16 May 2022

Weekly Summary:

Last week, global stock markets continued to fall amid ongoing to global growth fears. EUR/USD was decreased by 1% despite hawkish comments from European Central Bank (ECB) chair Christine Lagarde said that interest rate hike in July. After ECB members made a U-turn, the market no longer expect more gain for USD, which was (DXY index) up more than 15% year over year. If ECB intent on raising interest rates to combat inflation, EUR start to appreciate for the short term. Nevertheless, Europe is the most vulnerable economic due to dependency on Russian energy, unlike US, over the medium term.

Consumer prices in the US rose by 0.3% in April, above expectations, from a month earlier, taking the 12-month inflation from 8.5% in March to 8.3% in the month. Global inflation rises further across world in April as energy and food factors continue to upward pressures. International central banks try to ward off a recession as it struggled with inflation. For this reason, global bond markets under pressure and yield levels start too attractive. Accordingly, yields on US ten-year yields were at their highest level since the end of 2018 and temporarily reached a level over 3%.

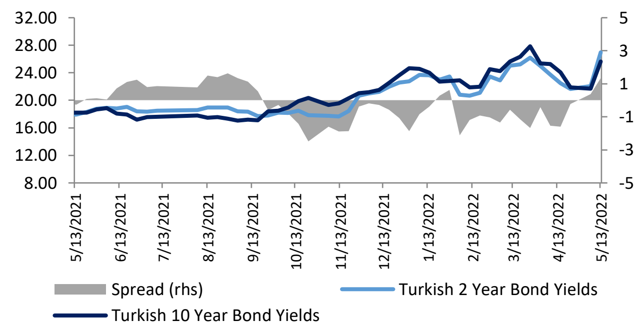
Swiss franc (CHF) generally consider a safe haven currency driven by huge balance of payment surplus. However, CHF has not taken advantage of its safe haven status because of two reasons. CHF weakened because of widening of yield differentials against the USD and Switzerland's could not maintained its impartial stance to the war in Ukraine. Remind that Switzerland adopted Europe sanctions against Russia. Furthermore Switzerland's Central Bank (SNB) invest global stock market some of (20-25%) its reserves which was lost around 20% (global MSCI index) year to date. SNB lost some of its stock investment and CHF depreciated by about 10% against USD.

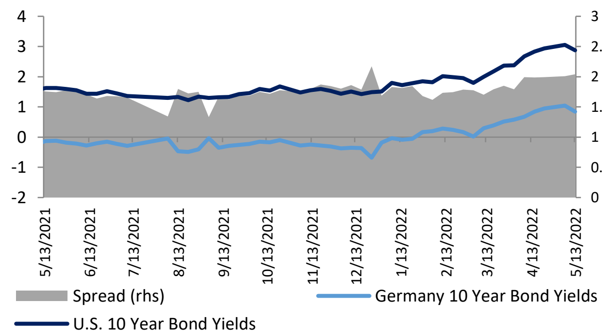
According to the data released last week, employment rose by about 1.7 million in March from a year earlier, while labor force showed an annual increase of 1.3 million, hence the number of unemployed slumped by 393,000. The CBRT has sold USD3.3 billion to BOTAS, the state energy importer, in April, which takes the total sale amount since the beginning of the year to USD16.1 billion, following USD6.1 billion in 2021 as a whole.

Working-day and seasonally adjusted (WDSA) industrial production, which dropped by 2.3%, m/m, in January, and rose by 4.4% in February, decreased once again in March by 1.8%. Hence, overall production surged by 2% in the first quarter of the year compared the preceding period. Industrial production remains strong backed by export. Accordingly, GDP growth may reach around 7% in 1Q22 and will be around 2.5% in 2022.

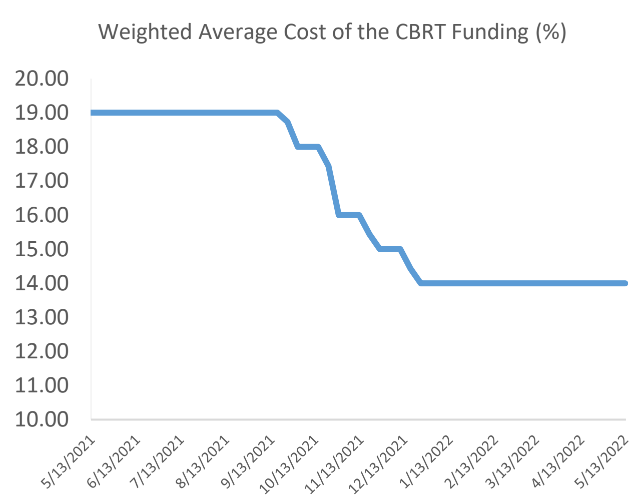
The yield on the Turkish 10-year government bond rose 394 basis points to 25.63% the lira fall 3.4% against the dollar to 15.4 last week. The BIST 100 index decreased by 1.6% to 2.419 points last week. The Turkey 5 Years CDS value is 684.

Sweden's stance on joining NATO, G7 Finance minister meeting and the Japan 1Q22 GDP growth data come to the fore on the global data agenda. In domestic market, March balance of payment data and April central government budget data will be watched closely. We expect current account balance to post a USD30 billion deficit (4.5% of GDP) and the central government budget deficit to GDP ratio may around 4.5% by end-2022.





CDS		
	Current	Last Week
Turkey 5 Year CDS	684	624
Brazil 5 Year CDS	240	228
South Africa 5 Year CDS	257	251
Russia 5 Year CDS	6661	6258
Italy 5 Year CDS	125	127



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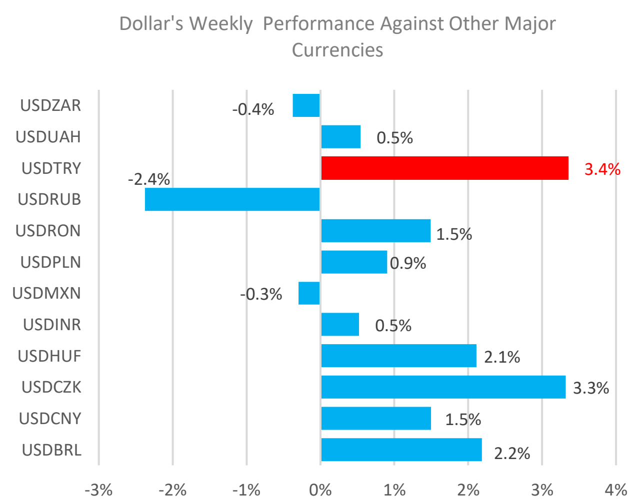
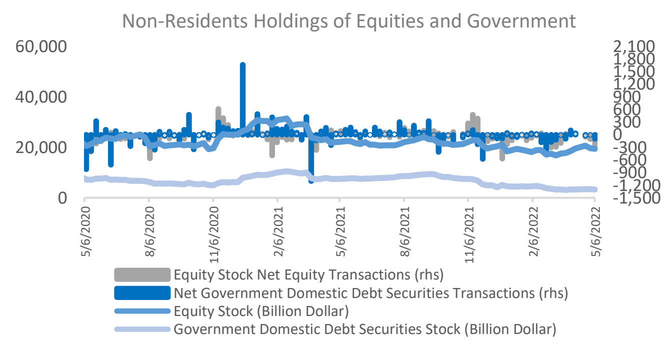
CBRT Reserves & Weekly Securities Statistics:

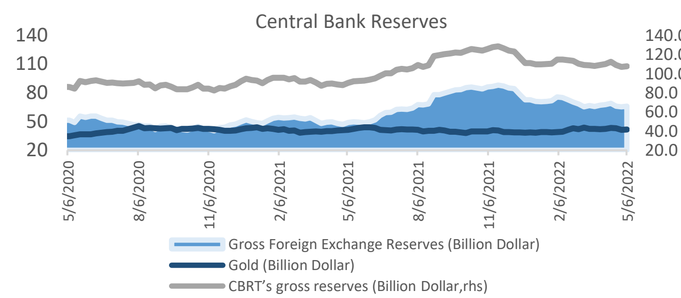
According to the CBRT data, during the period of April 29-May 6 foreign investors were net sellers of USD244 million in the equity market and USD98 million in the GDDS market. There was USD4 million outflow in the sector other than general government bond market.

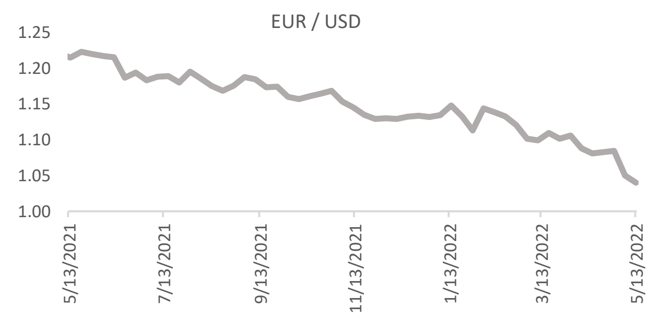
Equity outflows in 13-week total terms rose to USD1 million on May 6th from last week's USD0.8 billion, while bond market outflows increased to USD1 million from last week's USD0.9 billion in the same period. Finally, bonds of the sector other than general government outflows increased from last week's USD6 million to USD7 million this week.

In the week ending May 6th, the CBRT's gross reserves (inc. gold) increased by USD0.8 billion compared to April 29th, from USD106.9 billion to USD107.7 billion on the back of an increase of USD0.6 billion in FX reserves and USD0.2 billion in gold reserves. In year-to-date terms, total reserves decreased by USD3.4 billion, driven by the FX reserve decrease of USD6.5 billion and gold reserve increase of near USD3.2 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.









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