

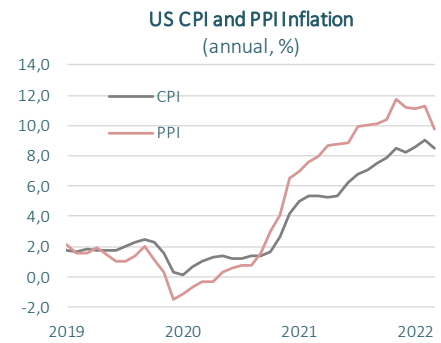
	5-Aug	12-Aug	Change		5-Aug	12-Aug	Change
BIST-100 Index	2,750	2,864	4.1 % ▲	EUR/USD	1.0181	1.0258	0.8 % ▲
TRY 2 Year Benchmark Rate	21.42 %	20.07 %	-135 bp ▼	USD/TRY	17.9101	17.9324	0.1 % ▲
Turkey 5-Year CDS Premium	730	647	-83 bp ▼	EUR/TRY	18.2367	18.4028	0.9 % ▲
MSCI EM Equity Index	1,003	1,017	1.4 % ▲	Gold (USD/ounce)	1,774	1,802	1.6 % ▲
US 10-Year Bond Rate	2.84 %	2.85 %	1 bp ▲	Brent Oil (USD/barrel)	94.9	98.2	3.4 % ▲

bp: basis point

Last week, lower-than-expected inflation data in US was influential in the course of global markets. Although, the inflation data alleviated the concerns about the Fed's rate hike to some extent, Fed officials stated that the policy rate hikes would continue as previously planned. In Turkey, industrial production, employment and balance of payments data came to the fore in the last week. In June, industrial production increased by 1.3% mom, while the unemployment rate decreased to 10.3%. The current account deficit, which continues to expand in parallel with the increase in the foreign trade deficit, became 3.5 billion USD in June. The central government budget posted a deficit of 64 billion TRY in July. This week, leading indicators in US for the housing and industrial sectors will be followed closely. In Turkey, the CBRT's meeting to be held on Thursday comes to the fore.

#### The annual CPI increase in the US was 8.5%, below the expectations.

Consumer prices in the US did not change in July compared to the previous month, despite the expectations for an increase by 0.2% mom. Thus, annual CPI inflation, which had reached 9.1% in June, declined to 8.5% in July. Annual core CPI, which is calculated by excluding food and energy prices, was 5.9%, below expectations. The decline in energy prices in July contributed the slowdown in inflation. In the same period, producer prices fell by -0.5% for the first time since April 2020, despite expectations for a 0.2% monthly increase. Annual PPI inflation fell to 9.8%. Inflation indicators, which were below expectations, supported the views that the Fed, which increased interest rates by 75 basis points in each of the last two meetings, may increase interest rates by 50 basis points at its September meeting. Consequently, the risk appetite in global markets increased, while the US dollar appreciated against major currencies. On the other hand, the Fed officials' statements that the policy rate hikes will continue as in the previously predicted path, limited the optimistic expectations in the financial markets in some extent.



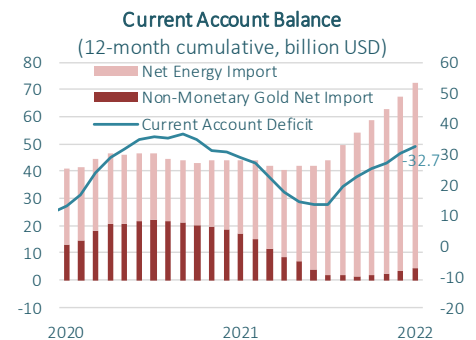
#### Annual CPI inflation in China is at the highest level in the last two years.

Consumer prices in China increased by 0.5% mom in line with the expectations and annual CPI inflation reached the highest level of the last two years with 2.7%. On the other hand, annual PPI inflation, which is a leading indicator for the global cost pressures, fell to 4.2% in July due to the weakening in commodity prices, lowest level in the last 17 months. Industrial production in the country rose by 3.8% yoy in July, below the market expectations. In this period, retail sales also increased by 2.7% yoy. Although, the data releases pointing out a slowdown in the economic activity elevated concerns in the markets, the unexpected cut of the policy rate by the People's Bank of China eased these concerns.



#### In June, the current account deficit was 3.5 billion USD.

The current account deficit increased by 2.3 billion USD yoy in June to 3.5 billion USD. The increase in net energy and non-monetary gold imports was effective in widening the current account deficit. The outflow trend in portfolio investments continued for nine month in a row. Net errors and omissions, posted a historical high capital inflow with 17.5 billion USD as of the first six months of the year ([Balance of Payments report](#)).



Source: Datastream

### The central government budget posted a deficit of 64 billion TRY in July.

Central government budget gave a deficit of 64 billion TRY in July. In this period, budget revenues increased by 106.7% yoy, while budget expenditures rose by 85%. The central government budget posted a surplus of 29.5 billion TRY in the first 7 months of the year, supported by the rapid increase in tax revenues. ([Budget Balance report](#)).

### Industrial production rose by 1.3% mom in June.

According to seasonally and calendar adjusted data, industrial production increased by 1.3% mom in June. Despite the June PMI data pointing to the contraction in economic activity in the manufacturing industry, the manufacturing industry sub-index increased by 1.6% on a monthly basis in this period. According to the calendar adjusted data, the annual increase in industrial production was 8.5% in June, while the annual growth in industrial production was 9.4% in the second quarter of the year.

### In Turkey, the unemployment rate decreased to 10.3%.

In June, the seasonally adjusted unemployment rate decreased by 0.3 points mom to 10.3%, the lowest level since April 2018. In this period, the employment rate fell by 0.1 points compared to the previous month to 47.8%, while the labor force participation rate decreased by 0.4 points to 53.2%. The labor underutilization rate consisting of time-related underemployment, potential labor force, and unemployment decreased by 1.7 points in June compared to the previous month and fell to its lowest level since December 2019 at 20.4%.

### CBRT published the Market Participants Survey.

According to the results of the CBRT's Market Participants Survey, the year-end inflation expectation for 2022, which was 69.94% in the previous survey period, was 70.6%, while the inflation expectation for the next 12 months increased to 41.99%. Survey participants, who expect growth to be 3.7% in 2022, estimated that USD/TRY will be 19.65 at the end of the year.

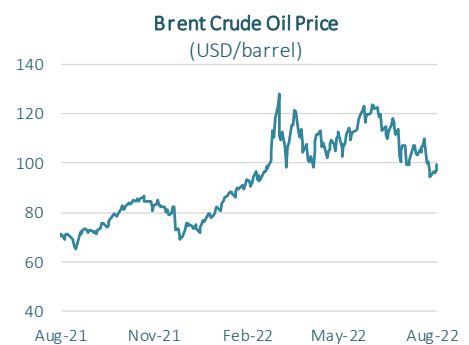
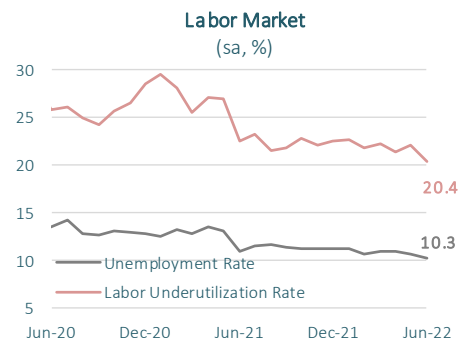
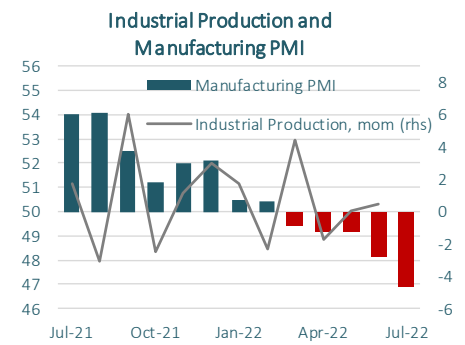
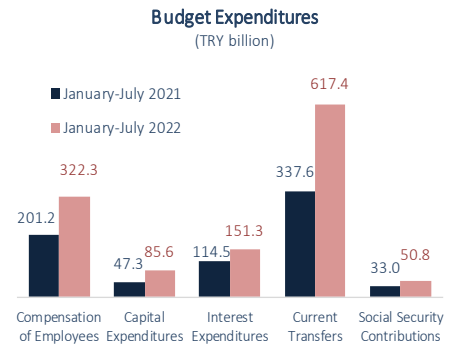
### Financial markets...

Global stock markets exhibited a positive outlook as inflation data announced in the US last week eased concerns that the Fed might increase the rate of interest rate hikes. The US 10-year Treasury bond yield, which had tested the level of 2.67% during the week, rose to 2.85% at the close on Friday due to the statements of Fed officials' statements that interest rate hikes would continue. The barrel price of Brent crude oil, which was supported by supply-side concerns during the week, increased by 3.4% wow as the International Energy Agency's raising of its oil demand forecast.

The positive outlook in the global markets was also reflected in the domestic markets last week. BIST-100 index closed the week at 2,864 points with a weekly increase of 4.1% due to the increase in risk appetite towards emerging markets. Turkey's 5-year CDS premium, which declined by 83 points wow, fell below 700 for the first time since May. On the other hand, international credit rating agency Moody's downgraded Turkey's credit rating from B2 to B3, citing the increasing need for external financing, and changed the rating outlook from "negative" to "stable".

### This week's agenda is...

This week, industrial production and housing market data for July in the US will be followed in global markets. In Turkey, the CBRT's August meeting on Thursday will be closely watched. The CBRT is expected to keep its policy rate at 14%.



Source: Datastream, CBRT

## Data Releases

		Period	Consensus	Prior
<b>15 August</b>	TR Budget Balance	July	-64 billion TRY (A)	-31 billion TRY
	USA NY Fed Manufacturing Index	August	5.5	11.1
<b>16 August</b>	TR Housing Price Index, yoy	June	-	145.5%
	TR House Sales, yoy	July	-	11.7%
	USA Industrial Production, mom	July	0.3%	-0.2%
	USA Housing Starts, units	July	1.54 million	1.56 million
<b>17 August</b>	USA Retail Sales, mom	July	0.1%	1.0%
	Euro Area GDP Growth, flash, yoy	2022 Q2	4.0%	4.0%
<b>18 August</b>	CBRT Monetary Policy Meeting	August	-	-
	USA Philadelphia Fed Manufacturing Index	August	-5.0	-12.3
	USA Existing Home Sales, units	July	4.88 million	5.12 million
	Euro Area CPI Inflation, final, yoy	July	8.9%	8.9%

(A) Actual

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