

VAKIFBANK WEEKLY ECONOMIC REPORT

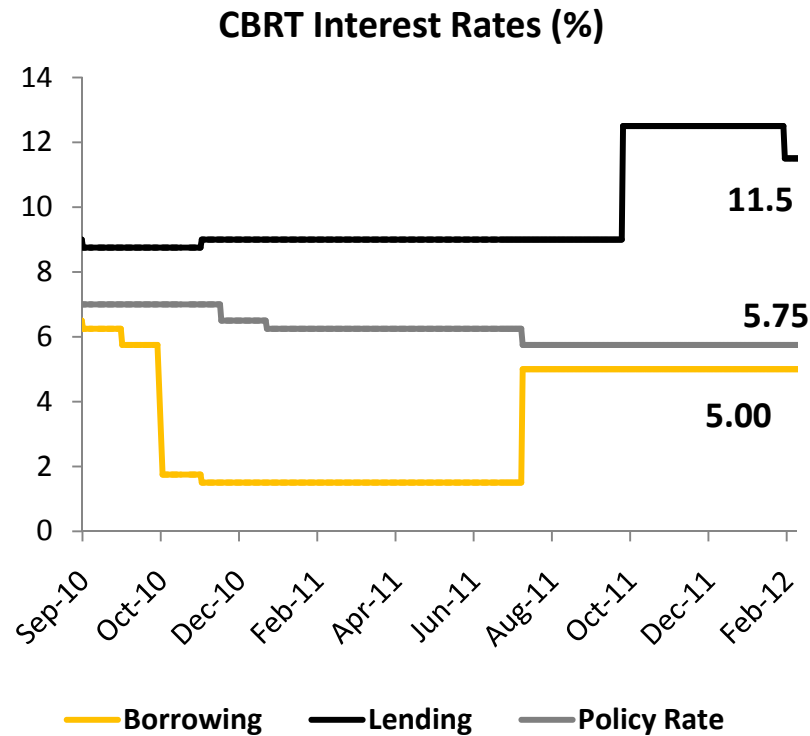
**CBRT left the all interest rates
unchanged...**



T. Vakıflar Bankası T.A.O



CBRT left policy rate unchanged ...

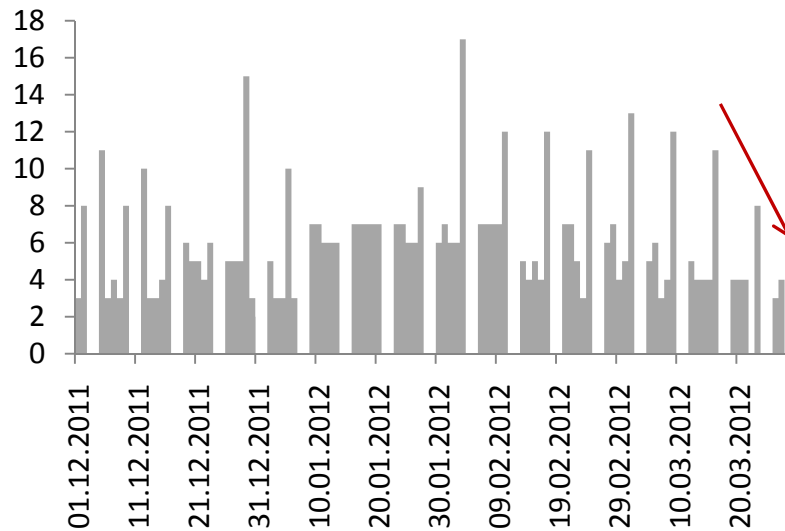


Source: CBRT




- CBRT left policy rate (one-week repo rate of 5.75%) and interest rate corridor unchanged in March Monetary Policy Committee (MPC) meeting.
- CBRT also took some additional tightening measures.
- CBRT stated that these measures would continue if needed in future.

CBRT changed the amount of repo auctions...

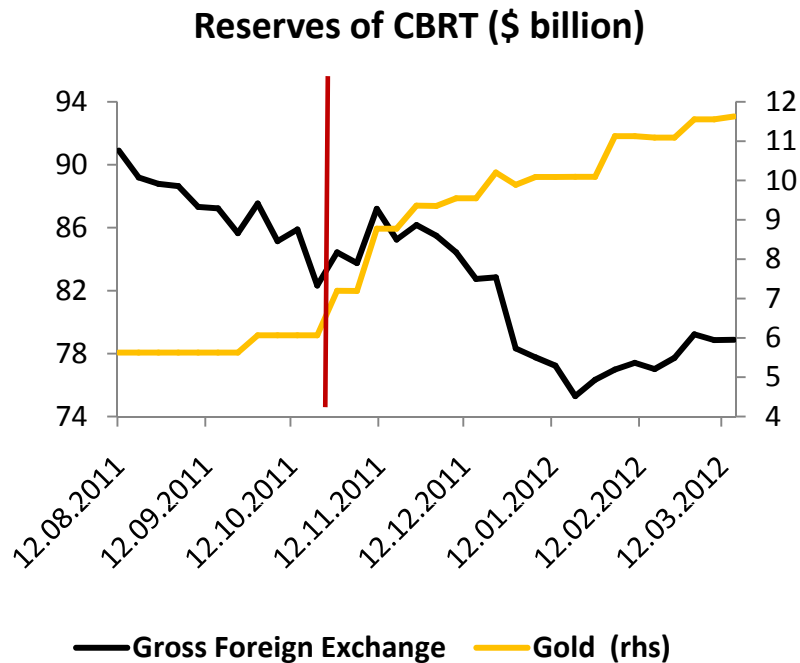
Repo Auctions (TRY billion)



Source: CBRT

-  CBRT decided that range for one-week repo auctions reduced to TRY1-6 billion until the next MPC meeting in 18 April 2012.
-  CBRT reduced to upper limit for one-month repo auctions TRY5 billion from TRY6 billion
-  CBRT also stated that if anything happens different from the expectations, amount of repo auctions will be changed.

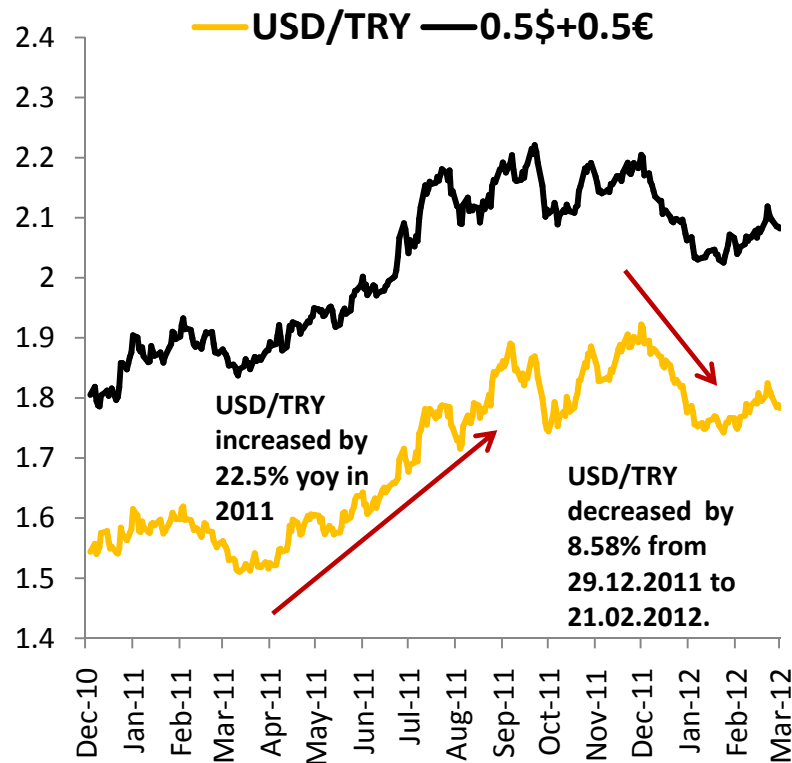
CBRT changed the share of reserve requirements that can be kept in gold...



Source: CBRT

- CBRT increased the share of TRY reserve requirements that can be kept in gold from 10% to 20%.
- CBRT decreased the share of FX reserve requirements that can be kept in gold from 10% to 0%.
- CBRT aimed to increase the gold reserves and reduce the cost of banking sector.
- This decision also provides an increase in gross foreign exchange reserves of CBRT.

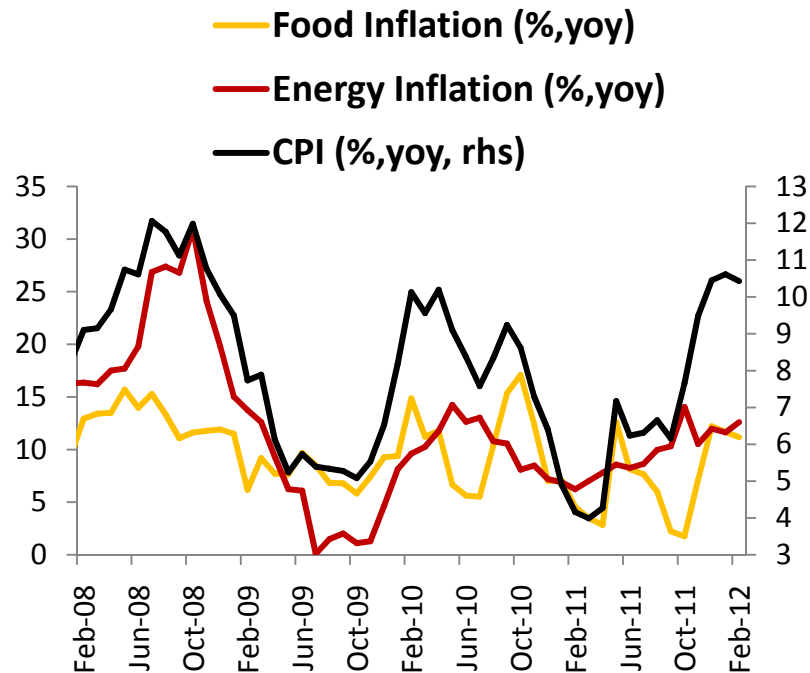
Movements of USD/TRY...



Source: Bloomberg

- USD/TRY has moved upwardly during 2011 due to uncertainties in global economy.
- By the end of 2011, due to the effect of high amount of direct foreign exchange intervention of CBRT, TRY managed to appreciate against USD.
- USD/TRY moved downwardly due to the direct foreign exchange intervention and the tightening monetary policy until 21 February 2012.
- However, when CBRT narrowed the interest rate corridor by decreasing the lending rate to 11.5% on February 21, USD/TRY has started to move upwardly again.

CBRT stated that inflation movements are closely monitored...



Source: CBRT

- ▣ Increase in food prices was the main reason for a higher CPI on February.
- ▣ Despite the rise in oil prices, increase in transportation prices was limited in February. However, the upward risk for transportation prices still continues in March due to high oil prices.
- ▣ CBRT claimed that the trend in inflation are in line with the projections of CBRT but also underscores that it closely monitors every factors affecting the inflation.

Conclusion...

- ✔ CBRT left all interest rates unchanged in March MPC meeting.
- ✔ CBRT took additional measures for strengthening the FX reserves by decreasing the share of FX reserve requirements that can be kept in gold from 10% to 0%.
- ✔ Due to upward shift in exchange rates CBRT changed the amount of repo auctions related to TRY liquidity on monthly basis.
- ✔ We do not expect change in the interest rates unless there is a slowdown in CPI or increase in global risk appetite.

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