

	20-Jan	27-Jan	Change		20-Jan	27-Jan	Change
BIST-100 Index	5,490	5,192	-5.4 % ▼	EUR/USD	1.0855	1.0867	0.1 % ▲
TRY 2 Year Benchmark Rate	10.19 %	10.39 %	20 bp ▲	USD/TRY	18.7579	18.8079	0.3 % ▲
Türkiye 5-Year CDS Premium	555	549	-7 bp ▼	EUR/TRY	20.3675	20.4440	0.4 % ▲
MSCI EM Equity Index	1,036	1,051	1.4 % ▲	Gold (USD/ounce)	1,927	1,927	0.0 % ●
US 10-Year Bond Rate	3.48 %	3.52 %	3 bp ▲	Brent Oil (USD/barrel)	87.6	86.7	-1.1 % ▼

bp: basis point

Last week, the fourth quarter GDP growth in the US came in at 2.9% on an annualized basis, while the preliminary PMI figures pointed to a recovery in the manufacturing and services sectors. In the Euro Area, PMI figures revealed that economic activity started to grow at a moderate level in January. In Türkiye, in the first Inflation Report of the year, the CBRT kept unchanged its year-end inflation forecasts for 2023 and 2024, and announced new measures within the scope of the liraization strategy. This week, the Fed, ECB and BoE meetings are in the focus of the markets. In addition, nonfarm payrolls in the US, growth and inflation figures in the Euro Area and World Economic Outlook forecasts of IMF will be followed. In Türkiye, January figures for manufacturing PMI and inflation come to the fore.

### The data released in the US drew a positive picture regarding economic activity.

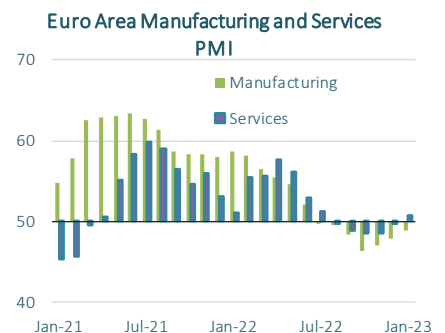
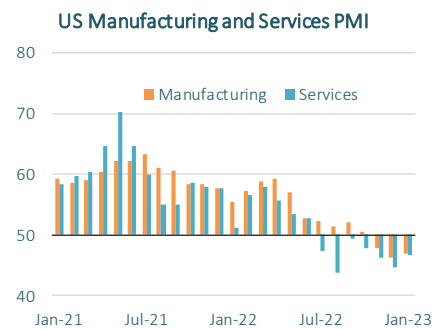
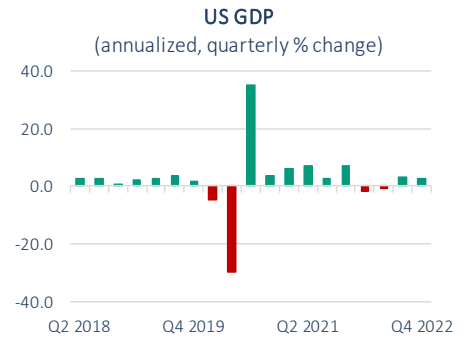
According to the annualized figures in the last quarter of 2022, the US economy expanded by 2.9% compared to the previous quarter and performed better than the market expectations. Along with the upward trend in consumption expenditures, the rise in inventories played an important role in the growth. Quarterly consumer demand declined in parallel with the Fed's tightening steps in monetary policy.

In the US, manufacturing PMI rose by 0.6 points mom to 46.8 in January, while services PMI reached the highest level of the last three months with 46.6. The annual rise in the core personal consumption expenditures price index was 4.4% in December, in line with the expectations. In this period, personal consumption expenditures decreased by 0.2% on monthly basis and consumers' annual inflation expectations for the next 12 months declined to 3.9%, the lowest level of the last 21 months. Continuing downward trend of the said indices in the last quarter of 2022 pointed to an easing in inflationary pressures has begun. Consumer confidence increased to 64.9 in January and reached the highest level of the last 9 months.

The released figures in the US drew a positive picture for economic activity, while the expectations that Fed might reduce the pace of interest rate hikes have grown.

### In the Euro Area, January PMI figures eased recession concerns.

Leading manufacturing PMI figures announced in the Euro Area reached 48.8, the highest level of the last 5 months, thanks to the recovery in technology and pharmaceutical sectors. Services PMI, coming in at 50.7, indicated to the first positive performance in sector since July 2022. Analyzing the details of PMI figures, it was noteworthy that cost pressures decreased. Continuing improvement in consumer confidence in January supported the positive expectations regarding the region's economy. In the coming period, the impact of the ECB's tightening steps on economic activity will be closely monitored.



Source: Datastream

### The CBRT published the first Inflation Report of the year.

In the Inflation Report published last week, the CBRT did not change its inflation forecasts compared to the previous report, keeping its 2023 forecast at 22.3% and its 2024 forecast at 8.8%. In the report, it was stated that extraordinary rise in energy and commodity prices due to the Russia-Ukraine War in 2022 had an impact on all economic indicators. It was emphasized that the current account posted a surplus excluding energy. Pointing out that consumer inflation lost momentum in November-December period, CBRT Chairman Kavcıoğlu said that there is no basis for a continuation of high price increases in an environment where energy prices started to decline, volatility in exchange rates and inflation expectations decreased.

### Sectoral confidence indices started 2023 with a mixed outlook.

Seasonally adjusted consumer confidence index increased by 4.6% mom to 79.1 in January, reaching its highest level since September 2021. Analyzing sub-indices reveals that consumer expectations for the next period improved in general. In this period, seasonally adjusted real sector confidence index increased by 1.8 points on a monthly basis to 103.4. On a sectoral basis, confidence increased by 0.6% mom in the construction sector, while it decreased by 1.7% mom and 1.0% mom in the services and retail trade sectors, respectively. Thus, the economic confidence index increased by 1.3% on a monthly basis to 99.3.

### The CBRT made new regulations within the scope of its liraization strategy.

As part of the 2023 Monetary Policy and Liraization Strategy, the CBRT announced that, after firms sell at least 40% of the FX they have brought into the country from abroad to the CBRT, they will be able to deposit the remaining part of the FX they brought from abroad into FX-protected conversion accounts, and in return for their pledge, firms will be provided with an FX conversion support of 2% of the amount converted into Turkish liras. In addition, the corporate tax exemption applied to TRY-denominated FX-protected deposits of companies was extended to the end of 2022.

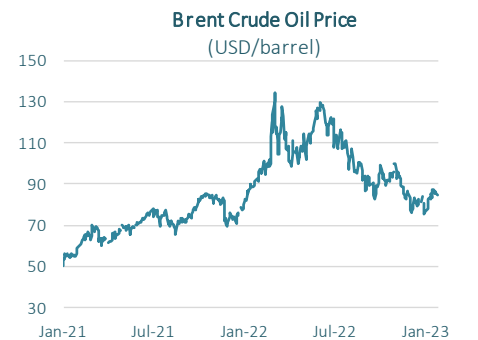
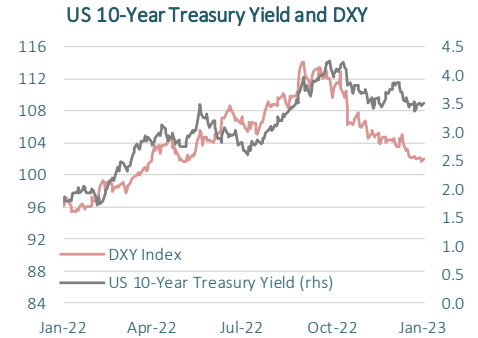
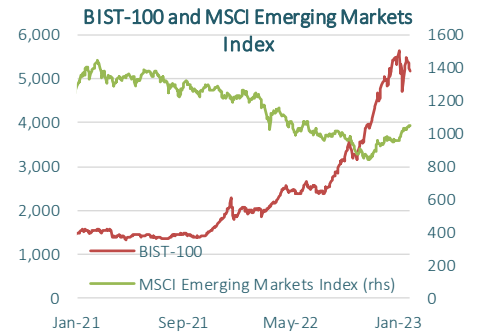
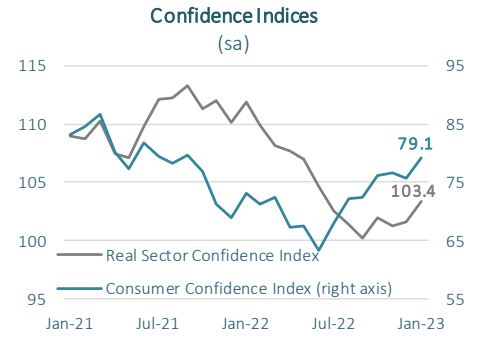
### Financial markets have fluctuated throughout the week.

Last week, the global risk appetite increased thanks to the positive picture drawn by macroeconomic data announced in the US and the Euro Area. US bond yields rose slightly ahead of the Fed's meeting this week. The barrel price of Brent crude oil decreased by 1.1% to 86.7 USD before the OPEC+ meeting to be held this week.

In Türkiye, BIST-100 index diverged negatively from the MSCI emerging markets index, ending the week with a decline of 5.4%. While Turkey's 5-year CDS premium decreased by 7 basis points, TRY continued to have a flat course against the USD and the euro.

### This week's agenda...

In addition to the Fed, ECB and BoE meetings, non-farm payrolls data in the US, economic growth and inflation of the Euro Area and IMF's World Economic Outlook report stand out on the agenda of the markets this week. In Türkiye, manufacturing industry PMI and inflation data for January will be followed.



Source: Datastream, Turkstat, CBRT

Data Releases

		Period	Consensus	Prior
<b>30 January</b>	TR Economic Confidence	January	99.3 (A)	98.1
	Euro Area Consumer Confidence, final	January	-20.9 (A)	-20.9
<b>31 January</b>	TR Trade Balance	December	-	-8.8 billion USD
	USA Consumer Confidence	January	109.0	108.3
	Euro Area GDP Growth, flash, yoy	2022 Q4	1.8%	2.3%
<b>1 February</b>	TR Manufacturing PMI	January	-	48.1
	Fed Meeting	January	-	-
	USA Manufacturing PMI, final	January	-	46.8
	Euro Area CPI Inflation, flash, yoy	January	9.1%	9.2%
	Euro Area Manufacturing PMI, final	January	48.8	48.8
	Euro Area Unemployment Rate	December	6.5%	6.5%
	China Caixin Manufacturing PMI, final	January	49.5	49.0
<b>2 February</b>	USA Factory Orders, mom	December	2.3%	-1.8%
	ECB Meeting	February	3.0%	2.5%
	BoE Meeting	February	4.0%	3,5%
<b>3 February</b>	TR CPI Inflation, yoy	January	-	64.27%
	TR D-PPI Inflation, yoy	January	-	97.72%
	USA Services PMI, final	January	-	46.6
	USA Unemployment Rate	January	3.6%	3.5%
	USA Nonfarm Payrolls	January	185K	223K
	Euro Area PPI Inflation, yoy	December	22.6%	27.1%
	Euro Area Services PMI, final	January	50.7	50.7

(A) Actual

---

## Economic Research Division

---

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

İlker Şahin  
Economist  
ilker.sahin@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.Ş. 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.Ş. 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,Ş, 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.