

	9-Sep	16-Sep	Change		9-Sep	16-Sep	Change
BIST-100 Index	3,521	3,377	-4.1 % ▼	EUR/USD	1.0039	1.0015	-0.2 % ▼
TRY 2 Year Benchmark Rate	13.81 %	14.42 %	61 bp ▲	USD/TRY	18.2334	18.2543	0.1 % ▲
Turkey 5-Year CDS Premium	678	740	62 bp ▲	EUR/TRY	18.3098	18.2858	-0.1 % ▼
MSCI EM Equity Index	970	944	-2.7 % ▼	Gold (USD/ounce)	1,716	1,675	-2.4 % ▼
US 10-Year Bond Rate	3.32 %	3.45 %	13 bp ▲	Brent Oil (USD/barrel)	92.8	91.4	-1.6 % ▼

bp: basis point

Last week, US inflation data were followed closely. Expectations that the Fed will tighten monetary policy at a much faster pace to tame inflation, which was announced above the forecasts, created selling pressure on the global markets. In Turkey, industrial production decreased by 6.2% on a monthly basis in July. House sales decreased by 12.7% yoy in August, while central government budget posted a surplus of 3.6 billion TRY. Meetings of the central banks including CBRT and Fed are on the focus of the global markets this week. In addition, global PMI data for September will be followed.

### Consumer prices in the US continued to rise in August.

US CPI rose slightly by 0.1% in August, despite the expectations of a decline. Annual CPI inflation, which realized as 8.3%, fell to its lowest level for the last four months due to the base effect. Core CPI excluding food and energy increased by 0.6% mom, well above the expectations. In the same period, annual PPI inflation became 8.7%. Higher-than-expected inflation data supported the projections that Fed might raise the rates faster than anticipated.

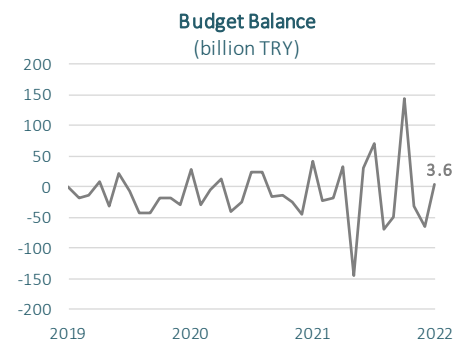
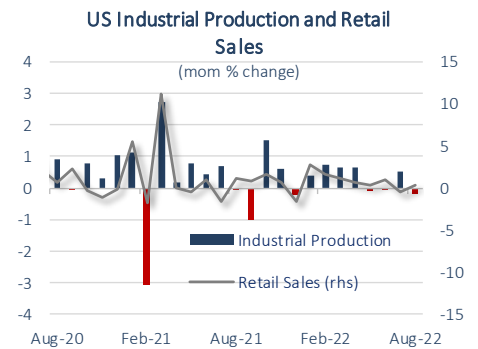
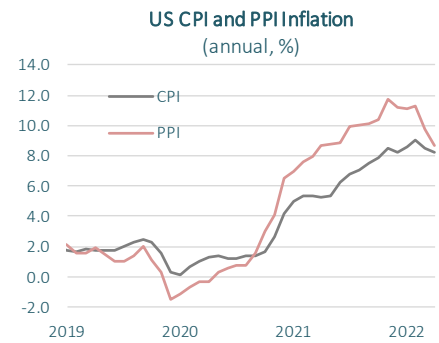
In August, US industrial production decreased by 0.2% mom despite the expectations of a limited increase where the capacity utilization rate was announced lower-than-expected with 80%. On the other hand, retail sales for August increased by 0.3% mom, led by the rise in motor vehicle sales. The preliminary data of the consumer sentiment index for September reached its highest level for the last five months, becoming 59.5. Announced figures gave mixed signals regarding the course of the economic activity.

### Fitch revised its global growth forecasts.

In its September "Global Economic Outlook" report, Fitch downgraded its global GDP growth forecast for 2022 from 2.9% to 2.4%. According to the report, persistently high inflation and tight labor markets have driven major central banks to become more hawkish in recent months. Fitch, which raised its 2022 growth forecast for the Turkish economy from 4.5% to 5.2%, expected growth to be 2.9% in 2023 and 2024.

### Central government budget posted a surplus of 3.6 billion TRY in August.

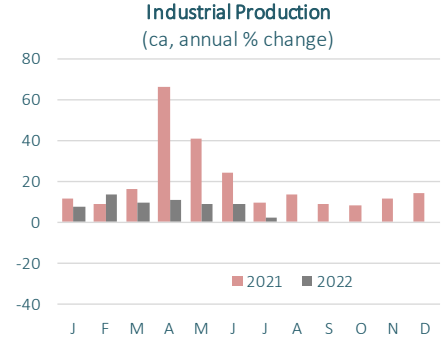
In August, budget expenditures increased by 186% yoy to 302 billion TRY, while budget revenues rose by 108.8% to 306 billion TRY. Primary surplus, on the other hand, contracted by 51.9% yoy and became 26.2 billion TRY. Thus, the central government budget posted a surplus of 3.6 billion TRY in August and 33.1 billion TRY in the first 8 months of the year. For the March-August period, expenses related to FX protected deposits reached 75.6 billion TRY ([our Budget Balance report](#)).



Source: Datastream

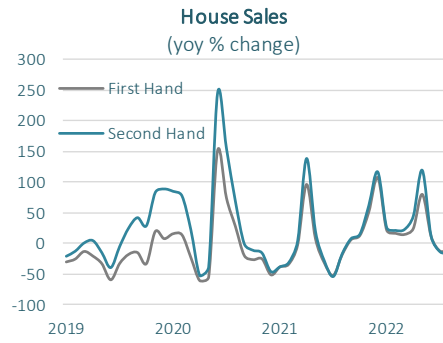
### In July, industrial production contracted by 6.2% mom.

According to seasonal and calendar adjusted data, industrial production contracted by 6.2% on a monthly basis in July, recording the fastest decline since April 2020. According to the main industry groups, production fell in all groups except for high-tech products, which increased by 2.1% compared to the previous month. According to the calendar adjusted data, industrial production showed its weakest annual performance since June 2020 by increasing 2.4%. In this period, production in the manufacturing industry rose by 4.1% yoy while the production of basic metals and textiles contracted by 14.5% and 8.4%, respectively.



### House sales declined by 12.7% yoy in August.

House sales declined by 12.7% yoy to 123.5K units in August. In this period, the number of houses sold for the first time decreased by 8.5% yoy to 39K, while second-hand sales contracted by 14.5% yoy to 84.5K. House sales to foreigners were also down by 10.1% yoy in August. In the first 8 months of the year, house sales rose by 17.7% on an annual basis, while second-hand houses accounted for 70.7% of the sales.



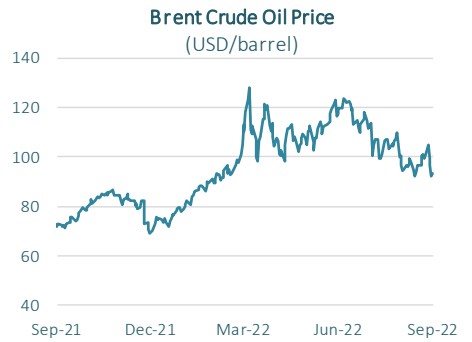
According to the Residential Property Price Index (RPPI) published by the CBRT, RPPI rose by 8.0% mom and 173.8% yoy in July. In this period, annual rise in real terms was 52.6%.

### The market's year-end inflation expectation fell to 67.73%.

According to the CBRT's Market Participants Survey for September, the year-end inflation expectation decreased to 67.73% from 70.6%, and the 12-month ahead inflation expectation decreased from 41.99% to 36.74%. According to the survey, GDP growth forecast for 2022 increased from 3.7% to 4.8%, while the current account deficit expectation increased from 39.3 billion USD to 45.9 billion USD.

### Financial markets...

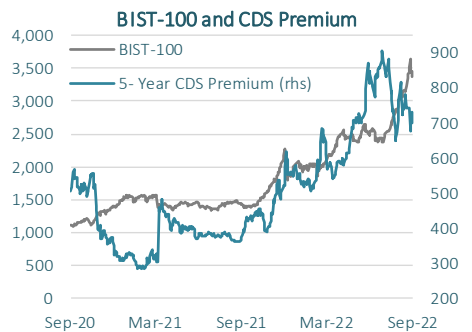
Last week, expectations that the Fed might increase the interest rates faster than anticipated to control high inflation created selling pressure in the global markets. In this period, 10-year US Treasury bond yield rose to 3.45%. While oil prices declined on a global basis due to an increase in inventories as well as rising demand concerns, gold prices decreased by 2.4% to its lowest level since April 2020.



BIST-100 index fell more than 4% in line with the selling pressure in the global markets. While Turkey's 5-year CDS premium closed the week at 740 basis points, with an increase of 62 basis points, Turkish lira followed a relatively flat course against US dollar.

### This week's agenda...

This week, the meetings of central banks including CBRT and the Fed are at the focus of the markets. In addition, global PMI data for September will be followed.



Source: Datastream

## Data Releases

		Period	Consensus	Prior
20 September	TR Central Government Gross Debt Stock	August	-	3.6 trillion TRY
	USA Housing Starts, units	August	1.44 million	1.45 million
21 September	Fed Meeting	September	3-3.25%	2.25-2.75%
	USA Existing Home Sales, units	August	4.7 million	4.8 million
22 September	CBRT Monetary Policy Meeting	September	-	-
	TR Consumer Confidence Index	September	-	72.2
	Euro Area Consumer Confidence, flash	September	-26.0	-24.9
	BoE Meeting	September	2.25%	1.75%
23 September	TR Foreign Visitors, yoy	August	-	52.8%
	USA Services PMI, flash	September	45.0	43.7
	ECB Meeting, policy rate	September	51.2	51.5
	Euro Area Services PMI, flash	September	49.1	49.8
	Euro Area Manufacturing PMI, flash	September	48.8	49.6

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