

	20-Aug	27-Aug	Change		20-Aug	27-Aug	Change
BIST-100 Index	1,445	1,458	0.9 % ▲	EUR/USD	1.1696	1.1793	0.8 % ▲
TRY 2 Year Benchmark Rate	18.77 %	18.53 %	-24 bp ▼	USD/TRY	8.4852	8.3434	-1.7 % ▼
Turkey 5-Year CDS Premium	386	368	-18 bp ▼	EUR/TRY	9.9325	9.8528	-0.8 % ▼
MSCI EM Equity Index	1,221	1,273	4.3 % ▲	Gold (USD/ounce)	1,781	1,817	2.0 % ▲
US 10-Year Bond Rate	1.26 %	1.31 %	6 bp ▲	Brent Oil (USD/barrel)	65.2	72.7	11.5 % ▲

bp: basis point

Last week, Fed Chairman Powell's speech at the Jackson Hole conference was followed closely. Stating that it is possible to start reducing asset purchases this year, Powell added that they would be more cautious against raising interest rates. Data announced in the US and Euro Area last week showed that the economic activity maintained its strong course despite the negative effects of the rise in the number of Covid-19 cases. Leading indicators announced in Turkey has also displayed a positive outlook regarding economic activity. This week, US non-farm payrolls data will be monitored closely in the global markets. Domestic markets will focus on second quarter GDP growth and August readings of inflation.

"Dovish" statements from the Fed Chairman...

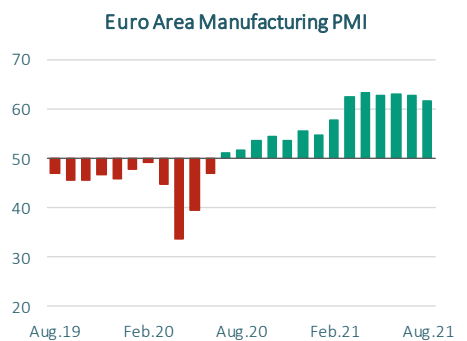
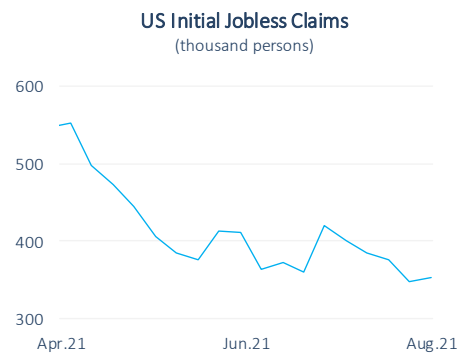
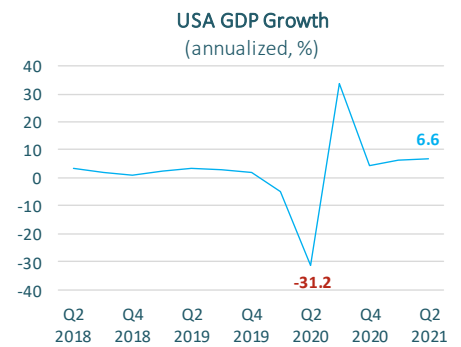
Fed Chairman Jerome Powell gave important messages about the future of the monetary policy in his speech at the Jackson Hole conference. Powell stated that if the improvement in the labour market continues, it is possible to start reducing asset purchases this year. He also pointed out that the downside risks posed by the spread of the Delta variant on the economy may affect the course of this process. Powell added that they will take a cautious stance against temporary increases in inflation, and that they should be more careful about raising interest rates, especially considering the potential risks that may arise on employment. After Powell's speech, the US 10-year Treasury bond yields fell while global stock indices rose.

The US economy grew by 6.6% in the second quarter.

According to revised data, the US economy grew by 6.6% in the second quarter of 2021. Vaccination progress as well as rise in consumption expenditures had a positive impact on growth. On the other hand, as a result of the rapid spread of the delta variant, preliminary PMI figures posted a decline in August such that services PMI decreased by 4.7 points mom to 55.2 and manufacturing PMI fell by 2.2 points mom to 61.2. Although slowing down on a monthly basis, PMI readings remained above the 50 threshold level, indicating that the growth in the manufacturing and services sectors continues. In addition, initial jobless claims in the week ending 21 August came in above expectations and increased for the first time in the last 5 weeks, with 353 thousand persons.

Preliminary PMI data in the Euro Area displayed a positive outlook.

Although the preliminary PMI data announced in the Euro Area declined on a monthly basis, it continued its strong course. In August, manufacturing PMI fell to 61.5 which was slightly below the market expectations where services PMI became 59.7. Strong PMI readings mainly stemmed from the ease of Covid restrictions and the rise in the number of companies that have restarted their operations accordingly.



Source: Datastream

In Turkey, economic activity maintained its positive outlook.

Manufacturing industry capacity utilization rate (CUR) increased by 0.4 points mom in August to 76.8%, according to seasonally adjusted data. The CUR which has been rising for the last three months, displayed the ongoing strong course in the manufacturing industry. In the same period, seasonally adjusted real sector confidence index registered a limited rise by 0.1 standing at 112.2. Analyzing the sub-indices, deterioration in the total order quantity, production volume and employment expectations for the next 3 months were noticeable.

In August, economic confidence index increased by 0.7% mom to 100.8. Consumer confidence is observed to recover in line with the rise in service, trade and construction sector indices, despite the fall in consumer confidence. Confidence in the construction sector increased by 7.1% mom, yet remained under the threshold (100) level. Consumer confidence index gave negative signals regarding household expenditures by falling in August following July.

Number of foreign arrivals continued to rise.

According to the data announced by the Ministry of Culture and Tourism, number of foreign visitors to Turkey increased by 367.5% yoy to 4.36 million in July. Hence, in the January-July period, number of visitors increased by 85.4% compared to the same period of the previous year, reaching 10.1 million people. However, compared to January-July period of 2019, number of foreign visitors decreased by 59.1% yoy, demonstrating the performance loss compared to pre-Covid times.

Foreign trade deficit widened in July.

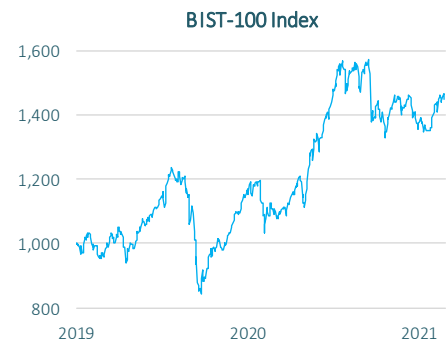
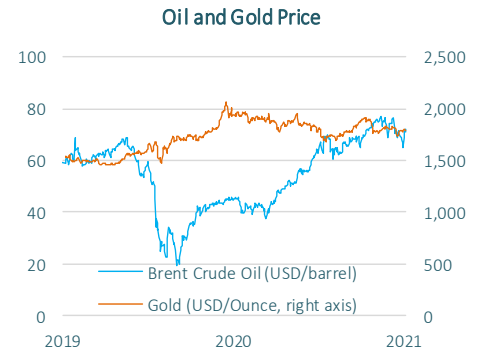
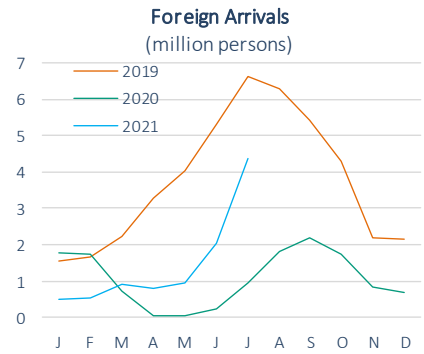
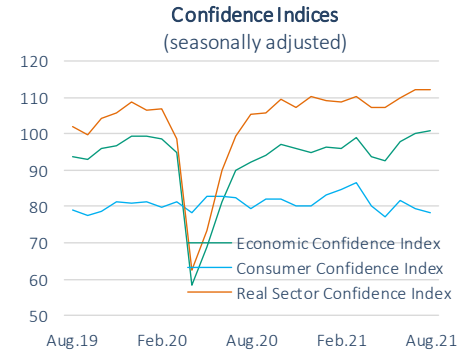
In July, compared to the same month of the previous year, exports increased by 10.2% reaching 16.4 billion USD and imports rose by 16.8% to 20.7 billion USD. Foreign trade deficit increased by 51.3% to 4.3 billion USD in July, yet it narrowed by 4.7% to 25.5 billion USD in the January-July period. In July, basic metals industry recorded the highest exports in value. Exports in this industry rose by 56.4% and reached 2.1 billion USD.

Global markets followed a positive course.

Last week, a generally positive trend was observed in global markets. Global stock indices rose thanks to the Fed Chairman's statements on Friday which were supporting the global risk appetite. While the US dollar depreciated against the currency basket, yield of the US 10-year Treasury bond declined. Oil prices increased by 11.5% to 72.7 USD/barrel thanks to the positive expectations regarding demand conditions and gold prices also rose by around 2%.

BIST-100 index, which followed a fluctuating course last week, increased by 0.2% wow and closed the week at 1,458. Turkey's 5-year CDS risk premium declined by 18 bps on a weekly basis to 368 bps, while compound yield of the 2-year benchmark bond decreased by 24 bps to 18.53%. Following a downward trend throughout the week, USD/TRY was realized as 8.34 at the closing.

This week, second quarter GDP growth and inflation readings for August will be announced in Turkey. In addition, non-farm employment data in the US, CPI data in the Euro Area and PMI data in China will be followed closely in the global markets.



Source: Datastream

Data Releases

		Period	Consensus	Prior
30 August	USA Pending Home Sales, mom	July	-1.8% (A)	-1.9%
31 August	TR Trade Balance	July	-4.28B USD (A)	-2.85B USD
	USA Consumer Confidence, final	August	124.0	129.1
	Euro Area CPI Inflation, flash, yoy	August	3.0% (A)	2.20%
1 September	TR GDP Growth	2021 Q2	21.7%	7.0%
	TR Manufacturing PMI	August	-	54.0
	USA ADP Employment Report	August	625K	330K
	USA ISM Manufacturing PMI	August	58.7	59.5
	Euro Area Manufacturing PMI, final	August	61.5	61.5
	Euro Area Unemployment Rate	July	7.6%	7.7%
	China Caixin Manufacturing PMI, final	August	50.2	50.3
2 September	USA International Trade	July	-71.0 billion USD	-75.7 billion USD
	USA Factory Orders, mom	July	0.4%	1.5%
	Euro Area PPI Inflation, mom	July	1.1%	1.4%
3 September	TR CPI Inflation, yoy	August	18.70%	18.95%
	TR D-PPI Inflation, yoy	August	-	44.92%
	USA Nonfarm Payrolls	August	750K	943K
	USA Unemployment Rate	August	5.2%	5.4%
	USA ISM Services PMI	August	61.8	64.1
	Euro Area Services PMI, final	August	59.7	59.7
	Euro Area Retail Sales, mom	July	0.1%	1.5%

(A) Actual

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