

	18-Sep	25-Sep	Change		18-Sep	25-Sep	Change
BIST-100 Index	1,112	1,124	1.1% ▲	EUR/USD	1.1837	1.1630	-1.7 % ▼
TRY 2 Year Benchmark Rate	13.68%	13.29%	-39 bp ▼	USD/TRY	7.5563	7.6607	1.4 % ▲
Turkey 5-Year CDS	524	540	16 bp ▲	EUR/TRY	8.9506	8.9138	-0.4 % ▼
MSCI EM Equity Index	1,109	1,059	-4.5 % ▼	Gold (USD/ounce)	1,950	1,860	-4.6 % ▼
US 10-Year Bond Rate	0.69%	0.66%	-3 bp ▼	Brent Oil (USD/barrel)	43.2	41.9	-2.9 % ▼

bp: basis point

The data released in the global markets last week presented mixed signals about the economic recovery. US PMI for September indicated a continued growth in the US manufacturing and services sectors. While manufacturing PMI in the Euro Area was realized at the highest level of the last two years in September, services PMI signaled a contraction in the sector. In Turkey, CBRT increased the policy rate by 200 basis points to 10.25% at its meeting held on Thursday. BRSA eased the restrictions on derivative transactions and changed the asset ratio regulation for banks.

#### Data releases in the US...

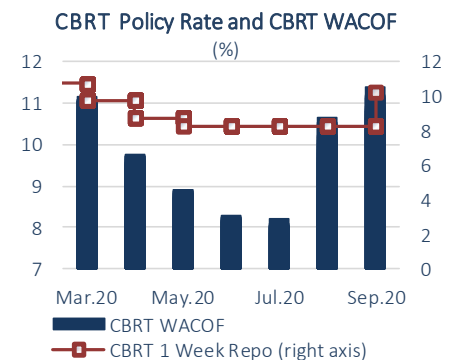
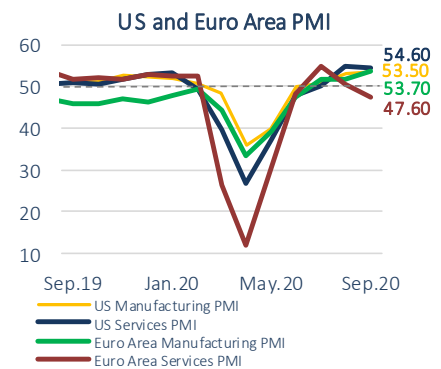
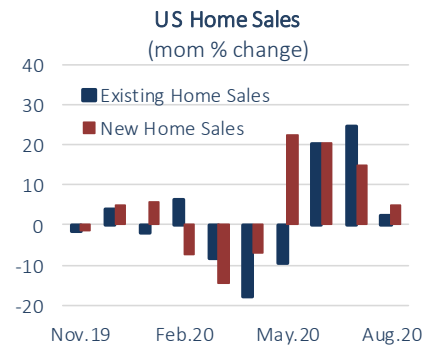
The recovery in the US housing market, recorded in recent months thanks to low interest rates, continued also in August. In this period, sales of second-hand houses in the country rose by 2.4% mom to 6 million units, the highest level since December 2006. In August, new house sales also increased by 4.8% mom and 43.2% yoy, contrary to the expectations of decline. According to preliminary figures, US manufacturing PMI for September reached 53.5 and services sector PMI became 54.6, pointing to continued growth in the sectors. On the other hand, the 0.4% increase in durable goods orders in August was below the expectations of 1.5%. Last week, weekly jobless claims in the US came in at 870K people and exceeded the expectations of 840K. This development raised concerns regarding the recovery in the labor market. Last week, Fed Chairman Powell reiterated that more financial support would be needed to fully recover the economy.

#### Data released in the Euro Area gave mixed signals.

Last week, ECB President Lagarde said that the recovery in the Euro Area economy is not yet complete, while the ECB has enough space to support the economy if necessary. Lagarde also stressed the negative impact of the appreciation of euro on inflation. According to preliminary data, the consumer confidence in the Euro Area showed some recovery in September. The index which fell to a seven-year low of -22.7 in April due to the pandemic, became -13.9, above the market expectations of -14.6 in September. In this period, manufacturing PMI in the region increased by 2 points on a monthly basis and reached the highest level of the last two years with 53.7. Services PMI, which decreased by 2.9 points compared to August and fell below the threshold value with 47.6, pointed out the second contraction in the sector since the beginning of the pandemic.

#### CBRT increased the policy rate by 200 basis points to 10.25%

At its meeting on Thursday, CBRT decided to increase the policy rate by 200 basis points to 10.25% from 8.25%, contrary to the market expectations that no changes would be made. CBRT stated that they were expecting pandemic-related supply-side inflationary factors to gradually phase out during the normalization period and demand-driven disinflationary effects to become more prevalent. Yet, as a result of fast economic recovery with strong credit momentum and financial market developments, inflation followed a higher-than-envisaged path. CBRT emphasized the importance of the tightening steps in order to contain inflation expectations and risks regarding the inflation outlook. Having provided a total of 40 billion TRY funding through traditional method repo auctions until Thursday, CBRT resumed its weekly



Source: FRED, CBRT, Datastream

repo auctions on Friday and funded the market with 5 billion TRY at the policy rate of 10.25%. CBRT was not funding the market via weekly repo auctions since August 6, 2020. As of September 25, weighted average cost of the CBRT funding increased by 59 basis points wov to 10.88%.

#### BRSA eased the limitations on swap transactions.

On Friday, BRSA announced its decision to ease the limitations imposed on TRY swaps and derivative transactions made by domestic banks with non-residents. Accordingly, the limit of the total amount of transactions (where banks receive TRY at the maturity) to the banks regulatory capital is risen to 10% again. The limits for the transactions (where banks pay TRY at the maturity) are determined as 2%, %5 and %20 for the transactions with the remaining maturity of 7 days, 30 days, 1 year, respectively. On September 28th, BRSA issued a decision to implement the active ratio of 95% for deposit banks and 75% for participation banks, as 90% and 70%, respectively.

#### Central Government Gross Debt Stock increased to 1.8 trillion.

As of the end of August, the central government gross debt stock increased by 44.92% yoy and became 1.810 trillion TRY. According to the statement of the Ministry of Treasury and Finance, 824.3 billion TRY of the debt stock is Turkish lira and 986.1 billion TRY is foreign currency debt. According to the CBRT data, the short-term external debt stock with a maturity of one year or less as of the end of July stands at USD 176.5 billion.

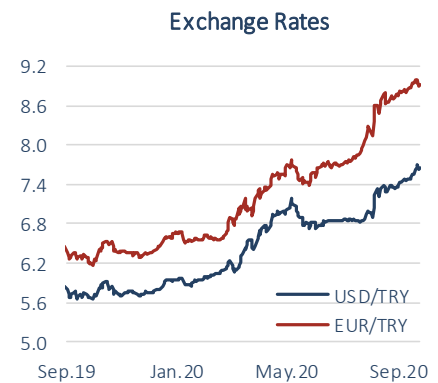
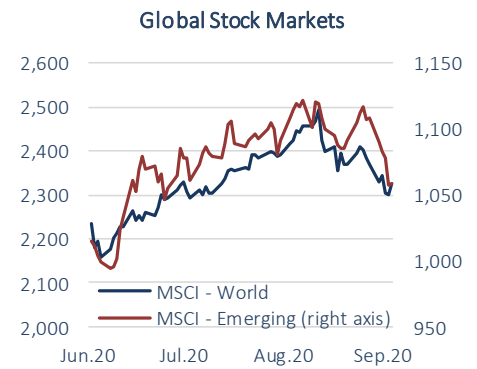
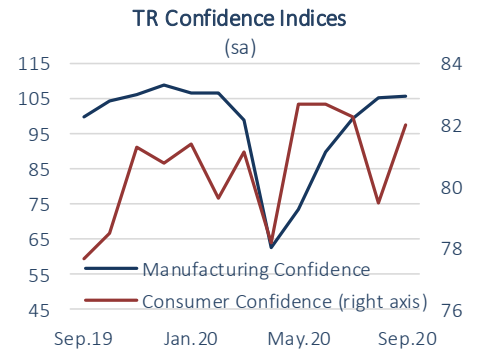
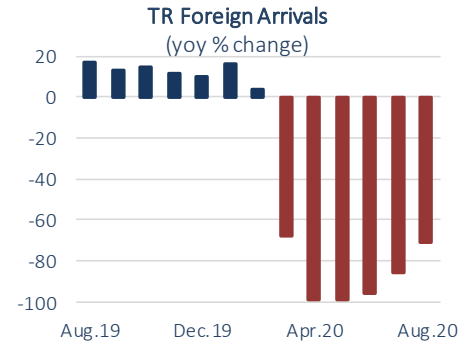
#### Confidence Indexes...

TURKSTAT announced a revision in the calculation method of the Consumer Confidence Index. In line with the recommendations of the European Commission's Directorate General of Economic and Financial Affairs, according to the amendment made to ensure the international comparability of the index, as of September, the "expectation for the number of unemployed" and the "possibility of saving" sub-indices for the 12-month period were removed from the consumer confidence index calculations. "Financial situation of the household in the current period compared to the previous 12-month period" and "the thought of spending on durable consumption goods in the next 12 months" sub-indices were added to the index. Seasonally adjusted Consumer Confidence Index, determined with the revised method, increased by 3.2% mom in September and reached the value of 82. While the real sector confidence index decreased by 0.9 points mom to 105.3 in September, the manufacturing industry capacity utilization rate rose by 1.3 points to 74.6%. According to data released by the Ministry of Tourism, the number of foreign visitors arriving in Turkey in August, declined by 71% yoy and became 1.81 million people. In the January-August period, the number of foreign visitors decreased by 76.6% yoy and became 7.3 million people.

#### Financial Markets...

Last week, global markets followed a volatile course throughout the week due to the tension between the US and China, the failure to reach an agreement on the new stimulus package in the US and the concerns about the course of the pandemic. During the week when the US dollar appreciated, gold prices fell by 4.6%.

After following a volatile course till the mid-week, domestic markets reacted positively to the steps taken by the CBRT and BRSA. BIST-100 rose by 1.1% wov to 1,124 points at Fridays close. The pressure on the value of TRY eased after CBRT's rate hike decision, but started to be felt again at the beginning of this week due to geopolitical developments. This week, employment data in the US and Euro Area stand out on the global data agenda. As well as foreign trade and PMI data, New Economy Program is expected to be announced this week in Turkey.



Source: TR Ministry of Culture and Tourism, CBRT, Datastream

Data Releases

		Period	Consensus	Prior
<b>29 September</b>	TR Economic Confidence Index	September	-	85.90
	US Consumer Confidence Index	September	89.2	84.8
	Euro Area Consumer Confidence Index, final	September	-13.9	-13.9
	Germany CPI, prelim, yoy	September	-0.1%	0.0%
<b>30 September</b>	TR Trade Balance	August	-	2.7 billion USD
	US GDP, final	Q2	-31.7%	-31.7%
	Germany Unemployment Rate	September	6.4%	6.4%
	UK GDP, yoy	Q2	-21.7%	-21.7%
<b>1 October</b>	TR Manufacturing PMI	September	-	54.3
	US Personal Consumption Expenditures, mom	August	0.7%	1.9%
	US Initial Jobless Claims, person	21-25 Sept	850k	870k
	US Markit Manufacturing PMI, final	September	-	53.5
	Euro Area Unemployment Rate	August	8.1%	7.9%
	Euro Area Manufacturing PMI, final	September	53.7	53.7
<b>2 October</b>	US Factory Orders, mom	August	1.3%	6.4%
	US Michigan Consumer Sentiment Index, final	September	78.9	78.9
	US Unemployment Rate	September	8.2%	8.4%
	US Non-farm Payroll	September	850k	1.371 million
	Euro Area CPI, prelim, yoy	September	-0.2%	-0.2%

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