

	27-Oct	3-Nov	Change		27-Oct	3-Nov	Change	
BIST-100 Index	7,706	7,706	0.0 %	●	EUR/USD	1.0564	1.0729	1.6 % ▲
TRY 2 Year Benchmark Rate	34.63 %	37.60 %	297 bp	▲	USD/TRY	28.1636	28.3775	0.8 % ▲
Turkey 5-Year CDS Premium	411	365	-47 bp	▼	EUR/TRY	29.8364	30.4141	1.9 % ▲
MSCI EM Equity Index	920	948	3.1 %	▲	Gold (USD/ounce)	2,006	1,992	-0.7 % ▼
US 10-Year Bond Rate	4.85 %	4.56 %	-29 bp	▼	Brent Oil (USD/barrel)	90.5	84.9	-6.2 % ▼

bp: basis point

Last week, central bank meetings of developed countries were on the agenda of global markets. Fed, BoE and BoJ kept their policy rates unchanged in line with market expectations. In the US, October data pointed to an easing in the labour market while GDP in the Euro Area contracted in the third quarter compared to the previous quarter. PMI data in China displayed a negative outlook for the manufacturing industry. In Turkey, annual consumer inflation was realised as 61.36% in October while CBRT published the last Inflation Report of the year and revised its year-end inflation forecasts for 2023 and 2024 upwards. Istanbul Chamber of Industry Turkey Manufacturing PMI came in at 48.4 in October, indicating that the slowdown in the sector's activities continued. This week, inflation data to be announced in Euro Area and China will be on the agenda of global markets. In Turkey, industrial production index and employment data for September come to the fore.

Fed kept the policy rate unchanged between 5.25%-5.50%.

Fed kept the policy rate unchanged between 5.25%-5.50% at its November meeting, in line with expectations. In the FOMC statement, pointing out that uncertainties regarding the economic activity persist, it was underlined that the policy stance might change in case of risks that may prevent Fed from achieving its targets. In his statement after the meeting, Fed Chair Powell emphasized that the tight monetary policy stance will put pressure on economic activity, noting that interest rate cuts are not yet on the agenda.

PMI data for October in the US showed that the weak outlook in the manufacturing sector continued whereas employment data gave signs of easing in the labour market. Non-farm payrolls in October rose by 150 thousand against the market expectation of 180 thousand while the unemployment rate rose to 3.9%. In the week ending 28 October, jobless claims were also above market expectations with 217 thousand people.

BoE and BoJ also kept the policy rates unchanged.

In line with market expectations, the Bank of England (BoE) kept the policy rate unchanged at 5.25%. Underlining the fact that policy rate remained unchanged in line with the signals of a slowdown in the economy, BoE stated that interest rates should remain at high levels for a long time and additional interest rate hikes may be possible whether inflationary pressures persist.

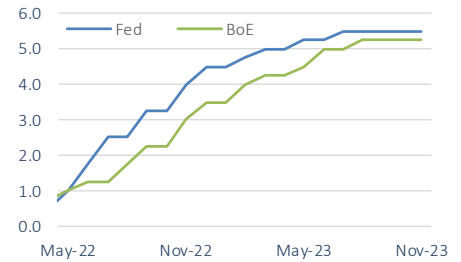
Bank of Japan (BoJ) did not change the policy rate as well, keeping it at -0.1%. Yet, BoJ decided to loosen its control on the yield on government bonds.

Signs of slowdown in economic activity in Euro Area and China...

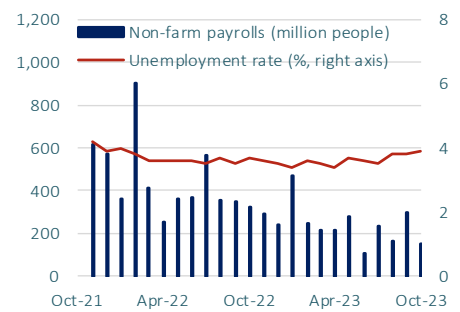
According to the preliminary data announced in the Euro Area, GDP contracted by 0.1% qoq in the third quarter despite the expectations of a flat course. Growth figures which were announced below the expectations pointed out that the region's economy remained under pressure due to high interest rates and the weak course of global demand. Moreover, in October, monthly and annual increases in consumer prices were 0.1% and 2.9%, respectively. Thus the annual headline inflation was at its lowest level since July 2021.

In China, October readings of both NBS and Caixin manufacturing PMI data was below the threshold value, becoming 49.5. On the other hand, NBS services PMI came in at 50.6. Although it remained above the value, it lost momentum compared to the previous month.

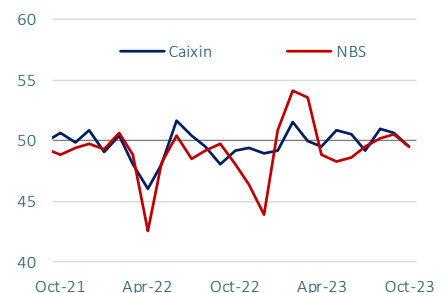
Fed and BoE Policy Rates (%)



US Labor Market



China Manufacturing PMI Indicators



Source: Datastream

Annual CPI inflation in Türkiye was realized as 61.36% in October.

CPI inflation was realized at 3.43% and 61.36% mom and yoy, respectively, in October. Thus, the increase in consumer prices in the first 10 months of the year was 55.0%. The highest price increase on a monthly basis in October was recorded in the clothing and footwear group due to seasonal factors. During this period, the D-PPI increase was 1.94% and 39.39% mom and yoy, respectively ([our Inflation Developments report](#)).

The slowdown in the manufacturing industry continued in October.

Istanbul Chamber of Industry Türkiye Manufacturing PMI came in at 48.4 in October, indicating that the slowdown in the sector's activities continued. According to sectoral PMI data, a decline was observed in the activities of all sectors except food in this period. While new orders decreased in all 10 sectors monitored; the most significant slowdown in terms of production, new orders, employment and purchasing activities was recorded in the textile sector.

In the January-October period, foreign trade deficit increased by 3.2% on an annual basis.

According to the preliminary foreign trade data of the Ministry of Trade, Türkiye's exports expanded by 7.4% and imports by 1.3% yoy in October. Thus, the foreign trade deficit narrowed by 14.9% on an annual basis, falling to 6.7 billion USD. In the January-October 2023 period, foreign trade deficit expanded by 3.2% yoy and reached 93.9 billion USD.

Tourism revenue increased by 13.1% yoy in the third quarter.

According to TurkStat data, tourism revenue increased by 13.1% yoy in the third quarter of 2023, reaching 20.2 billion USD. During this period, the number of departing visitors increased by 6.8% and reached 22 million 428 thousand people, while the average expenditure per capita increased by 5.9% to 902 USD.

CBRT published the last Inflation Report of 2023.

Publishing the fourth and last Inflation Report of the year, the CBRT increased its annual CPI inflation forecasts for the end of 2023 and 2024 from 58% to 65% and from 33% to 36%, respectively. The report emphasized that domestic demand has begun to balance and monetary tightening steps will continue with a holistic approach. In this context, it was predicted that the disinflation process would begin in 2024 in parallel with the cumulative effects of the tight monetary policy.

In line with the target of increasing the share of TRY deposits, the CBRT revised the required reserve ratios for exchange rate protected deposits upwards. CBRT, which also increased the required reserve ratios for foreign currency liabilities, determined an additional reserve requirement ratio of 4% for foreign currency deposits/participation funds, to be kept in TRY.

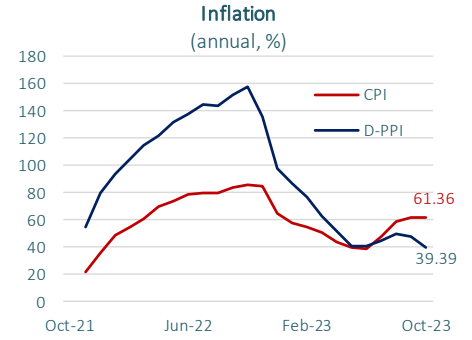
Financial markets...

After the Fed's monetary policy meeting, a positive trend was observed in the stock markets in the US. Commodity prices declined in parallel with the relative decrease in the impact of geopolitical risks compared to previous weeks and weak data announcements regarding global economic activity. While the barrel price of Brent type crude oil decreased by 6.2% to 84.9 USD, the ounce price of gold decreased by 0.7% to 1.992 USD.

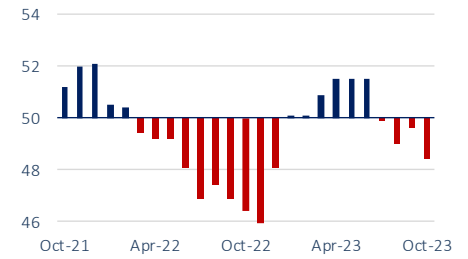
BIST-100 index closed the week with a flat course. Türkiye's 5-year CDS risk premium decreased to 365 basis points. While TRY lost limited value against the USD, EUR/TRY increased by 1.9% due to the parity effect.

This week's agenda...

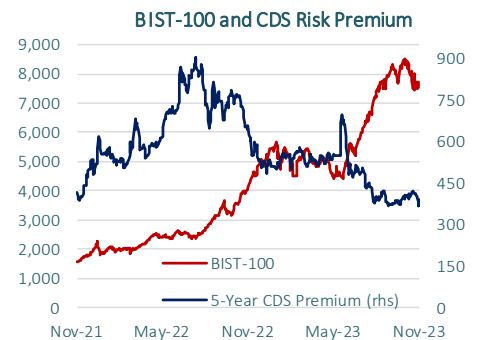
This week, inflation data to be announced in the Euro Area and China are on the agenda of global markets. In Türkiye, in addition to Treasury cash balance data for October, industrial production index and employment data for September come to the fore.



Istanbul Chamber of Industry Türkiye Manufacturing PMI



CBRT Inflation Forecasts	2023	2024
2023-III (July 2023) Forecast (%)	58	33
2023-IV (October 2023) Forecast (%)	65	36
Forecast Revision as Compared to the 2023-III	+7	+3
Sources of Forecast Revisions (% points)		
Turkish Lira Denominated Import Prices	+2.0	+1.8
Output Gap	+0.8	-0.7
Food Prices	+1.3	-1.0
Administered Prices	-	+1.5
Deviation from the Inflation Forecast / the Underlying Trend of Inflation	+2.9	+1.4



Source: Datastream, Istanbul Chamber of Industry, CBRT

Data Releases

		Period	Consensus	Prior
6 November	TR CPI Based Real Effective Exchange Rate	October	-	55.52
	Euro Area Services PMI, final	October	47.8(A)	47.8
	Euro Area Sentix Index	November	-18.6(A)	-21.9
7 November	TR Treasury Cash Balance	October	-	-69.1 billion TRY
	US Trade Balance	September	-60.0 billion USD	-58.3 billion USD
	Euro Area PPI Inflation, mom	September	0.6%	0.6%
8 November	China Trade Balance	October	82.0 billion USD	77.7 billion USD
	Euro Area Retail Sales, mom	September	-0.2%	-1.2%
	Germany CPI Inflation, final, mom	October	0.0%	0.0%
9 November	China CPI Inflation, yoy	October	-0.1%	0.0%
	China PPI Inflation, yoy	October	-2.7%	-2.5%
10 November	TR Unemployment Rate	September	-	9.2%
	TR Industrial Production, mom	September	-	2.6%
	US Michigan Consumer Confidence, prelim	November	64.0	63.8

(A) Actual

Economic Research Division

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

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

Aslı Gksun Őat Sezgin
Asst. Manager
asli.sat@isbank.com.tr

Esra Mine Gngr
Asst. Economist
mine.gungor2@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 İŐ Bankası A.Ő. 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 İŐ Bankası A.Ő. 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 İŐ Bankası A,Ő, 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.