

	18-Jun	25-Jun	Change		18-Jun	25-Jun	Change
BIST-100 Index	1,391	1,392	0.1 % ▲	EUR/USD	1.1860	1.1933	0.6 % ▲
TRY 2 Year Benchmark Rate	19.07 %	18.41 %	-66 bp ▼	USD/TRY	8.7257	8.7493	0.3 % ▲
Turkey 5-Year CDS Premium	388	379	-10 bp ▼	EUR/TRY	10.3716	10.4606	0.9 % ▲
MSCI EM Equity Index	1,361	1,380	1.3 % ▲	Gold (USD/ounce)	1,763	1,780	1.0 % ▲
US 10-Year Bond Rate	1.44 %	1.52 %	8 bp ▲	Brent Oil (USD/barrel)	73.5	76.2	3.6 % ▲

bp: basis point

Last week, the mixed signals of the Fed officials' statements regarding inflation and interest rate hikes caused volatility in the global markets. Data releases indicated that the recovery in the US and Euro Area economic outlook has continued. Last week, the price of Brent crude oil settled up 3-year high by reaching 76.2 USD per barrel. While vaccination has been accelerating in Turkey, it was announced that the curfew will be completely lifted as of July 1st. following the Cabinet meeting held on June 21st Russia has ended the flight restrictions to Turkey as of June 22nd. Moreover, June readings of confidence indices were up in Turkey. Global markets will focus on US nonfarm payrolls data this week.

US manufacturing PMI reached its new high.

Housing market in the US displayed a weak outlook in May due to the rapid rise in house prices based on limited supply. While existing house sales decreased by 0.9%, new house sales also declined by 5.9% mom in May. On the other hand, other figures released in the US last week indicated that the economic recovery continues. Durable goods orders recorded the fastest rise in 4 months, growing by 2.3% mom in May due to the increase in orders of aircraft and transportation equipment. The preliminary manufacturing PMI data continued to rise for the fourth consecutive month and renewed its record with 62.6, thanks to the ease of pandemic restrictions in June and the strength of the economic activity. Preliminary services PMI data maintained its high level despite falling from 70.4 to 64.8. Although the initial jobless claims data for the week ending at June 19th was above expectations, it decreased by 7 thousand people compared to the previous week and came in at 411 thousand.

The statements of Fed Presidents are followed closely.

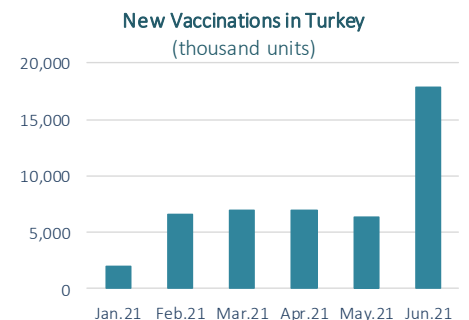
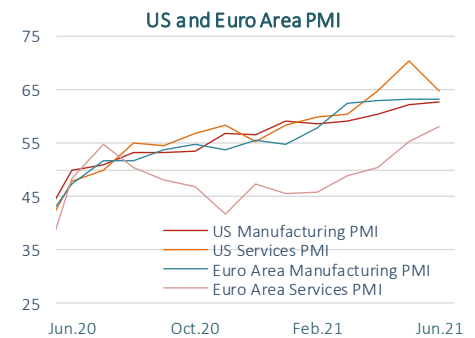
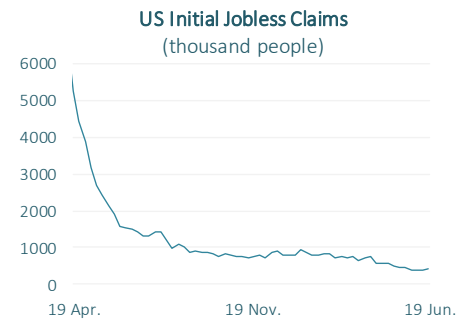
Last week, the Fed Chairmen's speeches were closely watched by the markets. Noting that the inflation rate is higher than anticipated, St. Louis Fed President Bullard said he expects the first rate hike to take place in late 2022. Atlanta Fed President Bostic and Dallas Fed President Kaplan also backed Bullard's statements last week. Fed Chair Powell reiterated that the Fed is encouraging a "broad and inclusive" recovery in the labor market, adding that interest rates will not be raised earlier than expected, based solely on inflation concerns. Richmond Fed President Barkin also described the rise in inflation as temporary.

Recovery in Euro Area economic outlook continues.

The preliminary PMI data in the Euro Area also displayed a positive outlook in June. PMI data were up slightly above expectations; realizing as 63.1 in manufacturing and 58.0 in services. Thus, the composite PMI, which is calculated based on manufacturing and services PMIs, reached its highest level in the last 15 years by increasing to 59.2. Recovery in the new orders sub-index which had the fastest increase since June 2006 has played an important role in this development.

Vaccination gained momentum in Turkey.

Last week, as vaccination accelerated in Turkey, the total number of vaccines administered as of June 27th exceeded 47 million doses. Thus, 39% of the total



Source: Datastream, Our World in Data

population was vaccinated with at least 1 dose. Russia, which has been imposing travel restrictions on Turkey for about two months, has launched travel to Turkey as of June 22nd. Tourism revenues are expected to be positively affected by this decision, while the rapid spread of the Delta variant, especially in Russia and the UK, raises new concerns. According to the data announced by the Ministry of Tourism, the number of foreign visitors to Turkey, which was recorded approximately as 30K in May 2020, reported as 936K in May 2021. In the January-May period, the number of foreign visitors decreased by 14.3% yoy to 3.7 million people.

Confidence indices increased in June.

The seasonally adjusted real sector confidence index and capacity utilization rate (CUR) in manufacturing industry, turned upwards in June after declining in May due to the acceleration of vaccination and normalization steps. The seasonally adjusted real sector confidence index increased by 2.7 points compared to the previous month and became 109.8 in June. In this period, sectoral confidence indices increased by 6.2% in services sector, 4.8% in retail trade sector, and 3.6% in construction. Confidence in the services and retail trade sectors has recovered after the deterioration in April-May period. The seasonally adjusted CUR in manufacturing industry increased by 1.1 points mom and became 76.3% in June. Seeing its 2-year lows by falling to 77.3 in May, seasonally adjusted Consumer Confidence Index rose by 5.8% mom and became 81.7 in June.

The CBRT released the summary of the Monetary Policy Committee meeting.

In the text published by the CBRT regarding the meeting held on June 17th, it was stated that inflation will follow a volatile course in the short term due to various factors on the supply and demand side including the changes in commodity prices. The CBRT emphasized that the policy stance will continue to be determined by taking into account developments and expectations in the course of inflation at a level of tightness that will establish the disinflation process as soon as possible and ensure its sustainability until the medium-term targets are achieved.

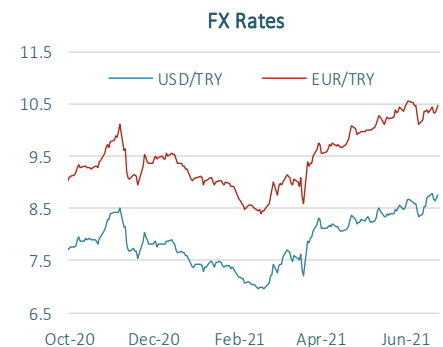
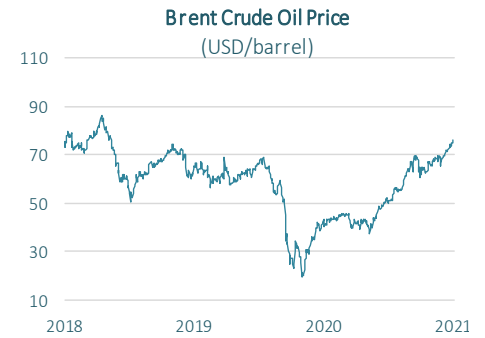
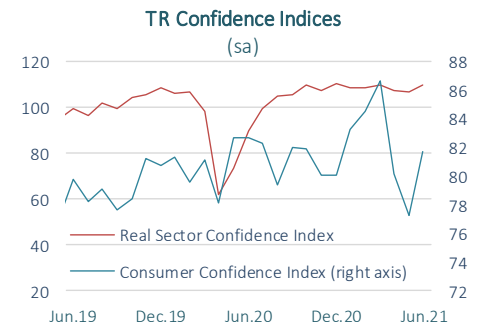
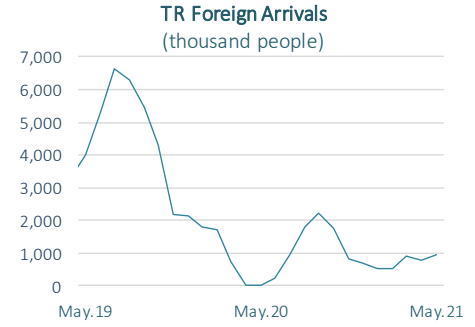
New decisions regarding VAT and SCT have been announced.

After the Cabinet meeting on June 21st, it was announced that curfews would be lifted from July 1st in Turkey. According to the decision published in the Official Gazette on June 22nd, the duration of the VAT reduction, which imposes a decline from 8% to 1% in accommodation services in the tourism sector, has been extended to July 31st. According to the decision published on June 25th, it was announced that there will be no changes in the minimum fixed amounts of SCT collected from cigarettes, alcoholic and non-alcoholic beverages for the period of July-December 2021.

Financial markets...

The mixed signals of the Fed officials' statements regarding inflation and interest rate hikes caused volatility in the global markets last week. The price of Brent crude oil, which rose to the level of 76.2 USD per barrel last week, reached its highest level in almost 3 years. While global oil demand has been increasing, markets focused on the OPEC+ meeting to be held on 1st of July. There has been no positive development regarding Iran's active role in global oil supply in the negotiations between the US and Iran. However, Russia is expected to offer to increase oil production at the OPEC+ meeting.

BIST-100 index recorded a limited increase last week. After having a volatile course, USD/TRY was up 0.3% closing at 8.75. This week, global PMI figures and June readings of US nonfarm payrolls come to the fore.



Source: Turkstat, CBRT, Republic of Turkey Ministry of Culture and Tourism, Datastream

Data Releases

		Period	Consensus	Prior
29 June	TR Economic Confidence	June	-	92.6
	USA Consumer Confidence	June	119.0	117.2
	Euro Area Consumer Confidence, final	June	-3.3	-3.3
30 June	TR Trade Balance	May	-	-3.1 billion USD
	Euro Area CPI Inflation, flash, yoy	June	1.9%	2.0%
1 July	China Manufacturing PMI	June	50.8	51.0
	TR Manufacturing PMI	June	-	49.3
	USA Manufacturing PMI, final	June	-	62.6
	USA ISM Manufacturing PMI	June	61.0	61.2
	Euro Area Manufacturing PMI, final	June	63.1	63.1
2 July	Euro Area Unemployment Rate	May	8.0%	8.0%
	China Caixin Manufacturing PMI, final	June	51.8	52.0
	USA Nonfarm Payrolls	June	675K	559K
	USA Unemployment Rate	June	5.7%	5.8%
	USA Factory Orders, mom	May	1.5%	-0.6%

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