

11 April 2022

Weekly Summary:

Last week, global stock markets fall due to hawkish minutes from the Fed's March meeting. EUR/USD was decreased by 1.6% last week to close at 1.09 driven by FOMC March meeting minutes. The Dollar rallied against all major currency last week after Fed announce to Quantitative Tightening details. The odds of a 50-point FED's policy rate hike in May increased to 80% percent last week.

The Fed/FOMC March meeting minutes have been released. The Fed had increased its benchmark interest rate by 25 basis points on March 16, marking its first rate hike since November 2018. Federal Reserve officials discussed how they want to reduce their trillions in bond holdings at the March meeting, with a consensus around USD95 billion a month, the minutes showed. Officials "generally agreed" that a maximum of USD60 billion in Treasury's and USD35 billion in mortgage-backed securities would be allowed to roll off, phased in over three months and likely starting in May.

Viktor Orban, who is known by his ideology of "illiberal conservatism" and pro-Putin stance, won the elections in Hungary, reinstating his reign by a stronger than expected margin. His right-wing Fidesz party had 53% of votes while the opposition alliance led by Peter Marki-Zay was far behind with 35%.

The UN's Food and Agriculture Organization (FAO) released its Food Price Index, for the month of March. The FAO's Food Price Index increased by 12,6% monthly and 33,6% year over year. The FAO's Food Price Index averaged 159.3 points in March 2022 to a new highest level since its inception in 1990. The JP Morgan Global Composite PMI posted 52.7 in March, down from 53.5 in February. The index has signalled growth in each of the past 21 months. Meanwhile, Global Services Business Activity Index posted 53.4 in March, down slightly from 54.0 in February, indicating growth for the twenty-first month in a row.

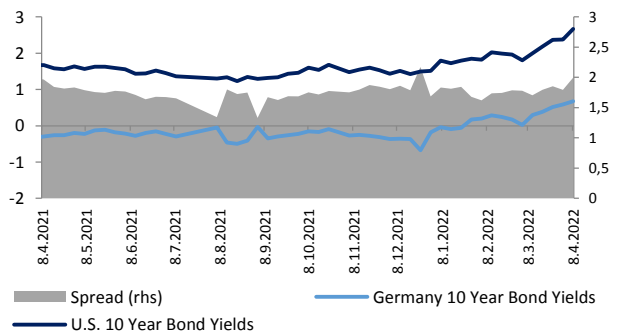
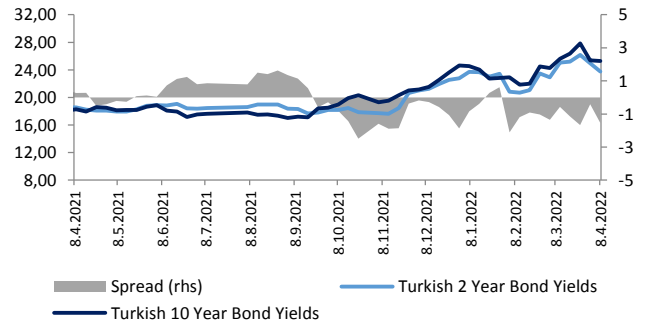
March consumer price inflation came in at 5.46%, m/m, broadly line with the consensus forecast. The annual CPI inflation, hence, increased for the tenth consecutive month, edging up by 6.7 percentage points to 61.1%, from 54.4% in February. Monthly Domestic-PPI inflation moreover registered another significant rise of 9.2% in March, bringing the 12-month rate further up to 115% from 105.0% in the previous month. Meanwhile, the PPI-CPI inflation gap increased to 53.8 percentage points (pps) from 50.6 pps in February. We expect inflation to exceed 70% in the coming months, due to rising commodity and international price increases due to geopolitical effects, the slowdown in global economic activity and domestic price increases.

The Ministry of Trade released preliminary trade data for March that recorded a trade deficit of USD8.2 billion on the back of USD22.7 billion exports and USD30.9 billion imports. The 12-month rolling trade deficit, thus, increased to some USD61.5 billion from USD57.9 billion in March.

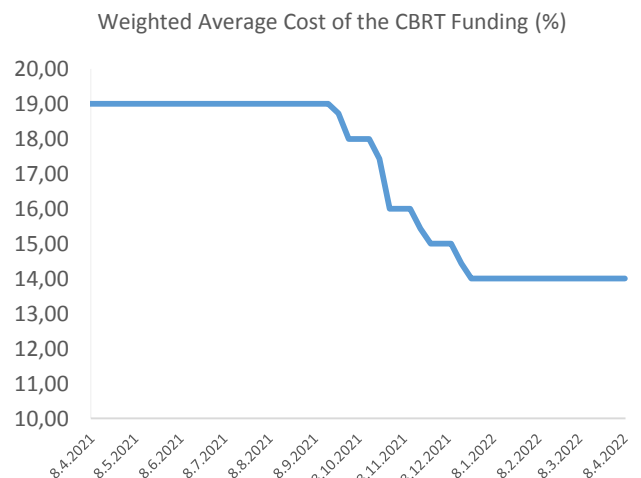
Treasury and Finance Minister Nureddin Nebati met with the businesspeople in Bursa and made statements regarding the economic agenda. In his speech, the Minister said that the exchange rate, which is the most important determinant of inflation, has been stabilized in free market conditions and added that inflation will reach a reasonable level at the end of the year, with the steps to be taken to improve expectations, which is another important determinant of inflation.

The yield on the Turkish 10-year government bond fall 10 basis points to 25.28% the lira fall 0.5% against the dollar to 14.75 last week. The BIST 100 index increased by 6.3% to 2.393 points last week. The Turkey 5 Years CDS value is 583.

Russia-Ukraine negotiations, US March inflation and the ECB meeting come to the fore on the global data agenda. In domestic market, February current account balance and industrial production data and the CBRT April meeting will be watched closely. The CBRT is expected to keep its one-week benchmark rate at 14.0% at its meeting.



CDS		
	Current	Last Week
Turkey 5 Year CDS	583	538
Brazil 5 Year CDS	210	202
South Africa 5 Year CDS	212	207
Russia 5 Year CDS	10207	3249
Italy 5 Year CDS	102	93



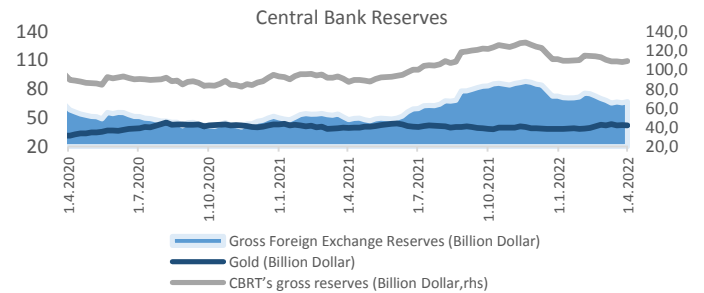
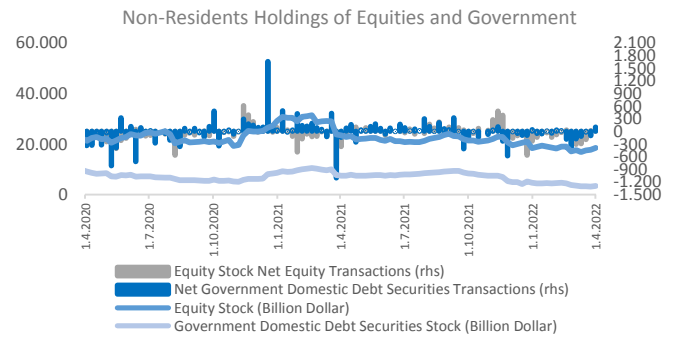
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CBRT Reserves & Weekly Securities Statistics:

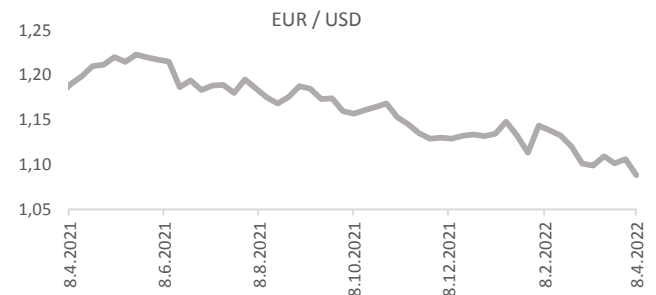
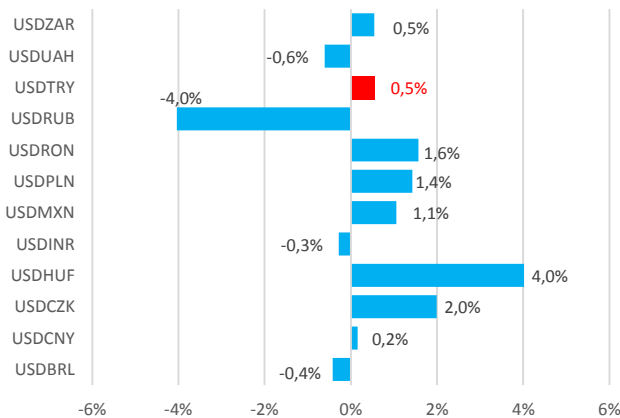
According to the CBRT data, during the period of March 25-April 1 foreign investors were net buyers of USD19 million in the equity market and USD104 million in the government debt securities market. There was USD4 million outflow in the sector other than general government bond market.

Equity outflows in 13-week total terms decreased to USD1.2 billion on April 1st from USD1.5 billion, while bond market outflows dropped to USD1 billion from last week's USD1.1 billion. Finally, bonds of the sector other than general government inflows turned to an outflow of USD1 million from last week's USD13 million inflows.

In the week ending April 1st, the CBRT's gross reserves (inc. gold) increased by USD0.9 billion compared to March 25th, from USD108 billion to USD109 billion on the back of an increase of near USD1.2 billion in FX reserves and a drop of near USD0.3 billion in gold reserves. In year-to-date terms, total reserves decreased by USD2.1 billion, driven by the FX reserve decrease of USD5.7 billion and gold reserve increase of near USD3.6 billion. In February, the liabilities arising from the CBRT's financial derivative activities (including swap operations) with resident banks and non-resident banks decreased to USD60.9 billion from USD63.3 billion in January. Of this stock, some USD19.6 billion is due within a month.



Dollar's Weekly Performance Against Other Major Currencies



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