BOND-FX BULLETIN

9 May 2022

Weekly Summary:

Last week, global stock markets fall because of rising risks to global growth. EUR/USD was increased by 0.2% driven by hawkish comments from ECB officials. US ten-year yields above 3%, and inflation-indexed yield is positive. These are the highest yields since 2018 and 2020, respectively. The market expect that the Fed will hike by 50 bps also at its next meetings in June and July and bringing the fed funds interval to 3.25-3.50% in March 2023.

The US Central Bank (Fed) April meeting was concluded last week. The Fed delivered the biggest interest-rate increase since 2000 by lifting the policy rate by 50 basis points to a range of 0.75%-1.0% and signaled that it would keep hiking at that pace over the next couple of meetings, unleashing the most aggressive policy action in decades to combat soaring inflation. It will begin allowing its holdings of Treasuries and mortgage-backed securities to decline in June at an initial combined monthly pace of USD47.5 billion, stepping up over three months to USD95 billion.

The Bank of England (BoE) increased the policy rate by 25 basis points to 1% in response to increasing inflation. The market expectation was that the policy rate would be increased by 25 basis points. With this decision of the bank, the policy rate in the country has been increased for the fourth time since December 2021, reaching its highest level since 2009. The FAO's Food Price Index averaged 158.5 points in April 2022, down 1.2 points (0.8%) from the all-time high reached in March, though still 36.4 points (29.8%) above its value in the corresponding month last year.

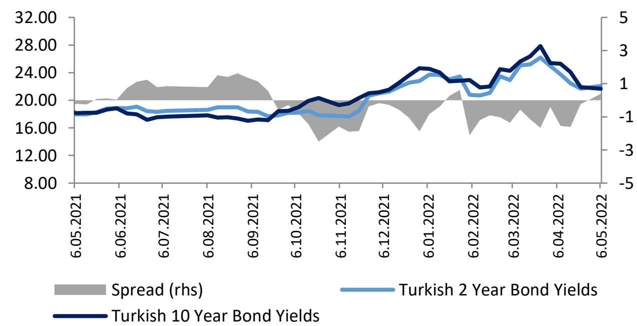
The US total non-farm payroll employment rose by 428K in April, higher than expectations of about 400K. In April, the labor force participation rate decreased to 62.2% from 62.4% in March, while the unemployment rate stagnated at 3.6% in the same period. Finally, hourly earnings posted an annual increase of 5.5%.

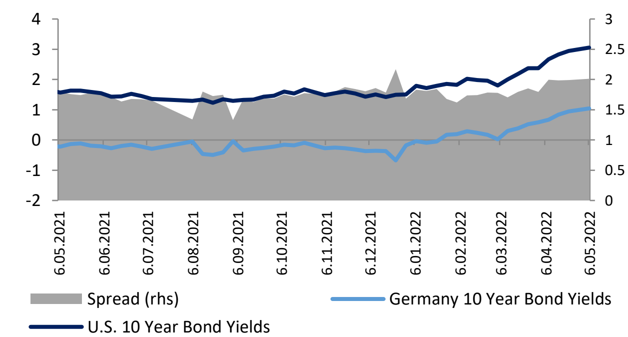
Consumer prices rose by 7.25%, m/m, in April, markedly higher than the consensus forecast. The 12-month CPI inflation hence reached 70%, edging up by 8.8 percentage points from 61.1% in March. The CBRT projected inflation to peak at 70-75% y/y in May, according to its Inflation Report and expected headline inflation to start slowing after May and reach 42.8% y/y at the end of the year. We anticipate that inflation will remain elevated in 2022 due to exchange rate developments and increases in food and energy prices and our forecast for 2022-year end inflation at 55% with upside risks.

Turkey's trade balance registered a USD8.2 billion deficit in March, markedly higher than the same month of last year's USD4.7 billion level. This took the 12-month cumulative deficit significantly up to USD61.5 billion in March from USD58 billion in the previous month, as preliminary data of The Ministry of Trade had already signalled. The Ministry of Trade (MT) released preliminary trade data for April that recorded a trade deficit of USD6.1 billion on the back of USD23.4 billion exports and USD29.5 billion imports. The 12-month rolling trade deficit, thus, increased to some USD64.6 billion from USD61.5 billion in March (the latter by TURKSTAT data).

The yield on the Turkish 10-year government bond fall 19 basis points to 21.69% the lira fall 1.4% against the dollar to 14.9 last week. The BIST 100 index increased by 1.2% to 2.458 points last week. The Turkey 5 Years CDS value is 624.

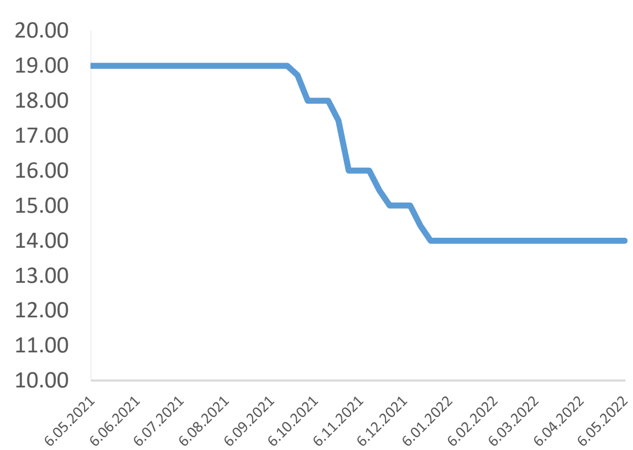
Russia-Ukraine negotiations, USA April inflation data and the UK 1Q22 GDP growth data come to the fore on the global data agenda. In domestic market, March industrial production data and March unemployment data will be watched closely.





CDS	Current	Last Week
Turkey 5 Year CDS	624	584
Brazil 5 Year CDS	228	209
South Africa 5 Year CDS	251	218
Russia 5 Year CDS	6258	13823
Italy 5 Year CDS	127	101

Weighted Average Cost of the CBRT Funding (%)

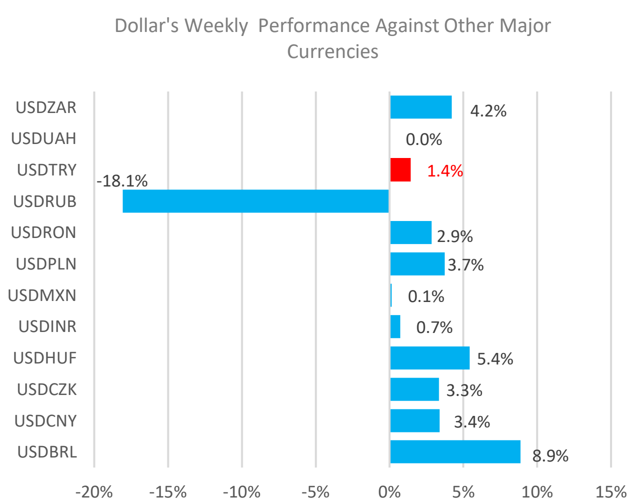


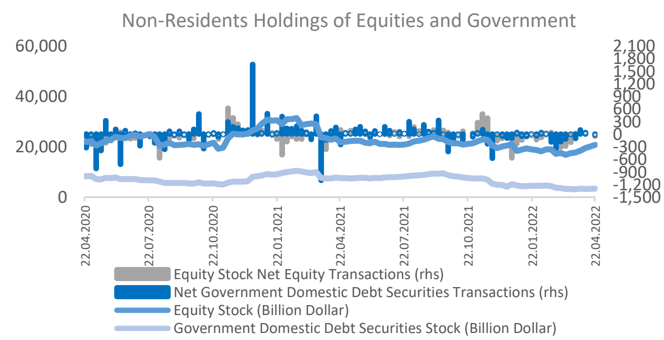
CBRT Reserves & Weekly Securities Statistics:

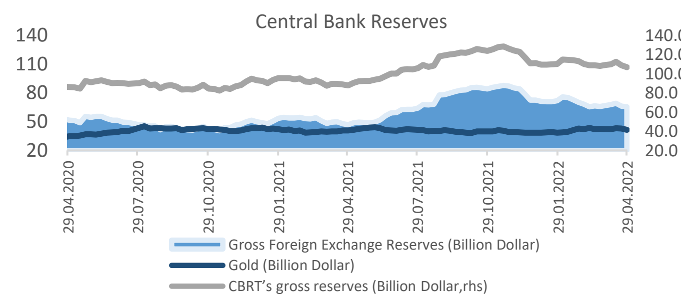
According to the CBRT data, during the period of April 15-22 foreign investors were net buyers of USD27 million in the equity market and USD25 million in the GDDS market. There was no movement in the sector other than general government bond market.

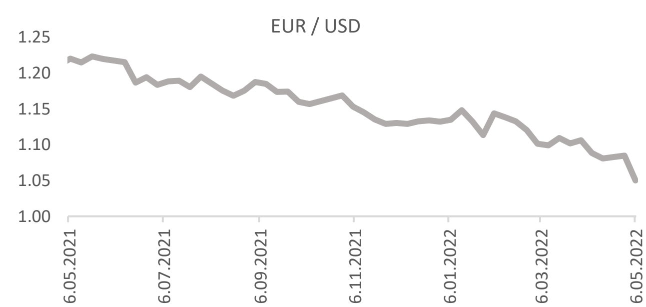
Equity outflows in 13-week total terms decreased to USD0.8 billion on April 22th from USD0.9 billion, while bond market outflows dropped to USD0.9 billion from last week's USD1 billion. Finally, bonds of the sector other than general government outflows decreased from last week's USD7 million to USD5 million this week.

In the week ending April 29th, the CBRT's gross reserves (inc. gold) decreased by USD2.1 billion compared to April 22st, from USD108.9 billion to USD106.9 billion on the back of an decrease of USD0.7 billion in FX reserves and USD1.4 billion in gold reserves. In year-to-date terms, total reserves decreased by USD4.2 billion, driven by the FX reserve decrease of USD7.2 billion and gold reserve increase of near USD3.0 billion. In March, the liabilities arising from the CBRT's financial derivative activities (including swap operations) with resident banks and non-resident banks increased to USD62.1 billion from USD60.9 billion in February. Of this stock, some USD21.5 billion is due within a month.









A&T BANK Economic Research Department
Ömer Ersan, PhD
T: +90 212 373 62 00 /1196
oersan@atbank.com.tr
erd@atbank.com.tr
www.atbank.com.tr