

	29-Dec	5-Jan	Change		29-Dec	5-Jan	Change
BIST-100 Index	7,470	7,629	2.1 % ▲	EUR/USD	1.1036	1.0941	-0.9 % ▼
TRY 2 Year Benchmark Rate	39.68 %	41.37 %	169 bp ▲	USD/TRY	29.4766	29.8202	1.2 % ▲
Türkiye 5-Year CDS Premium	279	302	23 bp ▲	EUR/TRY	32.5389	32.6307	0.3 % ▲
MSCI EM Equity Index	1,024	1,004	-1.9 % ▼	Gold (USD/ounce)	2,063	2,045	-0.8 % ▼
US 10-Year Bond Rate	3.86 %	4.04 %	18 bp ▲	Brent Oil (USD/barrel)	77.0	78.8	2.2 % ▲

bp: basis point

Fed's December meeting minutes that released last week showed that the path of interest rate cuts was uncertain. Although higher-than-expected US non-farm payrolls strengthened the views that interest rate cuts would be postponed, the ISM services PMI data, which came in well below the market expectations, limited the impact of this perception. Annual HICP inflation in the Euro Area was realized as 2.9% in December, slightly below the expectations. In Türkiye, CPI inflation was realized as 2.93% mom and 64.77% yoy in December. Thus, annual inflation at the end of 2023 was in line with CBRT forecasts. According to the Ministry of Trade data, foreign trade deficit narrowed by 37.1% yoy in December and 3.2% for the whole the year. Domestic sales in automobile and light commercial vehicle market reached a historical high of 1.2 million units in 2023. This week, a heavy data flow will be followed.

A busy data agenda was followed in the US.

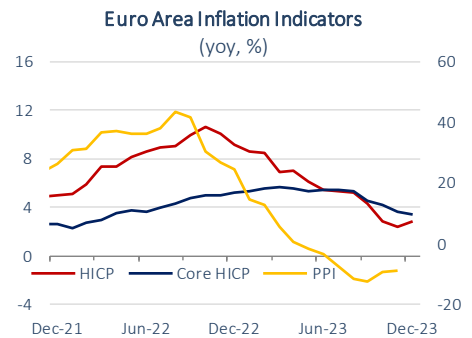
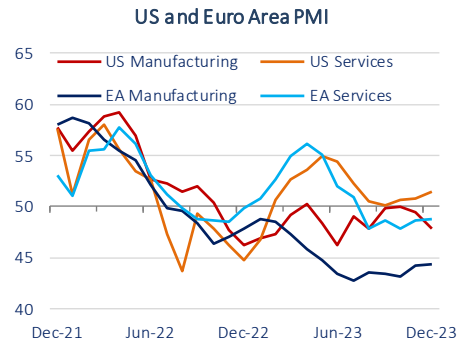
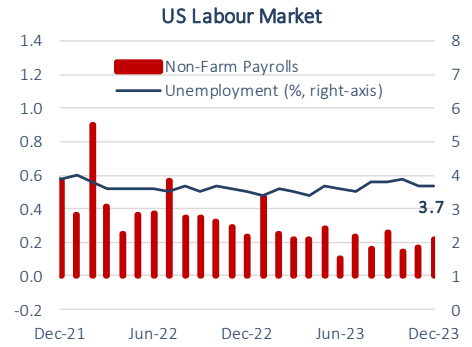
Last week, the minutes of the Fed's meeting held on December 13th were released. In the minutes, it was stated that inflation in the US has remained elevated despite the recent slowdown and that there has been no significant easing in the labor market. The minutes highlighted growing concerns about the risks to the economy from overly restrictive monetary policy, while Fed members gave no sign about the path of interest rate cuts. Non-farm payrolls increased by 216 thousand people in December, well above the market expectation of 170 thousand people and supported the views that interest rate cuts could come later than expected in the first instance. On the other hand, the fact that increase in payrolls led by the public sector and remaining of overall increase in payrolls below the monthly average of 2023, limited the effects of the said views. ISM services PMI was realized at the lowest level of the last 7 months in December, significantly below the market expectations. Thus the market expectation that the Fed would start rate cuts in the second quarter remained strong.

Annual HICP inflation in the Euro Area was realized as 2.9% according to flash figures.

Final reading of December PMI data in the Euro Area showed that pressure on economic activity in the Region continued. According to the manufacturing PMI index, which was revised to 44.4 in this period, the contraction in the sector reached the 18th consecutive month. Services PMI, which was announced as 48.8, remained below the 50 threshold level for the fifth month in a row. On the other hand, HICP inflation in the Region came in at 0.2% mom and 2.9% yoy in December according to flash data. Thus, annual HICP inflation was realized below the market expectations despite the annual figure has risen compared to the previous month, while core HICP maintained its downward trend with 3.4% yoy in the same period. Moreover, PPI inflation fell by 8.8% yoy in December, confirming the decline in inflationary pressures.

Annual CPI inflation in Türkiye was 64.77% at the end of 2023.

According to the data released last week, CPI, which recorded the lowest



Source: Fed, Datastream

monthly increase of the last 7 months with 2.93% in December, rose by 64.77% yoy in 2023 and realized in line with CBRT's year-end expectations. In this period, D-PPI remained below the headline CPI inflation, realized as 1.14% mom and 44.22% yoy, respectively ([Our Inflation Report](#)).

In December, foreign trade deficit narrowed by 37.1% yoy.

According to the data released by the Ministry of Trade, exports increased slightly by 0.4% yoy to 23 billion USD in December. In this period, imports fell by 10.7% yoy to 29.1 billion USD. Thus, foreign trade deficit, which decreased by 37.1% yoy, became 6.1 billion USD in the last month of the year. In 2023, exports and imports reached 255.8 billion USD and 361.8 billion USD, respectively. In the whole year, foreign trade deficit decreased by 3.2% compared to 2022 to 106 billion USD.

Automobile and light commercial vehicle sales reached 1.2 million units in 2023.

According to data released by the Automotive Distributors' and Mobility Association (ODMD), the domestic automobile and light commercial vehicle market expanded by 37.7% yoy in December and reached 159 thousand units. Thus, the automobile and light commercial vehicle market broke an all-time record with 1.2 million units sold in 2023. Automobile sales, which increased by 63.2% on an annual basis, accounted for 78% of the total market with 967,341 units, while electric vehicle sales, which were recorded as 7,733 units in 2023. So, the share of EVs in total automobile sales increased from 1.3% to 7.5%.

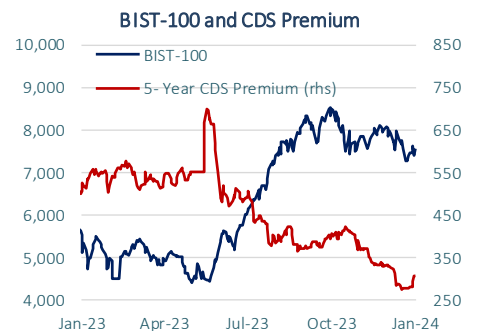
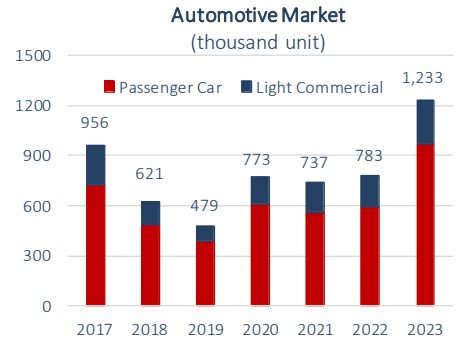
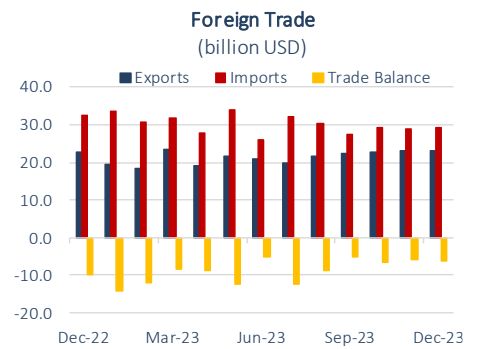
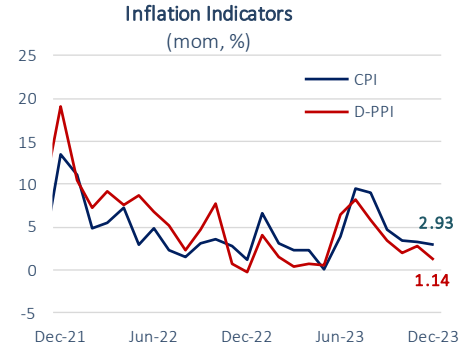
Financial markets...

Last week, Fed minutes and data flow pointing to the continued strong outlook in the US labor market had a negative impact on global risk appetite. US 10-year bond yield rose by 18 bps on a weekly basis to 4.04%, while global stock indices decreased. Despite the concerns over global demand, Brent crude oil prices rose by 2.2% last week, due to ongoing geopolitical risks. On the other hand, oil prices started the this week with a downward trend led by Saudi Arabia's decision to lower oil prices and OPEC's production increase in December.

BIST-100 index increased by 2.1% last week. In line with global developments, Türkiye's 5-year CDS premium rose sharply by 23 bps last week, while the 2-year benchmark bond yield reached 41.37%. Depreciation of Turkish lira against other currencies accelerated slightly last week.

This week's agenda...

This week, inflation data to be released in the US and China stand out in global markets. In Türkiye, industrial production, balance of payments, retail sales and labor statistics for November will be announced. On the other hand, this week economy management's investor day in New York and Moody's Türkiye credit rating assessment which is expected to be announced on Friday will also be followed closely.



Source: TURKSTAT, Ministry of Trade, ODMD, Datastream

Data Releases

		Period	Consensus	Prior
8 January	TR Treasury Cash Balance	December	-	95.3 billion TRY
	Euro Area Retail Sales, mom	November	-0.3%	0.1%
	Euro Area Unemployment Rate	November	6.5%	6.5%
	Euro Area Sentix Index	January	-15.5	-16.8
9 January	US Trade Balance	November	-65.0 billion USD	-64.3 billion USD
	Germany Industrial Output, mom	November	0.2%	-0.4%
10 January	TR Industrial Production, yoy	November	-	1.1%
	TR Unemployment Rate	November	-	8.5%
	TR Construction Cost Index, yoy	November	-	65.9%
11 January	US CPI Inflation, yoy	December	3.2%	3.1%
	US Core CPI Inflation, yoy	December	3.8%	4.0%
12 January	TR Current Account Balance	November	-	186 million USD
	TR Retail Sales, yoy	November	-	13.7%
	US PPI Inflation, yoy	December	1.35%	0.9%
	China CPI Inflation, yoy	December	-	-0.5%
	China Trade Balance	December	-	68.4 billion USD

(A) Actual

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