

	8-Jan	15-Jan	Change		8-Jan	15-Jan	Change
BIST-100 Index	1,541	1,524	-1.0 % ▼	EUR/USD	1.2218	1.2078	-1.1 % ▼
TRY 2 Year Benchmark Rate	14.69%	14.76%	7 bp ▲	USD/TRY	7.3713	7.4733	1.4 % ▲
Turkey 5-Year CDS	307	328	21 bp ▲	EUR/TRY	9.0107	9.0287	0.2 % ▲
MSCI EM Equity Index	1,354	1,358	0.3 % ▲	Gold (USD/ounce)	1,848	1,827	-1.2 % ▼
US 10-Year Bond Rate	1.11%	1.10%	-1 bp ▼	Brent Oil (USD/barrel)	56.0	55.1	-1.6 % ▼

bp: basis point

Last week, the process for the impeachment of US President Trump began. President-elect Joe Biden announced the details of the 1.9 trillion USD stimulus package. Initial jobless claims above expectations in the country showed that the negative impact of the pandemic on the labor market persists. While industrial production in the Euro Area increased well above the market expectation in November, the German economy contracted by 5% in 2020 due to the pandemic, shrinking on an annual basis for the first time in 11 years. Chinese economy grew by 2.3% in 2020 and the foreign trade surplus in the country reached a record high level with 78.2 billion USD in December. In Turkey, industrial production increased by 11% yoy in November and housing sales rose by 11.2% yoy in 2020.

News flow on Covid-19 pandemic...

The number of coronavirus cases surpassed 95 million worldwide, and the number of people who lost their lives exceeded 2 million. While coronavirus vaccination continues on a global scale, it also started in Turkey last week. German Chancellor Merkel stated that the quarantine practices could be extended by 8-10 weeks if the mutated coronavirus could not be taken under control. The United Kingdom announced the closure of all travel corridors until at least 15 February. In Turkey, the statements that restrictions across the country would be steadily eased when the number of cases dropped below a certain threshold were followed.

Data releases in the US...

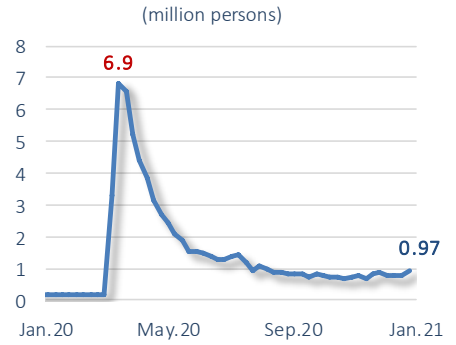
Last week in addition to the macroeconomic data agenda, an intense political agenda was followed in the US. With the bill submitted by the Democrats in the House of Representatives, the impeachment process of Trump has begun. US President Joe Biden, who will take over on January 20, announced the details of the 1.9 trillion USD stimulus package which was proposed for the economic recovery and the fight against the pandemic. Within the scope of the package, 1,400 USD cash assistance will be given to the households below a certain income level, 400 billion USD will be allocated for the fight against the pandemic and the distribution of vaccines, and 350 billion USD will be allocated for the budget deficits of local governments.

US initial jobless claims were registered at 965k persons, above the market estimates of 795k in the week ended at January 9th. In this period, applications increased by 181k people compared to the previous week and recorded the fastest weekly rise since March 2020. The industrial production index increased above the expectations by 1.6% mom in December. In the same period, the capacity utilization rate came in at 74.5% also exceeding the market expectations. Retail sales remained under pressure with the re-implementation of coronavirus measures and contracted by 0.7% mom.

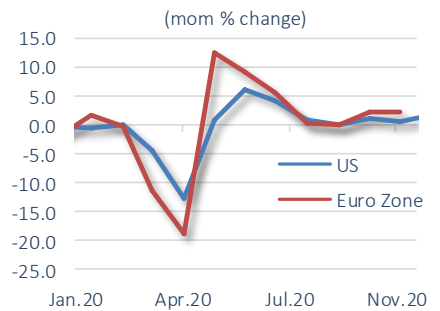
ECB minutes...

In the minutes of the ECB meeting held on 9-10 December, where the asset purchase program was increased by 500 billion EUR to 1.85 trillion EUR, it was stressed that additional monetary policy steps were required to support economic recovery. In the minutes, it was also stated that the risks regarding exchange rate developments may have negative effects on the inflation outlook. Industrial production in the euro area rose by 2.5% mom above the market expectations of 0.2% mom in November. Increases in the production of intermediate and capital goods were behind this

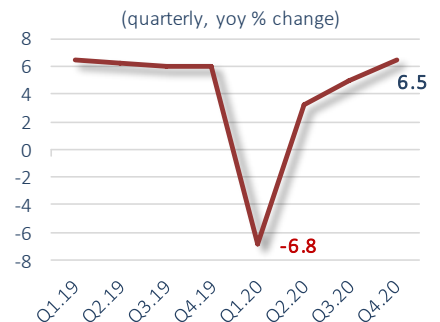
US Initial Jobless Claims



US and Euro Zone Industrial Production



China GDP Growth



Source: Datastream

development. In this period, industrial production decreased by 0.6% yoy, despite market expectations of a 3.3% decline. German economy contracted by 5% in 2020 due to the pandemic, declining for the first time in 11 years on an annual basis. German economy shrank by 5.7% in 2009.

China's economy grew by 2.3% in 2020.

China's economy grew by 2.3% in 2020 with the support of increasing exports as well as financial and monetary benefits that accelerated infrastructure and construction spending. Exports increased by 18.1% yoy to 281.9 billion USD December, while imports rose by 6.5% to 203.7 billion USD. Thus, the foreign trade surplus, which grew by 67.1% yoy to 78.2 billion USD in that period, reached its record high. China's foreign trade surplus hit 535 billion USD in 2020.

In Turkey, industrial production rose by 11% yoy in November.

According to the calendar adjusted data, industrial production increased above expectations by 11% yoy in November. In this period, seasonal and calendar adjusted industrial production, which has been expanding on a monthly basis since May, also rose by 1.3% mom.

The central government budget gave a deficit of 172.7 billion TRY in 2020.

The budget deficit, which was 124.7 billion TRY in 2019, increased by 38.5% in 2020 and reached 172.7 billion TRY. During this period, budget revenues increased by 17.6% and budget expenditures rose by 20.2%. The government announced that the budget deficit to GDP ratio is estimated to have been realized at 3.6% in 2020 and the target for the end of 2021 has been revised as 3.5% ([Our Budget Balance report](#)).

CBRT Survey of Expectations...

According to the results of the Survey of Expectations released by the CBRT in January, market expectation of economic growth for 2021 was revised from 3.8% to 3.9%, while the year-end CPI inflation expectation became 11.15%. The year-end USD/TRY expectation stood at 8.09 and the 1-week CBRT repo auction interest rate expectation for the next 12 months became 13.28%.

House sales increased by 11.2% yoy in 2020.

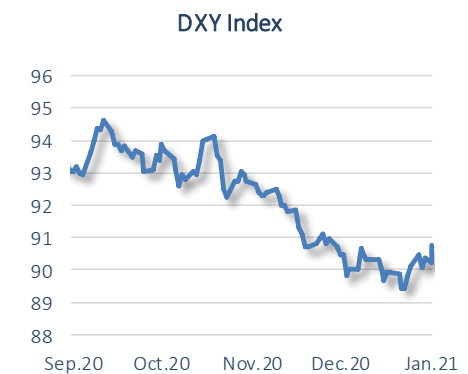
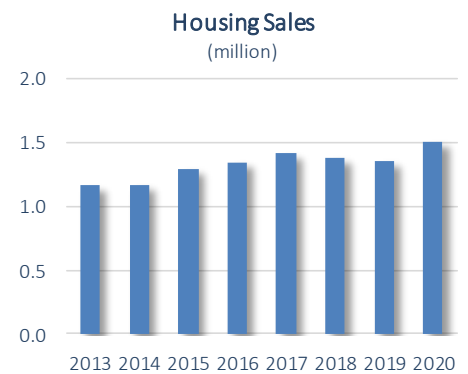
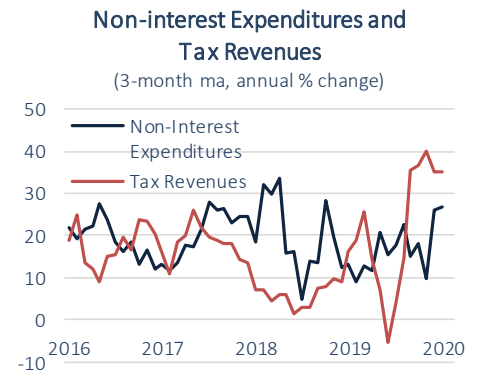
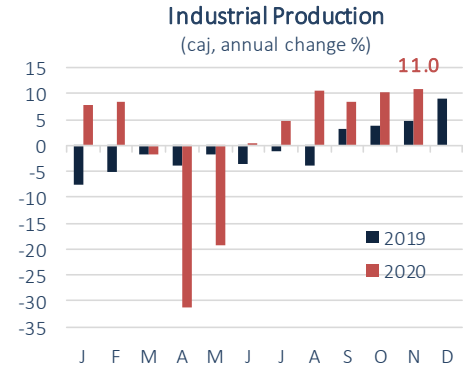
House sales in Turkey decreased by 48% yoy in December and became 106k units. In 2020, house sales increased by 11.2% compared to the previous year and reached 1.5 million units. Mortgaged sales, which accounted for 38.2% of total sales throughout the year, went up by 72.4% to 573k units, while other sales decreased by 8.9% to 926k.

In November 2020, the construction cost index rose by 23% compared to the same month of 2019, recording the fastest increase since May 2019. In this period, the rise in equipment cost became a major factor in the increase of the construction cost index.

Financial markets...

BIST-100 index, which displayed a volatile course throughout last week, closed the week at 1,524 points with a 1% decrease. USD/TRY rate, which tested the level of 7.52 during the week, increased by 1.4% wov to 7.4733 with the impact of the appreciation of the US dollar in global markets, while the EUR/TRY rate increased by 0.2% wov to 9.0287. Turkey's 5-year CDS risk premium rose by 21 basis points and became 328 basis points. The interest rate of the 2-year benchmark bond also went up by 7 basis points to 14.76% last week.

This week, in addition to the ECB meeting, US and Euro Area PMI data stand out in global markets agenda. In domestic markets, Consumer Confidence Index will be announced and the CBRT meeting will be watched closely.



Source: Datastream, TURKSTAT

Data Releases

		Period	Consensus	Prior
19 January	TR Treasury 15M No-Coupon Bond Issuance	January	-	-
	TR Treasury 5Y TLREF Indexed Bond Issuance	January	-	-
	Germany ZEW Economic Sentiment Index	January	60.0	55.0
20 January	Euro Area CPI, mom, final	December	0.3%	-0.3%
21 January	TR Consumer Confidence Index	January	-	80.1
	CBRT Monetary Policy Meeting	January	17.0%	17.0%
	US Philadelphia Fed Manufacturing Index	January	12.0	11.1
	US Weekly Initial Jobless Claims	11-16 Jan.	868K	965K
	US Housing Starts, units	December	1.56 million	1.55 million
	ECB Monetary Policy Meeting	January	-	-
22 January	US Markit Manufacturing PMI, flash	January	56.5	57.1
	US Markit Services PMI, flash	January	53.5	54.8
	Euro Area Markit Manufacturing PMI, flash	January	54.6	55.2
	Euro Area Markit Services PMI, flash	January	45.0	46.4
	US Existing House Sales, units	December	6.54 million	6.69 million

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