

	2-Jul	9-Jul	Change		2-Jul	9-Jul	Change
BIST-100 Index	1,377	1,378	0.1 % ▲	EUR/USD	1.1864	1.1873	0.1 % ▲
TRY 2 Year Benchmark Rate	18.35 %	18.47 %	12 bp ▲	USD/TRY	8.6792	8.6461	-0.4 % ▼
Turkey 5-Year CDS Premium	383	386	4 bp ▲	EUR/TRY	10.3084	10.2857	-0.2 % ▼
MSCI EM Equity Index	1,355	1,318	-2.7 % ▼	Gold (USD/ounce)	1,787	1,808	1.2 % ▲
US 10-Year Bond Rate	1.43 %	1.36 %	-7 bp ▼	Brent Oil (USD/barrel)	76.2	75.6	-0.8 % ▼

bp: basis point

According to the Fed minutes released last week, Fed officials evaluated the need to be patient in reducing the asset purchase rate and reiterated their predictions that the rise in inflation would be temporary at the June meeting. The ECB has updated its medium-term inflation target to 2% in its new monetary policy strategy. The People's Bank of China lowered the reserve requirement ratios by 50 bps to support the economy. The G20 countries announced that they have reached a joint decision on the taxation of global companies following the negotiations ended on Saturday. Oil prices, which increased due to the failure to reach a consensus in the OPEC+ meetings at the beginning of July, closed last week with a decline. In Turkey, the current account deficit was realized as 3.1 billion USD in May, while the unemployment rate became 13.2%. According to the results of the Survey of Market Participants, the deterioration in inflation expectations continued in July. This week, the CBRT meeting will be followed closely.

Fed minutes were released last week.

Last week, the minutes of the Fed's meeting held on June 15-16 were published. The issue of reducing the rate of asset purchase, which was included in the previous minutes, was not discussed in more detail at the last meeting despite the market expectations, and most Fed officials thought that the current recovery in the economy could not reach the level to require a change in the monetary policy stance. Stating that it is necessary to be patient in waiting for the conditions that will require the decrease in the asset purchase rate, Fed officials reiterated the message that the necessary communication will be made in a healthy way before any change. The minutes also repeated the view that inflation increased faster than expected, yet this increase would be temporary. The Fed's next meeting is scheduled for July 27-28.

ECB announced its new monetary policy strategy.

The European Central Bank (ECB), in its strategy assessment, which it carried out for the first time since 2003 and took 18 months to work on, announced the inflation target of 2% in the medium term, which was previously stated as "dosed to 2% but below this level". The ECB announced that adherence to the inflation target would be "symmetrical" – meaning negative and positive deviations of inflation from the target are equally undesirable – while ECB President Lagarde stated that inflation may temporarily exceed the target a bit. Combating climate change was also included in the monetary policy in the strategy assessment.

The People's Bank of China lowered the reserve requirement ratios.

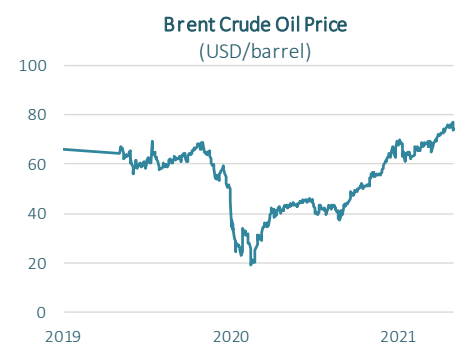
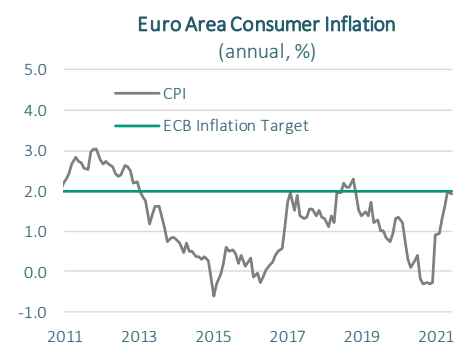
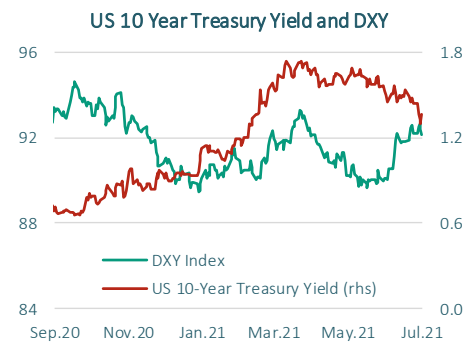
The People's Bank of China reduced the required reserve ratios by 50 bps in order to strengthen the economic recovery, which has started to lose momentum recently. The Bank had cut the reserve requirement ratios in April 2020 as well, when the coronavirus pandemic severely affected the country.

G20 meeting was followed.

Following their talks that ended on Saturday, G20 countries announced that they have agreed on a minimum tax rate of 15% in the countries where global companies operate and make profits. US Finance Minister Yellen stated that, the low tax rate competition between countries will come to an end with this agreement.

OPEC+ fails to agree on oil production cuts.

The OPEC+ meeting, which was expected to take place at the beginning of July, was postponed three times due to the UAE's request to increase its production quota. After the day last meeting was cancelled, the price of Brent crude oil reached the



Source: Datastream

highest level of the last 3 years with 77.2 USD/barrel on July 5, but moved down in the following days with the expectation that production cuts in oil market would be reduced. Thus, oil prices closed the week at 75.6 USD/barrel with a decline of 0.8% w/w. On the other hand, it remains unclear when the OPEC+ countries will meet again.

Current account deficit became 12.7 billion USD in the January-May period.

In Turkey, the current account deficit, which had been 4 billion USD in May 2020, was realized close to market expectations as 3.1 billion USD in the same month of this year. In line with the increase in transportation and tourism revenues, the improvement in balance of services was effective in the annual contraction of the current account deficit. In May, there was a net capital inflow of 836 million USD in portfolio investments and a net capital inflow of 3.4 billion USD in other investments. In the first five months of 2021, the current account deficit narrowed by 30.1% yoy to 12.7 billion USD. The 12-month cumulative deficit was realized at the level of 31.9 billion USD as of May ([Our Balance of Payments report](#)).

CBRT published the results of the Survey of Market Participants for July.

According to the Survey of the Market Participants published by the CBRT, the annual CPI inflation expectation for the end of 2021 rose to 15.64% in July, indicating that the deterioration in inflation expectations continued. The market expectation for this figure was 14.46% in the survey of June. The year-end current account deficit expectation, which was 25.7 billion USD in the previous survey period, decreased to 24.7 billion USD in July. Additionally, the year-end GDP growth rate expectation of the participants rose from 4.9% to 5.8% in July. On the other hand, the CPI-based real effective exchange rate index decreased by 0.67 points to 59.77 in June. Thus, the index took its lowest value since 1994, when the series began to be announced.

Unemployment rate became 13.2% in May.

Seasonally adjusted unemployment rate decreased by 0.6 points mom to 13.2% due to the decline in the labor force participation rate in May. In this period, while the total employment decreased by 216K mom, the employment rate declined to 43.8%. In May, the labor underutilization rate, which expresses the ratio of the sum of time related underemployment, unemployed and potential workforce to the total workforce and potential work force decreased by 0.2 points mom and became 27.2%.

Automotive production was strong in the first half of the year.

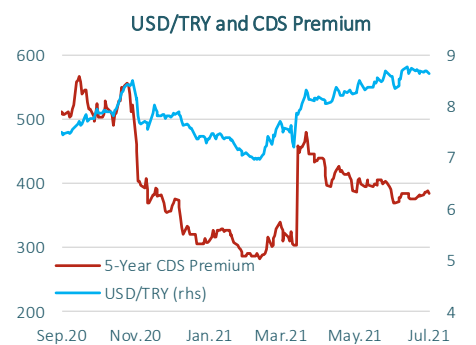
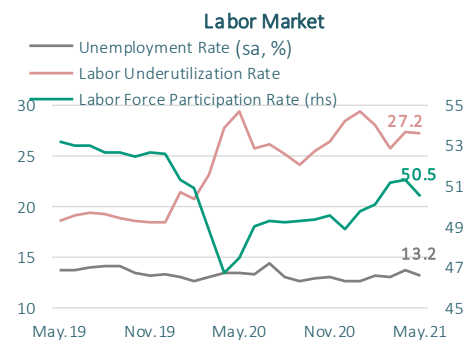
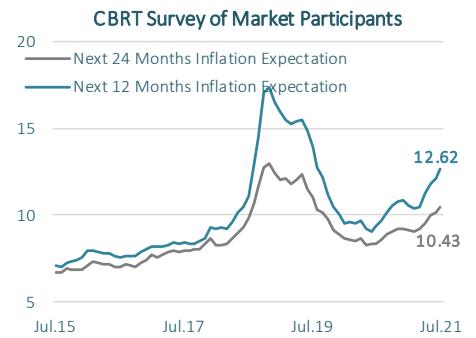
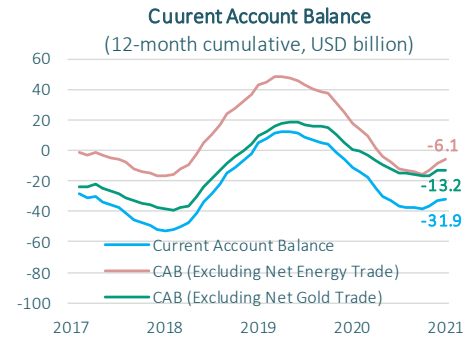
According to the Automotive Manufacturers Association's data, automotive production expanded by 3.8% yoy on unit basis and automotive exports declined by 0.5% yoy in June. Thus, in the first half of the year, total production went up by 23.3% and exports increased by 14.8% compared to the same period last year.

The drop in the US 10-year Treasury bond yield was in the spotlight of financial markets.

Last week, the pressure of the highly contagious delta variant of the coronavirus on the global risk appetite continued and the stock markets followed a volatile course. The interest rate of US 10-year Treasury bonds, which fell to 1.25% in midweek, ended the week at 1.36%, decreasing by 7 bps w/w. Bond yields were last traded at these levels in February. BIST-100 index, which followed a flat course throughout the week, closed the week at 1,378 points. After exceeding the level of 8.70 during the week, USD/TRY ended the week at the level of 8.6461. Turkey's 5-year CDS risk premium rose by 4 bps on a weekly basis to 386 bps.

This week's agenda...

In global markets where an intense data agenda will be followed this week, June CPI inflation in the US, 2nd quarter GDP growth in China and industrial production data in the US and the Euro Area stand out. In Turkey, industrial production index for May and the budget balance for June will be announced. In addition, the CBRT Monetary Policy Committee meeting to be held on Wednesday will be closely monitored. The markets expect that the policy rate will remain unchanged at 19%.



Source: Datastream

Data Releases

		Period	Consensus	Prior
12 July	TR Unemployment Rate	May	13.2% (A)	13.8%
13 July	TR Industrial Production, yoy	May	-	66.0%
	USA CPI Inflation, yoy	June	4.9%	5.0%
	USA Core CPI Inflation, mom	June	4.0%	3.8%
	China Trade Balance	June	44.2 billion USD	45.5 billion USD
14 July	CBRT Monetary Policy Meeting	July	19.0%	19.0%
	USA PPI Inflation, yoy	June	6.7%	6.6%
	Euro Area Industrial Production, yoy	May	22.5%	39.3%
15 July	USA Philadelphia Fed Manufacturing Index	July	28.3	30.7
	USA NY Fed Manufacturing Index	July	18.5	17.4
	USA Industrial Production, mom	June	0.7%	0.8%
	USA Capacity Utilization Rate	June	75.6%	75.2%
	China GDP Growth, yoy	2021 Q2	8.1%	18.3%
	China Industrial Production, yoy	June	7.8%	8.8%
	China Retail Sales, yoy	June	11.0%	12.4%
16 July	TR Budget Balance	June	-	-13.4 billion TRY
	USA Retail Sales, mom	June	-	-1.3%
	USA Michigan Consumer Confidence, prelim	July	86.5	85.5
	Euro Area CPI Inflation, final, yoy	June	1.9%	1.9%
	BoJ Meeting	July	-0.1%	-0.1%

(A) Actual

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