

	16-Sep	23-Sep	Change		16-Sep	23-Sep	Change
BIST-100 Index	3,377	3,282	-2.8 % ▼	EUR/USD	1.0015	0.9690	-3.2 % ▼
TRY 2 Year Benchmark Rate	14.42 %	13.99 %	-43 bp ▼	USD/TRY	18.2543	18.4131	0.9 % ▲
Turkey 5-Year CDS Premium	740	769	30 bp ▲	EUR/TRY	18.2858	17.8447	-2.4 % ▼
MSCI EM Equity Index	944	923	-2.3 % ▼	Gold (USD/ounce)	1,675	1,643	-1.9 % ▼
US 10-Year Bond Rate	3.45 %	3.70 %	25 bp ▲	Brent Oil (USD/barrel)	91.4	86.2	-5.7 % ▼

bp: basis point

Last week, the meetings of central banks were followed closely. Fed hiked the policy rate by 75 basis points, in line with market expectations, to 3.00-3.25%, while the forecasts shared after the meeting showed that the Fed officials revised their policy interest rate projections significantly upwards. During the week, the Bank of England also increased the policy rate, while the central banks of China, Japan and Brazil decided not to change the rates. In Turkey, reflections of the CBRT's policy rate cut decision on September 22 were followed. This week, US personal consumption expenditures price index and Euro Area inflation come to the fore in global markets. In Turkey, a calm data agenda will be monitored.

Fed hiked the policy rate by 75 basis points.

In its meeting that ended on September 21, Fed increased the policy rate by 75 basis points to 3.00%-3.25%, in line with market expectations. Thus, Fed made the third consecutive 75 basis point rate hike. In the statement released following the meeting, Fed stated that it would be prudent to maintain interest rates in the target range as long as inflation remained high. In his speech at the press conference after the meeting, Fed Chairman Powell stated that they are determined to maintain their tight monetary policy stance until inflation falls to the target level of 2%. Fed members' median estimate of the policy rate at the end of 2022 rose to 4.4%, pointing out that Fed could increase the policy rate by at least 125 basis points in the next two meetings. In his speech, Powell referred to the members' high policy interest rate projections and said that this situation reflects Fed's determination to fight inflation. In the US, services PMI rose from 43.7 in August to 49.2 in September, and manufacturing PMI rose from 51.5 to 51.8. Thus, the composite PMI remained below the 50 threshold at 49.3 in September.

Decisions of other central banks were also followed.

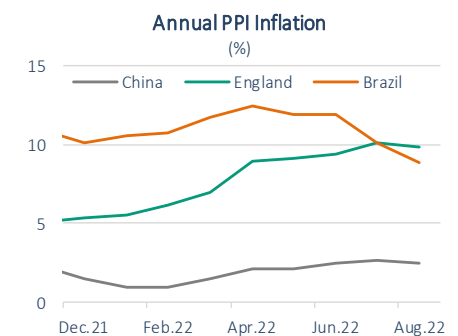
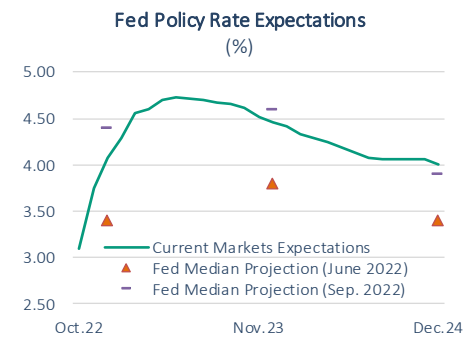
Meetings of central banks in addition to Fed were also followed last week. Bank of England (BoE) increased the policy rate from 1.75% to 2.25% in line with market expectations. Despite the indications that the economy is in a recession, BoE stated that it will continue to use policy tools "strongly and as necessary" in the fight against inflation. On the other hand, Bank of Japan did not change policy interest rates despite the depreciation of the yen, while it announced that the special fund supply program that was put into use for the pandemic would be gradually removed.

Central Bank of Brazil decided to keep the policy rate at 13.75% after 12 consecutive rate hikes. At the monetary policy meeting held on September 21, People's Bank of China kept the 1-year deposit rate and 5-year mortgage interest rate unchanged in line with expectations at 3.65% and 4.30%, respectively. The Bank adopted a policy stance to support economic activity by taking the decision to cut interest rates at its meeting in August.

Fed Projections

	September Projections (%)		Change* (% point)	
	2022	2023	2022	2023
GDP Growth	0.2	1.2	1.7	1.7
PCE Inflation	5.4	2.8	5.2	2.6
Core PCE	4.5	3.1	4.3	2.7
Federal Funds Rate	4.4	4.6	3.4	3.8
Unemployment Rate	3.8	4.4	3.7	3.9

(*) Difference from June projections



Source: Datastream,

Lagarde pointed to further tightening in monetary policy.

ECB President Lagarde stated that in order to slow down demand and control high inflation in the Euro Area, interest rates may need to be raised to levels that could limit economic growth. Emphasizing that long-term inflation expectations are exceeding the ECB's 2% target, Lagarde pointed out that the supply shock caused by high energy prices may reduce the potential of the region's economy. On the other hand, the rise in annual PPI inflation to 45.8% in August in Germany due to the rise in energy costs, raised inflation concerns across the region. Moreover, the decline in the composite PMI data for September to the lowest level in 20 months at 48.2 indicated a deepening of the deceleration in economic activity.

CBRT lowered the policy rate by 100 basis points.

CBRT lowered the policy rate from 13% to 12% at its meeting on September 22. In the text released after the meeting, it was stated that the leading indicators for the third quarter continue pointing to loss of momentum in economic activity due to the decreasing foreign demand. In addition, the text emphasized the necessity of supporting financial conditions in order to preserve the growth momentum in industrial production and the positive trend in employment. CBRT also underlined that the growth rate of loans and the use of financing resources in accordance with their intended purpose are closely monitored and added that the instruments to support the effectiveness of the monetary transmission mechanism will continue to be strengthened.

Consumer confidence remained weak.

According to the data released by TURKSTAT, the consumer confidence index increased by 0.2 points on a monthly basis to 72.4 in September. While the general economic situation expectation for the next 12-month period and the improvement in the assessment on spending money on durable goods supported the index, financial situation expectations of the households for the next 12 months and the current period limited the increase in the index. In September, seasonally adjusted real sector confidence index decreased by 1.2 points mom to 100.2, while sectoral confidence indices increased on a monthly basis in line with the improvement in demand expectations for the next 3 months. During this period, the seasonally adjusted capacity utilization rate increased by 0.7 points on a monthly basis to 77.3%.

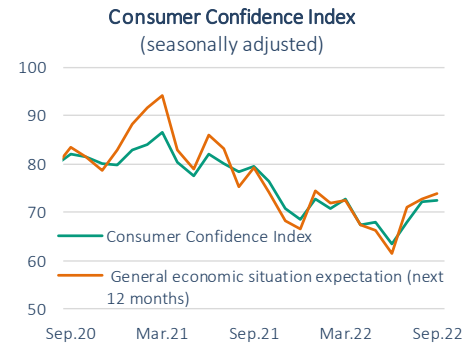
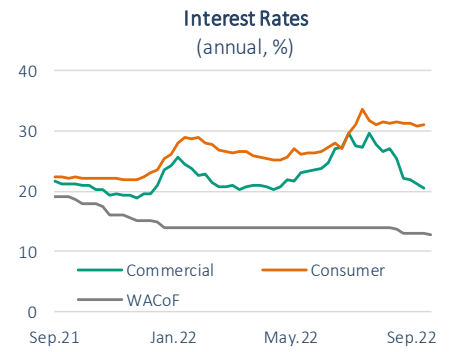
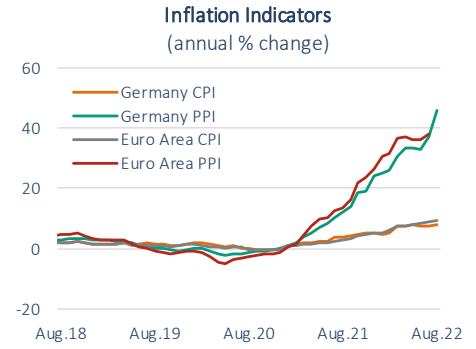
Negative outlook in stock markets...

The monetary policy stance of major central banks, which prioritizes the fight against inflation, adversely affects the stock markets. The Fed's determination in fighting against inflation, even at the cost of a recession, created an intense selling pressure in the stock markets last week. Besides, US dollar appreciated against major currencies.

BIST-100 index also ended the week with a loss in line with the negative outlook in the global markets. In the week when USD/TRY followed a relatively flat course, Turkey's 5-year CDS premiums climbed above 750 basis points.

This week's agenda...

In global markets, where a busy data agenda will be followed this week, US personal consumption expenditures price index and Euro Area inflation come to the fore. In Turkey, the foreign trade data for August will be announced by Turkstat.



Source: Datastream, Turkstat ,CBRT,

Data Releases

		Period	Consensus	Prior
26 September	TR Capacity Utilization Rate	September	77.4% (A)	76.7%
	TR Real Sector Confidence Index	September	99.9 (A)	102.1
27 September	USA Durable Goods Orders, mom	August	-0.5%	-0.1%
	USA New Home Sales, units	August	500K	511K
28 September	USA Pending Home Sales, mom	August	-1.0%	-1.0%
29 September	TR Economic Confidence	September	-	94.3
	USA GDP Growth, final, yoy	2022 Q2	-0.6%	-0.6%
	US Initial Jobless Claims	19-24 Sep	215K persons	213K persons
	Euro Area Consumer Confidence, flash	September	-28.8	-28.8
30 September	TR Trade Balance	August	-	10.7 billion USD
	USA Personal Consumption Expenditures, mom	August	0.2%	0.1%
	USA Michigan Consumer Confidence, final	September	59.5	59.5
	Euro Area CPI Inflation, flash, yoy	September	9.7%	9.1%
	Euro Area Unemployment Rate	August	6.6%	6.6%
	China NBS Manufacturing PMI	September	-	49.4

(A) Actual

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