effects will become more prevalent in the second half of the year, on the other hand risks on the year-end inflation projection are considered to be on the upside due to recent realizations in inflation.

#### Leading indicators...

The seasonally adjusted manufacturing industry capacity utilization rate increased by 4.9 points in July compared to the previous month and was realized as 70.7%, while the real sector confidence index increased by 9.6 points to 99.4. Sectoral confidence indices has also improved fast in July. In July, consumer confidence index decreased by 2.7% compared to the previous month and decreased to 60.9. While the probability of buying a house and/or a car in the next 12 months, which had increased in the previous two months, has decreased in July, while the sub-index for the probability of saving in the next 12 months has contracted fast with 14%. The consumer confidence index had its highest value since April 2019 in June with 62.6.

#### White goods sales increased in June.

White Goods Manufacturers' Association of Turkey (TÜRKİBESD) declared that the domestic sales of the six main product groups of the white goods industry has increased by 14% yoy in June in line with the rise in home sales. In the same period, as the exports remained flat, an annual growth of 4% was recorded in white goods production. In the January-June period, domestic sales in white goods rose by 4% yoy to 3.6 million units, while exports declined by 14% yoy with the contraction of the economic activity in the Europe, sector's main export market.

#### Recent developments in the tourism sector...

According to data announced by the Ministry of Culture and Tourism, the number of foreign arrivals in Turkey in June became 214.8 thousand people with a decrease of 96%. The number of foreign visitors in January-June period decreased by 75% compared to the same period of the previous year and became 4.5 million. Hotel Association of Turkey (TÜROB) announced that in June, in which the outbreak restrictions were started being lifted, average occupancy rate of hotels in Turkey decreased by 45.9 percentage points to 21.2% yoy.

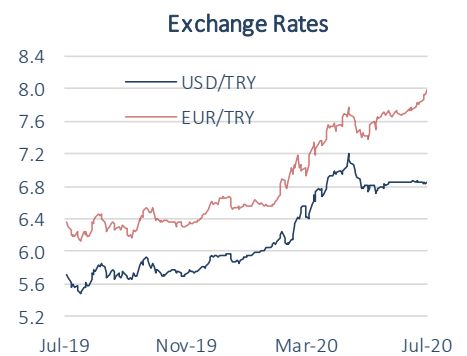
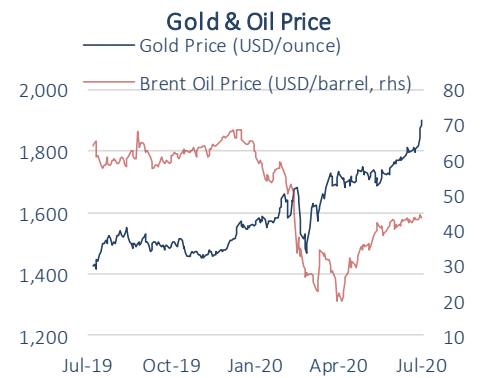
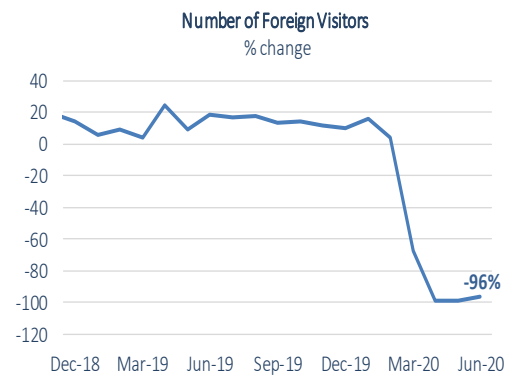
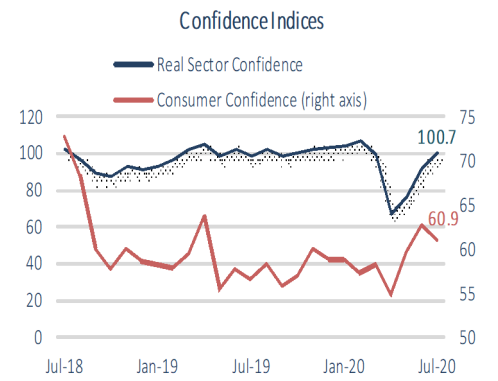
#### S&P kept Turkey's credit rating and the rating outlook.

S&P confirmed the long-term foreign currency credit rating of Turkey as "B+", and the long-term local currency credit rating as "BB-". According to the statement made, Turkey's economy is expected to contract by 3.3% this year due to the negative effect of the virus outbreak on economic activity, while it is expected to show a recovery of 4.5% in 2021.

#### Financial markets...

Last week, global stock markets followed a volatile course due to a mixed news feed including the agreement of EU leaders on the economic incentive package, positive news regarding the coronavirus vaccine and announcement of positive economic data, as well as the increasing number of the cases and the tension between the US and China. The BIST 100 index completed the week at 1,192 points with a flat course. Turkey's CDS premium decreased by 34 bps to 491 during the week. While the Turkish lira remained flat against the USD, EUR/TRY rose by 1.8% to 7.98.

This week, the Fed meeting will be followed together with the second quarter GDP data of the US and the Euro Area. In Turkey, the CBRT's Inflation Report and the second quarter tourism revenues will be announced.



Source: Datastream

Data Releases

		Period	Consensus	Prior
27 July	TR Manufacturing Confidence Index, SA	July	99.4 (A)	89.8
	TR Capacity Utilization, SA	July	70.7% (A)	65.8%
	US Durable Goods, mom	June	7.3% (A)	15.7%
	Germany Ifo Business Climate Index	July	90.5 (A)	86.3
28 July	US Consumer Confidence Index	July	94.5	98.1
29 July	TR Trade Balance	June		-3.4 billion USD
	TR Treasury Domestic Redemption	July	991 million TRY	
	US Pending House Sales, mom	June	15.3%	44.3%
30 July	Federal Open Market Committee Meeting	July	0-0.25%	0-0.25%
	TR Economic Confidence Index	July		73.5
	US GDP, quarterly, prelim	2Q 2020	-34.0%	-5.0%
	US Initial Jobless Claims	20-24 June	1.4 million persons	1.41 million persons
	Euro Zone Unemployment Rate	June	7.7%	7.4%
31 July	Germany GDP, quarterly, prelim	2Q 2020	-9.0%	-2.2%
	US Core CPI	June	0.2%	0.1%
	US Personal Consumption, mom	June	5.5%	8.2%
	Euro Zone GDP, quarterly, prelim	2Q 2020	-12.0%	-3.6%
	Germany Retail Sales, mom	June	-3.3%	13.9%
	China NBS Manufacturing PMI	July	50.7	50.9

(A) Actual

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