

	29-Mar	5-Apr	Change		29-Mar	5-Apr	Change
BIST-100 Index	9,142	9,619	5.2 % ▲	EUR/USD	1.0793	1.0835	0.4 % ▲
TRY 2 Year Benchmark Rate	45.44 %	43.44 %	-200 bp ▼	USD/TRY	32.3460	32.0374	-1.0 % ▼
Türkiye 5-Year CDS Premium	301	296	-5 bp ▼	EUR/TRY	34.9195	34.7099	-0.6 % ▼
MSCI EM Equity Index	1,043	1,046	0.2 % ▲	Gold (USD/ounce)	2,232	2,330	4.4 % ▲
US 10-Year Bond Rate	4.21 %	4.38 %	17 bp ▲	Brent Oil (USD/barrel)	87.5	91.2	4.2 % ▲

bp: basis point

Last week, in Türkiye, the impacts of the local election results and March inflation data were at the top of the agenda. After the local elections, the economic administration pledged to maintain current economic policies. In March, CPI increased by 3.16% mom, slightly below expectations, and annual CPI inflation reached 68.50%. Last week, global markets closely monitored the cautious messages of Fed governors. In the US, March PMI and non-farm payrolls data pointed to a positive outlook for economic activity, while the inflation outlook in the Euro Area continued to improve. Last week, heightened geopolitical risks and Fed members' statements had a negative impact on risk appetite on a global scale, while gold and oil prices increased on a weekly basis. This week, US March inflation data and the ECB meeting will be closely monitored in global markets.

In March, CPI increased slightly below expectations on a monthly basis.

In March, monthly CPI inflation came in at 3.16%, below market expectations and the lowest level since the beginning of the year. Thus, annual CPI inflation rose to 68.50%. In March, domestic producer price index (D-PPI) also recorded the most moderate monthly increase of the last 3 months with 3.29% and thereby annual PPI inflation came in at 51.47% ([Our Inflation Report](#)).

In Türkiye, the messages of the economy management and CBRT's simplification steps came to the fore.

Following the local elections, investors paid close attention to the messages from economy management. Minister of Treasury and Finance Mehmet Şimşek stated that the Medium Term Program will be implemented with utmost persistence, with the goal of permanently reducing inflation to single digits. Şimşek stated that tight monetary policy, selective credit lending, and public austerity measures will continue in the coming period.

In line with the simplification of the macroprudential framework policy, CBRT reduced the securities maintenance ratio that applied to liabilities subject to securities maintenance from 4% to 1%; and terminated the implementation regarding securities maintenance based on loan growth. Also, maximum monthly interest rate for credit card transactions was increased from 3.66% to 4.25%.

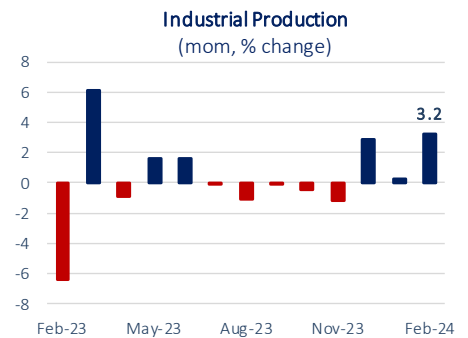
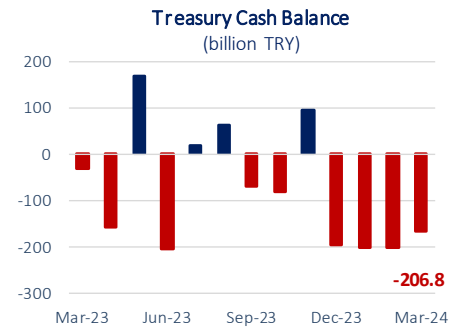
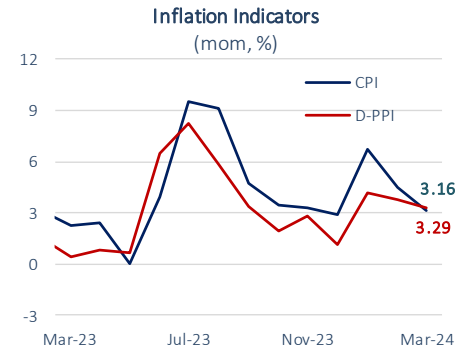
According to preliminary data, foreign trade deficit came in at 7.5 billion USD in March.

According to the preliminary statistics released by the Ministry of Trade, exports and imports fell by 4.1% and 5.7% yoy respectively, in March. Therefore, the foreign trade deficit narrowed by 10.3% yoy to 7.5 billion USD, and the ratio of exports to imports decreased slightly to 75.0% compared to February. In the January–March period, the foreign trade deficit narrowed by 41.2% yoy to 20.5 billion USD. Despite the tight monetary policy stance, the upward trend in consumption goods imports continued into the first quarter of 2024.

According to the data released by the Ministry of Treasury and Finance, the Treasury cash deficit was realized at 166.8 billion TRY in March. Thus, the total cash deficit reached TRY 570.3 billion in the first quarter of 2024. In this period, the primary cash balance recorded a deficit of 345.6 billion TRY.

In February, industrial production recorded the fastest increase in nearly a year.

According to seasonally and calendar-adjusted figures, industrial production rose by 3.2% mom in February, the fastest monthly increase since March 2023. In this period, an increase of 46.4% in the production of high-technology group contributed 2.5 points to



Source: TURKSTAT, Ministry of Trade, Ministry of Treasury and

the monthly increase in the index. This development was driven by the increase in manufacturing of the sub-items that were classified as other transport equipment. In February, the fall in production in the mining and quarrying sectors limited the increase in the index by 0.2 points. The calendar-adjusted annual rate of increase in industrial production also reached its highest level since February 2022, at 11.5%, due to the low base effect caused by the earthquake disaster.

Fed officials' statements stood out on the US agenda.

Global markets closely monitored Fed officials' statements last week. Fed Chair Powell was cautious about the timing of rate cuts and stated that the Fed needs more convincing data that inflation is moving below 2%. In this context, Powell stated that the Fed would avoid acting early on interest rate cuts. However, his reiteration that a rate cut in 2024 would be appropriate was perceived positively by the markets. On the other hand, Minneapolis Fed Chair Kashkari said a rate cut in 2024 may not occur without a significant inflation drop. Last week's data releases gave strong signals regarding economic activity and strengthened the impact of Kashkari's statements on rate-cut expectations.

The increase in non-farm payrolls in the US came in at 303K in March, above market expectations of 200K. The revision of payrolls for January and February resulted in an increase of 22,000 individuals overall. The lasting rise in private sector employment, particularly in services and construction, was noted as a positive development in March, while the unemployment rate decreased by 0.1 pp to 3.8% in this period.

The final PMI figures for March were 51.9 and 51.7 in the manufacturing and services sectors, respectively. For the third month in a row, the manufacturing industry's operating conditions remained favorable, while the services sector's expansion trend continued despite a loss of momentum.

Indicators for March in the Euro Area presented a relatively favorable outlook.

According to preliminary data, CPI in the Euro Area increased by 0.8% mom in March, below expectations, while annual CPI inflation fell to 2.4%, the lowest level in the last 4 months. In this period, core inflation indicators showed positive signs as well. Although core CPI increased rapidly by 1.1% mom in March, annual core CPI inflation came in below expectations at 2.9%. In this period, the decline in producer prices also continued, accelerating by 1.0% mom. In the region, final PMI data for March were revised to higher levels than the preliminary figures indicated. Services PMI came in at 51.5, the most favorable reading in the last 9 months. On the other hand, manufacturing PMI remained below the threshold, albeit revised upwards to 46.1.

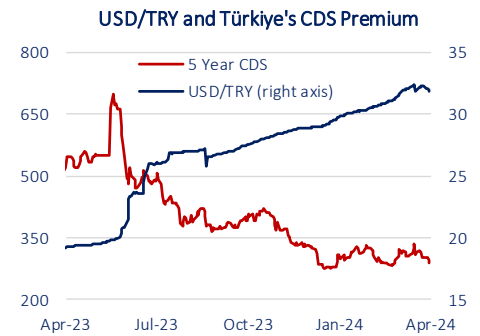
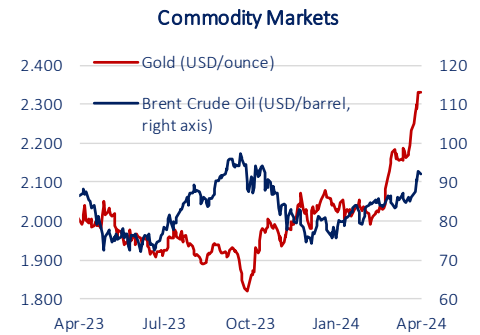
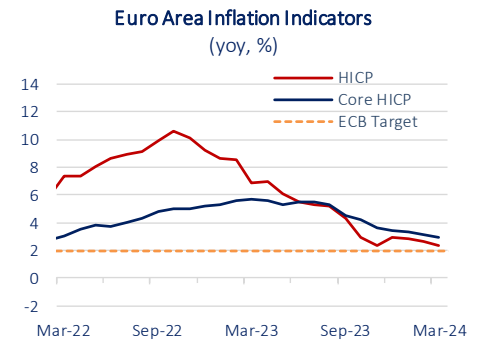
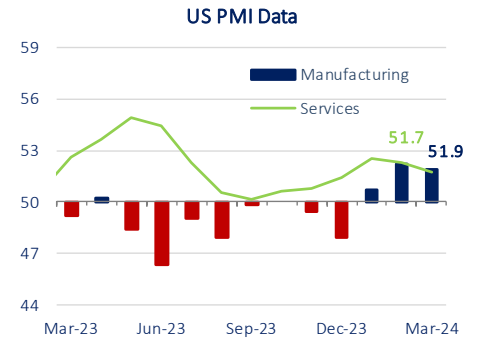
Financial markets...

Last week, strong data releases in the US, cautious statements by Fed officials, and rising geopolitical risks led to a decline in risk appetite on a global scale. In this context, the MSCI World Stock Market Index fell by 1.0% compared to the previous week, while US stock market indices also declined. Brent crude oil, which rose by 4.2% on a weekly basis due to geopolitical developments, hit its highest level since October 2023 at 91.2 USD per barrel. The price of gold ounce, which rose by 4.4% last week as the deterioration in risk perception triggered safe-haven demand, ended the week at a historic high of 2,330 USD.

BIST-100 index rose by 5.2% to 9,619 last week, supported by the favorable course observed on Friday. Banking index, leading the rise in BIST-100, posted a weekly gain of 13.5%. With the local elections left behind, Turkey's 5-year CDS premium decreased by 5 bps to 296 bps on a weekly basis, whereas USD/TRY declined by 1.0% last week.

This week's agenda...

This week, there is a calm data agenda in Türkiye due to the Eid holiday. In global markets, US March inflation data and ECB meeting stand out on the agenda.



Data Releases

		Period	Consensus	Prior
8 April	TR Industrial Production, yoy	February	-	1.1%
	Euro Area Sentix Index	April	-5.9 (A)	-10.5
	Germany Industrial Output, mom	February	2.1% (A)	1.0%
9 April	UK Retail Sales, yoy	March	-	1.0%
10 April	US CPI Inflation, yoy	March	3.0%	3.3%
	US Core CPI Inflation, yoy	March	3.7%	3.8%
	Fed Minutes	March	-	-
11 April	US PPI Inflation, yoy	March	2.3%	1.6%
	ECB Meeting	April	4.50%	4.50%
	China CPI Inflation, yoy	March	0.4%	0.7%
12 April	China PPI Inflation, yoy	March	-2.8%	-2.7%
	US Michigan Consumer Confidence, prelim	April	79.0	79.4
	Germany CPI Inflation, final, mom	March	0.6%	0.6%
	UK Industrial Production, yoy	February	-	0.5%
	China Trade Balance	March	69.55 bn USD	125.2 bn USD

(A) Actual

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