

	8-Oct	15-Oct	Change		8-Oct	15-Oct	Change
BIST-100 Index	1,398	1,410	0.8 % ▲	EUR/USD	1.1567	1.1600	0.3 % ▲
TRY 2 Year Benchmark Rate	17.94 %	18.57 %	63 bp ▲	USD/TRY	8.9614	9.2517	3.2 % ▲
Turkey 5-Year CDS Premium	434	446	12 bp ▲	EUR/TRY	10.3796	10.7537	3.6 % ▲
MSCI EM Equity Index	1,257	1,284	2.1 % ▲	Gold (USD/ounce)	1,757	1,767	0.6 % ▲
US 10-Year Bond Rate	1.61 %	1.57 %	-4 bp ▼	Brent Oil (USD/barrel)	82.4	84.9	3.0 % ▲

bp: basis point

Last week, the Fed's September meeting minutes and inflation data announced in the US and China were followed in the global markets. Concerns about inflation continued to increase due to the ongoing global supply bottlenecks and logistics problems, while Fed minutes indicated that asset purchases may begin to be reduced in November. The IMF revised its growth forecast for the global economy slightly downwards. The China's economy grew by 4.9% yoy in the third quarter of 2021, below market expectations. While Turkey's industrial production expanded by 13.8% yoy in August, the central government budget posted a deficit of 23.6 billion TRY in September. Following the changes in the management of the CBRT with the decree published in the Official Gazette, TRY depreciated rapidly. This week, the CBRT's Monetary Policy Committee Meeting will be closely followed.

Fed minutes signaled "tapering" may begin in November.

The minutes of the Fed's meeting on September 21-22 were published last week. According to the minutes, Fed members' expectations that the increase in inflation could continue for longer than assumed, strengthened. In this context, the minutes signaled that asset purchases could be cut down as of mid-November. The US economic growth standing above expectations this year, as well as the strong recovery in the labor market, supported the views on reducing asset purchases.

Annual PPI inflation in the US is at 11 years high...

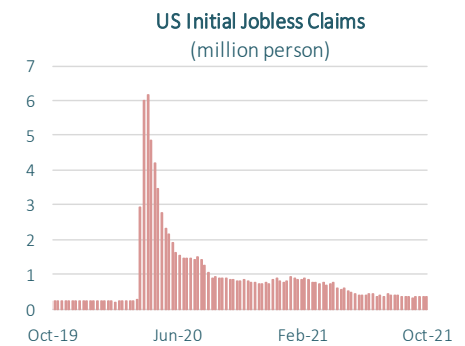
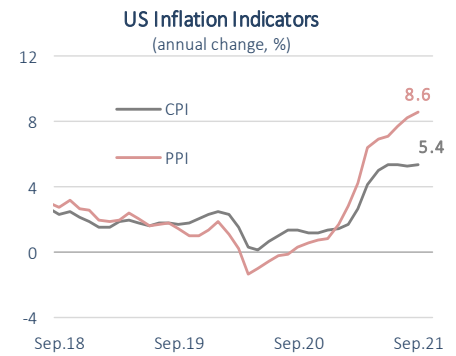
Inflation in the US continued to increase in September due to the ongoing global logistics problems, disruptions in raw material supply and high commodity prices. In this period, annual PPI inflation in the country came in at 8.6%, reaching the highest level since November 2010, when the data series were revised. On the other hand, core PPI inflation rose by 0.2% mom and recorded its lowest increase since December 2020. In September, CPI inflation was above the expectations with 0.4% mom due to the rapid increase in housing rent and food prices. Thus, annual CPI inflation rose to 5.4%. Retail sales announced in the US last week increased by 0.7% mom despite the decline expectations, showing that domestic demand remained buoyant. In the week ending October 9, jobless claims fell to its lowest level since March 2020 with 293K, indicating that the recovery in the labor market continues.

The Chinese economy grew by 4.9% yoy in Q3.

In the third quarter of 2021, the Chinese economy grew by 4.9% yoy, below the market expectation of 5.2%. Energy constraints, disruptions in the supply chain and fluctuations in the real estate market were behind this development. In September, the country's exports expanded by 28.1% yoy thanks to strong global demand, while imports increased by 17.6% yoy. Thus, foreign trade surplus exceeded the expectation of 46.8 billion USD and was realized as 66.8 billion USD. On the other hand, producer prices recorded an annual increase of 10.7%, the fastest since the data started to be published in 1996, while annual CPI inflation was realized below the market expectations with 0.7%.

IMF raised its 2021 economic growth forecast for Turkey to 9%.

In the World Economic Outlook October report, IMF stated that the global economic recovery lost momentum, while emphasizing the divergence between



Source: Datastream

countries in the recovery has increased. The global GDP growth forecast for 2021 was revised from 6.0% to 5.9%, while it was retained at 4.9% for 2022. In the report, the delta variant, supply chain disruptions, rising inflation and increasing costs in food and energy were listed as risk factors for global growth. The IMF increased its GDP growth forecast for Turkey from 5.8% to 9.0% for 2021, while keeping it at 3.3% for 2022.

Industrial production in Turkey increased by 13.8% yoy in August.

Calendar adjusted industrial production index went up by 13.8% yoy in August, well above the expectations. In this period, durable consumer goods production recorded an annual rise of 8.3%, while the annual increase of 20.5% in capital goods production drew attention. According to seasonally adjusted data, industrial production increased by 5.4% in August compared to July, due to the low base created by the holiday in this period. Thus, the monthly increase in industrial production was at the highest level of the last 13 months. Retail sales at constant prices, which increased by 15% yoy in August, showed that demand was also strong in this period. The data released point to a strong growth performance in the third quarter.

The rise in inflation expectation continued in the CBRT's Survey of Market Participants in October.

According to the results of the CBRT's Market Participants Survey, year-end consumer inflation expectation increased by 89 basis points compared to the previous survey period and became 17.63% in October. Inflation expectations for the next 12 months and 24 months have also increased compared to the previous period. The policy rate expectation of the survey participants stood at 17.63% for the end of the current month, while it became 16.60% for three months later. The current account deficit expectation of the participants for the end of 2021 decreased from 22.4 billion USD to 21.3 billion USD in October, while the GDP growth expectation increased from 8.2% to 8.9%.

By the decision published in the Official Gazette dated October 14, CBRT Vice Presidents Semih Tümen and Uğur Namık Küçük and Monetary Policy Committee Member Abdullah Yavaş were dismissed, while Taha Çakmak was appointed as the CBRT Deputy Governor and Yusuf Tuna was assigned as a Monetary Policy Board Member.

Central government budget posted a deficit of 23.6 billion TRY in September.

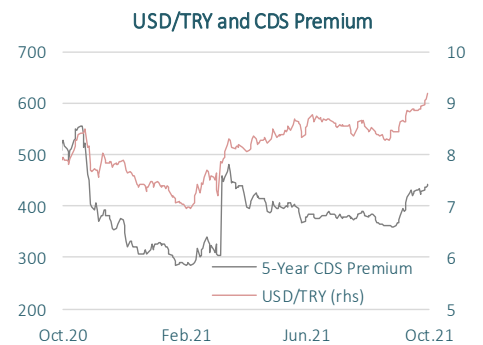
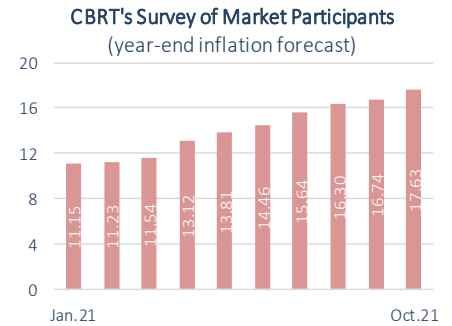
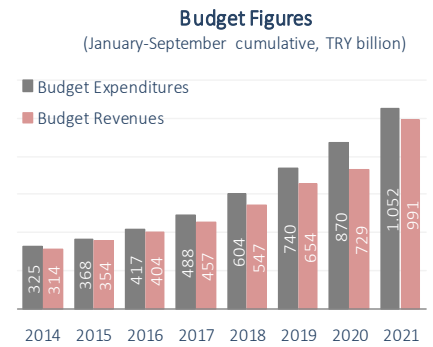
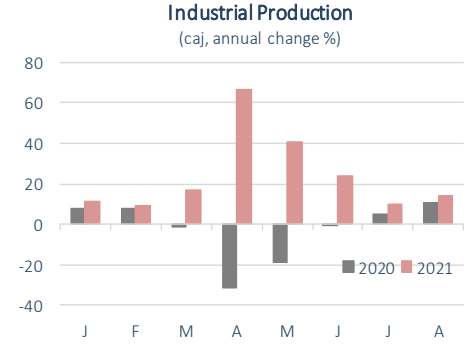
In September, budget revenues increased by 49.4% yoy, while expenditures expanded by 30.3% yoy. Thus, central government budget deficit, which was 29.7 billion TRY in September 2020, became 23.6 billion TRY in the same period of this year. In January-September period, budget deficit narrowed by 56.5% yoy to 61.1 billion TRY ([Our Budget Balance report](#)).

Global risk appetite remained under pressure due to the rise in commodity prices.

Last week, the global risk appetite remained under pressure as the ongoing rise in commodity prices, especially energy, raised inflation concerns. Following the release of the Fed's September meeting minutes, global stock markets closed the week with a rise thanks to the relative decrease in uncertainty for the future, as well as the strong corporate balance sheets announced in the US.

The BIST-100 index, which followed a course in line with the emerging markets last week, ended the week at 1,410 points with an increase of 0.8%. On the other hand, while Turkey's 5-year CDS premium increased by 12 bps wow to 446 bps, USD/TL rate, which rose rapidly last week, reached a new historical high of 9.29 as of this morning.

This week, preliminary PMI data for October in the US and Euro Area will be monitored in global markets. In Turkey, CBRT Monetary Policy Committee Meeting will be followed closely.



Source: Datastream

Data Releases

		Period	Consensus	Prior
18 October	USA Industrial Production, mom	September	0.2%	0.4%
	USA Capacity Utilization Rate	September	76.5%	76.4%
	China GDP Growth, yoy	2021 Q3	4.9% (A)	7.9%
19 October	USA Housing Starts, units	September	1.62 million	1.62 million
20 October	TR Central Government Gross Debt Stock	September	-	2,041.7B TL
	Euro Area CPI Inflation, mom	September	0.5%	0.4%
21 October	CBRT Monetary Policy Meeting	October	-	18.0%
	TR Consumer Confidence Index	October	-	79.7
	USA Initial Jobless Claims	11-16 Oct.	303K persons	293K persons
	USA Existing Home Sales, units	September	6.1 million	5.9 million
22 October	Euro Area Consumer Confidence, flash	October	-5.0	-4.0
	USA Manufacturing PMI, flash	October	60.3	60.7
	USA Services PMI, flash	October	55.1	54.9
	Euro Area Manufacturing PMI, flash	September	57.0	58.6
	Euro Area Services PMI, flash	October	55.4	56.4

(A) Actual

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