

	12-Feb	19-Feb	Change		12-Feb	19-Feb	Change
BIST-100 Index	1,538	1,560	1.4% ▲	EUR/USD	1.2118	1.2117	0.0% ▼
TRY 2 Year Benchmark Rate	14.77%	14.89%	12 bp ▲	USD/TRY	7.0319	6.9587	-1.0% ▼
Turkey 5-Year CDS	289	282	-7 bp ▼	EUR/TRY	8.5283	8.4370	-1.1% ▼
MSCI EM Equity Index	1,429	1,430	0.1% ▲	Gold (USD/ounce)	1,823	1,782	-2.3% ▼
US 10-Year Bond Rate	1.20%	1.35%	15 bp ▲	Brent Oil (USD/barrel)	62.4	62.9	0.8% ▲

bp: basis point

Last week, in addition to the PMI data in the US and the Euro Area, the minutes of the Fed and ECB meetings held in January were followed. Leading PMI data for February pointed to the continuation of recovery in the manufacturing industry of leading economies, while displaying a mixed outlook for the services sector activity. According to the report published by the IIF, the global debt stock increased by 24 trillion USD and reached 281 trillion USD in 2020. Fitch affirmed Turkey's credit rating as BB-, while revising the rating outlook from negative to stable. At its meeting held on February 18th, CBRT kept the policy rate at 17% in line with the expectations. In parallel with the global markets, a volatile course prevailed in Turkish markets throughout the week.

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

Last week, PMI data for February in the US indicated a brisk pace of activity in the manufacturing and services sectors. In February, Markit manufacturing PMI was realized as 58.5 in line with expectations, while services PMI increased to 58.9, above expectations. Retail sales, which have been declining since October 2020 due to the impact of coronavirus measures in the US, recorded its fastest rise of the last 7 months by 5.3% mom in January 2021, thanks to the pandemic relief payments to households. Due to the rise in costs, PPI recorded its fastest monthly increase since December 2009 by 1.3% in January. The weekly initial jobless claims in the week ending February 13 exceeded market expectations with 861K persons and confirmed that the recovery in the labor market in the US will not be seen in short term.

The minutes of the Fed meeting on 26-27 January stated that 12-month PCE inflation may surpass the 2% target in the second quarter of this year, but many participants stressed the importance of distinguishing between such one-time changes in relative prices and changes in the underlying trend for inflation. It was also stated that the labor market is far from reaching the maximum employment target and it will take some time to reach this target even though there is a rapid improvement. Fed officials said that they are ready to keep their loose monetary policy to help the improvement in the labor market.

#### Weak course in the services sector continues in the Euro Area.

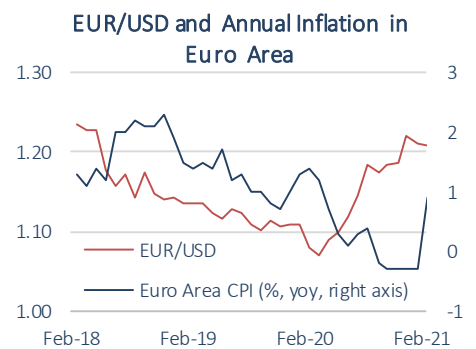
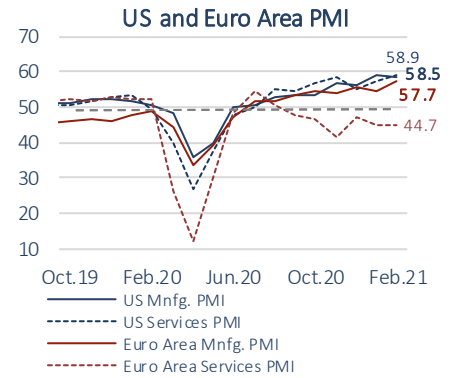
In the Euro Area, manufacturing PMI was realized as 57.7 in February, while services PMI declined to 44.7, indicating that the weak course in the sector continues. In the minutes of the ECB meeting held in January, concerns regarding the Euro Area inflation being well below the targeted level and the strong course in the EUR came to the fore.

#### Global debt stock rose rapidly in 2020.

According to the Global Debt Monitor report published by the International Institute of Finance last week, the rise in global debt stock in 2020 was much faster than the increase in 2009 financial crisis. Global debt stock rose by 24 trillion USD to 281 trillion USD in 2020, reaching 355% of global GDP.

#### CBRT kept the policy rate at 17%.

At its meeting held on February 18, the CBRT kept the policy rate at 17% in line with the market expectations. In the statement released after the meeting, it was stated



Source: Datastream, IIF

that domestic demand conditions, cumulative cost effects, in particular the exchange rate developments, the rise in international food and other commodity prices and high levels of inflation expectations continue to negatively affect pricing behavior and inflation outlook. Accordingly, the CBRT announced that the current decisive stance in the monetary policy will continue for a long time until strong indicators point to a permanent decline in inflation and price stability, and additional monetary tightening will be made if needed.

#### House sales in Turkey fell by 37.9% in January.

According to the Residential Property Price Index (RPPI) announced by the CBRT, the annual increase of 30.3% in house prices in December 2020 has been the fastest rise since the beginning of 2010. The annual real increase in RPPI was 13.7% in December 2020. On the other hand, the annual downward trend in house sales since September 2020 due to the rise in interest rates continued in the first month of 2021. According to TurkStat, house sales decreased by 37.9% yoy in January to 71K units. In the same period, the mortgaged house sales decreased by 74.6% yoy to the lowest level since July 2019 and the share of mortgage sales in total sales became 15%. Other sales also declined by 16.1%.

According to the data announced by TURKSTAT, the seasonally adjusted consumer confidence index increased by 1.5% mom in February to 84.5. In the same period, real sector confidence index rose by 2.3 points compared to the previous month and became 109.3.

#### Fitch revised Turkey's credit outlook from negative to "stable".

International credit rating agency Fitch revised the outlook on Turkey's Long-Term Foreign-Currency Issuer Default Rating (IDR) from "negative" to "stable" while affirming the Turkey's IDR at BB- level. Fitch asserted that Turkey's return to a more consistent and orthodox policy mix helped to ease near-term external financing risks and became one of the prominent key drivers of their decision. Fitch estimates that Turkish economy has grown by 1.4% in 2020, while predicting 5.7% growth for 2021. Fitch's inflation forecast for Turkey is 11% for 2021 and 9.2% for 2022.

#### The decisions taken last week...

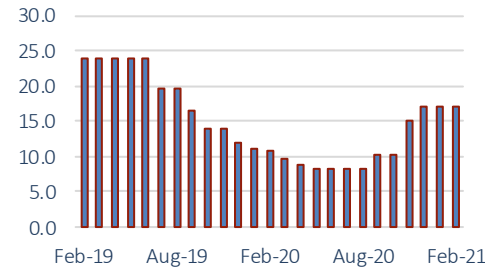
After the cabinet meeting held on Wednesday regarding the coronavirus restrictions, it was announced that cities will be divided into four groups according to criteria such as the case number and vaccine rates determined by the Ministry of Health, thereby the gradual normalization process will start as of the beginning of March. With the decision published in the Official Gazette, it was announced that the short-time working allowance period for workplaces that applied for short-term working until 31 January 2021 has been extended to 31 March 2021.

#### Markets...

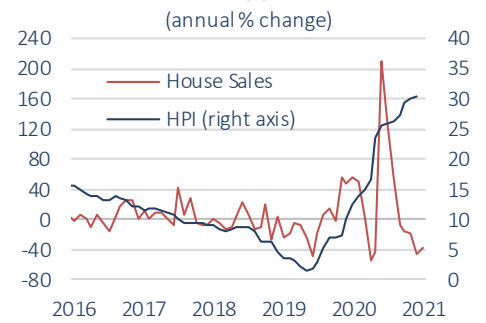
Last week, bad weather conditions in the US state of Texas caused disruptions in oil production, leading a rise in oil prices. The global financial markets displayed a mixed outlook throughout the week. The rise in inflation expectations in the US led an increase in the US 10-year Treasury bond interest rates. Gold prices declined rapidly due to the increase in US bond yields and the value of the US dollar.

Domestic financial markets also followed a volatile course parallel to global markets. CBRT's statements on the maintenance of tight monetary policy stance for a long time supported TRY through the week while the appreciation of the USD in global markets put pressure on it. USD/TRY hovered around 7 last week. BIST-100 index increased by 1.4% wov and closed at 1.560 points.

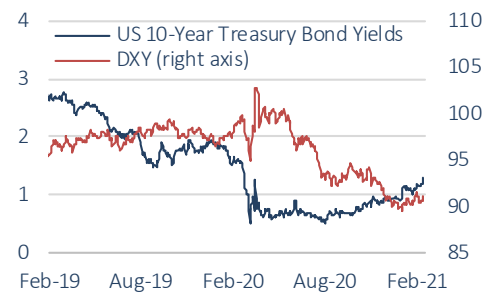
CBRT Policy Rate (%)



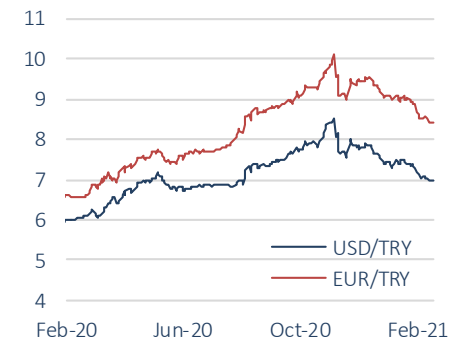
House Sales and Housing Price Index



US 10-Y Treasury Bond Yields and DXY Index



Exchange Rates



Source: Datastream, CBRT, TurkStat

Data Releases

		Period	Consensus	Prior
22-Feb	TR Manufacturing Confidence Index	February	109.3 (A)	107.0
	TR Capacity Utilization Ratio	February	74.9% (A)	75.4%
	TR Foreign Arrivals, yoy	January	-71.5% (A)	-67.4%
	TR Central Government Gross Debt Stock	January	-	1.81 billion TRY
	Germany Ifo Business Climate Index	February	92.4 (A)	90.1
23-Feb	US Consumer Confidence Index	February	90.0	89.3
	Euro Area CPI, yoy, final	January	0.9%	0.9%
24-Feb	US New House Sales, units	January	855K	842K
	Germany GDP, yoy	Q4	-2.9%	-2.9%
25-Feb	TR Economic Confidence Index	February	-	96.2
	US Durable Goods	January	1.1%	0.5%
	US GDP, qoq,revision	Q4	4.2 %	4.0 %
	US Initial Jobless Claims	15-20 February	838K	861K
	Euro Area Economic Confidence Index	February	92.0	91.5
	Euro Area Consumer Confidence Index	February	-14.8	-14.8
26-Feb	TR Foreign Trade Balance	January	-	-4.53 billion USD
	US Personal Consumption Expenditures	January	2.5%	-0.2%
	US Michigan Confidence Index	February	76.5	76.2

(A) Actual

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