

	28-Apr	5-May	Change		28-Apr	5-May	Change
BIST-100 Index	4.618	4.401	-4,7 % ▼	EUR/USD	1,1020	1,1017	0,0 % ●
TRY 2 Year Benchmark Rate	17,14 %	15,56 %	-158 bp ▼	USD/TRY	19,4478	19,5172	0,4 % ▲
Türkiye 5-Year CDS Premium	532	548	16 bp ▲	EUR/TRY	21,4250	21,5070	0,4 % ▲
MSCI EM Equity Index	977	982	0,5 % ▲	Gold (USD/ounce)	1.990	2.017	1,4 % ▲
US 10-Year Bond Rate	3,45 %	3,45 %	-1 bp ▼	Brent Oil (USD/barrel)	79,5	75,3	-5,3 % ▼

bp: basis point

Last week, interest rate hikes by the Fed and the ECB as well as the US non-farm payrolls data were followed by the markets. In the US, non-farm payrolls increased by 253,000 in April, led by the service sector, while the unemployment rate fell to 3.4%. Inflation figures announced last week in the Euro Area showed that inflationary pressures in the region persisted. In Türkiye, annual inflation continued to decline due to the base effect. Annual CPI inflation was 43.68% and D-PPI inflation was 52.11% in April. In the second Inflation Report of the year, CBRT maintained its year-end inflation forecasts for 2023 and 2024. According to the preliminary figures released by the Ministry of Trade, foreign trade deficit widened by 43.9% yoy to 8.8 billion USD in April. This week, markets will closely monitor the Bank of England's meeting and US inflation data for April. In Türkiye, where the election agenda comes to the fore, balance of payments, industrial production and unemployment data for March will be announced.

Fed and ECB continued interest rate hikes.

The Fed and the ECB raised policy rates by 25 basis points each at their meetings held on last week. Thus, policy rates in the US and the Euro Area reached the highest levels since the 2008 crisis. The Fed removed a sentence from its previous statement that had said "some additional" rate hikes might be needed. That was interpreted as the end of the Fed's interest rate hikes. However, Fed Chairman Powell's post-meeting speech, in which he stated that the labor market remained strong, inflation was a major threat and a rate cut would not be appropriate under current conditions, postponed the expectations that the Fed would loosen its monetary policy.

In the text published after the ECB meeting, it was reiterated that the ECB is determined to achieve the 2% medium-term inflation target, while the monetary policy stance will be evaluated depending on the data releases in the upcoming period. In the statement, while it was emphasized that inflation outlook suggests the general level of prices will increase for an extended period of time; background inflationary pressures was said to remain strong, although headline inflation has declined in recent months.

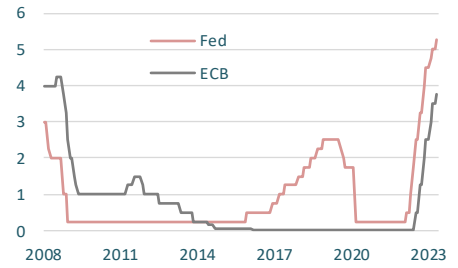
Non-farm payrolls in the US beat expectations.

In April, non-farm payrolls in the US show an increase of 253,000 people by exceeding expectations. In this period, the rise in the service sector employment by 197.000 stood out, while the unemployment rate declined to 3.4%. The annual rate of increase in hourly earnings, which rose by 0.5% mom, came in at 4.4%.

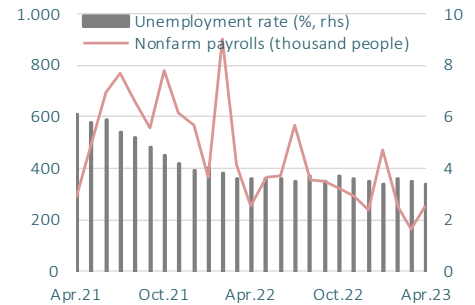
CPI inflation in Euro Area remained at high levels.

According to the announced preliminary figures in the Euro Area, annual CPI inflation rose by 0.1 point to 7% in April compared to March. The rise in inflation was mainly driven by food prices, which increased by 13.6% yoy.

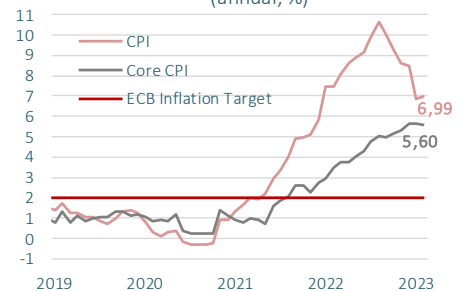
Fed and ECB Policy Rates



US Labor Market



Euro Area Consumer Inflation (annual, %)



Source: Fed, ECB, Datastream

The annual inflation for the core CPI figures in the Region diminished by 0.1 point compared to the previous month and stood at 5.6%. Despite producer prices inflation in the Region fell to 5.9% yoy owing to the decline in energy cost, the fact that the annual PPI inflation excluding energy stood at 8.0% pointing that the inflationary pressures remain intact.

In Türkiye, annual inflation continued to decline due to the base effect.

CPI inflation, which realized below market expectations with 2.39% mom in April, continued to decline on annual basis to 43.68%, due to the high base effect. Except housing prices increased in all main expenditure groups on a monthly basis, while food and non-alcoholic beverages were the group that pushed monthly inflation up the most. D-PPI inflation, which increased slightly by 0.81% mom in April thanks to decline in energy costs, was realized annually as 52.11%, the lowest level since October 2021. Thus, the gap between CPI and D-PPI continued to narrow in April (Our Inflation Report).

CBRT published the second Inflation Report of the year.

CBRT published the second Inflation Report of the year last week and kept its year-end inflation forecasts for 2023 and 2024 unchanged at 22.3% and 8.8%, respectively. In the report, the average crude oil barrel price forecast for 2023 was lowered from 80.8 USD to 78.1 USD, in line with the forecast that import prices will fall driven by the recovery in global supply chains. On the other hand, it was also assessed that the higher-than-expected increases in food prices might create inflationary pressure. Accordingly, the food inflation forecast for end-2023 was raised to 27.9% from 22%.

Foreign trade deficit was realized as 8.8 billion USD in April.

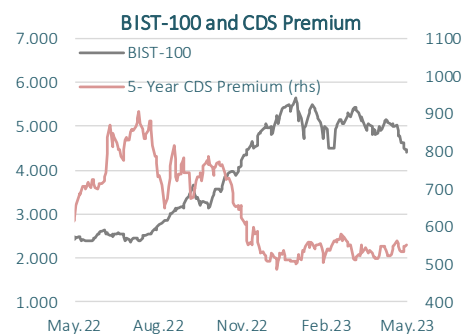
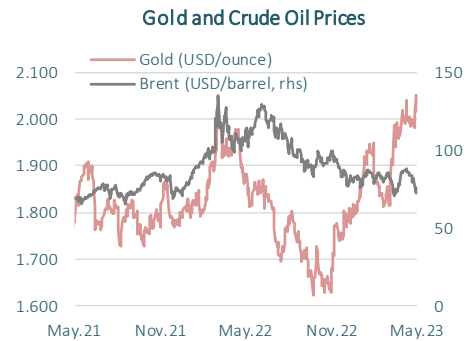
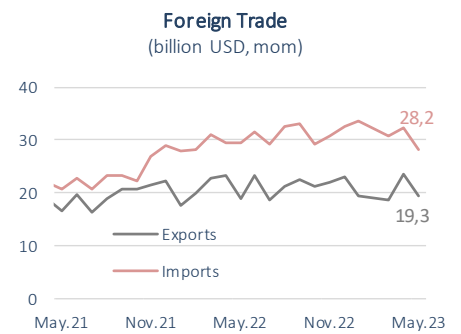
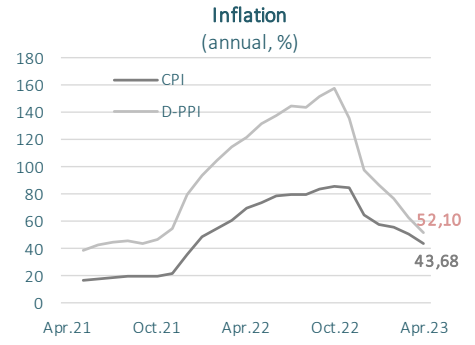
According to preliminary figures released by Ministry of Trade, export volume declined by 17.2% to 19.3 billion USD and import volume decreased by 4.5% to 28.2 billion USD in April. In this period, energy import decreased by 35.8% yoy while gold import rose annually by 174%. In April, foreign trade deficit expanded 43.9% yoy to 8.8 billion USD.

Financial markets...

Last week interest rate decisions of Fed and ECB put pressure on global stock markets, while gold prices followed an upward course. Brent crude oil prices decreased on a weekly basis by 5.3% to 75.3 USD, in parallel to deterioration in demand expectations on global scale. BIST-100 index ended the week with a 4.7% loss at 4,401, due to continuing selling pressures. Türkiye's 5-year CDS premium increased by 16 basis points, while Turkish lira depreciated slightly against USD and Euro.

This week's agenda...

This week, Bank of England's meeting and US inflation data for April will be closely monitored in the global markets. In Türkiye, where the developments regarding elections stand out, balance of payments, industrial production and unemployment figures for March will be followed.



Source: CBRT, TURKSTAT, Datastream

Data Releases

		Period	Consensus	Prior
8 May	TR Treasury Cash Balance	April	-	-32.1 billion TRY
	Euro Area Sentix Index	May	-13,1 (A)	-8.7
9 May	China Trade Balance	April	71,6 billion USD	88.2 billion USD
10 May	TR Unemployment Rate	March	-	10.0%
	TR Industrial Production, yoy	March	-1.45%	-8.2%
	USA CPI Inflation, mom	April	0.4%	0.1%
	USA Core CPI Inflation, mom	April	0.4%	0.4%
11 May	TR Current Account Balance	March	-	-8.78 billion USD
	USA PPI Inflation, mom	April	0.3%	-0.5%
	BoE Meeting	May	4.50%	4.25%
	China CPI Inflation, yoy	April	0.0%	0.7%
	China PPI Inflation, yoy	April	-3.2%	-2.5%
12 May	TR Retail Sales, yoy	March	-	21.5%
	TR Foreign Trade Indices	March	-	-
	USA Michigan Consumer Confidence, prelim	May	63.0	63.5

(A) Actual

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