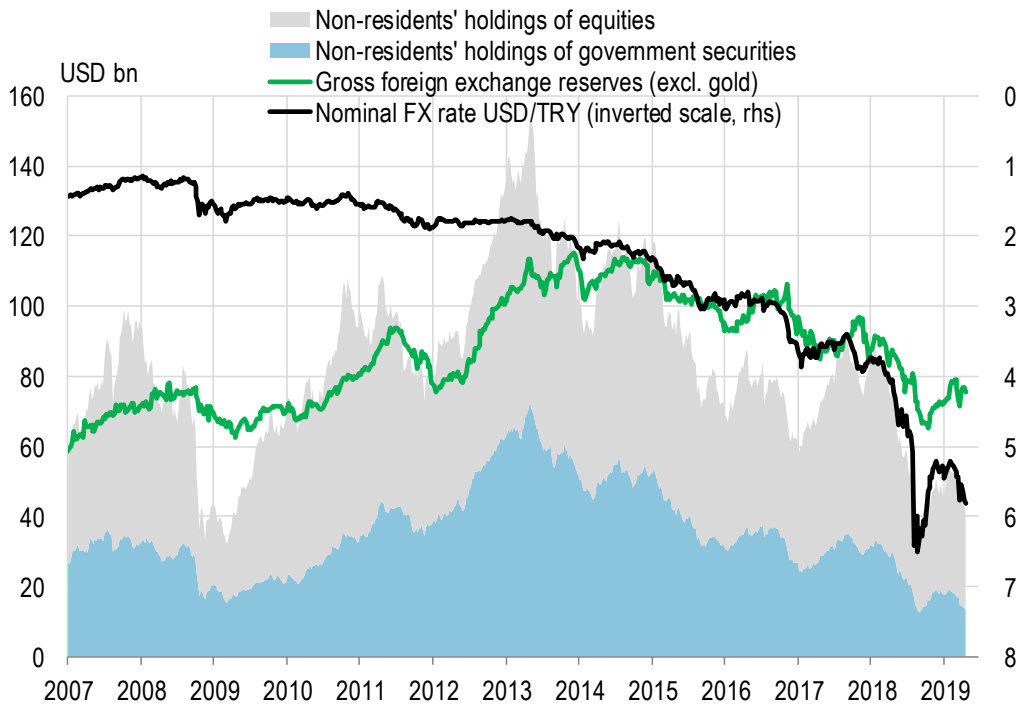




Turkey: FX roller-coaster

After a precipitous 42% decline against a euro-dollar average between January and August 2018, half of which occurred in the month of August alone, the Turkish lira (TRY) rebounded by 15% in September-December, following a massive interest rate hike by the Turkish central bank (CBRT). Nonetheless, the TRY has depreciated again by 10% over the past two months amid stagflation. FX volatility has spiked owing to uncertainty about the true level of “free” FX reserves. Net outflows of non-resident portfolio investment in local currency amounted to USD 1.4 bn in March-April as non-resident investors pulled out of the local equity market and, above all, the local bond market. They now hold only 12% of domestic public debt (vs. more than 20% through 2014).



Source: CRBT, BNP Paribas