	29-Jan	5-Feb	Change		29-Jan	5-Feb	Change
BIST-100 Index	1,473	1,527	3.6 % ▲	EUR/USD	1.2136	1.2042	-0.8 % ▼
TRY 2 Year Benchmark Rate	14.69%	14.77%	8 bp ▲	USD/TRY	7.3099	7.0488	-3.6 % ▼
Turkey 5-Year CDS	308	284	-23 bp ▼	EUR/TRY	8.8773	8.4981	-4.3 % ▼
MSCI EM Equity Index	1,330	1,395	4.9 % ▲	Gold (USD/ounce)	1,846	1,812	-1.9 % ▼
US 10-Year Bond Rate	1.09%	1.17%	8 bp ▲	Brent Oil (USD/barrel)	55.9	59.3	6.2 % ▲

bp: basis point

Last week, the positive economic data releases and the developments regarding the stimulus package in the US supported the global markets. However, the news flow of coronavirus mutations and concerns about the vaccine supply suppressed the global risk appetite. In Turkey, according to provisional data, the domestic foreign trade deficit decreased by 32% yoy to 3.1 billion USD in January, recorded the fastest decline in the last 14 months. The annual increase in CPI, which rose above expectations in January, went up to 14.97%, while the domestic PPI increase reached the highest level of the last 20 months with 26.16%. In this period, manufacturing PMI data rose to 54.4. USD/TRY declined to 7.05 with the expectation that the CBRT would maintain its tight policy stance.

The news flow regarding the new variants of the coronavirus and the vaccination practices is followed.

Over 105 million Covid-19 cases have been recorded worldwide while the death toll exceeded 2.3 million people. The risks about vaccine production and supply remain as a concern for the upcoming period, while the news flow regarding the new variants of the coronavirus and vaccination practices are on the agenda. As of February 8, a total of over 128.3 million doses of coronavirus vaccines administered in 83 countries. In Turkey, more than 2.6 million doses administered.

Data releases in the US…

Last week, data released in the US signaled that the recovery in the labor market continues. Non-farm payrolls, which decreased by 140K persons in December as opposed to an expectation of an increase, rose by 49K persons in January. During this period, PMI data provided a positive outlook. Manufacturing PMI data reached its highest level (59.2) in more than 13 years, and services PMI rose from 54.8 to 58.3 in January.

Leading indicators in the Euro Area displayed a mixed outlook.

The contraction observed in the services sector due to the increasing number of cases and restrictions in the Euro Area continued in January. Services PMI data fell to 45.4 in January, while manufacturing PMI data displayed a positive outlook with 54.8. According to the flash data, Euro Area economy contracted by 5.1% yoy in the last quarter of 2020 and by 6.8% in 2020 as a whole. CPI in the region increased by 0.9% for the first time on an annual basis since July 2020, due to the rise in energy prices in January.

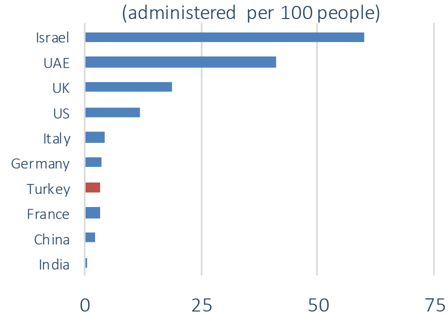
Portfolio flows towards emerging markets…

According to the data announced by the International Finance Institute (IIF), 53.5 billion USD of portfolio investment inflows were recorded towards emerging markets in January. 9.4 billion USD of the inflows was towards equity markets and 44.2 billion USD to debt securities markets. The ample global liquidity is positively affecting the prospects for portfolio flows towards developing countries in the upcoming period, with the effect of positive developments regarding vaccination and increasing risk appetite.

Annual CPI inflation rose to 14.97% in January.

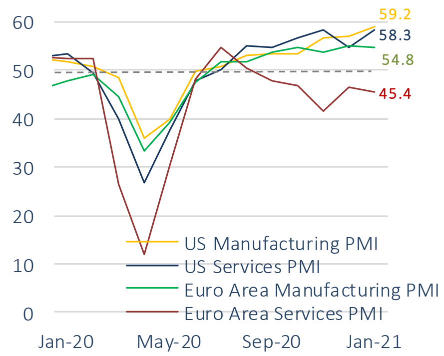
In January, inflation came in above the market expectations. The monthly increase in CPI became 1.68%, while annual CPI inflation reached 14.97%, which is the highest level since August 2019. In this period, the health group, which became the group with the fastest monthly rise in prices by 4.25%, pulled monthly CPI inflation up by 14 basis

Total COVID-19 Vaccinations as of February 6th
(administered per 100 people)

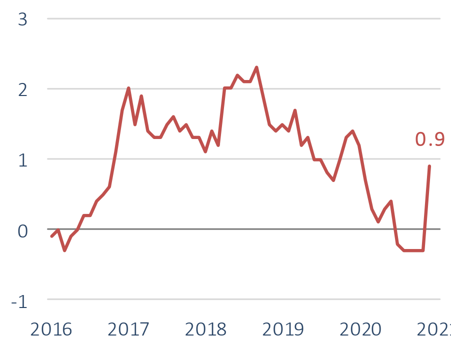


Source: Our World in Data

US and Euro Area PMI



Euro Area CPI
(yoy % change)



Source: Datastream

points. Moreover, the prices in food and non-alcoholic beverages group pushed up CPI inflation the most with 64 basis points. In January, domestic PPI (D-PPI) increased by 2.66% mom and the annual D-PPI inflation reached the highest level since May 2019 with 26.16%. The recent rises in international food and commodity prices and the high level of inflation expectations generate an upside risk on the inflation outlook (Our Inflation Report).

Manufacturing PMI increased rapidly in January.

Manufacturing PMI rose to 54.4 in January, signaling the strongest recovery since July 2020. Among the sub-items, new orders increased for the first time in the last three months while the fastest rise in the employment has been recorded for more than three years in this period. Relatively stable FX rates limited the sharp increase in raw material and ex-factory prices in January.

Foreign trade deficit decreased by 32% yoy in the first month of the year.

According to the preliminary foreign trade data released by the Ministry of Trade, exports increased by 2.5% yoy and became 15.05 billion USD, the highest January level since 2015 which is the first year the data was collected. In the same period, imports declined by 5.6% yoy and became 18.1 billion USD. Thus, the foreign trade deficit decreased by 32% to 3.1 billion USD in January, the fastest decline in the last 14 months. The rapid decline in the foreign trade deficit in the first month of the year is considered as a positive development in terms of rebalancing the economic activity.

Growth in the automotive market continued in January.

According to the data announced by the Automotive Distributors Association, the automobile and light commercial vehicle market expanded by 60.3% in January compared to the same month of the previous year and reached 43,728. In this period, total sales were 35.8% above the 10-year average due to the rapid increase in automobile sales. Thus, automobile and light commercial vehicle sales rose to the highest level since 2011 on January basis.

Treasury cash balance posted a deficit of 26.1 billion TRY in January.

Treasury cash balance posted a deficit of 26.1 billion TRY in the first month of the year. In the same month of 2020, the cash balance was a surplus of 22.7 billion TRY. Thus, the 12-month cumulative Treasury cash deficit, which was 181.8 billion TRY in December 2020, rose to 230.7 billion TRY.

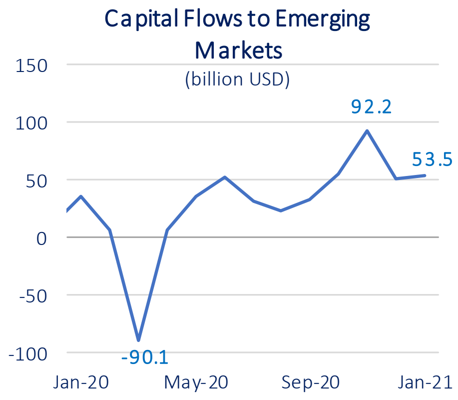
Financial markets…

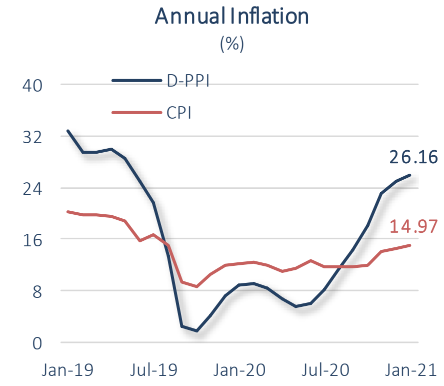
Last week, developments regarding the stimulus package in the US stood out on the agenda of global markets. On Friday, the US Senate passed a budget plan to the House of Representatives for final approval, paving the way for President Biden to pass the aid package without Republican support in the coming weeks. On the other hand, concerns over vaccine production and supply suppressed the global risk appetite.

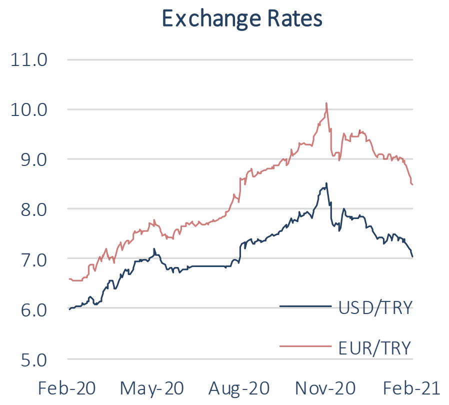
Due to the expectation that the CBRT would maintain its tight policy stance after higher than expected January inflation figure and the CBRT Governor Naci Ağbal's statement that the rate cut will not be on the agenda for a long time this year, the appreciation of Turkish lira continued throughout the week. USD/TRY declined by 3.6% wow to the lowest level in the last 4 months. BIST-100 index ended the week with an increase, while Turkey's CDS risk premium fell to 284 basis points.

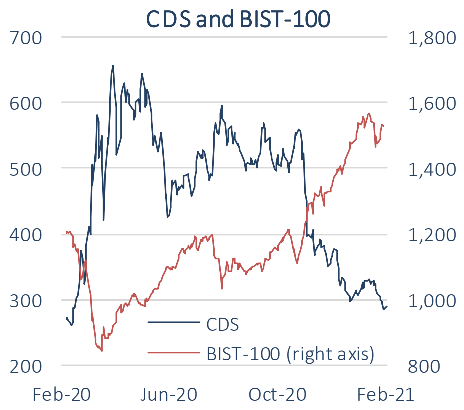
This week's agenda…

This week, balance of payments and industrial production data for December as well as November unemployment rate data will be followed. Also, CBRT's Survey of Expectations for February will be announced on Friday.









Source: Datastream, TURKSTAT, IIF

Data Releases

		Period	Consensus	Prior
8 February	Euro Area Sentix Index	February	-0.2 (A)	1.3
	Germany Industrial Output, mom	December	0.0% (A)	0.9%
9 February	TR Treasury 2Y Lease Sertificate Issuance	February	-	-
10 February	TR Unemployment Rate	November	-	12.7%
	US CPI, mom	January	0.3%	0.4%
	Germany CPI, mom, prelim	January	0.8%	0.8%
11 February	US Initial Jobless Claims, persons	1-6 February	750 thousand	779 thousand
	Fed Monetary Policy Report	February	-	-
12 February	TR Current Account Balance	December	-	-4.1 billion USD
	TR Industrial Production, yoy	December	-	11.0%
	TR Retail Sales, yoy	December	-	11.9%
	TR CBRT Survey of Expectations	February	-	-
	US Michigan Confidence Index, prelim	February	80.7	79.0
	England GDP Growth, qoq, prelim	2020 Q4	0.5%	16.0%

(A) Actual

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