

	30-Dec	6-Jan	Change		30-Dec	6-Jan	Change
BIST-100 Index	5,509	5,342	-3.0 % ▼	EUR/USD	1.0702	1.0644	-0.5 % ▼
TRY 2 Year Benchmark Rate	9.97 %	9.30 %	-67 bp ▼	USD/TRY	18.6883	18.7524	0.3 % ▲
Türkiye 5-Year CDS Premium	505	522	17 bp ▲	EUR/TRY	20.0002	19.9607	-0.2 % ▼
MSCI EM Equity Index	956	989	3.4 % ▲	Gold (USD/ounce)	1,824	1,866	2.3 % ▲
US 10-Year Bond Rate	3.83 %	3.57 %	-26 bp ▼	Brent Oil (USD/barrel)	85.9	78.6	-8.5 % ▼

bp: basis point

Last week, Fed minutes and the US' employment data came to the fore on the agenda of global markets. While the messages given in the minutes that the tightening in monetary policy will continue, the employment data presented a more positive outlook than the expectations. PMI data in the both US and the Euro Area continued their course below the threshold level in December. Downward trend in annual inflation continued in the Euro Area. In Türkiye, annual CPI inflation was 64.27% yoy and D-PPI inflation was 97.72% yoy in December. Inflation data of US will be followed in the markets in this week. In Türkiye, where a busy data agenda will be followed, employment data, industrial production index, current account balance and CBRT Market Participants Survey come to the fore.

### Fed minutes pointed out that the monetary tightening will continue.

The minutes of the Fed's meeting held on December 13-14 were published last week. In the minutes, there is an emphasis on that the Fed members were firmly committed to reduce the inflation to the target level 2% and that monetary tightening would continue in this direction. Fed members stated that the recent ease in inflationary pressures may not bring about a softening in the tight monetary policy. While Fed members do not expect a rate cut in 2023, they stated in the minutes that the monetary policy would be adjusted accordingly in case of risks that could prevent them from reaching their inflation targets.

### The US labor market remains strong.

Last week, the increase in non-farm payrolls, which was announced after the better than expected ADP National Employment data in the US, was above the market expectations with 223 thousand people in December. Unemployment rate decreased by 0.2 points on a monthly basis in this period to 3.5%. These data pointed out that the strong outlook of the labor market in the US persists. Despite the strong employment data, the manufacturing industry PMI data continued its downward trend with 46.2 in December, the lowest value since May 2020. Weak demand conditions, which caused contraction in production and new orders, were influential on this development. In the same period, services PMI data, which decreased by 1.5 points mom to 44.7, continued its course below the threshold level. The fact that the ISM manufacturing and services indices also remained below the threshold level in December strengthened the recession concerns.

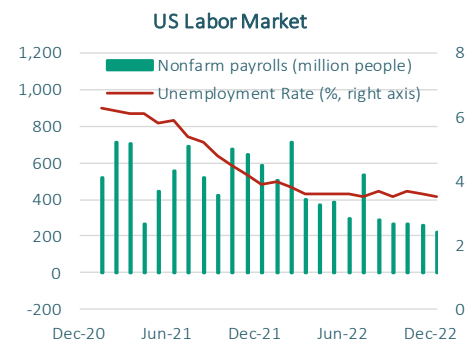
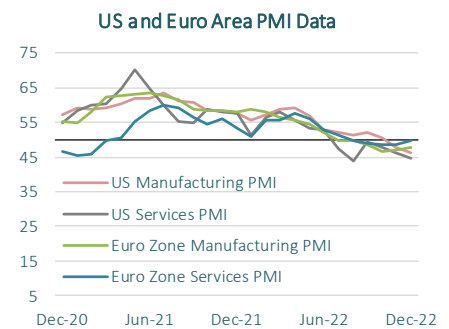
### Preliminary CPI inflation in the Euro Area was 9.2% in December.

Producer prices in the Euro Area decreased by 0.9% mom in November, in line with the expectations. PPI inflation in the region declined to 27.1% yoy, reaching its lowest level since January 2022. Preliminary CPI inflation in the Euro Area was realized as 9.2% yoy in December, below the market expectation of 9.7%. The decline in energy prices was decisive in the lowest increase in CPI since August 2022.

Fed Expectations for US Economy (December 2022)

	2023	2024	2025	Long Term
GDP	0.5	1.6	1.8	1.8
September projection	1.2	1.7	1.8	1.8
Unemployment rate	4.6	4.6	4.5	4.0
September projection	4.4	4.4	4.3	4.0
PCE*	3.1	2.5	2.1	2.0
September projection	2.8	2.3	2.0	2.0
Core PCE*	3.5	2.5	2.1	
September projection	3.1	2.3	2.1	
Fed Policy Rate	5.1	4.1	3.1	2.5
September projection	4.6	3.9	2.9	2.5

(\*) Personal consumption expenditures price index



Source: Datastream

Despite the manufacturing PMI in the Euro Area remained below the threshold value in the sixth consecutive month with 47.8 in December, it was the highest value of the last three months. While the easing of inflationary pressures and more stable conditions in supply chains were effective in this development, the weak outlook in demand limited the increase in the index. In the same period, services PMI became 49.8 with an increase of 1.3 points compared to the previous month, pointing to the recovery in the sector.

#### Annual CPI inflation in Türkiye was 64.27% in December.

In December, CPI increased by 1.18% compared to the previous month, below the market expectations, recording the lowest increase in the last 16 months. In this period, monthly D-PPI decreased for the first time since November 2019, by 0.24%. In the first half of 2023, we expect inflation indicators to follow a downward course due to the high base effect as well as the reduction in electricity and natural gas used in industry ([Our Inflation Report](#)).

#### Treasury cash balance had a deficit of 169.4 billion TRY in 2022.

According to data released by the Ministry of Treasury and Public Finance, the Treasury cash balance had a deficit of 108.27 billion TRY in December. The primary cash deficit was 92.8 billion TRY over the same period. The Treasury cash deficit which was 142.2 billion TRY in 2021, reached 169.4 billion TRY in 2022.

#### CBRT increased the securities maintenance ratio.

CBRT set the target rate of liraization in deposits to 60% for the first six months of 2023. The rate was 50% in 2022. In this context, CBRT announced that the securities maintenance ratio for all banks will be raised to 10%, from 5% after 24 February, and this ratio will be adopted with a specific reduction for banks that exceed the 60% liraization target on deposits.

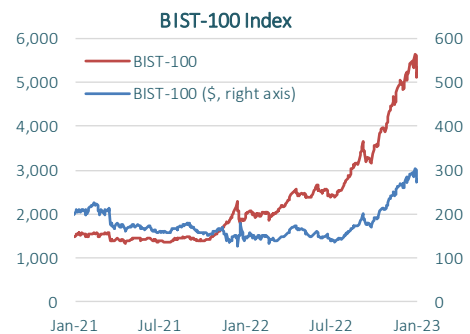
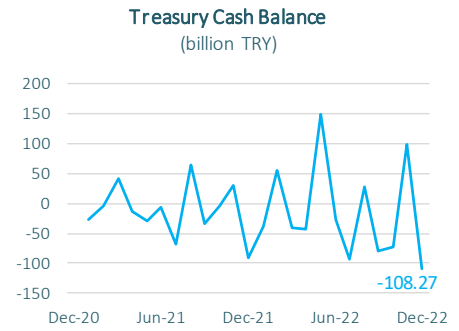
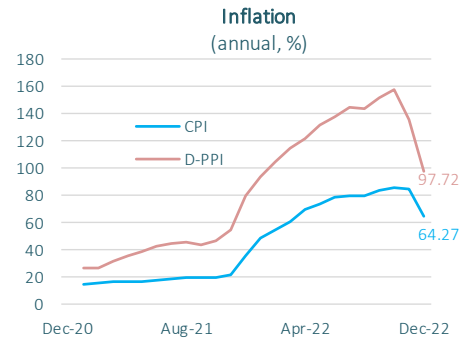
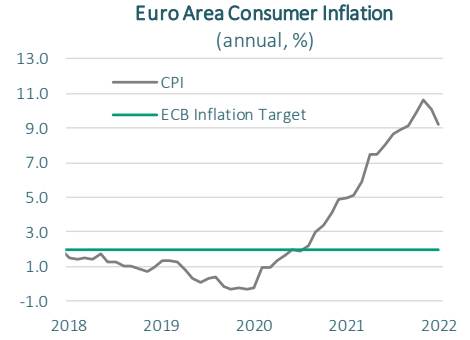
#### Financial markets...

Last week, global stock markets had a volatile outlook. US stock markets, which had fallen until the middle of the week following the release of the Fed minutes, finished the week with a rise after the moderate messages from the Fed officials regarding the rate hike. Oil prices, which followed a downward trend throughout the week due to concerns about a slowdown in the global economy, recovered somewhat on the last trading day of the week, after China announced that it would loosen its Covid-19-related border measures. The barrel price of Brent crude oil decreased by 8.5% w/w, closing the week at 78.6 USD.

BIST-100 index, in which high volatility prevailed last week, ended the week with a 3% decline. The index, which fell 7.4% on Thursday, the fastest since February, made up for some of its losses on Friday. Last week, TRY followed a relatively flat course against both the USD and the euro. While the interest rate of the 2-year benchmark bond decreased by 67 basis points w/w to 9.30%, Türkiye's 5-year CDS premium increased by 17 basis points to 522 bps.

#### This week's agenda...

This week, the US inflation figures for December and the labor force data of the Euro Area stand out in global markets. In Türkiye, unemployment rate, industrial production and current account balance data for November, and the results of the CBRT's Survey of Market Participants will be announced.



Source: Datastream, Turkstat

Data Releases

		Period	Consensus	Prior
9 January	Euro Area Unemployment Rate	November	6.5%	6.5%
	Euro Area Sentix Index	January	-18.0	-21.0
10 January	TR Unemployment Rate	December	-	10.2%
	TR Industrial Production, yoy	November	-0.95%	2.5%
11 January	TR Current Account Balance	November	-4.100 billion USD	-0.359 billion USD
12 January	USA Core CPI Inflation, mom	December	0.3%	0.2%
	USA CPI Inflation, mom	December	0.0%	0.1%
	China CPI Inflation, yoy	December	1.8%	1.6%
13 January	CBRT Survey of Market Participants	January	-	66.80%
	USA Michigan Consumer Confidence, prelim	January	60.0	59.7
	Euro Area Industrial Production, yoy	November	0.5%	3.4%
	China Trade Balance	December	76.20 billion USD	69.84 billion USD

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## Economic Research Division

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

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

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

Berkay Arık  
Asst. Economist  
berkay.arik@isbank.com.tr

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

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