

	21-Apr	28-Apr	Change		21-Apr	28-Apr	Change
BIST-100 Index	5.012*	4.618	-7,9 % ▼	EUR/USD	1,0987	1,1020	0,3 % ▲
TRY 2 Year Benchmark Rate	15,39%*	17,14 %	175 bp ▲	USD/TRY	19,3741	19,4478	0,4 % ▲
Türkiye 5-Year CDS Premium	552	532	-20 bp ▼	EUR/TRY	21,2700	21,4250	0,7 % ▲
MSCI EM Equity Index	981	977	-0,4 % ▼	Gold (USD/ounce)	1.983	1.990	0,3 % ▲
US 10-Year Bond Rate	3,57 %	3,45 %	-12 bp ▼	Brent Oil (USD/barrel)	81,7	79,5	-2,6 % ▼

bp: basis point

(\*) Data for April 20.

According to the growth data released last week, the US and Euro Area economies displayed a weak performance in the first quarter of 2023. In the US, the Federal Government's debt ceiling brought the default risk to the agenda and the country's CDS premiums reached the highest levels since the 2008 crisis. Fed is expected to raise its policy rate by 25 basis points this week. CBRT kept its policy rate unchanged at 8.5% where domestic markets remained under pressure last week. This week, global markets' focus will be on Fed and ECB meetings while April readings of inflation, CBRT's Inflation Report and political developments will be closely monitored in Türkiye.

#### First-quarter growth in the US was below expectations.

In the first quarter of 2023, annualized GDP growth in the US came in at 1.1% qoq and remained below market expectations. In this period, consumption expenditures came to the fore thanks to strong outlook of the labour market while ongoing monetary tightening had a negative impact on investment expenditures. Leading indicators for the second quarter displayed a mixed outlook. Although manufacturing PMI came in at 50.2 in April, pointing to a gradual recovery in the sector; ISM manufacturing index came in at 47.1, indicating that the weakness in the sector continued. In April, US consumer confidence index fell to a 9-month low, realizing as 101.3. While assessments of the current situation remained moderate, the deterioration in expectations, especially for the next six months, played an important role in the decline of the index.

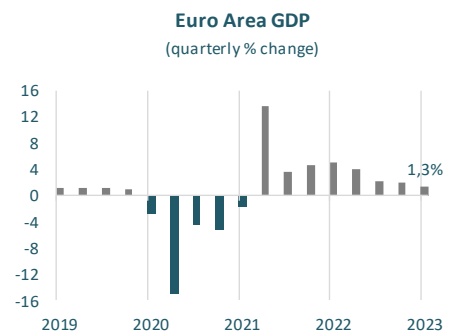
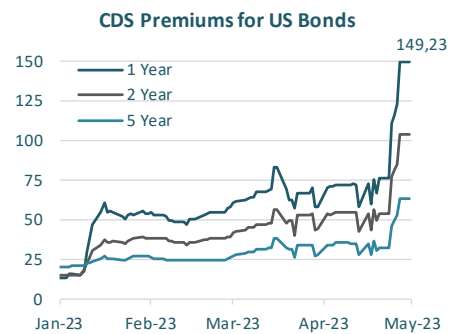
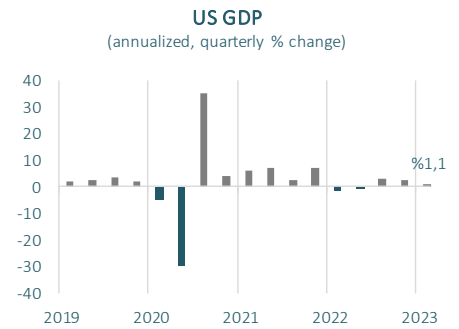
In the US, personal consumption expenditures (PCE) inflation fell to 4.2% yoy in March, while core PCE inflation, which remained flat compared to February, came in at 4.6%, exceeding headline inflation. This indicated that inflationary pressures continued in the country. Relatively high level of core inflation supported expectations that Fed would continue to raise interest rates at its May meeting. Fed is expected to increase interest rates by 25 basis points at its May meeting.

#### US debt ceiling is high on the agenda.

The developments regarding the debt ceiling in the US were monitored closely last week. The fact that the country's debt limit of 31.4 trillion USD will soon expire, increases the risk of the US Treasury Department not being able to go for additional borrowing and default. Accordingly, the country's CDS premium went up rapidly last week, reaching the highest level since the latest global crisis. In the middle of the week, the bill which suggests raising the debt ceiling by 1.5 trillion USD and lowering public spending was approved in the Republican-dominated House of Representatives. However, the bill is not expected to be approved by the Senate controlled by the Democrats.

#### Euro Area grew by 0.1% in the first quarter.

According to preliminary data, Euro Area recorded a limited quarterly growth



Source: Datastream

of 0.1% in Q1 2023, while annual growth came in at 1.3%. Economic growth in Germany, the largest economy of the region, remained flat on a quarterly basis whereas contracting by 0.1% compared to the same period of 2022.

#### BoJ will review its monetary policy.

The Bank of Japan (BoJ), which kept the policy rate at -0.1 % at its meeting last week, revised economic growth forecasts for the upcoming period upwards. In the statement announced after the meeting, the phrase "keeping interest rates at current or lower levels" was replaced with "patiently continue with monetary easing". The BoJ, which decided to conduct a broad perspective review of the current monetary policy, stated that the planned review could take more than one year.

#### CBRT kept the policy rate at 8.5%.

CBRT kept the policy rate unchanged at 8.5% at its Monetary Policy Committee meeting on April 27. In the statement published after the meeting, it was pointed out that regarding the global economy; recession concerns persisted in advanced economies due to geopolitical risks as well as interest rate hikes and bank failures threatened financial stability. CBRT stated that leading indicators showed that economic activity in the earthquake zone recovered faster than expected and risks related to the current account balance persists despite the contribution of better than expected tourism revenues.

#### Leading indicators of April signals for a recovery.

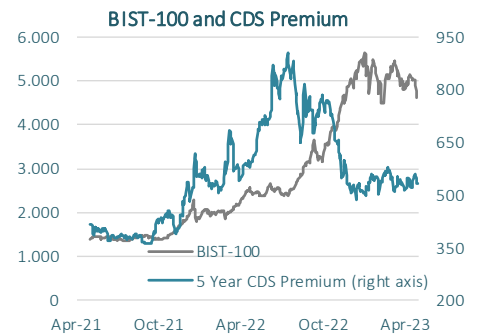
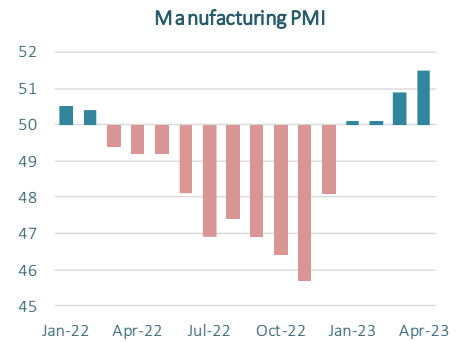
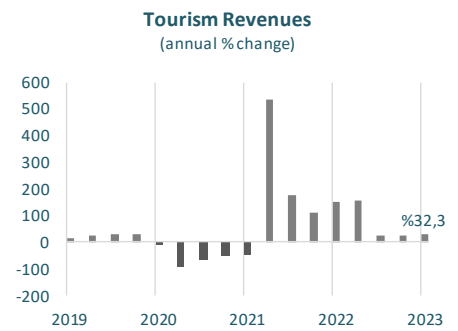
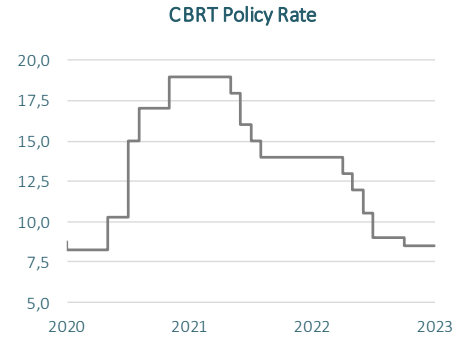
In April, economic confidence index rose to 102.2, exceeding the threshold for the first time since the beginning of 2022. Among the sub-indices, in addition to the consumer confidence index which increased by 9.2% mom to 87.5, recovery in the real sector confidence was also decisive in the recent recovery. In this period, manufacturing PMI which came in at 51.5 pointed out that the expansion in the sector accelerated. The rise in the index was mainly driven by the increase in new orders and production. According to Turkstat, number of foreign visitors increased by 26.8% yoy in the first quarter of 2023. In this period, tourism revenues, which increased by 32.3% yoy, were realized as 8.96 billion USD.

#### Financial markets...

Last week, developments regarding the US debt ceiling and First Republic Bank led global stock markets to have a volatile course. BIST-100 index closed the week 7.9% lower. Türkiye's 5-year CDS premium decreased by 21 basis points while Turkish lira continued to depreciate against the USD and Euro. Price of Brent crude oil fell by 2.6% to 79.5 USD per barrel due to Fed's possible rate hike as well as expectations of weak demand in China.

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

Fed and ECB meetings stand out on the agenda of this week. In addition, US non-farm payrolls for April and figures related to economic activity in the Euro Area and China will be closely monitored. In Türkiye, in addition to the April inflation data and CBRT's Inflation Report, markets will keep an eye on the political developments two weeks prior to the elections.



Source: CBRT, TURKSTAT, Datastream

## Data Releases

		Period	Consensus	Prior
<b>1 May</b>	USA S&P Manufacturing PMI, final	April	50.2 (A)	50.4
<b>2 May</b>	TR Manufacturing PMI	April	51.5 (A)	50.9
	Euro Area Manufacturing PMI, final	April	45.8 (A)	45.5
	Euro Area CPI Inflation, flash, yoy	April	7.0%	6.9%
	USA Durable Goods Orders, mom	March	-	3.2%
	USA Factory Orders, mom	March	1.1%	-0.7%
<b>3 May</b>	TR CPI Inflation, mom	April	-	2.29%
	TR D-PPI Inflation, mom	April	-	0.44%
	Euro Area Unemployment Rate	March	6.6%	6.6%
	USA Nonmanufacturing PMI	April	51.8	51.2
	Fed Meeting	-	5.0-5.25%	4.75-5.0%
<b>4 May</b>	China Caixin Manufacturing PMI, final	April	50.3	50.0
	CBRT Inflation Report	2023 Q1	-	-
	Euro Area S&P Services PMI	April	56.6	56.6
	Euro Area S&P Composite PMI	March	54.4	54.4
	Euro Area PPI Inflation, yoy	March	6.2%	13.2%
	ECB Meeting	-	3.25%	3.0%
	USA Trade Balance	February	-63.3 billion USD	-70.5 billion USD
	USA Initial Jobless Claims, weekly	April 24	240 thousand	230 thousand
<b>5 May</b>	China Caixin Services PMI	April	-	57.8
	Euro Area Retail Sales, yoy	March	-3.1%	-3.0%
	USA Nonfarm Payrolls	April	180 thousand	236 thousand
	USA Unemployment Rate	April	3.6%	3.5%

(A) Actual

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## Economic Research Division

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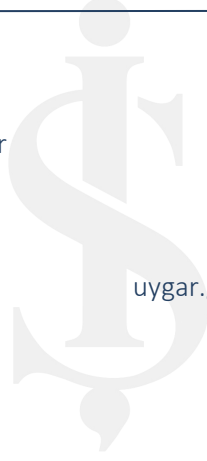
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