

	29-Apr	6-May	Change		29-Apr	6-May	Change
BIST-100 Index	2,431	2,459	1.2 % ▲	EUR/USD	1.0541	1.0551	0.1 % ▲
TRY 2 Year Benchmark Rate	21.69 %	23.04 %	135 bp ▲	USD/TRY	14.8416	14.9468	0.7 % ▲
Turkey 5-Year CDS Premium	613	661	48 bp ▲	EUR/TRY	15.6591	15.7672	0.7 % ▲
MSCI EM Equity Index	1,076	1,032	-4.2 % ▼	Gold (USD/ounce)	1,896	1,883	-0.7 % ▼
US 10-Year Bond Rate	2.94 %	3.14 %	20 bp ▲	Brent Oil (USD/barrel)	109.3	112.4	2.8 % ▲

bp: basis point

Last week, Fed and BoE policy rate hikes and employment data in the US came to the fore on the agenda of global markets. Following the tightening steps of the central banks of developed countries, the sales pressure in global markets increased as the non-farm employment data in the US rose above expectations. In Turkey, inflation, manufacturing PMI and preliminary foreign trade data for April were followed last week. Annual CPI inflation reached its highest level since February 2002 with 69.97%, and D-PPI inflation rose to 121.82%. In this period, while the manufacturing industry PMI (49.2) indicated that the contraction in production activities in the sector continued, foreign trade deficit increased by 98% yoy to 6.1 billion USD, according to the preliminary data announced by the Ministry of Trade. This week, inflation data in the US and China for April, and industrial production data for March in the Euro Area will be followed closely in global markets. In Turkey, industrial production, employment and Treasury cash balance data will be announced.

The Fed made the highest rate hike in 22 years.

According to annualized data, the US economy contracted by 1.4% yoy in the first quarter, despite the 1.1% growth expectation. While the continuing disruptions in supply chains and the effects of the Russia-Ukraine war were influential in this period, net exports were decisive in the contraction of the country's economy. The decrease in public expenditures also affected the growth negatively. Despite the GDP data pointing to the contraction in the economy, at the meeting that ended on Wednesday, the Fed increased the policy rate by 50 bps to the range of 0.75%-1%, in line with market expectations. The text published after the meeting announced that, the Fed, whose balance sheet size has reached approximately 9 trillion USD, will reduce the balance sheet by 47.5 billion USD on a monthly basis for 3 months as of June 1, and the reduction will reach 95 billion USD monthly as of September. Non-farm employment in the US increased by 428 thousand in April, exceeding the market expectation of 391 thousand. In this period, the unemployment rate in the country remained flat compared to the previous month at 3.6%.

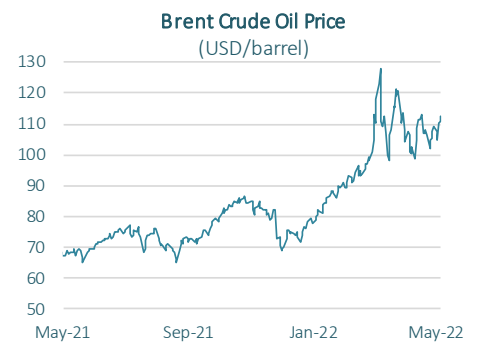
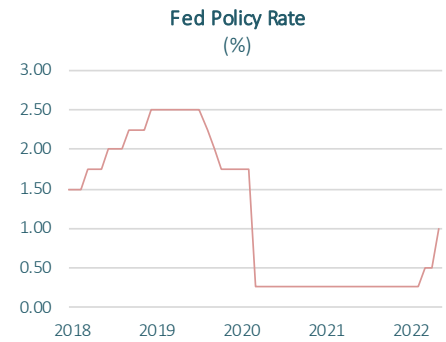
Following the Fed, the Bank of England (BoE) also increased interest rates, hiking the policy rate by 25 bps to 1%, the highest level in the last 13 years. After the meeting, the BoE warned against the risk of double-digit inflation pressure and economic contraction.

Energy supply security concerns strengthened in Europe.

Russian energy company Gazprom announced that it would halt the natural gas flow to Poland and Bulgaria as of April 27, while Kremlin Spokesperson Peskov stated that natural gas supplies to other countries could be cut off if payment in rubles is refused. In its sixth sanctions package against Russia The European Commission, aims to ban imports of crude oil from the country within six months and refined products by the end of the year. In addition, the EU plans to remove three of Russia's leading banks, especially Sberbank, from the SWIFT system and to stop Russia's access to various accounting and consultancy services in Europe. OPEC+ agreed to stick to its plan for a supply increase of 432K barrels per day of crude in June, despite expectations that the European Union's plan to ban Russian oil could cause supply shortages in global markets. In addition, the G7 countries announced that they will gradually reduce or completely cut oil imports from Russia within the scope of the new sanctions package against Russia. As concerns about energy supply security increased in Europe, the price of Brent crude oil per barrel rose by 2.8% on a weekly basis to 112 USD.

Services PMI in China declined rapidly in April.

China's Caixin services PMI fell to 36.2 in April, its lowest level since February 2020,



Source: Datastream

when the index was at a historically low value due to the pandemic. Due to the ongoing lockdowns in the country, exports recorded its lowest increase with 3.9% yoy since June 2020, while import growth was flat in April.

In Turkey, annual CPI inflation reached 69.97% in April.

In April, CPI increased by 7.25% compared to the previous month, rising above the market expectation of 6%. In this period, annual CPI inflation reached its highest level since February 2002 at 69.97%, while annual D-PPI inflation, which has been on the rise since September 2021, reached 121.82%. Prices in all 12 main groups increased in April compared to the previous month. Food and non-alcoholic beverages group, where prices increased by 13.38% compared to the previous month, pushed monthly inflation up by 347 basis points. Considering the course of inflation in the first four months of the year and the ongoing upward trend especially in energy and food prices due to geopolitical developments, we expect inflationary pressures to continue in the upcoming period ([our Inflation Report](#)). On April 28, the CBRT published second Inflation Report of the year. In the report, year-end inflation forecasts for 2022 and 2023 were raised to 42.8% and 12.9%, respectively and a loss of momentum in economic activity was noted due to decline in domestic demand in the first quarter. CBRT Chairman Kavcıoğlu stated that an annual growth of 7% was expected in the first quarter of this year.

In April, manufacturing PMI was realized as 49.2.

Manufacturing PMI declined to 49.2 in April and posted second consecutive contraction in the sector activity after March. According to sub-indices, high input prices, lack of demand, and the war in Ukraine were effective in this decline. While total new orders fell for the seventh month in a row, the new export orders index decreased for the first time since January of this year. Furthermore, according to data from the Automotive Distributors' Association, the automotive and light commercial vehicle market decreased by 2.4% to 60,035 in April, compared to the same month of the previous year. In this period, while the automobile market contracted by 5.8% yoy, light commercial vehicle sales increased by 10.4% yoy thanks to the increase in investments in the logistics sector.

Foreign trade deficit rose to 32.5 billion USD in January-April.

According to the preliminary data announced by the Ministry of Trade, exports increased by 24.6% yoy and became 23.4 billion USD in April, while imports increased by 35% to 29.5 billion USD. Thus, the foreign trade deficit amounted to 6.1 billion USD in April, increasing by 98% yoy. In the January-April period, the foreign trade deficit increased by 129.7% yoy and reached 32.5 billion USD.

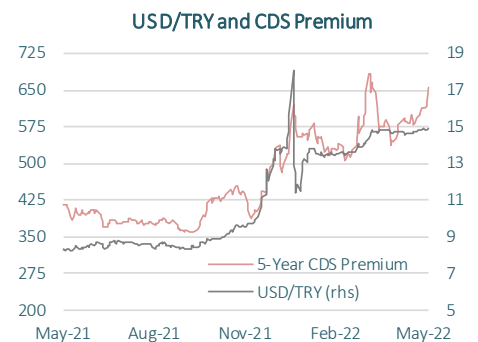
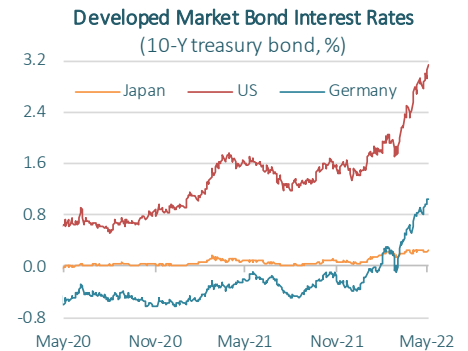
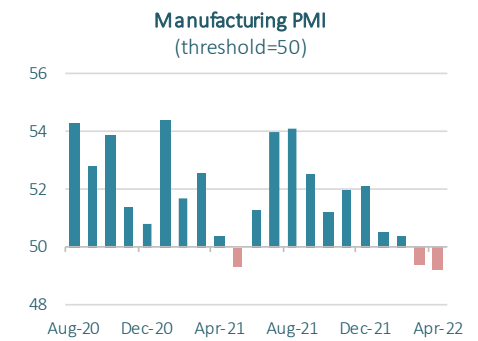
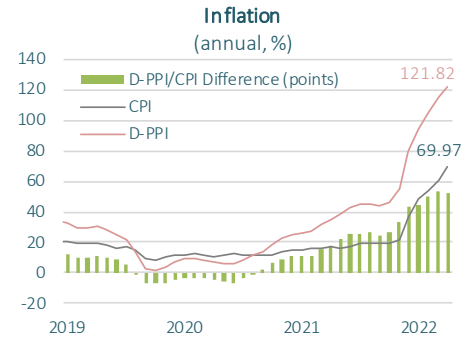
Financial markets...

Last week, global markets followed a volatile course and posted a rapid decline towards the end of the week after the tightening steps of major CB's and better-than-expected non-farm employment data in the US. Accordingly, the DXY index and US Treasury bond yields rose sharply on a weekly basis, while gold prices decreased.

BIST-100 index increased by 1.2% on weekly basis, differing positively from other emerging markets last week. The USD/TRY rate increased last week as the US dollar continued to appreciate in global markets, Turkey's 5-year CDS premium also increased by 48 basis points to 661 on a weekly basis, reaching the highest level of the last 2 months. Although, the CPI-based real effective exchange rate index increased by 3.26 points compared to the previous month and rose to 57.1 in April, it remained on a low level.

This week's agenda...

This week, inflation data in the US and China for April, and industrial production data for March in the Euro Area stand out in global markets. In domestic markets, industrial production and employment figures for March will be followed. Besides that, Treasury cash balance data for April will be released in this week.



Source: Datastream, CBRT, ICI

Data Releases

		Period	Consensus	Prior
9 May	Euro Area Sentix Index	May	-22.6 (A)	-18.0
	China Trade Balance	April	51.1 bln USD (A)	47.4 bln USD
10 May	TR Unemployment Rate	March	-	10.7%
11 May	TR Treasury Cash Balance	April	-	-40.6 bln TRY
	US CPI Inflation, yoy	April	8.1%	8.5%
	China CPI Inflation, yoy	April	1.8%	1.5%
	China PPI Inflation, yoy	April	7.7%	8.3%
12 May	US PPI Inflation, yoy	April	10.7%	11.2%
13 May	TR Industrial Production, yoy	March	-	13.30%
	US Michigan Consumer Confidence, prelim.	May	64.0	65.2
	Euro Area Industrial Production, yoy	March	-0.8%	2.0%

(A) Actual

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