

Macronote – MPC rate decision

The CBT maintains tight monetary policy stance, but with a less hawkish tone...

Serkan Gonencler
Economist
sgonencler@sekeryatirim.com.tr

The CBT at its MPC meeting, kept its policy rate, i.e. the weekly repo rate, stable at 24.0%. Considering the 150 bps margin, the O/N borrowing and late liquidity window (LLW) rates also remained stable at 25.5% and 27.0, respectively (although the CBT does not mention them in the accompanying statement).

Although there are slight changes in the accompanying statement, we believe that the CBT continues to maintain the tight monetary policy stance, though with a slightly less hawkish tone. Specifically, **the lifting of the “tight stance in monetary policy will be maintained decisively until the inflation outlook displays a significant improvement” sentence might be regarded as a rather dovish drift. Nevertheless, the CBT also keeps the “...further monetary policy tightening will be delivered, if needed” sentence, which, in our view, implies that any form of a monetary policy easing is not on the cards, at least over the short term.** As a sign of the hawkish rhetoric, the CBT also states that risks to price stability prevail, although it believes that developments in import prices and domestic demand conditions have led to some improvement in the inflation outlook.

The CBT will hold upcoming MPC meetings on 16 Jan and 6 Mar. Until then, we expect it to maintain a “wait-and-see” approach and observe the inflation trend in 1Q, as the favorable impact of “tax cuts” and “voluntary price discounts” might be reversed in early 2019.

Meanwhile, there is no easing in the currency following the decision (as the USD/TRY continues to hover around 5.37), which might be implying that the market is still uneasy about a premature rate cut (eg: before the March local elections).

ŞEKER INVEST RESEARCH

Şeker Yatırım Menkul Değerler A.Ş.
Buyukdere Cad. No: 171 Metrocity
A Blok Kat 4-5 34330 SİSLİ /İST
TURKEY

TEL: +90 (212) 334 33 33
Fax: +90 (212) 334 33 34
E-mail: research@sekeryatirim.com
Web: <http://www.sekeryatirim.com/english/index.aspx>

For additional information, please contact:

Research

Kadir Tezeller	Head	+90 (212) 334 33 81	ktezeller@sekeryatirim.com
Burak Demirbilek	Utilities, Mining	+90 (212) 334 33 33-128	bdemirbilek@sekeryatirim.com
R. Fulin Onder	Aviation, Cons. Dur., Telcos, Iron & Steel, Oil&Gas	+90 (212) 334 33 33-245	fonder@sekeryatirim.com
Engin Degirmenci	Glass, Cement	+90 (212) 334 33 33-201	edegirmenci@sekeryatirim.com
Mehmet Mumcu	Auto, Retail, REIT	+90 (212) 334 33 33-228	mmumcu@sekeryatirim.com
Sevgi Onur	Banks	+90 (212) 334 33 33-150	sonur@sekeryatirim.com
Fatih Tomakin	Technical Analyst	+90 (212) 334 33 33-251	ftomakin@sekeryatirim.com
Atasav Can Tuglu	Database Associate	+90 (212) 334 33 33-334	atuglu@sekeryatirim.com.tr

Economy & Politics

Serkan Gonencler	Economist	+90 (212) 334 91 04	sgonencler@sekeryatirim.com
------------------	-----------	---------------------	--

Institutional Sales

Batuhan Alpman	Head	+90 (212) 334 91 01	balpman@sekeryatirim.com
Deniz Keskin	Trader	+90 (212) 334 33 36	dkeskin@sekeryatirim.com
Feriha Sarı	Trader	+90 (212) 334 33 88	fsari@sekeryatirim.com

DISCLAIMER

I, Serkan Gonencler, hereby certify that the views expressed in this research accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

This report has been prepared by Şeker Yatırım Menkul Değerler A.Ş. (Şeker Invest, Inc.). The information and opinions contained herein have been obtained from and are based upon public sources that Şeker Invest considers to be reliable. No representation or warranty, express or implied, is made that such information is accurate or complete and should not be relied upon, as such. All estimates and opinions included in this report constitute our judgments as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. Şeker Invest may, from time to time, have a long or short position in the securities mentioned in this report and may solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) for any company referred to in this report and may, to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis upon which it is based, before its publication. This report is for the use of intended recipients and may not be reproduced in whole or in part or delivered or transmitted to any other person without the prior written consent of Şeker Invest. By accepting this document you agree to be bound by the foregoing limitations.

Special additional regulations for the United States of America:

For U.S. persons only: This research report is a product of Şeker Invest (Şeker Yatırım Menkul Değerler A.Ş.) which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Şeker Invest only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Şeker Invest has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.