

	12-May	18-May	Change		12-May	18-May	Change
BIST-100 Index	4,796	4,502	-6.1 % ▼	EUR/USD	1.0848	1.0769	-0.7 % ▼
TRY 2 Year Benchmark Rate	18.64 %	9.01 %	-963 bp ▼	USD/TRY	19.5600	19.7844	1.1 % ▲
Türkiye 5-Year CDS Premium	487	665	178 bp ▲	EUR/TRY	21.2675	21.3235	0.3 % ▲
MSCI EM Equity Index	973	978	0.5 % ▲	Gold (USD/ounce)	2,011	1,958	-2.6 % ▼
US 10-Year Bond Rate	3.46 %	3.65 %	19 bp ▲	Brent Oil (USD/barrel)	74.2	75.9	2.3 % ▲

bp: basis point

Last week, while developments regarding the debt ceiling in the US were closely monitored, concerns over the default eased following the positive statements. Released data indicated that the US economy started the second quarter of the year with a limited recovery. In Türkiye, house sales continued to decline, while the CBRT survey showed that the market's inflation expectations improved slightly. This week, developments regarding the debt ceiling in the US, minutes of the Fed meeting, and flash PMI data will be monitored in global markets. In Türkiye, the intense political agenda ahead of the second round of the presidential election and the CBRT meeting stand out.

Concerns over the debt ceiling have eased in the US.

Last week, US President Biden stated his confidence about to reach an agreement on the debt ceiling and the US would not default. US House of Representatives Speaker McCarthy also said that it is possible to reach an agreement. In the second half of last week, global markets displayed a positive course following the statements that eased concerns. Biden and McCarthy are expected to meet on May 22. There is a risk of default in the country if the debt limit would not be increased or suspended by June 1.

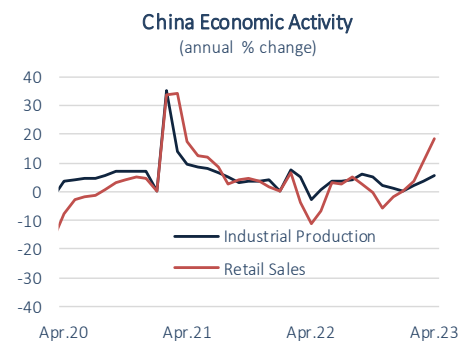
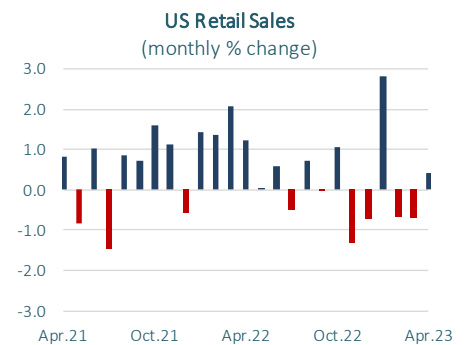
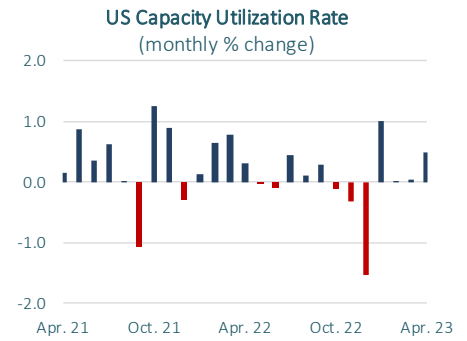
The data released in US indicated that economic activity in the country made a positive start to second quarter of the year. After having flat course for two consecutive months, industrial production expanded by 0.5% mom, beating the market expectations in April. Capacity utilization ratio reached the highest level of the last 5 months with 79.7%. Retail sales started the second quarter with a monthly increase of 0.4% after two months of contraction, as well.

Industrial production in China gained momentum.

According to the data announced last week in China, industrial production recorded the fastest increase in the last 7 months with 5.6% yoy in April. On the other hand, retail sales, which were expected to expand by more than 20% yoy, grew by 18.4%, pointing a more moderate rise in domestic demand. In this regard, the People's Bank of China did not make any changes in its monetary policy at its meeting.

Grain corridor agreement has been extended.

The Black Sea Grain Corridor Agreement between Russia and Ukraine has been extended until July 18, 2023. Since the agreement was signed in July 2022, around 1,000 ships have left Ukraine with a load of grain. With the extension of the agreement, pressures on global food inflation are expected to ease to some extent.



Source: Datastream

House sales in Türkiye continued to decline.

In April, house sales decreased by 18.8% compared to the previous month, while the annual decline in sales was 35.6%. In April, mortgaged house sales and other sales decreased by 32% yoy and 36.8% yoy, respectively. House sales to foreigners also decreased by 60.3% yoy to 2,557 units in April, the lowest level in the last two years. Thus, in the first four months of the year, total house sales decreased by 18.6% yoy while sales to foreigners declined by 35.1% yoy.

According to CBRT house price index, house prices rose by 5.4% mom in March, while the annual rate of increase slowed down to 132.8% at the same period. Thus, despite weak demand conditions, annual real increase in house prices was realized as 55.4% in March. CBRT announced that earthquake-hit provinces were not included in the index calculation.

Limited improvement in market's inflation expectations...

According to the results of CBRT's Survey of Market Participants, market's inflation expectations improved slightly in May. Accordingly, the year-end inflation expectation for 2023 decreased to 37.17% in May from 37.77% in April. 12-month-ahead inflation expectation also decreased to 29.84% from 31.02%, while year-end USD/TRY expectations edged down to 23.09 from 23.15. It was noteworthy that the growth expectations of market participants, which had been flat for two months, increased from 3.5% to 3.7% for 2023 and from 4.4% to 4.6% for 2024.

CBRT published the Financial Stability Report.

In its Financial Stability Report published last week, CBRT announced that the steps taken within the scope of the liraization strategy started to yield results as of early 2022 and that the strategy will continue to be implemented with all its elements to institutionalize permanent and sustainable price stability. The report pointed out that household indebtedness in Türkiye, which is already below the averages of other countries, continued to decline, while liquidity, profitability and debt repayment indicators of real sector firms continued to follow a positive course. In addition, it was also stressed that the banking crisis in the US and Switzerland did not have any impact on the Turkish banking sector.

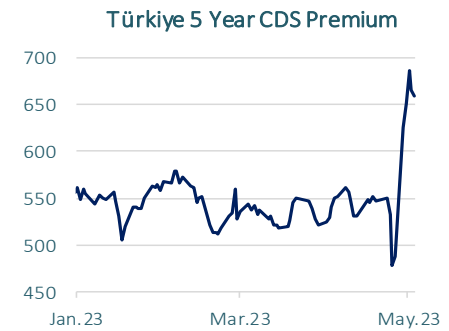
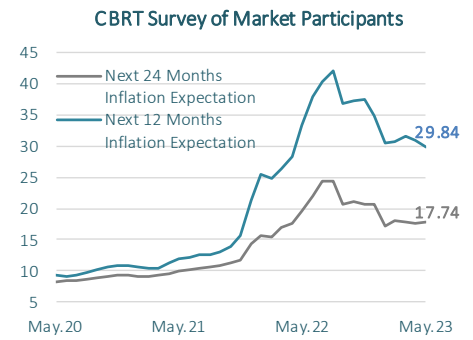
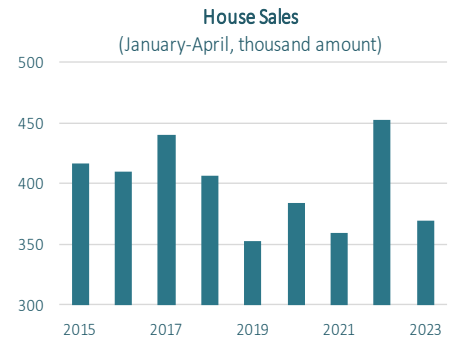
Financial markets.

Last week, global stock indices displayed a volatile outlook while gold prices fell by 2.6% to 1,958 USD/ounce. The barrel price of Brent oil ended the week at 75.9 USD with a weekly increase of 2.3%.

After the elections, the BIST-100 index declined sharply last week, while 5-year CDS premium increased by 178 bps to 665 bps. The 2-year benchmark bond yield fell by 963 basis points to 9.01%.

This week's agenda...

This week, global markets will follow the minutes of Fed's last meeting, as well as May PMI data for the US and Euro Area and April PCE inflation in the US. CBRT meeting to be held on May 25th stands out in Türkiye, where the political agenda will be intense ahead of the second round of the



Source: TURKSTAT, CBRT, Datastream

Data Releases

		Period	Consensus	Prior
22 May	TR Consumer Confidence Index	May	91.1(A)	87.5
	TR Central Government Gross Debt Stock	April	-	4.49 billion TRY
	Euro Area Consumer Confidence, flash	May	-16.6	-17.5
23 May	China Central Bank Meeting	May	%3.65(A)	%3.65
	USA Services PMI, flash	May	52.6	53.6
	USA Manufacturing PMI, flash	May	50	50.2
	USA New Home Sales, units	April	0.663 million	0.683 million
	Euro Area Services PMI, flash	May	55.6	56.2
24 May	Euro Area Manufacturing PMI, flash	May	46.2	45.8
	TR Capacity Utilization Rate	May	-	%75.4
	TR Real Sector Confidence Index	May	-	105.1
25 May	Fed Meeting Minutes	May	-	-
	CBRT Monetary Policy Meeting	May	%8.5	%8.5
	USA GDP Growth, final, yoy	2023 Q1	%1.1	%1.1
26 May	Euro Zone Total Trade Balance	April	-	%12.3
	USA Core PCE, mom	April	%0.3	%0.3
	USA Personal Consumption Expenditures, mom	April	%0.4	%0.0
	USA Durable Goods Orders, mom	April	-%1.0	%3.2
	USA Manufacturing PMI, flash	May	57.9	57.7

(A) Actual

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