MONTHLY BRIEF

TURKEY-U.S.
ECONOMIC OUTLOOK

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TÜRKİYE ABD İŞ KONSEYİ
TURKEY US BUSINESS COUNCIL
TAİK

DEİK
DIŞ EKONOMİK İLİŞKİLER KURULU
FOREIGN ECONOMIC RELATIONS BOARD

Monthly Brief

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ABOUT DEİK

Foreign Economic Relations Board of Turkey (DEIK) is responsible for leading foreign economic relations of Turkish private sector in a myriad of sectors particularly foreign trade, international investment and services, international construction activities and logistics, exploring inward and outward investment opportunities as well as increasing the export volume of Turkish business and coordinating similar business development activities.

ABOUT TAİK

The Turkey-U.S. Buisiness Concil (TAİK), operating under the umbrella of the Foreign Economic Relotions Board of Turkey (DEİK) was formed in 1985 as the first council, with the aim to enhance trade and investment relations between the U.S. and Turkey.

TAİK operates with a mission to create platform to facilitate development of economic relations between the U.S. and Turkey through its wide spectrum of activities such as conferences, forums, business summits, lobbying visits, networking luncheons and dinners, educational site visits,etc. With its broad range of activities and worldwide network, TAİK represents a role model for other organizations in pursuit of similar goals .

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PRESIDENT'S FIRST 100 DAYS

On his 100th day in office, President Trump offered familiar defenses and boasts about his early progress, his setbacks and his predecessor.

President Trump began his rally in Pennsylvania on April 29th with his take on the news media, before giving himself credit for his accomplishments. He followed a similar pattern in an interview with CBS's "Face the Nation" that aired on April 30th. Here is an assessment of his speeches:

- Mr. President said he will be making a "big decision" on the Paris agreement, which he characterized as unfair.
- "The United States pays billions of dollars while China, Russia and India have contributed and will contribute nothing." In his 100-day plan, Mr. Trump vowed to cancel payments to the United Nations' Green Climate Fund, a financial program intended to help poorer countries mitigate the effects of climate change. His budget blueprint includes "eliminating U.S. funding related to the Green Climate Fund," but the proposal has yet to be enacted. China, Russia and India have yet to add to the pool, but China has committed billions to provide direct climate-action assistance to other countries, and Russia has pledged $10 million to a separate United Nations climate program.
- He claimed the Paris agreement would come at a high cost to the economy. "The agreement could ultimately shrink America's GDP by $2.5 trillion over a 10-year period."
- On the other hand, studies from environmental organizations, the Obama administration's Environmental Protection Agency, independent researchers, Citibank and the Organization for Economic Cooperation and Development have estimated that not acting on climate change would cost the economy trillions.
- He took due credit for job growth in early 2017. "In just these first few months, we have created 99,000 new construction jobs, 49,000 new manufacturing jobs and 27,000 new mining jobs. Who are the miners here? Finally we are taking care of our miners. We love our miners. And we have over 600,000 new jobs."

- He touted his efforts to drain the swamp. "I have issued a five-year ban on federal officials becoming lobbyists after they leave government service. Good?"
- Mr. Trump cited this ban and another lifetime ban for government officials on foreign lobbying.
- He blamed President Obama for the MS-13 gang's presence in the United States.

> *"The last, very weak administration allowed thousands and thousands of gang members to cross our borders and inter our communities where they have wreaked havoc on our citizens. The blood thirsty MS-13 has infiltrated our schools, threatening innocent children."*

- However, dissidents claim otherwise. According to them, Mara Salvatrucha, or MS-13, precedes Mr. Obama's presidency by decades. The gang was formed in the 1980s in Los Angeles by immigrants fleeing civil war in El Salvador, and it gained notoriety in the 1990s for brutal violence.
- Some conservative outlets have argued that Mr. Obama's program giving refuge to Central American minors attempting to escape gang violence allowed MS-13 to flourish by admitting potential recruits.
- He took credit for savings in the cost of military fighter jets. "I have already saved more than $725 million on a simple order of F-35 planes."
- Trump took due credit for NATO members contributing more to the alliance's defense efforts. "We are also getting NATO countries to finally step up and contribute their fair share."
- All member nations contribute an amount proportional to their gross domestic product to NATO's direct spending. Few meet the commitment to spend 2 percent of their gross domestic product on the alliance's defense efforts, but NATO members agreed to ramp up their contributions in line with the requirements.
- The president criticized news reports on how he changed his stance to declare China a currency manipulator. "But when they talk about currency manipulation, and I did say I would call China, if they were, a currency manipulator, early in my tenure. And then I get there. No. 1, they — as soon as I got elected — they stopped."
- Mr. Trump promised to declare China a currency manipulator during the campaign, and did so in an early April interview with The Financial Times. He told The Wall Street Journal later that month that he would no longer do so, and the Treasury Department followed his lead.
- Mr. Trump is right that China used to keep the value of its currency, the renminbi, artificially cheap. China has attempted to prevent its currency from depreciating more in recent years.
- Mr. Trump criticized reporting about his bill to repeal and replace the Affordable Care Act. "But when I watch some of the news reports, which are so unfair, and they say we don't cover pre-existing conditions, we cover it beautifully."
- It's unclear which version of the bill Mr. Trump was referring to, but the original Republican plan and an amended version released last week would change insurance for those with pre-existing conditions, as the Upshot's Margot Sanger-Katz reported.

•	He bemoaned slow economic growth. “So I talk to the heads of countries. ‘How are you doing?’ ‘Not well, not well.’ ‘Why?’ ‘G.D.P. is 8 percent. G.D.P. is 9 percent. We are doing poorly.’ G.D.P. — our G.D.P. is, like, 1 percent.”

•	This needs context. Countries with gross domestic product growth upward of 5 percent tend to be developing economies like Vietnam, Uzbekistan and Tanzania, according to World Bank data. The United States growth is on par with other developed nations like Denmark, France and Japan.

IS THE NEW ADMINISTRATION A JOB CREATOR OR NOT?

Although President Donald J. Trump likes to point out about how much the labor market has improved since he took office, economists say it’s too early to make that claim — while a series of abrupt reversals on policy positions could be putting a drag on the economy’s momentum and actually undermining labor market growth.

•	Although the official unemployment rate, which dipped to 4.5 percent in March, had been hovering fractions of a percentage point below 5 percent for a number of months, economists were cheered by improvements in other measures of labor market health: The labor force participation rate has been ticking up, and the broader measure of unemployment that includes those “discouraged” and “marginally attached” to the job market, as well as people stuck in part-time jobs who want to work full-time, dropped below 9 percent in March, the lowest that figure has been since the end of 2007.

•	Yet it must be said that this improving trajectory began well before January 20, 2017. “It is certainly conceivable that part of the job gains since the first of the year, and indeed, since Election Day, are attributable to the President,” said Gary Burtless, a labor economist at the Brookings Institution. Burtless added that Trump benefited from taking office during a period when economic signs were trending up. “The U.S. economy has been achieving pretty steady job gains for the past four or five years, and it’s hard to see that job creation is any faster since President Trump took office or won the election,” he said. “That trend was underway well before the election.”

- “I think at this point it would be premature to say anything about a Trump policy effect, at least, since we haven’t passed any policies yet,” said Josh Bivens, research director at the Economic Policy Institute.

> *Harry Holzer, a professor of public policy at Georgetown University and former chief economist for the U.S. Department of Labor, was similarly skeptical. “I’m guessing very little is due to the changing administration. If you look at the months preceding his inauguration or leading up to the election, job creation was either similar or slightly higher than that rate. Over a three-month average, you don’t see any dramatic changes,” he said.*

- “It’s government on the fly, and that’s the thing that breeds general uncertainty about the policy direction for the administration,” said Jacob Kirkegaard, a senior fellow at the Peterson Institute for International Economics. “We need to have some idea about the economic environment we’re going to be operating under,” he said. Absent that, businesses will be reluctant to invest in capital improvements and expansions — and hiring, said Kirkegaard. “Uncertainty is bad for investment… and that’s bad for jobs.”

PRESIDENT TRUMP’S ECONOMIC SCORECARD

As President Donald Trump’s first 100 days in office comes to an end, here is Forbes’ second edition of “President Trump’s Economic Scorecard.” The administration has been off to a bumpy start but the experts have taken a look beyond the politics to shine a light on the country’s economy. In this second edition Forbes sees strong gains for the stock market but average performances for jobs and GDP growth. The first edition of Forbes’ scorecard, published on Inauguration Day, is here. The publicly available Google document tracks over 100 indicators to help evaluate the progress of “Make America Great Again.”

The markets are planning on Trump coming through on his GDP growth and deregulation promises. If not, then as Trump put it, “you live by the sword, you die by the sword.”

The 10-year Treasury yield has been on a bit of a roller coaster since Trump’s inauguration. It hit a high of 2.62% in March and fell to 2.18% in April. Trump’s view on Fed president Yellen has turned positive though the outlook is for more rate increases this year.

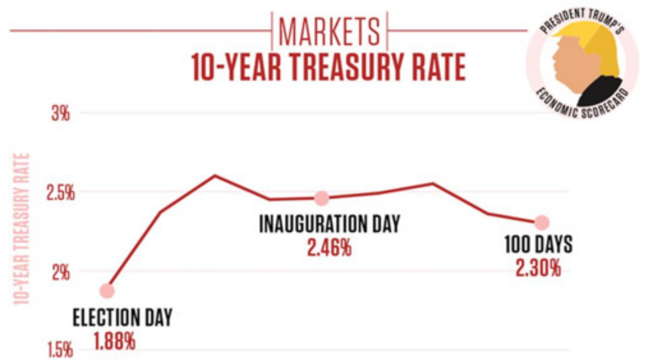
The economy only added 98,000 jobs in March, the fewest since May last year. For the first three months of 2017, 533,000 people have found jobs but that is the lowest March quarter total since 2011.

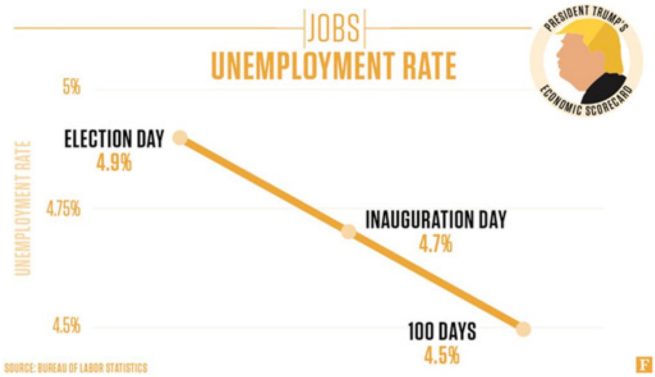
With the unemployment rate at low levels what people need is training for sectors that are growing vs. trying to revive declining industries.

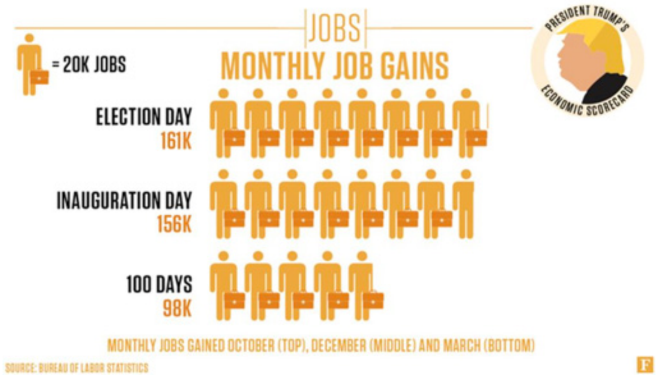
Meaningfully increasing GDP will take time, but it does seem like Trump is already scaling back his growth goal of 4% or more. Treasury Secretary Mnuchin talked about sustained 3% growth when he introduced Trump’s tax plan.

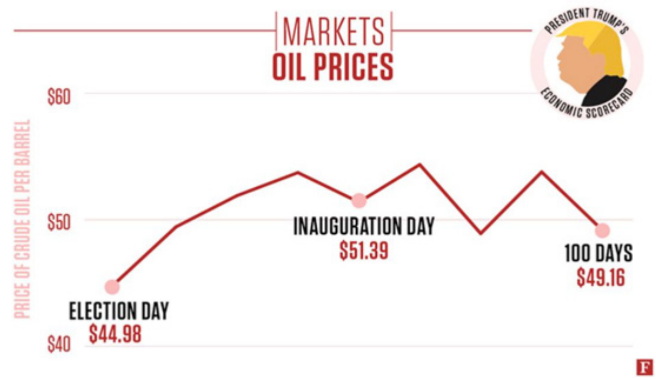
Oil has been trading in a fairly tight trading range since the inauguration. U.S. rig count has essentially doubled in the past year, which should help keep a lid on prices.

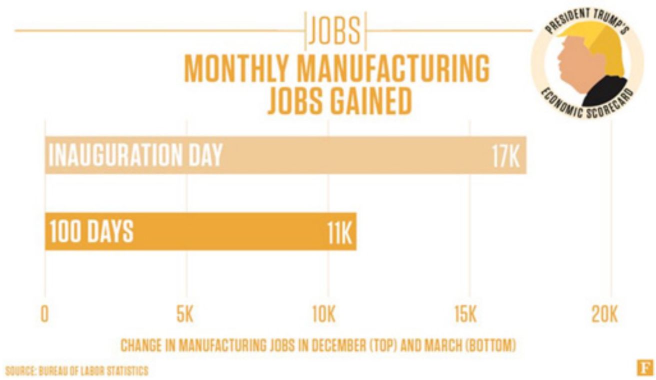
The Consumer Price Index hit 2.7% in February and remains above the Fed's 2.0% target. The key question is will the Fed be more aggressive with its interest rate increases than the market assumes. Retailers are closing stores and 60,000 people have lost their jobs in the past two months. This trend should continue and Amazon isn't growing enough to make up for this.

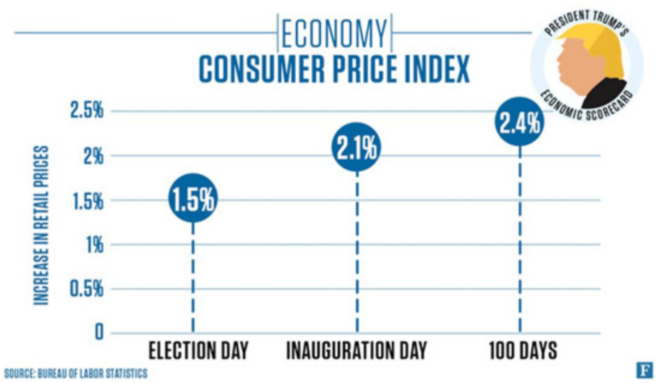


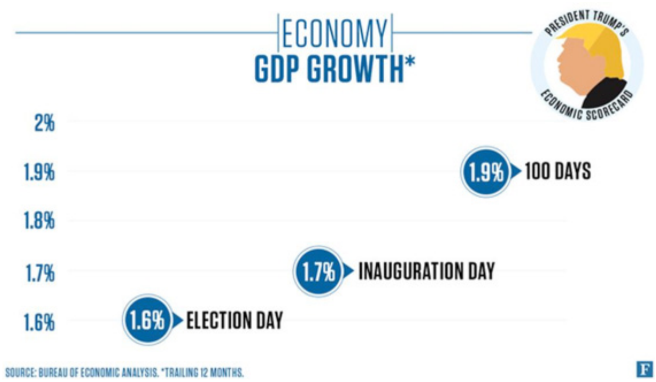












1. Pulling out f TPP

It took only a matter of days for the President to fulfill this promise. On his third full day in office, Trump signed an executive order withdrawing the U.S. from the Trans-Pacific Partnership trade deal. The pact, which was negotiated by President Obama's administration but never approved by Congress, had included 12 nations bordering the Pacific including Japan, Malaysia, Vietnam, Canada, Mexico, and others.

Critics on both the right and left argued hard that the deal would hurt U.S. manufacturers and could displace American jobs. Even Hillary Clinton, who had supported the agreement while serving as secretary of state in the Obama administration, argued against TPP on the campaign trail. By the time Trump won the election, it was a surprise to no one that TPP would not be ratified by Congress. And now, without the U.S. involvement, the behemoth trade deal is essentially dead.

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2. Hiring Freeze on Federal Workers

In another one of Trump's first actions as President, he followed through on a campaign promise to freeze hiring of federal workers.

The goal was to reduce the federal workforce through attrition, but it's unclear yet if the impact has been significant. The White House lifted the freeze in mid April, with budget director Mick Mulvaney noting that the administration was replacing it with a "a more surgical plan" to reduce federal jobs. "It does not mean that the agencies will be free to hire willy-nilly," Mulvaney said.

3. Ban on lobbying by former administration officials

Indeed, Trump did pen an executive order banning executive branch officials from lobbying the U.S. government after they leave office. The restriction lasts five years, which is longer than the prior two-year ban imposed by President Obama.

The directive also imposes a lifetime ban on former White House officials lobbying foreign governments. Trump had also promised to restrict congressional officials from lobbying the U.S. government for five years. As PolitiFact notes, federal lawmakers are already bound by law from engaging in lobbying activities for one to two years. Trump would have to convince Congress to override or amend that law if he wants to change the rules.

4. Refuse the $400,000 annual president's salary or only take $1

President Trump gave his entire first-quarter salary, totaling $78,333, to the National Park service. Although his critics dismissed it as a publicity stunt, the gesture does fall in line with Trump's campaign promise to refuse his presidential pay.

"It's not as easy as you'd think" to give money to the government, Trump's press secretary Sean Spicer noted earlier this month, after he handed over a ceremonial check to Interior Secretary Ryan Zinke.

5. Lift roadblocks on the Keystone Pipeline

As promised, the Trump administration approved the construction of the controversial Keystone XL Pipeline. The State Department issued a permit to TransCanada on March 24, clearing the way for its construction after the Obama administration had blocked it.

However, the pipeline will not be required to use American-made steel as Trump had originally promised.

6. Lift restrictions on the energy industry

Last month, President Trump signed a sweeping executive order rolling back several of former President Obama's signature environmental regulations.

The executive order immediately ended a moratorium on new leases for coal mining on federal land and initiated a formal review of President Obama's Clean Power Plan. The review is the first step in a more lengthy process aimed at repealing or changing the rule, which is aimed at combatting climate change.

7. For every one new regulation, two will be repealed

When Trump met with business leaders during his first week in office, he told them his administration could cut regulations "by 75%, maybe more." Along with that goal, Trump signed an executive action on Jan. 30, ordering that for every one new regulation issued, federal agencies must identify two existing regulations to be eliminated. Most regulations have to go through a lengthy review and comment process before they can be revoked, so the progress of his measure is difficult to measure at this stage in the game.

FIRST QUARTER ECONOMIC OUTLOOK

The U.S. economy's performance in the first quarter of Donald Trump's presidency looks an awful lot like the first quarter in Barack Obama's last year in office: weak.

- Economists polled by MarketWatch predict gross domestic product grew just 1% in the first three months of the year, down from a 2.1% pace in the fourth quarter. Similarly, the U.S. expanded at a 0.8% clip in the first quarter of 2016, just as Obama's last year as president got under way. Yet GDP, the official report card for the economy, is often an incomplete means of judging growth — never mind judging presidents. That's especially true in the first quarter when winter is at its worst.

- The government has repeatedly had trouble getting a good read on first-quarter growth, a problem that's more a matter of statistics than any fundamental change in the direction of economy. Typically weak first quarters are followed by strong second quarters.

- "There's a lot going on beneath what will be a weak headline growth number, which virtually no one sees as an accurate portrayal of the state of the U.S. economy," said Richard Moody, chief economist at Regions Financial. More to the point, Trump has also only been president for two-thirds of the first quarter. Most of his economic policies are still being shaped or debated in Congress.

- What might be more worrisome are the early indications for spring. Consumer spending has been soft. Surveys of executives have shown a drop-off in business. And hiring appears to have slowed. So far there's little evidence of a sharp rebound in second-quarter growth like there was in the past three years.

- It's early, though. Fresh reports this week are likely to show the house sales and new construction remain on the up and up. And a report on orders for long-lasting or durable goods is expected to underscore that a revival in business investment is still under way.

- "Consumers might have taken a breather, but businesses likely picked up the baton," said Sal Guatieri, senior economist at BMO Capital Markets.

- Nonetheless, the seeming pause in U.S. growth — a common hiccup during the eight-year-old recovery — could give the Federal Reserve more cause to reassess the economy before raising interest rates again.

- It will also give the central bank and a suddenly more doubtful Wall Street, heady in the early days of Trump's presidency, time to see how White House proposals pan out on health care, taxes and trade. If the economy ramps up again, the central bank can resume its plan of gradually raising the cost of borrowing.

- Economists are betting on it. They point to record job openings, low unemployment and higher wages as evidence consumers are better off financially than they have been in years. And almost every major U.S. industry is on the upswing, unlike a few years ago when energy producers and manufacturers fell on tougher times.

- "While the soft patch in economic activity appears to be lingering into April, there is no need to abandon expectations for somewhat stronger economic activity in the second half of the year," said Scott Anderson, chief economist at Bank of the West.

DOLLAR HITS 6-WEEK HIGH VS YEN ON MNUCHIN BOND HINTS

- The dollar hit a six-week high against the yen, lifted by a surge in U.S. government bond yields after U.S. Treasury Secretary Steven Mnuchin commented on the possibility of ultra long-term bond issuance.

- Mnuchin told Bloomberg in an interview that issuing debt exceeding 30-years in maturity "can absolutely make sense", driving 30-year yields to a three-week high and returns on 10-year bonds to a session peak.

- The euro, however, held strong against the greenback, some measure of market doubts over whether the Trump administration is capable of delivering a promised boost to growth, chiefly now envisaged to come through tax cuts.

• “Mnuchin’s comments have at least stabilized the long end of the curve,” said Lee Hardman, an analyst with Japan’s MUFG. “But the dollar is still on the defensive in the near term. The data from the U.S. has been coming in on the disappointing side and the Fed is likely to acknowledge that … this week.”

• The “Trumpflation” trades that dominated the end of last year, driving Treasury yields and the dollar higher on expectations of higher inflation, growth and official interest rates, have faded this year.

• The dollar is down almost 4 percent against the euro in the first four months of 2017.

• Latest U.S. economic indicators have been underwhelming. Factory activity slowed in April, while consumer spending was unchanged in March, and an important inflation measure fell on a monthly basis for the first time since 2001.

• The Fed is widely expected to keep interest rates unchanged at a two-day policy meeting, but its attitude to the recent data will be crucial for market expectations of another rise in interest rates in June.

• Alessio de Longis, a portfolio manager at Oppenheimer Funds in New York, said there was not enough progress on a fiscal boost that might drive the dollar higher although he had not yet turned outright positive on the euro. “Neither one of these two (growth) stories is ripe right now and really dominant, so that’s why the euro is struggling to find a clear direction and is stuck between $1.05 and $1.10,” he said.

• Sterling, one of the April’s strongest performers in currency markets globally, gained 0.2 percent to $1.2912 after a survey of purchasing managers pointed to a stronger manufacturing sector thanks to the weaker pound.

• Nomura analyst Jordan Rochester argued there was a risk of the economy surprising on the upside as European growth strengthened, turning the Bank of England less pessimistic and reheating expectations of higher interest rates. “The difficulty of the early stages of the Brexit negotiations looks to be priced in already.” he said.

TRUMP'S PROTECTIONISM HAS EU LOOKING TO CANADA

The protectionist approach of U.S. President Donald Trump means European companies are looking to "exploit" new opportunities in Canada, the European Union's agriculture minister says.

- That's one reason why Phil Hogan, the EU's commissioner for agriculture and rural development, is leading a trade mission of 60 mainly European food and drink companies to a major industry event in Toronto. That European business delegation stayed home while Hogan was in Washington last week for talks with U.S. officials, he told The Canadian Press in an interview.

> *"We see Mr. Trump's declaration of being more protectionist as an opportunity for the European Union to be able to pivot to other parts of the world and other regions in order to exploit the potential that is there," Hogan said.*

- Hogan's visit comes after Canada's Trade Minister Francois-Philippe Champagne pushed the same trade diversification message on a trade mission to China last week where he had Canadian softwood lumber representatives in tow. As yet another softwood skirmish — the fifth in 35 years — was breaking out with the U.S., Champagne was stressing the need to find new markets for Canadian forestry products.

- Hogan said he's confident Parliament will ratify the Comprehensive Economic and Trade Agreement (CETA) before the summer break, which would mean more than 90 per cent of it would take effect under what is called provisional application. The European Parliament ratified the deal in February.

- Negotiations towards a similar EU-U.S. trade deal are not officially dead, but Hogan said that with Trump in the White House, they are currently on hold.

- Trump's anti-trade policies represent an opportunity for Canada and the EU to build on trade links with each other and with other non-U.S. partners, said Hogan.

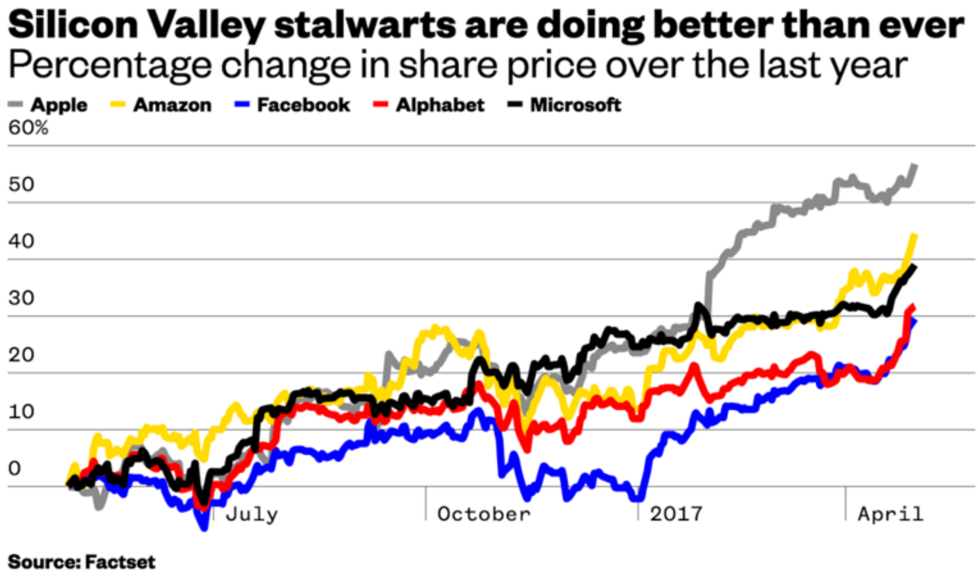
- "We want to take the opportunity that this CETA agreement gives us now to have a win-win scenario for Canadian and European Union exports at a time when there is uncertainty in relation to trade in the United States."

- The ongoing work on the world's post-Trump trade agenda continues in Toronto when Canada hosts another round of talks of countries that used to be part of the 12-country Trans-Pacific Partnership trade deal, which would have encompassed 40 per cent of the global economy. Unlike the U.S.-EU trade talks, which remain in limbo, Trump effectively declared the TPP dead when he pulled the U.S. out of the deal after his inauguration in January. The U.S. withdrawal amounted to a deal killing veto of the TPP because it was the largest of the Pacific Rim countries in the pact.

- Canada joined the first round of post-TPP talks in Chile in March and agreed to host the latest round of talks, Champagne told reporters. Champagne said Canada wants to show that it "wants to be front and centre when it comes to open, principled trade in the Asia-Pacific region."

SLICON VALLEY IS BOOMING

Microsoft, Apple, Facebook, Amazon, and Google's parent company, Alphabet — call them the "Big Five" of Silicon Valley — have all hit record stock prices recently. Meanwhile the U.S. economy, per numbers released by the Bureau of Economic Analysis, grew by an anemic 0.7 percent in the first quarter of this year.



- Though one quarter of slow growth might be only a hiccup, U.S. tech giants have been outperforming the broader market for some time now. Taken together, the share prices of the Big Five have risen more than twice as much as the S&P 500 Index over the past year.

- This shouldn't come as a complete surprise. While the U.S. economy has steadily, if slowly, recovered from the Great Recession, Silicon Valley's heavyweight have grown by leaps and bounds.

- Google and Facebook dominate advertising with a combined 57 percent share of the global digital ad market, according to new figures from the ad-buying firm GroupM. The two companies are expected to grow that number even more; an entire section of the GroupM report is labeled "Platforms Growing Other Than Google and Facebook."

- Amazon, Google, and Microsoft have all built new profit engines in the cloud computing business, although Amazon maintains its lead in the space.

- iPhone sales growth, Apple's biggest moneymaker, has been slowing in recent years, although investors are bullish on Apple's new earnings report, its anticipated launch of the iPhone 8, and its reported $250 billion cash hoard.

- Here's the problem with all that froth: Silicon Valley doesn't employ many people in the U.S. compared to the industries it is outpacing (and in some cases, replacing). The Bureau of Labor Statistics in May 2016 estimated that the high-tech industry will account for about 23 percent of economic output through 2024, while employing roughly 13 percent of the U.S. labor force. A 2015 BLS report indicates that this gap could further widen, as high-tech output is estimated to rise faster than its share of total U.S. employment.

- Among Silicon Valley's top performers, meanwhile, a growing chorus of critics charge that their biggest profits are drawn from completely dominating the markets in which they operate. Google, for instance, is reportedly developing an ad-blocker for its Chrome browser that has experts worried about its possible anti-competitive impact.

IMF RAISES GLOBAL ECONOMIC OUTLOOK IN 2017 TO 3.5% ON INVESTMENT RECOVERY

Global economic growth will accelerate in 2017 as investment, manufacturing and trade rebound, the International Monetary Fund said, as it raised its outlook for the year. World growth is expected to rise to 3.5% this year and 3.6% in 2018, compared to 3.1% last year.

- "Stronger activity and expectations of more robust global demand, coupled with agreed restrictions on oil supply, have helped commodity prices recover from their troughs in early 2016," according to a statement from the IMF, which was holding its annual spring meetings in Washington, on 21-23 April.

- The IMF was more pessimistic in January, when it released its last forecast. In cutting its growth forecast for the U.S. and other advanced economies, the IMF said then that the global economy would grow 3.4% this year vs. 3.1% in 2016.

- "Higher commodity prices have provided some relief to commodity exporters and helped lift global headline inflation and reduce deflationary pressures," the IMF said. "Financial markets are buoyant and expect continued policy support in China and fiscal expansion and deregulation in the United States. If confidence and market sentiment remain strong, short-term growth could indeed surprise on the upside."

- Still, "structural impediments," such as low productivity growth and high income inequality, will likely persist and could stall a stronger recovery, it said.

- In a pointed criticism of nationalistic economic proposals in the U.S. and other European Union countries, the IMF said "inward-looking policies threaten global economic integration and the cooperative global economic order, which have served the world economy, especially emerging-market and developing economies, well."

- The IMF also raised its outlook for the advanced economies, which include the U.S., the U.K., Germany, Italy, Spain, Japan and other developed nations. It now anticipates they will grow by 2% this year, up slightly from 1.9% forecast in January.

- Its outlook for the U.S. economy, whose 2017 growth was projected in January at 2.3%, was left unchanged. The U.S. economy grew 1.6% last year.

- Heartened by palpable signs of growth in the U.S. economy, the Federal Reserve raised in March its benchmark short-term rate by a quarter percentage point, its second interest rate hike in three months. And it signaled that more gradual hikes are likely.

- But the IMF said "a faster-than-expected pace" of interest rate hikes in the U.S. could tighten financial conditions elsewhere, and strengthening of the U.S. dollar could strain emerging-market economies with currencies that are pegged to the dollar.

- Emerging-market economies remain vulnerable as geopolitical tensions rise and the use of credit proliferates, the IMF said. China, in particular, "faces the daunting challenge of reducing its reliance on credit growth," it said.

- The IMF also left unchanged its January forecast for emerging markets, which are anticipated to grow 4.5% in 2017 and 4.8% in 2018.

- China's growth this year is now estimated at 6.6%, up from 6.5% projected in January.

REALITY OF U.S. ECONOMIC SLOWDOWN IS SETTING FOR SOME

As the books were closed on the month of April, here is an analysis.

- For much of the month, it was looking like the stock market would end April flat or a bit down, but then came these last five days, which saw a strong move higher early in the week following the initial round of the French elections. That outcome calmed concerns over a potential Frexit that would have likely led to more talk of unwinding of the eurozone. We viewed the market's reaction as more of a sigh of relief than one tied to an accelerating economy.

- As the week wore on the analysts received a mixed back on the earnings front — some better-than-expected and also some that were not — par for the course over the last few years. Contained in those reports, however, they are seeing a growing trend of companies trimming their expectations for the current quarter, 2Q 2017. This is hardly a surprise, given the slowing pace of the domestic economy and dollar-related headwinds that companies like Amazon (AMZN) once again call out.

- The S&P 500 is closing April at more than 18x 2017 earnings expectations. The analysts find the market's year to date move has really been led by just five stocks — Amazon, Alphabet (GOOGL), Facebook (FB), Apple (AAPL) and Microsoft (MSFT). Those moves help explain the out-performance of the Nasdaq Composite Index both in April, where it was up 2.5 percent vs. 1.0 percent for the S&P 500, and year to date, where it is up 12 percent compared to 6.5 percent for the S&P 500.

- While the experts continue to see additional upside in their investing positions in AMZN, GOOGL and FB shares, given strong moves in these five stocks over the last several quarters, it has to recognized that some investors may opt to take some profits when eyeing not only the market's valuation but also a slowing economy and renewed uncertainty in Washington. That possibility is heightened by the recent pops in these stocks that have once again pushed the Nasdaq Composite Index into overbought territory. With Apple and Facebook reporting, we could see that index climb even further. Of course, keep in mind, that continued climb would serve to push it even further into overbought territory.

- The experts have been talking about the slowing domestic economy for what seems like some time now, and if there was any doubt in their sentiment, underwhelming initial 0.7 percent GDP reading for 1Q 2017 should have erased it. Not only did that initial GDP reading miss expectations of 1.3 percent, simply put it was a downward vector and velocity compared to 4Q 2016's 2.1 percent and 3.5 percent in the back half of 2016.

- Taking a somewhat longer view, 1Q 2017 turned in one of the weakest performances in the last three years. Moreover, the first looks at how the domestic economy performed suggest it's off to a rather slow start in the second quarter, with not only the Markit Flash US PMI for April hitting a seven month low, but also month over month declines at several regional Fed economic activity indices for the month.

- Economists surveyed by MarketWatch saw growth rebounding to a 2.8 percent rate in the second quarter. Even if we adjust for the winter storms in March, it's looking like that 2.8 percent forecast is going to be a stretch, given slower rates of output and new order growth reported thus far in the April data and the continued drop in backlogs of work found in Markit's Flash US PMI report.

- As signs that the US economy was once again slowing emerged over the last several weeks — was reflected in the Atlanta Fed's GDPNow forecast for 1Q 2017 GDP falling from 3.4 percent in early February to all of 0.5 percent early last week — expectations for the two remaining Fed rate hikes in 2017 per the CBOE's FedWatch also fell. Odds are 1Q 2017 GDP report, along with signs in the Commodity Research Bureau Spot Commodity Price Index that inflation is starting to roll over compared to last year will push out Fed rate hike timing expectations even further.

- Historically speaking, the Fed has done a great job of hiking interest rates at exactly the wrong time — heading right into a slowing economy and more often than not a recession. While we don't see signs of a recession, we continue to see the Fed in a hard place given the length of the current recovery and the need to put some arrows in its monetary policy quiver for the next eventual recession and the once again slowing economy that is seeing delinquencies climb and loan growth fall.

- This does mean that ahead of the Fed's next few monetary policy meetings in May and June, every key economic data point will be closely scrutinized. In other words, it will be economic Groundhog Day on cable television once again. Rather than succumb to the talking heads, we'll continue to let the data be our guide, which has served us and our subscribers quite well thus far.

- As far as that renewed sense of uncertainty coming out of Washington, the latest GOP effort to repeal and replace the Affordable Care Act is scrounging for votes. And while a federal government shutdown was averted recently, it was done only with a one-week extension, so that will certainly add to the April data and Fed policy meeting fireworks. As if that wasn't enough, the Washington drama has begun on tax reform following President Trump's "plan", which amounted to a one-page outline on corporate and individual tax rates as well as cash repatriation.

- Retail and apparel stocks cheered the lack of a border adjustment tax in the outline, but Treasury Secretary Steven Mnuchin has said the border adjustment tax doesn't work. As Washington gets ready to haggle over the president's plan it could mean this tax gets rethought as well. Given Trump's pledge to rebuild U.S. infrastructure, the border adjustment tax might be one way to fund that spending, so we suspect we haven't heard the last on this just yet.

MARKETS LOOK TO TRUMP

For the first U.S. president with a business background, Donald Trump's first 100 days in the White House were full of hawkish comments but Wall Street still managed to post gains based on his utterances. Amid unfulfilled campaign promises and an overly enthusiastic market response, it is fair to say investors see more in Trump's potential than his track record suggests.

- Between Jan. 20 and April 28, the Dow Jones added 5.6 percent while the S&P 500 rose 4.9 percent and the NASDAQ soared 8.8 percent, according to data compiled by Anadolu Agency. This was mostly based on Trump's promises of spending $1 trillion on infrastructure, curbing regulation on finance and energy and lowering taxes on corporation and the middle class.

- "[He's] a pro-growth president. He is a business president. We haven't had that forever," Steve Goldman, who heads the Goldman Management trading firm, told Anadolu Agency.

- Trump’s failures, on the other hand, such as proposing to make sweeping reforms on visa regulations and the uprise it led to, caused losses for Wall Street.

- The president’s first major test was his speech given on March 28 to a joint session of Congress. He did not provide much details on his economic promises but his tone was generally regarded as positive. The next day indexes in Wall Street broke records. The Dow rose to its all-time highest level of 21,115 points and the S&P reached its all-time record-high of 2,395. The Nasdaq also broke records by climbing above 5,904 but did not stop there.

Failures Cost Investors

- Trump’s first significant obstacle came when he failed to repeal Obamacare. Days before the Republicans’ attempt to overturn former President Barack Obama’s healthcare law on March 27, worries already began among investors whether Trump could deliver on his promises. (Now we know he can do it, but back then nobody did)

- On March 21, Wall Street saw its worst performance since October 2016. The Dow fell 1.1 percent, the S&P lost 1.2 percent and the Nasdaq declined 1.8 percent.

- Indexes continued their losses when House of Representatives Speaker Paul Ryan had to pull the bill that would have repealed Obamacare on March 24.

- This was seen as a major defeat for the Republicans and increased anxiety whether Trump, who had no public office experience before his presidency, can pass legislation about the much-anticipated tax reform.

Tax-Cuts Promises

- When the White House announced on April 25 the Trump administration’s tax plan would be revealed the next day, the Dow jumped 1.1 percent to 20,996 points and the S&P soared 0.6 percent to 2,388 points. Both indexes reached their all-time highest levels. The Nasdaq also added 0.7 percent.

- Gains in the stock market are “partly related to the expectations that taxes will be lowered for corporations ... that would help earnings improve. That’s partly behind the rally,” Goldman told Anadolu Agency.

- Secretary of Treasury Steven Mnuchin unveiled on April 26 that Trump’s tax proposal plan would cut corporate tax to 15 percent from 35 percent and impose a one-time tax on U.S. companies’ overseas profits. Gary Cohn, Trump’s chief economic advisor, said the number of total tax brackets would be lowered from seven to three -- 10, 25 and 35 percent brackets.

- The plan, however, lacked details and was not perceived as promising enough by investors. As the Dow and the S&P posted losses, investors turned to stocks of technology companies and the Nasdaq. The index reached an all-time high last Thursday and climbed above the 6,100 points mark.

Dollar Losses; Treasury Yield Declined

• Trump previously said the dollar was too strong. He prefers it to be weaker so American firms can increase exports. During Trump's first 100 days, the U.S. Dollar Index, which measures the value of the American dollar against the British pound, euro, Japanese yen, Canadian dollar, Swedish krona and Swiss franc, fell 1.8 percent, according to data compiled by Anadolu Agency.

> "Despite the [Federal Reserve] raising rates, the dollar is not so strong. We have been expecting stronger rates. That hasn't occurred. So, the dollar, subsequently, backed off," Goldman said."

.• The dollar lost 4.4 percent against the pound, 1.8 percent against the euro, 2.7 percent against the yen and 5.7 percent against the Turkish lira, between Jan. 20 and April 28. Between those dates, the yield on 10-year treasury notes fell 7.2 percent. Gold, however, gained 5.3 percent.

Oil Prices Fell

• Although the dollar declined during Trump's first 100 days, one would assume that oil prices would increase with rising demand, since crude prices are indexed to the greenback. Oil prices, however, decreased during that period, as analysts pointed to increasing oil production for 10 consecutive weeks in the U.S. and the oil-rig count rising for 15 weeks in a row.

• Rising output in the U.S. worried investors that the glut of crude supply in the global oil market will not diminish even if OPEC and Russia decide to extend cutting their production levels into the second half of the year.

• Between Jan. 20 and April 28, American benchmark West Texas Intermediate fell from $52.42 a barrel to $49.33 per barrel, posting a 5.9 percent loss. International Brent crude decreased from $55.49 per barrel to $51.73 a barrel -- a 6.8 percent decline.

ANNUAL CONFERENCE ON U.S. - TURKEY RELATIONS

Dear Readers,

TAIK and ATC are proud to bring you the Post Conference Report for the 35th Annual Conference on U.S.-Turkey Relations. As the U.S. welcomes the 45th President, we know how critical these next four years will be for the U.S.-Turkey relationship. We are dedicated to working together to ensure the strong linkages that tie us together remain intact and continue to grow. The election of Donald Trump as the President of the United States means new dynamism and opportunities for America's allies and for Washington alike. The first 100 days of the new Administration will be critical and the release of the post conference report has been timed to underscore the importance of and continued dialogue that is necessary to preserve and advancing the strong business, diplomatic, and cultural relationship between our countries.

The Post Conference Report documents the proceedings of our 35th Annual Conference, providing summaries of major ideas, recommendations for action, long range vision frameworks, and exemplary stories and analysis. We hope you enjoy it, and walk away with a stronger understanding of the dynamic U.S.-Turkey relationship.

Please click here for the videos from the conference.

We look forward to building on this at this year's conference, the **36th Annual Conference on U.S.-Turkey Relations, May 21-23, 2017 at the Trump International Hotel, Washington D.C.**

CALIFORNIA VISIT

Dear Readers,

TAIK is pleased to announce its upcoming California Visit: Following the 36th Annual Conference on U.S.-Turkey Relations on 21-23 May 2017 at Washington D.C., TAIK California Committee is organizing two visits to California on 24-26 May 2017.

SAN FRANCISCO – TURKEY TECH SUMMIT

24 May 2017 @ California Academy of Sciences
55 Music Concourse Dr, San Francisco, CA, 94118

The San Francisco-Turkey Tech Summit, organized in partnership with ODTU Teknokent T-Jump, is planned solely for participants from the tech industry and investors. The main aim is to create a common understanding between the two regions and to establish a platform on which the cooperation atmosphere can prosper.

13:00 – 13:30 Welcoming Session

13:30 – 14:30 Potential Partnerships: Startups vs Large Company Dance

14:45 – 15:45 How do International Startups Fail or Succeed in Silicon Valley?

16:00 – 18:00 Parting Words & Networking Cocktail

San Francisco: http://portal.deik.org.tr/KatilimFormu/365/8547

LOS ANGELES - TURKEY BUSINESS FORUM

25 May 2017 @ Los Angeles Area Chamber of Commerce
350 S Bixel St, Los Angeles, CA 90017

The Los Angeles – Turkey Business Forum, organized in partnerhip with Los Angeles Area Chamber of Commerce, aims to increase collaboration between the two regions and to promote Turkish capabilities in many areas of cooperation. The Business Forum is planned to bring together numerous Turkish and American businesspeople. On May 26th, a site visit to SpaceX facilities, located in Los Angeles, is planned; attendees of both visits are welcome.

13:00 – 13:30 Registration

13:30 – 14:15 Welcoming Session

14:30 – 15:30 Los Angeles Area and Turkey Economic Outlook

15:30 – 17:00 Turkey-LA Economic Relations and Partnership Opportunities

Los Angeles: http://portal.deik.org.tr/KatilimFormu/366/8549

Please fill out the registration forms. TAIK will contact the participants with the hotel and flight suggestions.

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REGIONAL COORDINATOR

Merih KEPEZ ÖRNEK
mkepez@deik.org.tr

BUSINESS COUNCIL ASSISTANT COORDINATORS

Murat Can MENTEŞ
mmentes@deik.org.tr

Melike HOCAOĞLU
mhocaoglu@deik.org.tr

Selin ERGENE
sergene@deik.org.tr

RIVER PLAZA Büyükdere Cad. Bahar Sok. No: 13/10 34394 Levent / İSTANBUL / TURKEY

T: +90 212 339 50 00 **F:** +90 212 270 35 92

E-mail : americas@deik.org.tr | taik@deik.org.tr
Web : www.deik.org.tr | www.taik.org.tr
Twitter : @deikiletisim | @taikofficial

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