

18 April 2022

Weekly Summary:

Last week, global stock markets fall due to developed central banks rate hike concerns. EUR/USD was decreased by 0.6% last week to close at 1.08 after the European Central Bank meeting.

At the meeting concluding Thursday, the European Central Bank (ECB) kept its key interest rates unchanged, despite rising commodity prices and record high inflation. The bank's benchmark refinancing rate sits at 0%, while the rate on its marginal lending facility remained unchanged at 0.25%, and the rate on its deposit facility was kept at minus 0.5%. ECB also repeated its intention to end asset purchases in the third quarter of the year. As for potential rate increases, the ECB said they could occur "some time" after the end of quantitative easing.

Consumer prices in the US rose by 1.2% in March, broadly in line with expectations, from a month earlier, taking the 12-month inflation from 7.9% in February to 8.5% in the month, which corresponds to a new 40-year high. 12-month consumer inflation in the United Kingdom rose to more than expected to a new 30-year high as it hit 7% in March, exceeding market estimates, up from 6.2% in February.

Last week, Russia's central bank cut its the policy rate by 300 basis points following an unscheduled meeting of policy makers to 17%. To remind, the Bank hiked the key interest rate from 9.5% to 20% in a dramatic move amid sanctions following the Ukraine conflict. The Bank said future cuts were also possible. The Bank's regular meeting will be hold on April 29.

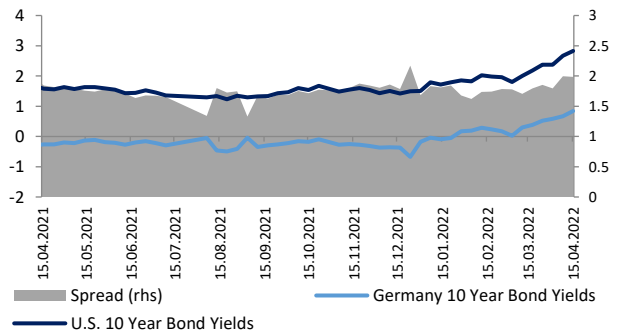
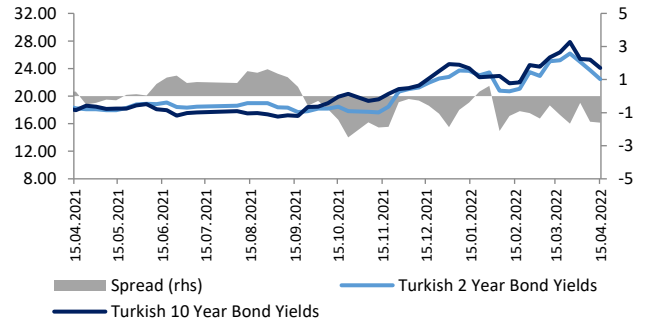
The current account posted a USD5.15 billion deficit in February, taking the 12-month cumulative current account deficit notably higher to USD21.8 billion from USD19.1 billion a month ago. In the first two month of the year, total deficit reached USD12.1 billion versus USD4.3 billion in 2021. We see a limited improvement to a deficit of USD12 billion in 2022. According to the data released last week, employment rose by about 2.3 million in February from a year earlier, while labour force showed an annual increase of 1.7 million, hence the number of unemployed slumped by 664,000.

For fourth straight month, the CBRT decided to maintain the interest rate at 14% despite the pressures on the exchange rate and the global central bank's tightening policy. According to press release, CBRT decides to strengthen macro policy set due to support credit growth. The CBRT will release inflation report on 26 April and potential macro prudential actions guidance during the report presentation will be important. We maintain our expectation of an interest rate hike in the second quarter of the year.

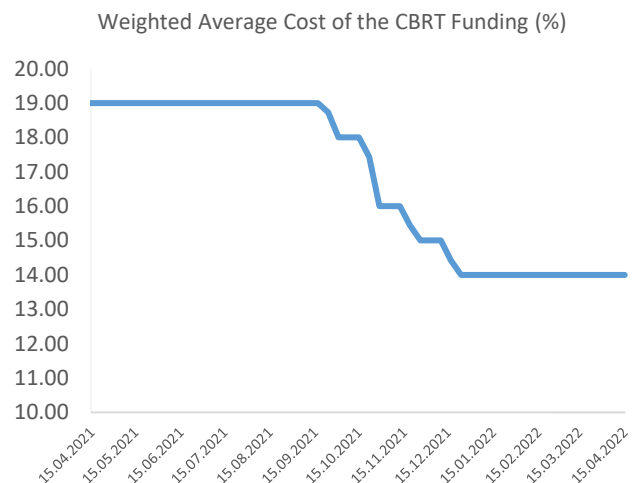
Working-day and seasonally adjusted (WDSA) industrial production, which had dropped by 2.3%, m/m, in January, showed a striking increase in February of %4.4, m/m. As for the details of the February figures (WDSA, m/m), the improvement was almost broad-based, with the exception of the mining and quarrying item, which dropped by 3.0%. On the manufacturing industry front, which increased by 5.1%, m/m, in February, production in 18 out of 24 sub-items showed monthly increases. In 7 out of those 18 sub-items, production rose at a faster pace than the overall index. Finally, IP rose by 13.3%, y/y, in both unadjusted, and working-day adjusted terms in February.

The yield on the Turkish 10-year government bond fall 120 basis points to 24.08% the lira rose 0.9% against the dollar to 14.6 last week. The BIST 100 index increased by 4.2% to 2.494 points last week. The Turkey 5 Years CDS value is 589.

Russia-Ukraine negotiations, Eurozone February industrial production and the China 1Q22 GDP growth data come to the fore on the global data agenda. In domestic market, government treasury issue and April consumer confidence data will be watched closely.



	CDS	
	Current	Last Week
Turkey 5 Year CDS	589	583
Brazil 5 Year CDS	217	210
South Africa 5 Year CDS	215	212
Russia 5 Year CDS	12227	10207
Italy 5 Year CDS	99	102



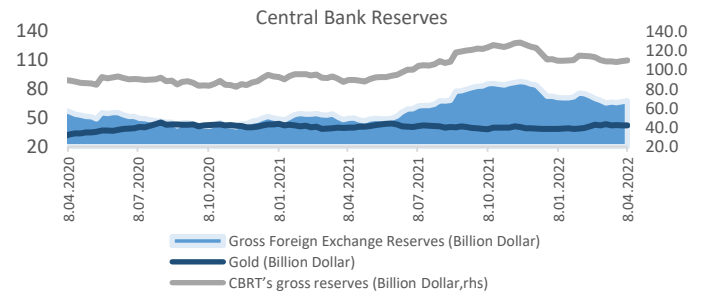
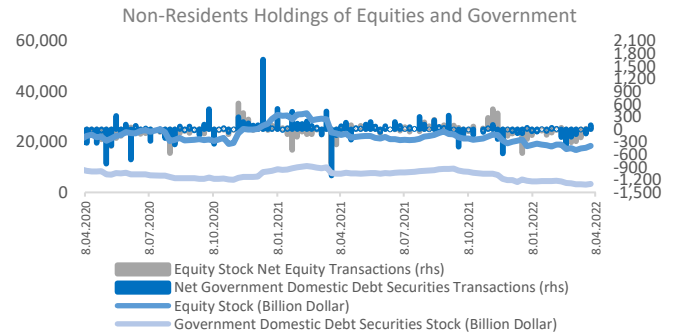
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CBRT Reserves & Weekly Securities Statistics:

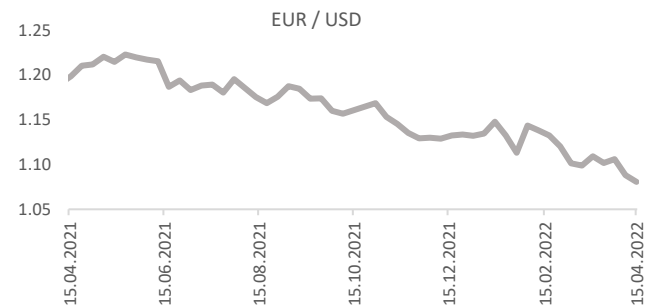
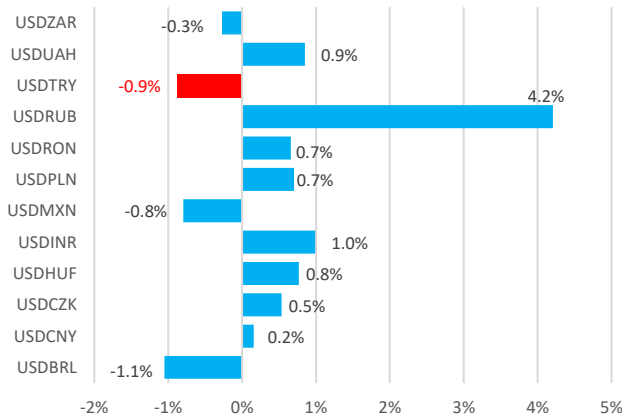
According to the CBRT data, during the period of April 1-8 foreign investors were net buyers of USD245 million in the equity market and USD39 million in the government debt securities market. There was USD4 million outflow in the sector other than general government bond market.

Equity outflows in 13-week total terms decreased to USD0.9 billion on April 8th from USD1.3 billion, while bond market outflows stagnated at last week's USD1 billion. Finally, bonds of the sector other than general government outflows increased from last week's USD1 million to USD7 million this week.

In the week ending April 8th, the CBRT's gross reserves (inc. gold) increased by USD90 million compared to April 1st, from USD109 billion to USD109.9 billion on the back of an increase of USD860 million in FX reserves and a drop of USD90 million in gold reserves. In year-to-date terms, total reserves decreased by USD1.1 billion, driven by the FX reserve decrease of USD4.8 billion and gold reserve increase of near USD3.7 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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