

|                           | 21-May  | 28-May  | Change   |                        | 21-May  | 28-May  | Change  |
|---------------------------|---------|---------|----------|------------------------|---------|---------|---------|
| BIST-100 Index            | 1,452   | 1,422   | -2.1 % ▼ | EUR/USD                | 1.2179  | 1.2189  | 0.1 % ▲ |
| TRY 2 Year Benchmark Rate | 18.29 % | 18.78 % | 49 bp ▲  | USD/TRY                | 8.4066  | 8.5484  | 1.7 % ▲ |
| Turkey 5-Year CDS Premium | 398     | 407     | 9 bp ▲   | EUR/TRY                | 10.2526 | 10.4324 | 1.8 % ▲ |
| MSCI EM Equity Index      | 1,330   | 1,361   | 2.3 % ▲  | Gold (USD/ounce)       | 1,880   | 1,903   | 1.2 % ▲ |
| US 10-Year Bond Rate      | 1.63 %  | 1.59 %  | -4 bp ▼  | Brent Oil (USD/barrel) | 66.4    | 69.6    | 4.8 % ▲ |

bp: basis point

Last week, Fed officials' statements on inflation and monetary policy were effective on global markets. In the US, where a heavy data agenda was followed, the core PCE price index rose by 3.1% yoy in April recording its fastest increase since July 1992. The Turkish economy grew by 7% yoy in the first quarter 2021. The CBRT published the first Financial Stability Report of the year. It was announced that the loan support programme "Nefes", which will provide financing to SMEs in cooperation with TOBB and Credit Guarantee Fund, will begin to be implemented as of June 1st. Turkish financial markets were under pressure throughout the week due to the geopolitical developments. This week, the US non-farm employment data stands out on the global markets agenda. In Turkey, inflation and PMI data will be closely followed.

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

A busy data agenda was followed in the US last week. The annualized GDP growth of the US economy for the first quarter of 2021 was confirmed as 6.4%. Durable goods orders in the country decreased by 1.3% mom in April, mainly because of the chip shortage that restrained automobile production. In this period, the housing market also displayed a weak performance due to the increase in home prices. In April, the core personal consumption expenditure price index (PCE) in the US rose by 0.7% mom and by 3.1% yoy, the fastest since July 1992. Personal income, which rose 21% on a monthly basis in March thanks to the increase in government's payments, decreased by 13.1% mom in April. In May, the consumer confidence index in the US declined for the first time since the beginning of the year. On the other hand, the unemployment benefit applications for the week ending on May 22 continued to decrease and became 406K people, remaining below the expectations of 425K people.

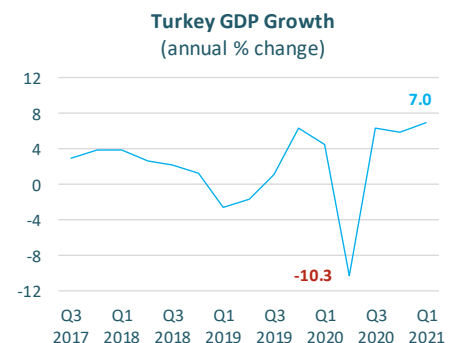
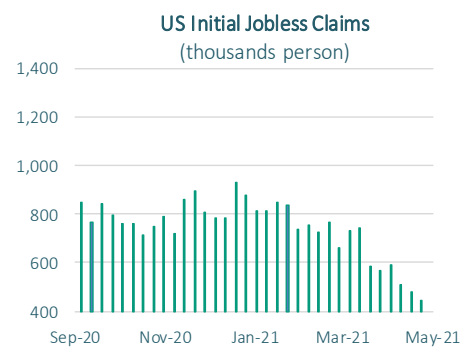
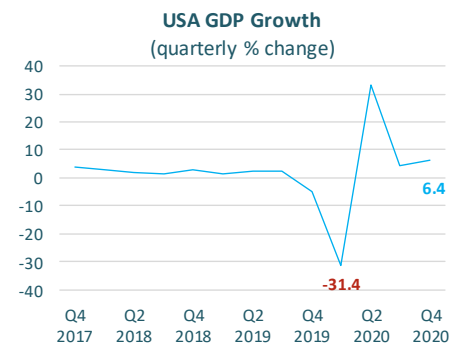
US President Joe Biden unveiled 6 trillion USD budget proposal for the fiscal year 2022, which includes investments in areas such as infrastructure, education and health. US Treasury Minister Yellen stated that the said budget will increase the size of government debt above the GDP. On the other hand, Yellen stated that this increase in debt will not raise the inflation, which she described as temporary.

#### Turkish economy grew by 7% in the first quarter of 2021.

According to the chain linked volume index, the Turkish economy grew above market expectations by 7% yoy in the first quarter of 2021. According to seasonally and calendar adjusted data, Turkish economy expanded by 1.7% qoq in this period. Consumption expenditures contributed 4.7 pp to overall GDP growth, while the contributions of investment expenditures and net exports were 2.9 pp and 1.1 pp, respectively. The stock change, which also includes the statistical errors, limited the growth by 1.5 points.

#### CBRT published the first Financial Stability Report of the year.

In the first Financial Stability Report of the year published by the CBRT on Friday, it was stated that the strong loan growth thanks to the measures and incentives specific to the pandemic period has started to weaken due to the tightening in financial conditions recently, and it is important to maintain the current moderate



Source: Datastream

trends in retail loan developments, which are closely monitored in terms of inflation and macroeconomic stability. Moreover, the CBRT expects that the improvement in the current account balance will continue in the upcoming period. According to the report, the slowdown in loans along with the tightening in financial conditions, the decline in gold imports and the increase in foreign demand are effective in this outlook. The report reiterated the importance of tight monetary stance against external and temporary volatility in terms of inflation expectations, pricing behavior and financial market developments.

#### “Nefes” Loan Programme...

In cooperation with TOBB and the Credit Guarantee Fund (KGF), it was announced that the Loan Programme “Nefes”, which will provide financing to SMEs, will be implemented as of June 1st. Businesses with a turnover of 10 million TRY or less and had a 25% loss in their turnover in 2020 will be able to benefit from the loan. Accordingly, SMEs with a turnover of below 1 million TRY in 2020 will be able to use loan with a maximum amount of 50K TRY and SMEs with a turnover of between 1-10 million TRY will be able to use a maximum of 200K TRY loan, while the annual interest rate of the loan will be 17.50%.

#### Real sector confidence index declined in May.

The seasonally adjusted capacity utilization rate of manufacturing industry fell by 1 point mom and became 75.2% in May. In this period, the seasonally adjusted real sector confidence index also decreased by 0.3 points to 107.1 but maintained its course above the threshold level of 100. In terms of sub-indices, the relative improvement in the export orders in the next three months and in the evaluations regarding the general course was noteworthy, while the expectations for the employment and production volume for the next three months deteriorated. In May, the services and retail sector confidence indices decreased by 1.1% and 2.1%, respectively, the construction sector confidence index increased by 3%. Thus, the economic confidence index decreased by 1.3% mom and became 92.6 in May.

#### The number of foreign visitors increased rapidly in April due to the low base effect.

According to the data published by the Ministry of Tourism, the number of foreign visitors to Turkey increased by 3.162% yoy and became 790K people in April. The low base effect in April 2020, when the negative impact of the pandemic restrictions were distinct, was behind this development. In the January-April period, the number of foreign visitors decreased by 35.6% yoy and became 2.74 million people.

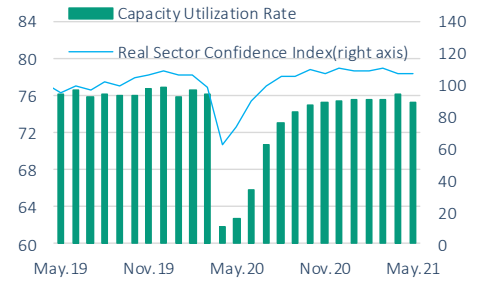
#### Markets...

Oil prices rose last week, while the expectation that oil supply may increase following the ongoing negotiations with Iran regarding sanctions limited the rise in prices. The barrel price of Brent crude oil rose by 4.8% wov to 69.6, touching its highest level in nearly two years. The DXY index and the US 10-year Treasury bond yields decreased as Fed officials' stated during the week that the inflation increase was temporary, while investors' tendency towards safe haven investments increased. Thus, gold prices rose by 1.2% wov to 1,903 USD/ounce. On the other hand, in addition to the high inflation data released on the last day of the week, Fed officials' statements that they are getting closer to discuss the tightening in monetary policy led to a rise in the DXY index at the end of the week.

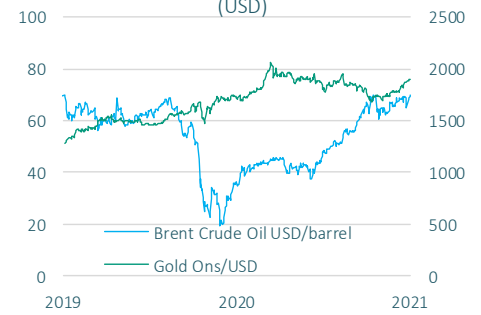
Last week, while MSCI EM stock market index increased wov, Turkish markets diverged negatively due also to geopolitical developments. BIST-100 index decreased by 2.1% wov to 1,422, and Turkey's 5-year CDS premium increased. The USD/TRY exchange rate hit its historic high of 8.61 on Friday.

This week a heavy data agenda will be followed. US non-agricultural employment data stands out in global markets while inflation and PMI data will be closely monitored in Turkey.

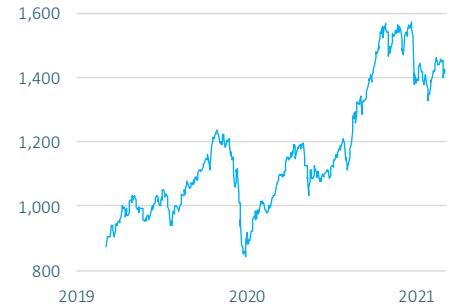
Real Sector Confidence Index and CUR



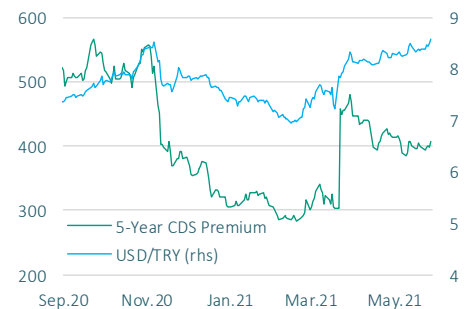
Brent Crude Oil and Gold Price (USD)



BIST-100 Index



USD/TRY and CDS Premium



Source: Datastream

Data Releases

|               |                                     | Period    | Consensus | Prior  |
|---------------|-------------------------------------|-----------|-----------|--------|
| <b>31 May</b> | TR GDP Growth                       | 2020 Q1   | 7.0%(A)   | 5.9%   |
| <b>1 June</b> | TR Manufacturing PMI                | May       | -         | 50.4   |
|               | USA Manufacturing PMI, final        | May       | -         | 61.5   |
|               | Euro Area Manufacturing PMI, final  | May       | 62.8      | 62.8   |
|               | Euro Area CPI Inflation, flash, yoy | May       | 1.9%      | 1.6%   |
|               | Euro Area Unemployment Rate         | April     | 8.1%      | 8.1%   |
| <b>3 June</b> | TR CPI Inflation, yoy               | May       | -         | 17.14% |
|               | USA Services PMI, final             | May       | -         | 70.1   |
|               | USA ADP Employment Report           | May       | 650K      | 742K   |
|               | USA Initial Jobless Claims          | 24-29 May | 395K      | 406K   |
|               | Euro Area Services PMI, final       | May       | 55.1      | 55.1   |
| <b>4 June</b> | USA Nonfarm Payrolls                | May       | 650K      | 266K   |
|               | USA Unemployment Rate               | May       | 5.9%      | 6.1%   |
|               | USA Factory Orders, mom             | April     | -0.2%     | 1.1%   |
|               | Euro Area Retail Sales, mom         | April     | -1.2%     | 2.7%   |

(A) Actual

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