

	26-Nov	3-Dec	Change		26-Nov	3-Dec	Change
BIST-100 Index	1,776	1,910	7.5 % ▲	EUR/USD	1.1317	1.1313	0.0 % ●
TRY 2 Year Benchmark Rate	20.78 %	21.39 %	61 bp ▲	USD/TRY	12.4229	13.7000	10.3 % ▲
Turkey 5-Year CDS Premium	497	537	40 bp ▲	EUR/TRY	14.0625	15.5015	10.2 % ▲
MSCI EM Equity Index	1,223	1,225	0.1 % ▲	Gold (USD/ounce)	1,792	1,784	-0.5 % ▼
US 10-Year Bond Rate	1.48 %	1.36 %	-13 bp ▼	Brent Oil (USD/barrel)	72.7	69.9	-3.9 % ▼

bp: basis point

Last week, concerns over the omicron variant of the coronavirus continued to weigh on global markets, while the statements of Fed and ECB officials on inflation and asset purchases were followed closely. CPI inflation in the Euro Area reached its highest level in the last 25 year at 4.9% yoy in November. According to the chain linked volume index, the Turkish economy grew by 7.4% in the third quarter of 2021, in line with the market expectations. While the annual CPI inflation came in at 21.31% in November, the highest level of the last 3 years, the annual D-PPI rose to 54.62%. Credit rating agency Fitch affirmed Turkey's credit rating as BB-, while revising its outlook from "stable" to "negative". This week, November inflation data in the US and China come to the fore in global markets. In Turkey, employment data for October and the results of the CBRT's Survey of Market Participants for December will be followed.

### Concerns regarding Omicron variant remained.

Omicron, a new variant of the coronavirus, continues to be a source of concern around the world. Last week, a statement issued by the World Health Organization (WHO), emphasized the omicron variant's high potential for spread. According to WHO, countries should make the necessary plans to accelerate vaccination and control the spread of the variant. Travel is restricted and existing measures are tightened in many countries to prevent the spread of the Omicron variant.

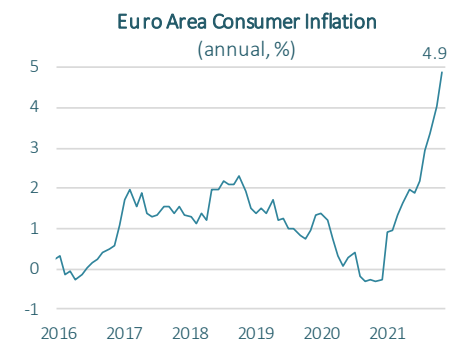
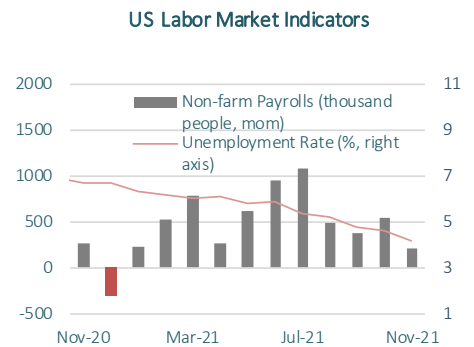
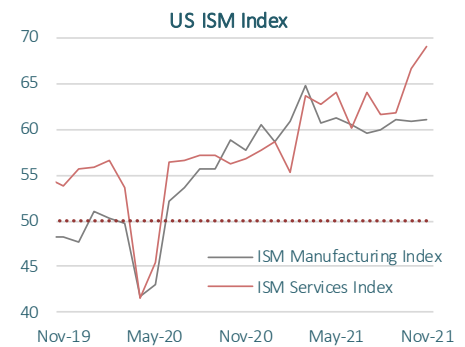
### The Fed's statements were followed.

Last week, Fed Chairman Powell testified before the Senate Banking Committee about the process of reducing bond purchases. Powell stated that the phrase "temporary inflation" will no longer be used and that it would be appropriate for the Fed to consider reducing bond purchases faster based on economic indicators and a high inflation rate. The Federal Reserve, which began reducing its bond purchases in early November, announced that the program would be phased out by the middle of 2022. According to the Fed's "Beige Book" report released last week, the US economy grew moderately in October and early November, but despite strong demand, growth remained under pressure due to disruptions in supply chains and labor shortages. Furthermore, the price increases were significant due to high demand and supply constraints. In the US, the ISM manufacturing index came in at 61.1, slightly above expectations, while the ISM services index rose to 69.1, indicating that the country's economic activity remained high in November. During the same period, non-farm payrolls increased by 210K persons, far less than expected. In November, the unemployment rate fell from 4.6% to 4.2%.

### In the Euro Area consumer prices increased rapidly in November.

According to the preliminary data, the annual CPI inflation in the Euro Area was realized as 4.9% in November, reaching the highest level of the last 25 years. Among the main components of inflation, energy prices recorded the highest annual rise in November with 27.4%, while the prices of services followed with an increase of 2.7%. Producer price inflation in the region went up by 5.4% mom in October with the contribution of the increase in energy prices. The annual rise in PPI became 21.9%, above the market expectations.

On Friday, ECB President Lagarde said that they are firmly of the view that inflation will decline in 2022. Stating that the Pandemic Emergency Purchase Program will be terminated in March under the current conditions, Lagarde declared that the higher unemployment in the Euro Area compared to the US indicates a recession in the employment market.



Source: Datastream

### Turkish economy grew by 7.4% yoy in the third quarter.

According to the chain linked volume index, Turkish economy grew by 7.4% yoy in the third quarter of 2021, in line with market forecasts. Thus, annual GDP growth in the first nine months of the year was realized as 11.7%. Seasonally and calendar adjusted GDP, recorded a 2.7% growth in the third quarter of the year. Private consumption and exports, which supported the growth figures in the second quarter of the year thanks to the low base effect, played also important role in the growth performance of the third quarter ([Our GDP Growth Report](#)).

### Manufacturing PMI rose to 52 in November.

In Turkey, manufacturing PMI increased by 0.8 points compared to the previous month and became 52 in November. The PMI data announced above the threshold value of 50 for the last 6 months pointed out that the improvement in business conditions for manufacturers continued. According to the sub-items of the index, input costs increased at a substantial pace during November due to the depreciation of the Turkish lira and the rate of input price inflation has accelerated sharply to the fastest since September 2018. In addition, suppliers' delivery times lengthened to the greatest extent since April 2020 amid ongoing challenges sourcing raw materials and issues with transportation. On the other hand, new export orders continued to grow in this period, while new orders slowed down in the last two months.

### Annual CPI rose to 21.31% in November.

Consumer prices recorded its highest increase since September 2018 rising by 3.51% mom in November. In the same period, D-PPI also recorded the fastest rise in more than 3 years, increasing by 9.99% mom. The annual CPI inflation rose to 21.31% in November and reached the highest level of the last 3 years while the annual D-PPI inflation increased from 46.31% in October to 54.62% in November, recording the highest level since April 2002 ([Our Inflation report](#)).

### Fitch revised Turkey's credit rating outlook to negative.

Fitch affirmed Turkey's credit rating as BB-, but changed its outlook from "stable" to "negative", citing the increased risks that could destabilize the economy. Fitch raised Turkey's growth expectation for 2021 from 9.2% to 10.5%. Moody's kept Turkey's credit rating at "B2" and the outlook as "negative". Moody's revised Turkey's growth expectation for 2021 from 9.2% to 11%.

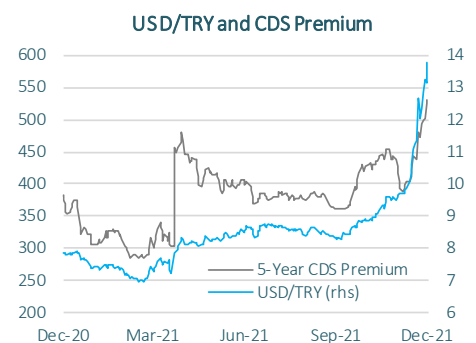
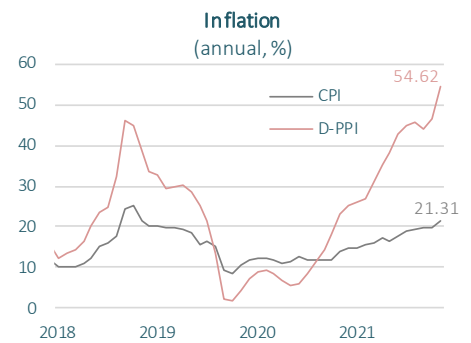
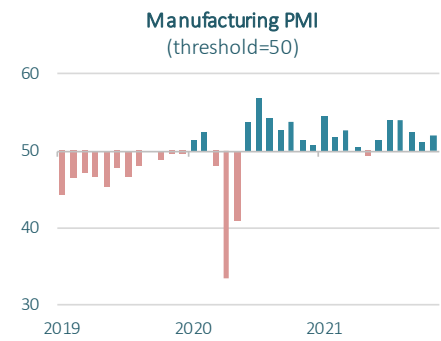
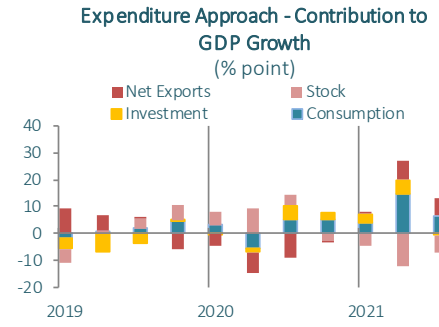
### Markets...

While the omicron variant continued to keep global markets under pressure last week, Fed Chairman Powell's "hawkish" statements also added pressure on the stock markets. OPEC+ countries adhered to the current gradual production increase agreement of 400K barrels per day at the meeting, which ended on Thursday. The organization could have kept the production increase limited to 200K barrels per day, with concerns that the newly emerged coronavirus variant could restrict economic activity and lead to excess oil supply. The barrel price of Brent crude oil decreased by 3.9% last week to 69.9 USD.

In the statements made on Wednesday and Friday, the CBRT announced that it intervened directly in both the spot and forward markets due to the unhealthy price formations in the exchange rates. The CBRT took a similar intervention in January 2014 lastly. Although there was a slight decrease in exchange rates following the interventions, USD/TRY ended the week at 13.70 with an increase of 10.3%, and EUR/TRY at 15.50 with an increase of 10.2%. BIST-100 index continued its rapid rise last week with an increase of 7.5% wow. Turkey's 5-year CDS risk premium went up by 40 bps wow to 537 due to the developments that increased the volatility in the markets.

### This week's agenda...

This week, November inflation data in the US and China and the revised Q3 GDP growth data in the Euro Area stand out in global markets agenda. In Turkey, employment data for October will be followed. In addition, the results of the CBRT's Survey of Market Participants for December will be announced.



Source: Datastream, CBRT, TurkStat

Data Releases

		Period	Consensus	Prior
<b>6 December</b>	Euro Area Sentix Index	December	15.9	18.3
<b>7 December</b>	TR Treasury Cash Balance	November	-	-5.24 billion TRY
	Euro Area GDP Growth, revised, yoy	2021 Q3	3.7%	3.7%
	China Trade Balance	November	82.8 billion USD	84.5 billion USD
<b>9 December</b>	USA Initial Jobless Claims	29 No-4 De	228K	222K
	China CPI Inflation, yoy	November	2.5%	1.5%
	China PPI Inflation, yoy	November	12.6%	13.5%
<b>10 December</b>	TR Unemployment Rate	October	-	11.5%
	CBRT Survey of Market Participants	December	-	-
	USA CPI Inflation, mom	November	0.7%	0.9%
	USA Michigan Consumer Confidence, prelim	December	67.0	67.4

(A) Actual

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