

	23-Oct	30-Oct	Change		23-Oct	30-Oct	Change
BIST-100 Index	1,191	1,112	-6.6%	▼ EUR/USD	1.1859	1.1647	-1.8% ▼
TRY 2 Year Benchmark Rate	14.07%	14.99%	92 bp	▲ USD/TRY	7.9610	8.3448	4.8% ▲
Turkey 5-Year CDS	510	554	44 bp	▲ EUR/TRY	9.4468	9.7207	2.9% ▲
MSCI EM Equity Index	1,136	1,103	-2.9%	▼ Gold (USD/ounce)	1,901	1,878	-1.2% ▼
US 10-Year Bond Rate	0.84%	0.86%	2 bp	▲ Brent Oil (USD/barrel)	41.8	37.5	-10.3% ▼

bp: basis point

The number of COVID-19 cases has exceeded 46.5 million people, and the death toll has exceeded 1.2 million people worldwide. With the implementation of restriction measures, particularly in European countries, concerns regarding the global economy have been revived. GDP in the Euro Area and the US recorded rapid growth on a quarterly basis in the third quarter of 2020. On the other hand, growing concerns about the pandemic have strengthened the question marks regarding the sustainability of the recovery in economic activity on a global basis. At its meeting last week, the ECB kept its monetary policy unchanged and signaled that more stimulus could come at its December meeting, stressing that risks are clearly tilted to the downside. In Turkey, despite the increase in the weighted average funding cost, the depreciation in TRY persisted. In the last Inflation Report of this year, the CBRT increased its inflation expectation for 2020 from 8.9% to 12.1%, and from 6.2% to 9.4% for 2021. This week, the US Presidential elections and the Fed meeting stand out in global markets. In Turkey, inflation data will be closely monitored.

The European Central Bank has signaled for further expansionary policy.

The European Central Bank (ECB) did not change its monetary policy at its meeting last week, leaving the policy rate at 0%. In the statement released after the meeting, it was announced that purchases will continue within the scope of the Pandemic Emergency Purchase Program of 1.35 trillion euros, and that purchases of 20 billion euros per month will continue under the asset purchase program. Stating that the economy in the Euro Area is losing momentum faster than expected, ECB President Lagarde indicated that all tools will be reviewed and more incentives could be announced at the December meeting.

The Euro Area economy recorded a record growth rate of 12.7% qoq in the third quarter. However, the economy shrank by 4.3% yoy but it still displayed a more positive outlook than the expectations of 7% contraction. The German economy also grew by 8.2% on a quarterly basis, above the estimates. On the other hand, the Ifo index, which shows business confidence in Germany, decreased due to the increase in the number of coronavirus cases. The index declined to 92.7 in October after 5 months of rising trend. Recently, increasing concerns about the pandemic lead to the growing question marks with respect to the sustainability of the recovery in economic activity.

The US economy grew by 33.1% qoq in the third quarter.

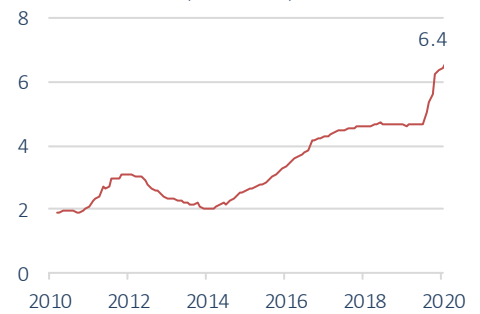
After contracting by 31.4% in the second quarter of 2020, the US economy grew by 33.1% qoq in the third quarter. (The economy contracted by 2.9% compared to the same period of the previous year). Private consumption expenditures, which increased by 40.7% qoq, made the biggest contribution to GDP growth with 25.3 points. In this period, investment spending and stock change also supported growth. However, it was noted that public expenditures and net exports were the items that constrained the record growth in the economy. Among last week's data releases, durable goods orders, initial jobless claims and personal consumption expenditures were better than expected.

CBRT revised its inflation forecasts upwards.

In the last Inflation Report of this year, the CBRT raised its year-end inflation forecast from 8.9% to 12.1% for 2020, and from 6.2% to 9.4% for 2021. Thus, the CBRT's inflation forecast for 2020 exceeded the 10.5% realization forecast of the

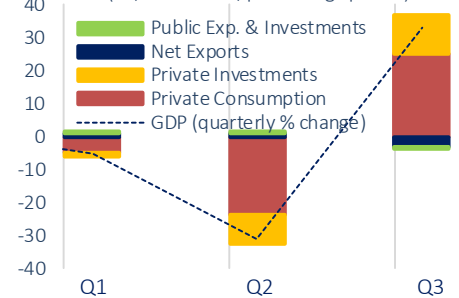
ECB Balance Sheet Size

(trillion EUR)

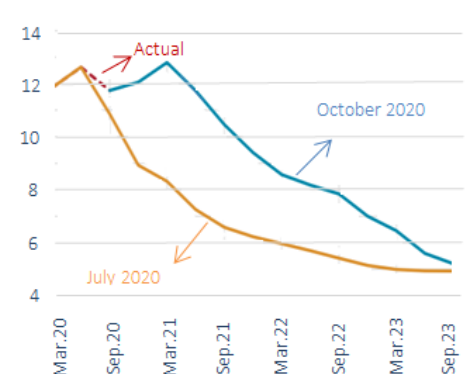


Economic Growth in US

(SA, annualized, percentage points)



CBRT Inflation Forecasts



Source: Datastream, Johns Hopkins

New Economy Program. Compared to the previous report, the revision in TRY denominated import prices has driven up the consumer inflation forecast by 1.6 points, while the revision in the output gap has increased the inflation forecast by 0.9 points and the rise in food inflation forecast has pushed the inflation forecast up by 0.7 points. The revision in the 2020 inflation forecast as well as import costs were the main drivers of the 3.2 points rise in the inflation forecast for 2021. While inflation is expected to stabilize around 5% over the medium term, CBRT Governor Uysal stated that the Central Bank has no target for the nominal or real exchange rate.

Foreign trade deficit became 4.8 billion USD in September.

In September, exports increased by 4.8% yoy to 16 billion USD, while imports picked up by 23% to 20.8 billion USD. Thus, trade deficit widened by 190% yoy to 4.8 billion USD in September. In the first 9 months of the year, the foreign trade deficit surged by 80% yoy to 37.9 billion USD. In this period, exports fell by 10.9%, while imports increased by 1.5%.

The fall in the number of foreign visitors, which started to decline sharply since March due to the pandemic, slowed down in September. The number of foreign visitors arriving in Turkey decreased by 59.4% yoy and became 2.2 million people. In the third quarter of this year, tourism revenues dropped by 71.2% compared to the same quarter of the previous year and became 4.4 billion USD.

Manufacturing PMI came in at 53.9 in October.

Manufacturing PMI rose from 52.8 in September to 53.9 in October. Thus, the index remained above 50 for the 5th month in a row. When the sub-indices are analyzed, it is seen that the increase in orders and new export orders indicates a recovery in demand, the growth in production also has a positive impact on employment. On the other hand, sub-indices of input and final product prices increased rapidly due to the depreciation of TRY.

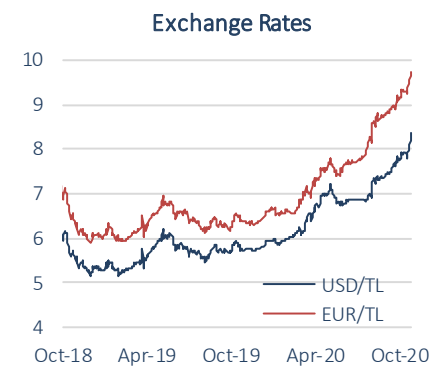
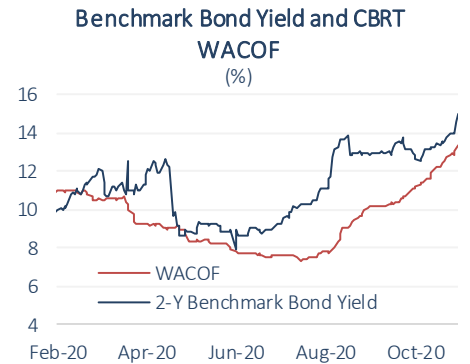
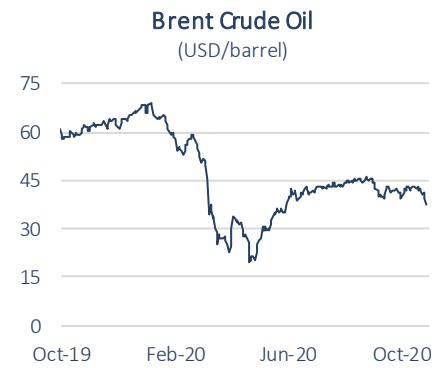
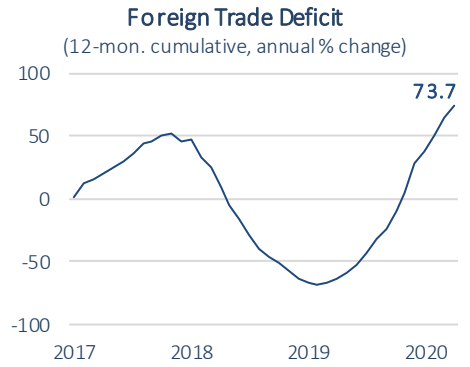
Oil prices fell due to the rising concerns about a second wave of the virus.

The heightened concerns over global demand caused by the second wave of the outbreak and the increase in Libya's oil production as well as the increase in the US crude oil stocks put downward pressure on oil prices. The price of Brent crude oil plunged to 35 USD/barrel this week, falling to its lowest level since May.

Financial markets...

Last week, despite strong quarterly GDP growth rates in the Euro Area and the US, the global risk appetite decreased due to the announcement of new restriction measures in European countries, especially in the UK, and waning hopes for the US stimulus package. This week, PMI data and the Fed meeting come to the fore in global markets. In addition, the US Presidential elections on November 3 will be at the center of the markets.

In Turkey, USD/TRY, which followed a fluctuating course after the CBRT's latest meeting, rose to historical high levels with the impact of the geopolitical developments and the increase in the number of coronavirus cases. The weighted average cost of the CBRT funding increased by 52 basis points wov to 13.40%, the highest level of this year. Turkey's risk premium of 5-year CDS rose sharply on weekly basis. This week, inflation data will be closely monitored in the domestic markets. According to the survey results, CPI is expected to increase by 2.1% on a monthly basis in October and annual inflation is expected to rise from 11.75% in September to 11.9% in October.



Source: Datastream, TurkStat

Data Releases

		Period	Consensus	Prior
2-Nov	TR Manufacturing PMI	October	53.9 (A)	52.8
	US Markit Manufacturing PMI, final	October	-	53.3
	US ISM Manufacturing Index	October	55.8	55.4
	Euro Area Markit Manufacturing PMI, final	October	54.8 (A)	54.4
3-Nov	TR CPI, yoy	October	11.90%	11.75%
	TR D-PPI, yoy	October	-	14.33%
	US Factory Orders, mom	September	1.0%	0.7%
4-Nov	US Markit Services PMI, final	October	-	56.0
	US ISM Non Manufacturing PMI	October	-	57.8
	Euro Area PPI, yoy	September	-2.4%	-2.5%
	Euro Area Markit Services PMI, final	October	46.2	46.2
5-Nov	US Initial Jobless Claims, persons	21-26 October	733 K	751 K
	US Fed Monetary Policy Meeting	October	0-0.25%	0-0.25%
	Euro Area Retail Sales, mom	September	-1.1%	4.4%
6-Nov	US Unemployment Rate	October	7.6%	7.9%
	US Non Farm Payrolls	October	600 K	661 K
	Germany Industrial Production, mom	September	2.8%	-0.2%

(A) Actual

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