

	13.May	20.May	Change		13.May	20.May	Change
BIST-100 Index	2.419	2.372	-1,9 % ▼	EUR/USD	1,0411	1,0560	1,4 % ▲
TRY 2 Year Benchmark Rate	27,71 %	27,08 %	-63 bp ▼	USD/TRY	15,4769	15,8951	2,7 % ▲
Turkey 5-Year CDS Premium	704	715	11 bp ▲	EUR/TRY	16,1178	16,7973	4,2 % ▲
MSCI EM Equity Index	1.005	1.035	3,1 % ▲	Gold (USD/ounce)	1.811	1.846	1,9 % ▲
US 10-Year Bond Rate	2,93 %	2,79 %	-14 bp ▼	Brent Oil (USD/barrel)	111,6	112,6	0,9 % ▲

bp: basis point

Last week, statements by Fed and ECB officials were closely watched. The data released in the US drew a mixed picture regarding the activity in manufacturing industry. In China, where economic activity weakened, the Central Bank lowered the 5-year loan interest rate to 4.45% in order to support the economy. In Turkey, real sector confidence index fell to the lowest level of the last 20 months in May. USD/TRY rose rapidly last week, approaching the 16 level. This week Davos summit and the CBRT meeting will be followed. The preliminary global PMI data stands out on the data agenda.

#### Data released in the US displayed a mixed outlook.

Industrial production in the US increased by 1.1% mom in April, the third consecutive month. In the same period, capacity utilization rate was realized as 79%, above the expectations. On the other hand, Philadelphia Fed manufacturing index came in at the lowest level of the last two years in May, pointing to a loss of momentum in production growth. Existing home sales in the country were also at their lowest level since June 2020 in April. In addition, in the week ending May 14, jobless claims in the US reached the highest level of the last 4 months with 218K people. The negative data brought up concerns about the course of economic activity.

#### The statements by Fed officials regarding "interest rate hike" stand out on the agenda.

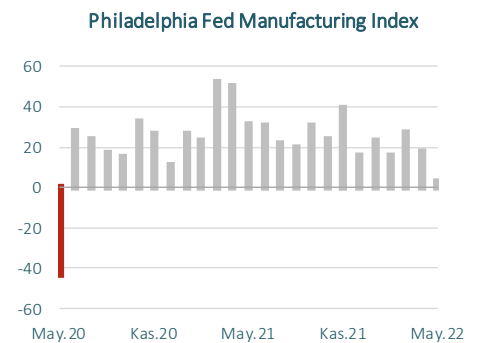
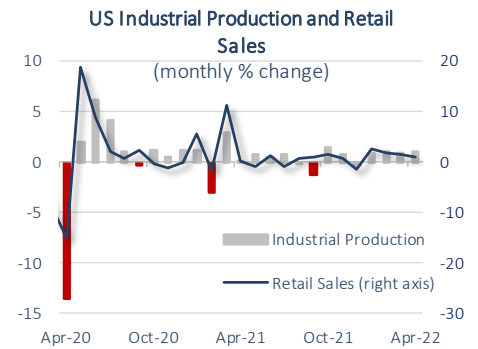
Global markets closely monitor Fed officials' guidance on rate hikes. Fed Chairman Powell stated last week that the Fed will increase interest rates until inflation falls. Powell said although the effects of policies to be implemented to control inflation may increase the unemployment somehow the labor market would continue to stay strong and the economic slowdown would be soft. Kansas City Fed President Esther George said she would support a 50 bps rate hike. The statements of the officials consolidated the expectations in markets that the Fed will increase the pace of monetary tightening.

#### ECB officials point at July for a rate hike.

Announcing that he will support a 25 bps increase in interest rates at ECB's monetary policy meeting to be held in July, European Central Bank Governing Council member Klaas Knot signaled that a 50 bps increase in interest rates may be necessary if inflation risks worsen. Governing Council Members Martins Kazaks and Ignazio Visco also stated that the ECB may carry out the first rate hike in July.

#### The EU Commission forecasts Turkey's growth as 2% for 2022.

The European Commission published the "European Economic Forecasts 2022 Spring" report. According to the report, the economic growth expectation for 2022 in the Euro Area was reduced from 4% to 2.7%, due to the impact of the Russia-Ukraine war on energy and commodity prices, and inflation expectation was increased from 3.5% to 6.1%. The report, which also includes evaluations on the global economic outlook, estimated that Turkish economy will grow by 2%, and the annual inflation will be 63.1%, in 2022.



#### EU Commission Projections (yoy % change)

	Projections of Spring (%)		Change* (% points)	
	2022	2023	2022	2023
<b>GDP Growth</b>				
World	3.2	3.5	-1.3	0.0
US	2.9	2.3	-1.6	-0.1
Euro Zone	2.7	2.3	-1.6	-0.1
Turkey	2.0	3.0	-2.0	-1.0
<b>Endyear Inflation</b>				
US	7.3	3.1	4.0	0.9
Euro Zone	6.1	2.7	3.9	1.3
Turkey	63.1	54.1	45.4	38.7

(\*): Difference from Autumn 2021 Report projections

Source: Datastream

### The People's Bank of China cut interest rates by 15 basis points.

At its meeting on Friday, the People's Bank of China cut the 5-year loan prime rate by 15 basis points to 4.45%. By reducing the interest rate which is an indicator for the interest rates applied in the mortgage market, the central bank aims to support the real estate sector and general economic activity. Considering the increase in coronavirus cases in the country and the negative impacts of restrictions on production and consumption expenditures, the Chinese government is expected to continue to take steps to support the economy in the coming period.

### Real sector confidence in Turkey declined in May.

The seasonally adjusted consumer confidence index, which was announced at a historically low level of 67.3 in April, rose slightly in May to 67.6. In the same period, real sector confidence index decreased by 0.7 points on a monthly basis to 107 points. Thus, the real sector confidence index took its lowest value since October 2020 due to the decline in overall order books, export orders and fixed capital investments. A mixed course was observed in sectoral confidence indices at the same period. In May, confidence indices increased by 6.1% mom and 1.7% mom in services and retail trade sectors, while they decreased by 2.2% mom in construction sector.

### House sales increased by 38.8% yoy in April.

House sales in Turkey increased by 38.8% yoy in April, reaching 133.1K units. In this period, the first hand sales rose by 24.7% yoy to 36.4K, while second-hand house sales went up by 45% yoy to 96.6K units. It was noteworthy that house sales to Russian citizens increased by 186.6% yoy in April. Thus, the share of sales to Russia, which was 9.1% in total house sales to foreigners in 2021, rose to 17.7% in April. In the January-April period, total house sales increased by 26.2% yoy and became 453.1K units.

### Central government gross debt stock was 3.125 billion TRY in April.

The central government gross debt became 3.125 billion TRY as of April 2022. 2.051 billion TRY (65.6%) of the said debt stock consisted of foreign currency debts, while 1.074 billion TRY consisted of Turkish lira-denominated debts.

### The year-end inflation expectation of the market rose to %57.92.

According to the results of CBRT's Survey of Market Participants for May, the year-end inflation expectation rose from 46.44% to 57.92%. CPI inflation expectation for the next 12-month period also increased from 28.41% to 33.28. According to the survey, USD/TRY forecast for the end of the year went up from 16.85 to 17.57, while the current account deficit expectation rose from 27.2 billion USD to 32.7 billion USD.

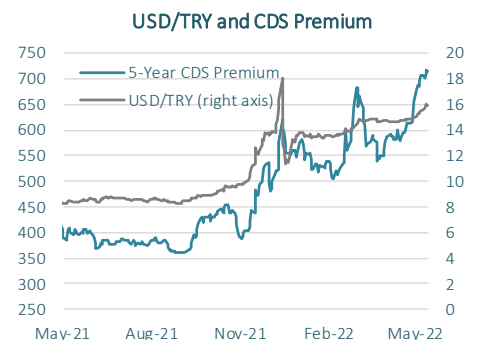
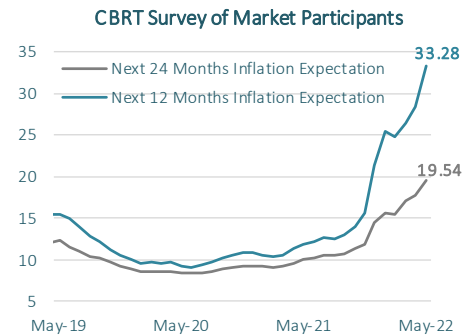
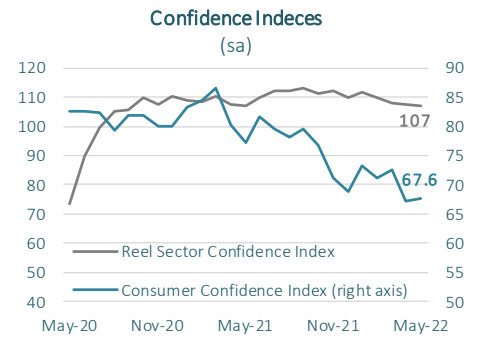
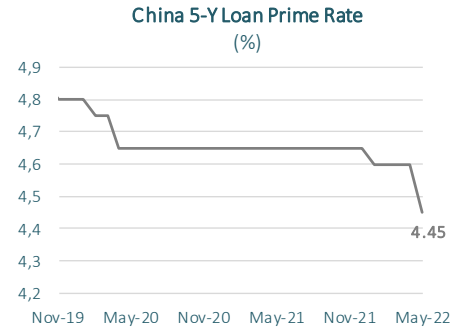
### Financial markets

Global stock markets displayed a negative outlook over the past week due to concerns that the Fed, which raised interest rates by a total of 75 bps in its meetings in March and May, could accelerate the pace of monetary tightening, as well as expectations of a slowdown in global economic growth. The US 10-year Treasury bond yield fell to the lowest level of the last 4 weeks with 2.79%.

In line with the downward trend in global markets, the BIST-100 index also ended the week with a decline. The USD/TRY parity, which rose to the level of 15.98 during the trading hours on Friday, closed the week with an increase of 2.7%. Turkey's 5-year CDS premium also rose by 11 bps, reaching the level of 715.

### This week's agenda...

This week, in addition to the World Economic Forum meetings, the preliminary PMI data for May stands out in the global markets agenda. In Turkey, the CBRT meeting will be closely monitored this week. The international credit rating agency Moody's is expected to announce Turkey's credit outlook report.



Source: Datastream

## Data Releases

		Period	Consensus	Prior
23 May	TR Real Sector Confidence Index	May	109.4 (A)	109.7
	TR Capacity Utilization Rate	May	78.0% (A)	77.8%
	TR Foreign Visitors, yoy	April	225.6% (A)	129.7%
	CBRT Survey of Market Participants	May	-	-
24 May	Euro Area Services PMI, flash	May	57.5	57.7
	Euro Area Manufacturing PMI, flash	May	54.9	55.5
	USA Services PMI, flash	May	55.4	55.6
	USA Manufacturing PMI, flash	May	57.9	59.2
	USA New Home Sales, units	April	750K	763K
25 May	USA Durable Goods Orders, mom	April	0.6%	1.1%
26 May	CBRT Monetary Policy Meeting	May	-	-
	TR Economic Confidence	May	-	94.7
	USA GDP Growth, prelim, yoy	2022 Q1	-1.4%	-1.4%
	USA Pending Home Sales, mom	April	-1.9%	-1.2%
27 May	CBRT Financial Stability Report	2022-I	-	-
	USA Personal Consumption Expenditures, mom	April	0.7%	1.1%
	USA Michigan Consumer Confidence, final	May	59.1	59.1

(A) Actual

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