

	8-Apr	15-Apr	Change		8-Apr	15-Apr	Change
BIST-100 Index	2,393	2,494	4.2 % ▲	EUR/USD	1.0876	1.0806	-0.6 % ▼
TRY 2 Year Benchmark Rate	24.17 %	22.26 %	-191 bp ▼	USD/TRY	14.7441	14.6280	-0.8 % ▼
Turkey 5-Year CDS Premium	587	582	-5 bp ▼	EUR/TRY	16.0422	15.8203	-1.4 % ▼
MSCI EM Equity Index	1,128	1,113	-1.3 % ▼	Gold (USD/ounce)	1,946	1,975	1.5 % ▲
US 10-Year Bond Rate	2.70 %	2.83 %*	13 bp ▲	Brent Oil (USD/barrel)	102.8	111.7*	8.7 % ▲

bp: basis point

(*) As of 14 April

Last week, US inflation data and the decisions taken by central banks were closely watched in global markets. While the ECB, and the CBRT did not change the policy rate, the statements made by the Fed officials supported the expectations that the pace of interest rate increases would accelerate in the coming period. In Turkey, industrial production increased by 4.4% on a monthly basis in February. Housing sales in Turkey increased by 20.6% yoy in March. Central government budget gave a deficit of 69 billion TRY in the same period. The deterioration in the budget outlook was mainly driven by the 102.3% annual increase in expenditures. This week, preliminary PMI data for April in the US and Euro Area and consumer confidence index in Turkey will be followed. In addition, geopolitical developments will continue to be closely monitored.

US inflation has continued to rise in March.

Consumer prices in the US rose by 1.2% mom and 8.5% yoy in March. Monthly PPI inflation came in above expectations and became 1.4% in this period. The annual increase in producer prices was 11.2%, reaching the highest level since the series began to be announced. The rise in energy and food prices and ongoing supply problems have continued to be influential in this development.

The statements of Fed officials were also on the agenda last week. Fed member Brainard, who previously pointed to May for balance sheet unwinding, stated that the process could start in June, while Richmond Fed Chairman Barkin said that the pace of interest rate hikes could be accelerated if inflationary pressures continue. Another Fed official, Waller, said it may be necessary to raise interest rates faster than usual to fight inflation. Expressing his support for increasing the policy rate by half a point at the Fed's May meeting, Waller stated that the increases may continue in the following meetings.

ECB did not change the policy rate.

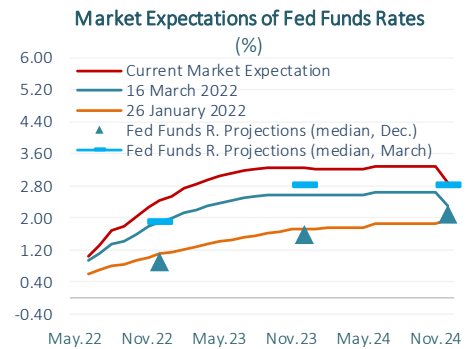
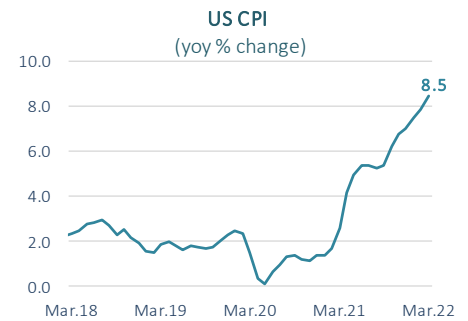
European Central Bank (ECB) did not change the interest rates at its April meeting, in line with the market expectations. On the other hand, ECB confirmed its plan to terminate the asset purchases in the third quarter of this year. In the statement, it was noted that the increase in interest rates will take place some time after the end of asset purchases, while the extent of this period would depend on the surrounding conditions. Expressing that the upside risks regarding inflation have increased, Lagarde said that it is still early to talk about the downsizing of the balance sheet.

Chinese economy grew by 4.8% in the first quarter of 2022.

In the first quarter of 2022, the Chinese economy grew by 4.8% yoy, above the expectations. The impact of the pandemic as well as the ongoing negative effects of the Russia-Ukraine war on global trade are expected to put pressure on the Chinese economy in the coming period. On the other hand, in China, whose economy was affected by the quarantine measures imposed due to the increase in coronavirus cases, the People's Bank of China reduced the required reserve ratios by 25 basis points to support economic growth. Thus, the People's Bank of China plans to provide approximately 83 billion USD of liquidity to the market.

CBRT kept the policy rate at 14%.

CBRT kept the policy rate at 14%, in line with expectations. In the meeting note, it was stated that the inflationary pressures were temporary, while risks to current account balance due to energy prices were followed closely. CBRT also stated that the use of all available instruments within the framework of liraization strategy will continue. In this context, the Committee decided to strengthen the macroprudential policy set. Within



Source: Datastream

the scope of the aforementioned macroprudential measures, long-term TRY-denominated financing with an annual interest rate of as low as 9% will be available for export-oriented investments and FX-earning tourism sector companies. CBRT stated that a total of 150 billion TRY would be allocated for these loans.

According to the CBRT's recent decision, for the FX revenues earned from services activities, particularly from tourism, 40% of the total amount sold to the bank is obliged to be provided to the CBRT. On the other hand, according to a temporary article, accepting the export value in TRY for foreign trade transactions with Ukraine and Russia is allowed. The CBRT also made revision to the practice of required reserves. The interest/remuneration rate to be applied to required reserves established in Turkish Lira was determined as 0%, while the practice of paying additional interest/remuneration to TRY required reserves was terminated depending on the transformation of the accounts of resident real persons.

Industrial production rose 4.4% mom in February.

Industrial production, which contracted by 2.3% in January due to natural gas and power outages, increased by 4.4% mom in February. In this period, the industrial production increased by 13.3% yoy exceeding expectations in February and I increased by 8.7% yoy in the January-February period. In February, retail sales increased by 0.5% mom and by 6.2% yoy.

House sales increased by 20.6% yoy in March.

According to the data announced by TURKSTAT, house sales in Turkey increased by 20.6% yoy to 134K units in March. In this period, mortgaged house sales rose by 38.8%, while other house sales increased by 16.2%. In the first quarter, house sales widened by 21.7% yoy.

Central government budget expenditures rose by more than 100% in March.

Central government budget posted a deficit of 69 billion TRY in March. In this period, the 102.3% yoy increase in expenditures was the main factor behind the deterioration of the budget outlook. Led by the positive performance recorded in the first two months of the year, the budget gave a surplus of 30.8 billion TRY in the first quarter of 2022. Tax cuts made in some product groups to alleviate the impact of the inflation are expected to have a negative impact on budget revenues in the upcoming period ([our Budget Balance report](#)).

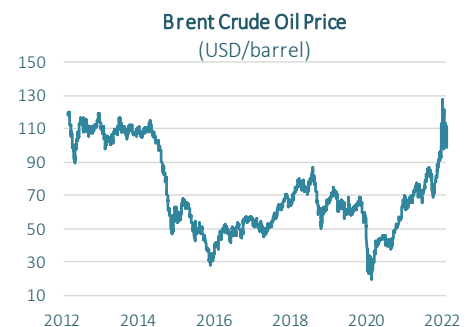
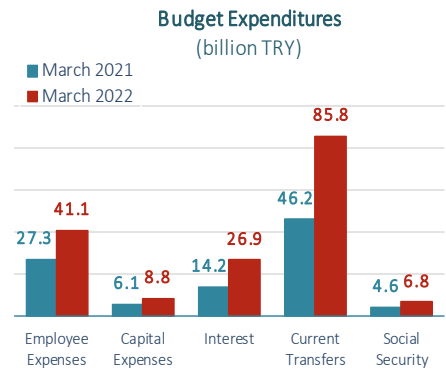
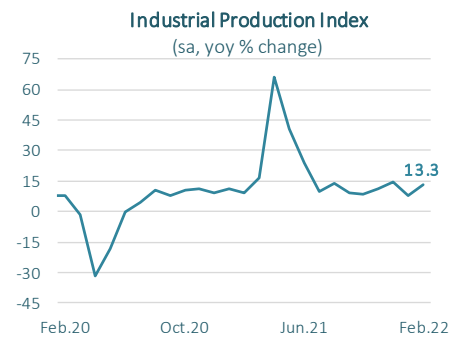
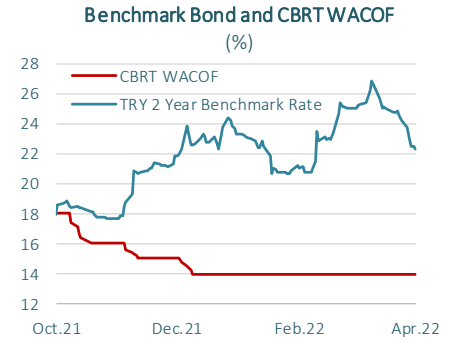
Financial markets...

Last week, high US inflation data and the statements of Fed officials put pressure on global markets. US 10-year Treasury bond yield rose by 13 bps to 2.83% during the week.

In its April report released last week, OPEC lowered its daily global oil demand forecast for 2022 by 500 thousand barrels in line with the effects of geopolitical developments on global growth and the increasing Covid-19 cases in China. The barrel price of Brent crude oil, which started to rise rapidly in the middle of the week and completed the week at 111.7 USD, increased by 8.6% wow as the statements of Russian President Putin indicated that the negotiation process with Ukraine has been blocked and expectations that the war could continue strengthened.

BIST 100 index, which has been showing an upward trend since the beginning of March, increased by 4.2% to 2,494, completing the week at a record level. USD/TRY and EUR/TRY rates closed the week on a flat level after some declines in the first half of the week. 2-year benchmark bond yield decreased by 191 bps wow to 22.3%.

This week, the IMF will announce the World Economic Outlook report. In addition, preliminary PMI data for April in the US and the Euro Area will be released. In Turkey, central government gross debt stock for March and consumer confidence index data for April will be followed.



Source: Turkstat, CBRT, Datastream

Data Releases

		Period	Consensus	Prior
18 April	China GDP Growth, yoy	2022 Q1	4.8% (A)	4.0%
19 April	USA Housing Starts, units	March	1.750 million	1.769 million
20 April	TR Central Government Gross Debt Stock	March	-	2.948 billion TRY
	USA Existing Home Sales, units	March	5.80 million	6.02 million
	Euro Area Industrial Production, yoy	February	1.5%	-1.3%
21 April	TR Consumer Confidence Index	April	-	72.5
	USA Philadelphia Fed Manufacturing Index	April	20.0	27.4
	Euro Area CPI Inflation, final, mom	March	2.5%	0.9%
	Euro Area Consumer Confidence, flash	April	-20.0	-18.7
22 April	USA Manufacturing PMI, flash	April	58.2	58.8
	USA Services PMI, flash	April	58.0	58.0
	Euro Area Manufacturing PMI, flash	April	54.5	56.5
	Euro Area Services PMI, flash	April	55.0	55.6

(A) Actual

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