

	28-Oct	4-Nov	Change		28-Oct	4-Nov	Change
BIST-100 Index	3.879	4.217	8.7 % ▲	EUR/USD	0.9963	0.9960	0.0 % ●
TRY 2 Year Benchmark Rate	15.36 %	14.64 %	-72 bp ▼	USD/TRY	18.5813	18.5657	-0.1 % ▼
Turkey 5-Year CDS Premium	651	629	-22 bp ▼	EUR/TRY	18.5167	18.4893	-0.1 % ▼
MSCI EM Equity Index	846	885	4.7 % ▲	Gold (USD/ounce)	1.642	1.680	2.3 % ▲
US 10-Year Bond Rate	4.01 %	4.16 %	15 bp ▲	Brent Oil (USD/barrel)	95.8	98.6	2.9 % ▲

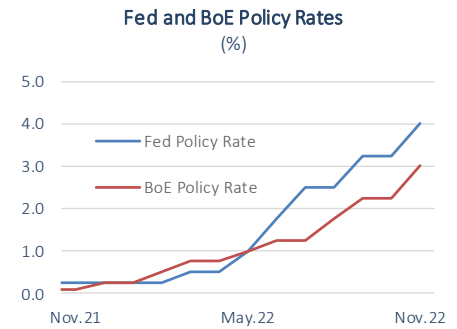
bp: basis point

Last week, Fed and the Bank of England raised policy rates by 75 bps as expected. While the non-farm payrolls data pointed out that the strong course in the labour market continues, final PMI figures released in the US, Euro Area and China confirmed the ongoing slowdown in the global economic activity. On the other hand, OPEC revised its oil demand forecasts for the medium and long term upwards, citing its expectation of a robust recovery in 2023. In Türkiye, foreign trade deficit went up by 430% yoy to 8.01 billion USD in October. In this period, annual CPI inflation came in at 85.51% where D-PPI became 157.69%. This week, inflation data in the US and China will be monitored. In Türkiye, unemployment rate, current account and industrial production data will be announced.

75 bps increase by Fed and BoE...

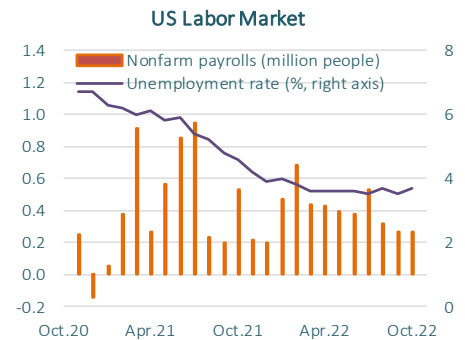
Fed raised the policy rate by 75 bps to a range of 3.75%-4% in its meeting last week. In its statement published after the meeting, Fed highlighted that the economic indicators have been displaying a moderate outlook and upward pressures on inflation continues. Although emphasizing that it's still early to change the monetary policy, Fed Chair Powell signalled that the pace of the rate hikes could decelerate in the upcoming meetings.

Bank of England (BoE) also raised its policy rate by 75 bps to 3%. In the announcement, should the economic activity follow a course in line with the expectations, rate hikes could continue in order to reach the 2% inflation target.



US data pointed out the continuation of the strong course in the labour market.

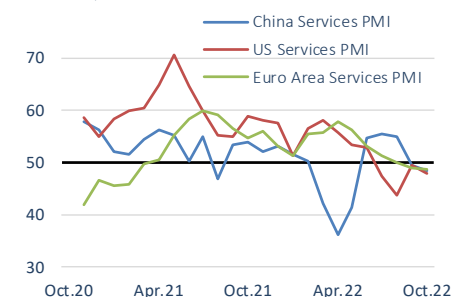
US non-farm payrolls increased by 261,000 persons in October, far more-than-expected, where unemployment rate became 3.7%. In this period, monthly wage rise, going up above the expectations by 0.4%, signalled that the inflationary pressures might remain. Resilient outlook in the labour market strengthened the expectations that the Fed would keep its monetary tightening steps for the following period.



Signals of a slowdown in the global economic activity...

Final PMI figures released in the US, Euro Area and China for October pictured a negative outlook for the global economic activity. US manufacturing PMI was down by 1.6 points mom to 50.4 where services PMI remained its course below the 50-threshold for four consecutive months by realizing as 47.8. Manufacturing PMI in the Euro Area fell to 29-month low, becoming 46.4 while services PMI kept its declining course, realizing as 48.6. Caixin PMI data also demonstrated that in China production declines in both sectors.

US, Euro Area and China Services PMI



OPEC revised its oil demand forecasts upwards.

Publishing its 2022 World Oil Outlook report, OPEC revised its oil demand forecasts for the medium and long run upwards. Accordingly, oil demand forecasts per day were revised as 103 million barrel for 2023, 107 billion

Source: Datastream

barrel for 2027 and 109.8 barrel for 2045. Addressing its expectation for a strong recovery in the global economic activity in 2023, OPEC suggested that security of oil supply would still be high on the agenda.

In Türkiye, manufacturing PMI continued to decline.

Manufacturing PMI was 46.4 in October, falling below the 50-threshold for the eighth consecutive month. The loss of momentum in new orders due to the weakening demand was decisive in the rapid contraction in the performance of the manufacturing industry. While the production of 8 out of 10 sectors has fell in this period, the fastest decreases were recorded in the textile, non-metallic mineral products, and clothing and leather product sectors.

Foreign trade deficit was 8.01 billion USD in October.

According to the data of the Ministry of Trade, the foreign trade deficit increased by 430% yoy in October and reached 8.01 billion USD. Exports increased by 2.8% compared to the same month of the previous year and became 21.3 billion USD, while imports rose by 31.9% to 29.3 billion USD. In this period, import coverage ratio decreased by 20.5 points yoy to 72.7%. As of the first 10 months of the year, exports and imports increased by 15.4% and 39.5% yoy, respectively, while the foreign trade deficit became 91.1 billion USD.

In October, annual CPI inflation was 85.51%.

In October, CPI increased by 3.54% on a monthly basis, slightly below market expectations, while annual inflation remained high at 85.51%. In the same period, D-PPI increased by 7.83% mom and by 157.69% yoy. The gap between annual producer and consumer inflations continued to expand in this period. While the rise in all main expenditure groups was effective in the increase in CPI, the upward trend in energy costs was decisive in the increase in D-PPI ([our Inflation Report](#)).

Financial markets...

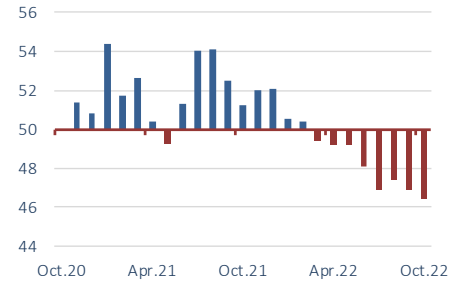
Last week, financial markets were volatile. Stocks fell after the Fed's interest rate hike decision. On the last trading day of the week, some recovery was observed in the stock market indices. While the dollar appreciated in the global market, the US 10-year Treasury bond yield ended the week at 4.16% with a rapid increase of 15 basis points. Gold and oil prices also rose by 2.3% and 2.9%, respectively.

The BIST-100 index, which followed an upward course throughout the week, also recorded a rapid increase of 8.7% and closed at 4.217. While the TRY gained limited value against the dollar and the euro, Türkiye's 5-year CDS premium fell by 22 basis points to 629.

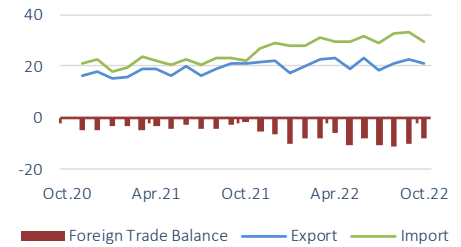
This week's agenda...

This week, inflation data to be announced in the US and China and the midterm elections in the US come to the fore on the agenda of global markets. In Türkiye, the unemployment rate, current account balance and industrial production index for September will be announced.

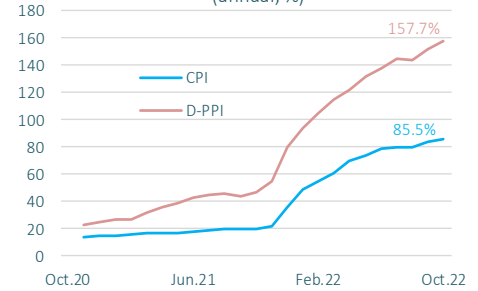
Türkiye Manufacturing PMI



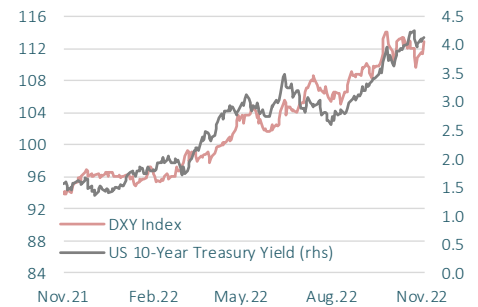
Foreign Trade
(billion USD, mom)



Inflation
(annual, %)



US 10-Year Treasury Yield and DXY



Source: Datastream, Turkstat

Data Releases

		Period	Consensus	Prior
7 November	TR Treasury Cash Balance	October	-	-79.3 billion TRY
	Euro Area Sentix Index	November	-35.0	-38.3
	China Trade Balance	October	85.15 billion USD(A)	84.74 billion USD
8 November	Euro Area Retail Sales, mom	September	0.3%	-0.3%
9 November	China CPI Inflation, yoy	October	2.4%	2.8%
	China PPI Inflation, yoy	October	-1.6%	0.9%
10 November	TR Unemployment Rate	September	-	9.6%
	USA CPI Inflation, yoy	October	8.0%	8.2%
11 November	TR Current Account Balance	September	-	-3.11 billion USD
	TR Industrial Production, yoy	September	-	1.0%
	USA Michigan Consumer Confidence, prelim	November	59.0	59.9

(A) Actual

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