

	2-Feb	9-Feb	Change		2-Feb	9-Feb	Change
BIST-100 Index	8,666	9,046	4.4 % ▲	EUR/USD	1.0784	1.0782	0.0 % ●
TRY 2 Year Benchmark Rate	43.13 %	42.79 %	-34 bp ▼	USD/TRY	30.3990	30.5580	0.5 % ▲
Türkiye 5-Year CDS Premium	328	308	-20 bp ▼	EUR/TRY	32.9102	33.0891	0.5 % ▲
MSCI EM Equity Index	988	996	0.7 % ▲	Gold (USD/ounce)	2,039	2,024	-0.7 % ▼
US 10-Year Bond Rate	4.03 %	4.19 %	16 bp ▲	Brent Oil (USD/barrel)	77.3	82.2	6.3 % ▲

bp: basis point

Last week, the first Inflation Report of 2024 published by the CBRT stood out in domestic agenda. CBRT kept its inflation forecasts unchanged and maintained its CPI inflation expectation for end-2024 as 36%. In December, industrial production expanded by 2.4% mom, while unemployment rate fell to 8.8%. Treasury cash deficit was 206.8 billion TRY in January. In the February update of its Interim Economic Outlook report, the OECD raised its global growth forecast for 2024. In the US, figures regarding services sector gave positive signals, while Fed members' statements were monitored closely. This week, balance of payments for December and central government budget realizations for January will be announced in Türkiye. US January inflation data stands out on the agenda of global markets.

CBRT published the first Inflation Report of 2024.

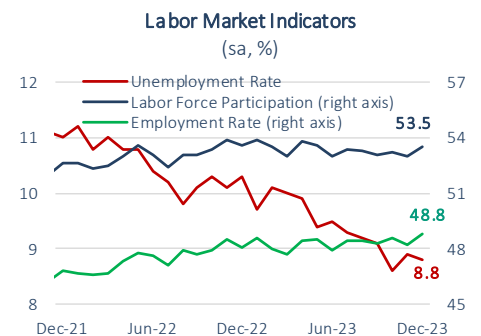
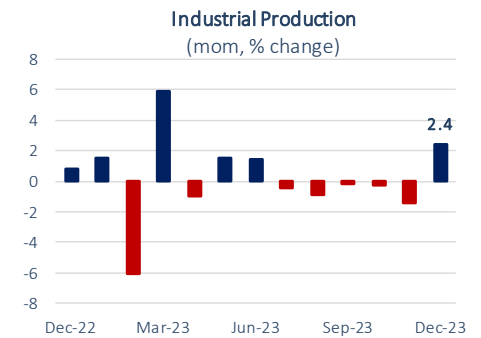
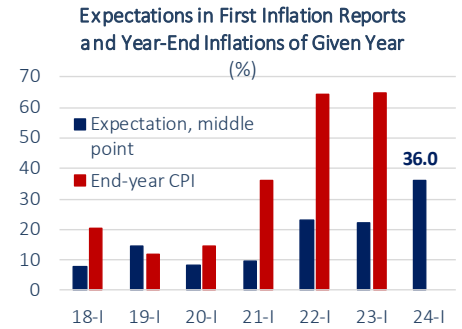
Last week, CBRT's first Inflation Report of the year and CBRT management's statements were closely monitored in Türkiye. In the Report, annual inflation forecasts were kept unchanged at 36% for end-2024, 14% for end-2025 and 9% for end-2026. In the Inflation Report, CBRT stated that services inflation remained high, and that the convergence of inflation expectations to the forecast range was important for the monetary policy stance. At the press conference, CBRT Governor Fatih Karahan stated that the current level of tightness in monetary policy was sufficient for the disinflation process and that this level of tightness would be reviewed if necessary. Karahan added that it was too early to consider about interest rate cuts. In the presentation, CBRT reiterated the projection that annual CPI inflation will reach its peak in May and emphasized the importance of improvement trend in the monthly inflation.

Industrial production increased by 2.4% mom in December.

According to data released by TURKSTAT, seasonally and calendar adjusted industrial production increased by 2.4% mom in December, recording its first monthly increase since June 2023. In this period, production expanded by 2.9% in manufacturing industry, while it continued to decline in mining and quarrying sector as well as in electricity, gas, steam and air conditioning production and distribution sector. In December, annual growth in calendar adjusted industrial production was realized as 1.6%, the highest level posted in the last quarter of 2023. After all, despite the decline in production of consumer goods due to weak demand conditions in the last quarter, total industrial production expanded by 1.0% yoy thanks to the support of the relatively favorable outlook in the production of intermediate and capital goods. The industrial production recorded a limited increase of 0.9% in calendar year 2023.

Unemployment rate was realized as 8.8% in December.

According to seasonally adjusted figures, unemployment rate declined to 8.8% in the last month of 2023. In December, labour force participation rate rose to 53.5%, and employment rate climbed to its historical high of 48.8%. On the other hand, the labour underutilization rate, which is the broadest defined unemployment indicator, increased to 24.7% in December, the highest level since May 2021.



Source: CBRT, TURKSTAT, Ministry of Treasury and Finance

Treasury cash balance posted a deficit in January.

According to the data released by the Ministry of Treasury and Finance, Treasury cash balance posted a deficit of 206.8 billion TRY in January. In this period, revenues and expenditures amounted to 621.7 billion TRY and 828.6 billion TRY, respectively. Among the total expenditures 107.3 billion TRY were interest payments, and so primary cash deficit was realized as 99.6 billion TRY.

OECD raised its global economic growth forecast for 2024.

OECD published the February assessment of its Interim Economic Outlook report. The organization revised its global growth forecast for 2024 upwards by 0.2 pts compared to the previous report to 2.9%, while keeping its forecast for 2025 unchanged at 3.0%. For the period of 2024 and 2025, OECD revised its economic growth forecasts downwards for Euro Area, Türkiye's most important export market. The organization expects Turkish economy to grow by 2.9% in 2024 and 3% in 2025.

Fed governors signal that it is early to cut interest rates.

According to the data released in the US last week, services PMI for January was revised to 52.0 and revealed that the sector has been growing uninterrupted for the last 12-months despite the tight monetary policy. Similarly, ISM services index for the same period beat the market expectations with 53.4. Besides, initial jobless claims were realized as 218K people in the week ending February 3. Better than expected data supported the views claiming domestic demand and the labour market remained strong. Accordingly, Fed members' messages during the week also pointed beyond March meeting for rate cuts driven by the favorable course of the economy. Minneapolis Fed Governor Kashkari mentioned in his article published during the week that the positive trend may delay the rate cut process, and Richmond Fed Governor Barkin said in his statement that they would be patient for monetary easing.

Financial markets...

Global markets followed a mild course last week. US stock indices closed the week with gain, supported by the positive data flow on the US economy and the performance of technology stocks, despite the postponement of expectations for Fed's interest rate cuts. On the other hand, the strengthening views that monetary tightening will last longer than expected pushed the US 10-year bond yield to 4.19%, while the ounce gold price fell to 2,024 USD. Brent crude oil prices, on the other hand, rose sharply to 82.2 USD per barrel as hopes for a ceasefire in the Middle East faded.

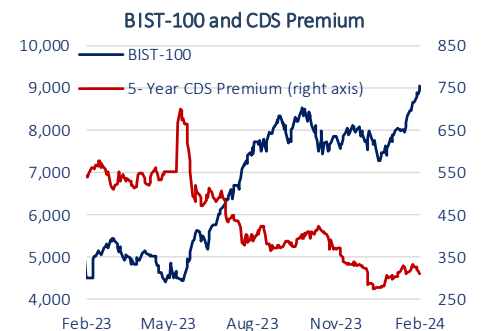
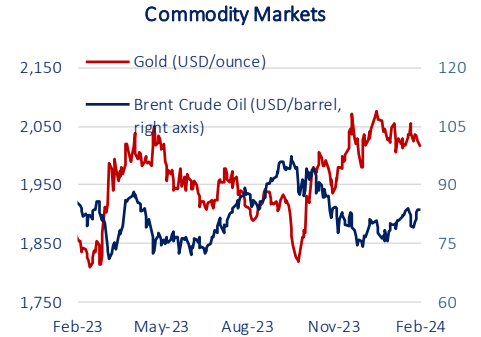
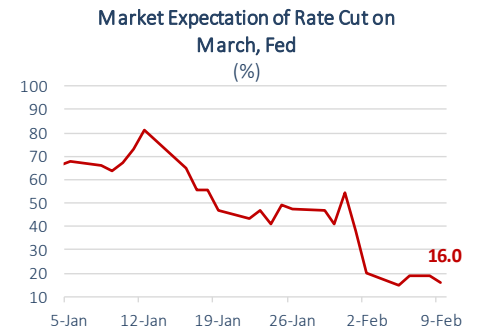
In Türkiye, BIST-100 index maintained its positive course throughout the week and reached 9,046 with a weekly increase of 4.4%. Türkiye's 5-year CDS premium fell by 20 bps to 308 bps, while the 2-year benchmark bond yield ended the week at 42.79%. Last week, the depreciation of the Turkish lira against USD and EUR accelerated in line with global developments. On the other hand, according to the data released by CBRT, CPI-based real effective exchange rate rose by 3.0% to 56.95 in January.

This week's agenda...

This week, balance of payments data for December and central government budget balance for January in Türkiye, as well as the January inflation rate of the US will be closely followed.

OECD	February Projections (%)		Change* (% points)	
	2024	2025	2024	2025
Growth				
World	2.9	3.0	0.2	0.0
USA	2.1	1.7	0.6	0.0
Euro Area	0.6	1.3	-0.3	-0.2
Türkiye	2.9	3.1	0.0	-0.1

(*) Difference from November 2023 projections



Source: OECD, CME Group, Datastream

Data Releases

		Period	Consensus	Prior
12 February	TR Unemployment Rate	December	8.8%(A)	9.0%
	TR Construction Cost Index, yoy	December	67.3%(A)	66.49%
13 February	TR Current Account Balance	December	-3.3 billion USD	-2.7 billion USD
	TR Retail Sales, yoy	December	-	12.8%
	US CPI Inflation, yoy	January	3.0%	3.3%
14 February	US Core CPI Inflation, yoy	January	3.8%	3.9%
	Euro Area GDP Flash Estimate, yoy	2023 Q4	0.1%	0.1%
	Euro Area Industrial Production, yoy	December	-4.1%	-6.8%
15 February	TR Budget Balance	January	-	-842.5 billion TRY
	US Industrial Production, mom	January	0.3%	0.1%
	US Retail Sales, mom	January	-0.1%	0.6%
	US Philadelphia Fed Manufacturing Index	February	-8.0	-10.6
	Japan GDP Growth, qoq	2023 Q4	0.3%	-0.7%
16 February	CBRT Survey of Market Participants	February	-	-
	TR House Sales, units, yoy	January	-	-33.4%
	TR Housing Price Index, yoy	December	-	82.8%
	US PPI Inflation, yoy	January	0.7%	1.0%
	US Housing Starts, units	January	1.47 million	1.46 million
	US Michigan Consumer Confidence, prelim	February	80.0	79.0

(A) Actual

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