

	9-Dec	16-Dec	Change		9-Dec	16-Dec	Change
BIST-100 Index	5,005	5,214	4.2 % ▲	EUR/USD	1.0530	1.0582	0.5 % ▲
TRY 2 Year Benchmark Rate	10.19 %	10.36 %	17 bp ▲	USD/TRY	18.6503	18.6343	-0.1 % ▼
Türkiye 5-Year CDS Premium	522	532	10 bp ▲	EUR/TRY	19.6482	19.7588	0.6 % ▲
MSCI EM Equity Index	978	957	-2.1 % ▼	Gold (USD/ounce)	1,797	1,792	-0.2 % ▼
US 10-Year Bond Rate	3.57 %	3.48 %	-8 bp ▼	Brent Oil (USD/barrel)	76.1	79.0	3.9 % ▲

bp: basis point

Last week, in addition to the US' inflation data, the monetary policy meetings of the Fed, ECB and BoE were influential in the course of the global markets. Although the major central banks, especially the Fed, reduced the pace of rate hike, they gave cautious messages to the markets pointing out that the rate hikes will continue in the upcoming meetings. A very busy data agenda has been left behind in Türkiye. In October, the industrial production index increased by 2.4% mom, while the retail sales volume increased by 9.5% yoy. The central government budget posted a surplus of 108.3 billion TRY in November. This week, a quiet data agenda will be followed in global markets. The CBRT's Monetary Policy Committee Meeting comes to the fore in Türkiye.

Leading indicators point to a slowdown in economic activity on a global scale.

Leading indicators announced in the US, Euro Area and China last week pointed to a slowdown in global economic activity. Industrial production in the US contracted by 0.2% mom in November. In this period, the capacity utilization rate also decreased to 79.7%, while retail sales contracted by 0.6% mom. The preliminary PMI data for December, which was announced below the expectations in the country, also pointed out that the contraction in industrial production continues. Industrial production in the Euro Area also decreased by 2% mom in October. Services and manufacturing industry preliminary PMI data in the region remained below the 50 threshold in December. Industrial production in China also recorded its lowest increase since May in November, while retail sales contracted rapidly by 5.9% yoy.

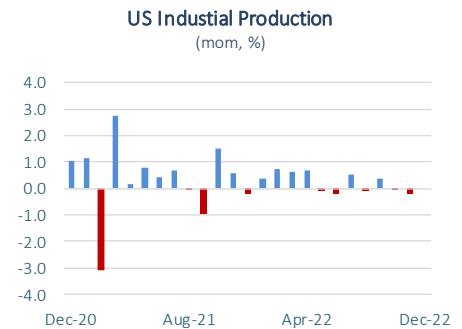
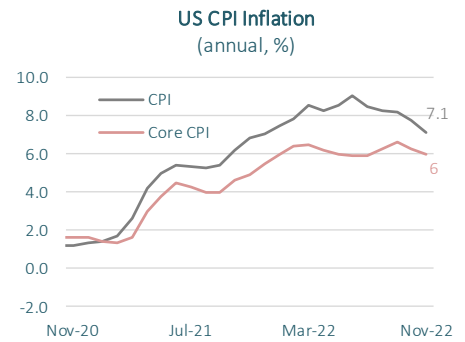
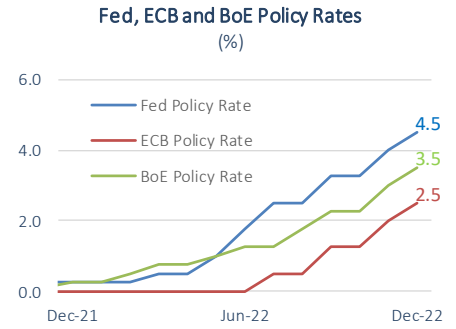
The Fed has lowered the pace of rate hike.

At its meeting last week, the Fed increased the policy rate by 50 basis points to the range of 4.25-4.50%. In the text released after the meeting by the Fed, which decreased the pace of rate hike, it was stated that the economic indicators showed a moderate outlook in the recent period. While it was emphasized in the text that the high course in prices, especially in food and energy items, continued, Fed Chairman Powell said that interest rate hikes would continue to reach the inflation target. According to the projections announced after the meeting, the 2023 GDP growth expectation of the Fed members decreased by 0.7 points compared to the September forecasts and fell to 0.5%. While inflation forecasts for the same period were revised upwards, the year-end policy rate expectation for 2023 was raised to 5.1%.

Consumer prices in the US increased by 0.1% mom and by 7.1% yoy, below the market expectations. Especially the decline in energy prices was effective in this development. Core inflation, calculated by excluding food and energy prices, was 0.2% mom and 6% yoy.

The ECB and BoE increased policy rates by 50 basis points each.

The ECB increased the policy rate by 50 basis points and continued the rate hikes it started in July. In the text published after the meeting, it was stated that in order to reach the 2% inflation target, policy rates should increase at a steady



Source: Datastream

pace and significantly. ECB President Lagarde stated that the high course of inflation will continue, while emphasizing that a contraction may be observed in the Euro Area economy. According to the data released last week in the Euro Area, CPI inflation was realized as 10.1% on an annual basis in November, maintaining its course at double-digit levels. Energy prices made the biggest contribution to the increase in inflation, while core inflation was 6.6%.

In its meeting held last week, BoE also increased the policy rate by 50 basis points to 3.5%, in line with market expectations. Thus, in order to reach the target for inflation, which hit its peak in 41 years in October, policy rates were increased for the ninth time in a row.

The central government budget posted a surplus in November.

The central government budget posted a surplus of 108.3 billion TRY in November due to the increase in revenues and the decline in expenditures in real terms. Thus, the budget posted a deficit of 20.4 billion TRY in the first 11 months of the year. ([Our Budget Balance report](#))

Industrial production increased by 2.4% mom in October.

According to the seasonally and calendar adjusted figures, industrial production increased by 2.4% mom in October, compensating for the sharp fall in September. While the increase in the production of other transportation vehicles was the determining factor in this development, the decline in the production of textile, food and chemical products limited the increase in the index. According to the calendar adjusted data, the annual increase in industrial production gained momentum and came in at 2.5%. Thus, the annual increase in the index became 6.4% in the first ten months of the year.

CBRT has published the results of the Survey of Market Participants.

According to the results of the CBRT's Survey of Market Participants for December, the year-end inflation expectation for 2022, which was 68.06% in the previous survey period, became 66.80%, and the inflation expectation for the next 12 months decreased to 34.92%. Survey participants expect growth to be 5% in 2022 and estimate that USD/TRY will stand at 18.78 by the end of the year.

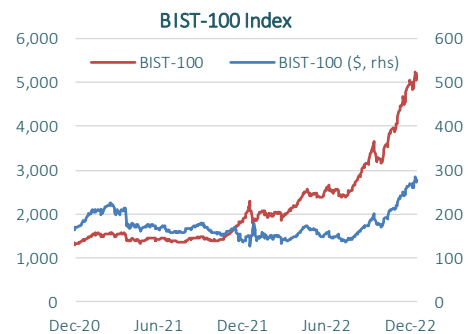
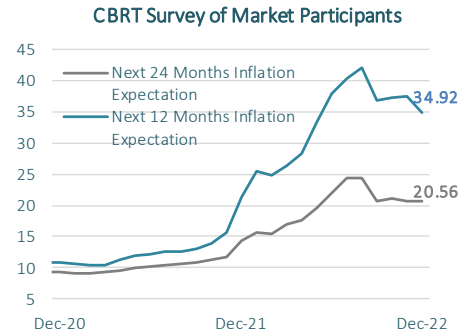
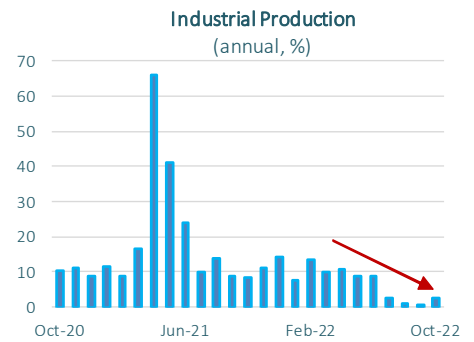
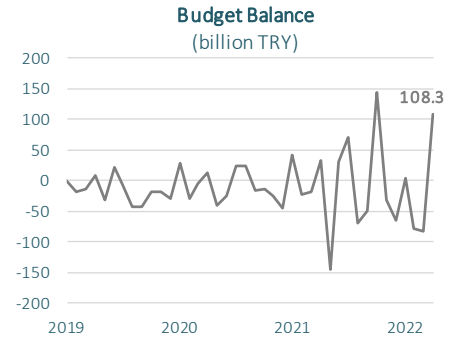
Financial markets...

Last week, despite the lower-than-expected inflation figures in the US, the Fed's signal that it would continue to increase interest rates created selling pressure on global stock markets. In addition, the ECB and BoE's interest rate hike decisions and their tight monetary policy stances strengthened the selling pressure. Oil prices, which have been following a downward trend recently, rose in the week when the International Energy Agency revised its global oil demand forecasts upwards.

BIST-100 index diverged positively from global markets last week, closing the week at 5,214 points with an increase of 4.2%. While Turkey's 5-year CDS premium rose to 532 bps, USD/TRY maintained its flat course at 18.63.

This week's agenda...

This week, a quiet data agenda will be followed in global markets. While the housing market data for November in the US will come to the fore, the December meeting of the CBRT to be held on Thursday will be followed closely. The CBRT is expected to keep the policy rate at 9%.



Source: Datastream, Turkstat

Data Releases

		Period	Consensus	Prior
20 December	TR Consumer Confidence Index	December	-	76.6
	TR Central Government Gross Debt Stock	November	-	3.81 trillion TRY
	USA Housing Starts, units	November	1.40 million	1.43 million
	Euro Area Consumer Confidence, flash	December	-22.0	-23.9
21 December	USA Existing Home Sales, units	November	4.20 million	4.43 million
	USA Consumer Confidence	December	101.0	100.2
22 December	CBRT Monetary Policy Meeting	December	9.0%	9.0%
	USA GDP Growth, final, yoy	2022 Q3	2.9%	2.9%
23 December	TR Foreign Visitors, yoy	November	-	38.40%
	USA Personal Consumption Expenditures, mom	November	0.2%	0.8%
	USA Durable Goods Orders, mom	November	-0.8%	1.1%
	USA Michigan Consumer Confidence, final	December	59.1	59.1
	USA New Home Sales, mom	November	0.60 million	0.63 million

Economic Research Division

Alper Grler
Head Division
alper.gurler@isbank.com.tr

PhD. Mustafa Kemal Gndođdu
Asst. Manager
kemal.gundogdu@isbank.com.tr

H. Erhan Gl
Unit Manager
erhan.gul@isbank.com.tr

Esra Mine Gngr
Asst. Economist
mine.gungor2@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

LEGAL NOTICE

This report has been prepared by Trkiye İř Bankası A.ř. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Trkiye İř Bankası A.ř. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Trkiye İř Bankası A.ř, accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.
