

	17-Mar	24-Mar	Change		17-Mar	24-Mar	Change
BIST-100 Index	5,136	5,032	-2.0 % ▼	EUR/USD	1.0666	1.0759	0.9 % ▲
TRY 2 Year Benchmark Rate	11.57 %	13.04 %	147 bp ▲	USD/TRY	19.0095	19.0457	0.2 % ▲
Türkiye 5-Year CDS Premium	536	537	2 bp ▲	EUR/TRY	20.2899	20.4938	1.0 % ▲
MSCI EM Equity Index	952	972	2.2 % ▲	Gold (USD/ounce)	1,988	1,977	-0.5 % ▼
US 10-Year Bond Rate	3.40 %	3.38 %	-2 bp ▼	Brent Oil (USD/barrel)	73.0	75.0	2.8 % ▲

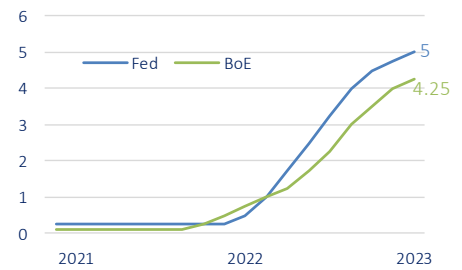
bp: basis point

Last week, in addition to the meetings of the central banks, the developments in the banking sector in the US and Europe drove the course of the markets. Fed and BoE raised interest rates by 25 basis points, and gave cautious messages to the markets. Preliminary figures showed that although the pressure on the manufacturing industry in the Euro Area and the US continued, activity in the services sector gained momentum. While the CBRT did not change policy rate, consumer confidence index decreased in March. This week, in addition to the developments in the banking sector, the US personal consumption expenditures (PCE) inflation for February and Euro Area preliminary inflation data for March will be followed.

### Fed raised policy rate by 25 basis points.

Last week, while the developments in the banking sector in the US and Europe were closely followed, the Fed increased the policy rate by 25 basis points to the range of 4.75-5.00%. In the statement announced after the meeting, the assessment that additional tightening might be required to reach the 2% target was used instead of the assessment that the rate hikes would be in line with the inflation target. Emphasizing that the banking system in the US is strong and resilient, it was stated that the developments in the banking sector would lead to a tightening in credit conditions and put pressure on economic activity. Fed Chairman Powell stated that they are determined to reduce inflation to the targeted level. According to the projections released after the meeting, Fed officials do not expect a rate cut in 2023. However, markets are pricing in that the Fed may start rate cuts from the second half of this year.

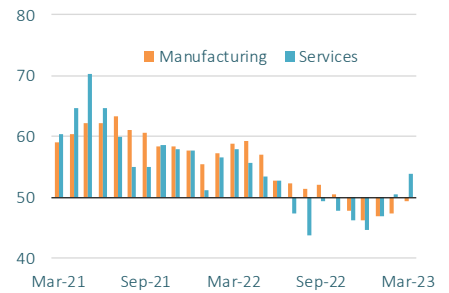
Fed and BoE Policy Rates (%)



### Services PMI rose rapidly in the US and Euro Area.

PMI figures announced in the US and Euro Area indicated that the performances of the manufacturing industry and the services sector diverged. Manufacturing PMI in the US became 49.3 showing that the contraction in the sector continued, albeit at a slower pace. The manufacturing PMI in the Euro Area was 47.1, signaling that the activity in the sector contracted for the ninth consecutive month in March. On the other hand, services PMI figures, which reached the levels of 53.8 and 55.6 in the US and Euro Area, respectively, pointed out that the activity in the sector gained momentum.

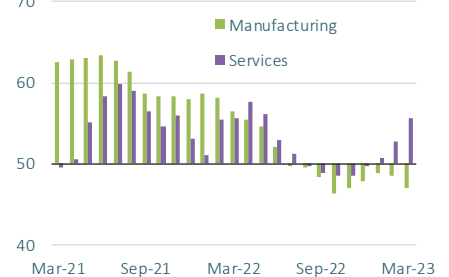
US Manufacturing and Services PMI



### Developments in the banking sector in the Euro Area have been followed.

In the Euro Area, which started the week with question marks regarding the banking sector, the statements of policy makers were followed. ECB President Lagarde said that the banking system in Europe is resilient and that the ECB can provide liquidity if needed. At the EU Leaders' Summit, it was stated that the banking system has been significantly strengthened and that the sector is resilient with its strong capital and liquidity positions. After the rapid decline in Deutsche Bank's shares, German Chancellor Scholz also stated that the Bank is a very profitable bank and there is no reason for concern.

Euro Area Manufacturing and Services PMI



Source: Datastream

### The BoE slowed the pace of interest rate hikes.

The Bank of England (BoE) raised its policy rate by 25 bps to 4.25% in line with expectations, raising interest rates for the 11th consecutive meeting. The fact that the February CPI inflation figure in the country exceeded the forecasts by 10.4% yoy was the key driver for the continuation of the BoE's interest rate hikes.

### The CBRT did not change the policy rate.

The CBRT kept the policy interest rate at 8.5% at its meeting held on last week. In the statement released following the meeting, it was stated that the current monetary policy stance is adequate to support the necessary recovery in the aftermath of the earthquake by maintaining price stability and financial stability. Last week, the CBRT reported a net profit of 72 billion TRY for the year 2022.

### Consumer confidence index fell in March.

According to the figures announced by the CBRT, the seasonally adjusted real sector confidence index increased by 1.7 points to 104.1 in March. On the other hand, the capacity utilization ratio decreased to 73.5% due to the decline in the capacity utilization of the textile, wearing apparel, tobacco and basic metal sectors, which have production facilities in the earthquake zone. According to seasonally adjusted figures, the consumer confidence index decreased by 2.9% on a monthly basis to 80.1 in March. Consumers' expectations for the next 12-month period generally deteriorated.

### The number of foreign visitors to Türkiye increased by 21.35% on an annual basis in February.

According to the data announced by the Ministry of Culture and Tourism, the number of foreign visitors to Türkiye in February increased by 21.4% yoy to 1.9 million people. Thus, as of the first two months of the year, the number of foreign visitors increased by 37.3% compared to the same period last year and increased to 3.9 million people. During this period, the country with the highest number of visitors was Russia with 508 thousand people (13.1%). Russia is followed by Bulgaria.

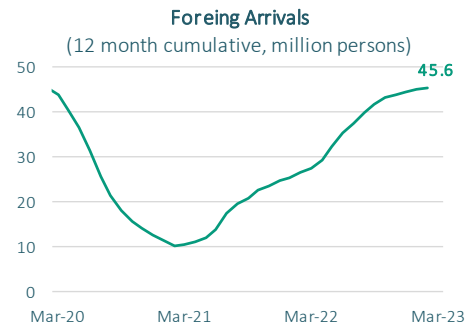
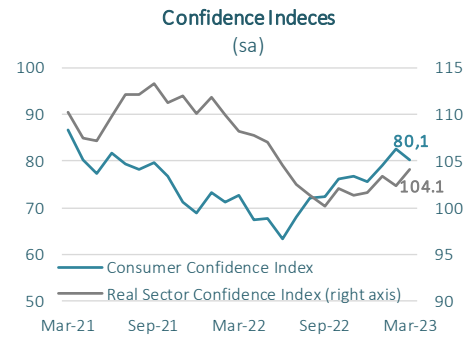
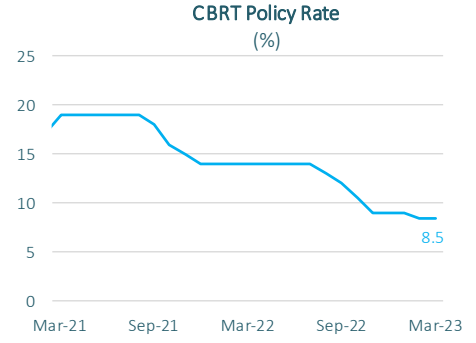
### Financial markets...

After the Fed meeting, the risk appetite increased in the US stock markets, which followed a fluctuating course throughout the week in parallel with uncertainties led by the developments in banking sector. Gold prices, which tested the 2,000 USD/ounce during the week as investors sought a safe haven, closed the week at 1,977 USD/ounce as the concerns eased.

BIST-100 index ended at 5.032 on Friday with a weekly decline of 2%. While Türkiye's 5-year CDS risk premium increased by 2 basis points to the level of 537, TRY continued its flat course against other currencies.

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

This week, developments in the banking sector and inflation figures to be announced in the US and Euro Area will be followed closely. In Türkiye, the economic agenda will be relatively light this week.



Source: Datastream

Data Releases

		Period	Consensus	Prior
27 March	TR Real Sector Confidence Index	March	104.1 (A)	102.4 (A)
	TR Capacity Utilization Rate	March	73.5%	75.2%
28 March	USA Consumer Confidence	March	101.0	102.9
29 March	USA Pending Home Sales, mom	February	-3.0%	8.1%
	TR Economic Confidence	March	-	99.1
	USA GDP Growth, final, yoy	2022 Q4	2.7%	2.7%
	Euro Area Consumer Confidence, final	March	-19.2	-19.2
31 March	TR Trade Balance	February		-14.2 billion USD
	Euro Area CPI Inflation, flash, yoy	March	7.2%	8.5%
	Euro Area Unemployment Rate	February	6.7%	6.7%
	USA Michigan Consumer Confidence, final	March	63.4	63.4
	USA Core PCE, mom	February	0.4%	0.6%

(A) Actual

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