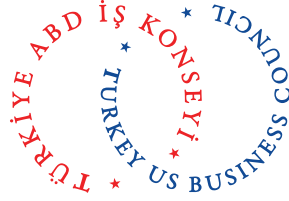


JULY 2016

Monthly Brief

U.S. Politics, Economy and Business





TAİK

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U.S. POLITICS, ECONOMY AND BUSINESS

ABOUT DEİK

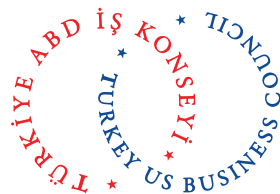
Foreign Economic Relations Board of Turkey (DEİK) is responsible for leading foreign economic relations of Turkish private sector in a myriad of sectors particularly foreign trade, international investment and services, international construction activities and logistics, exploring inward and outward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



ABOUT TAİK

The Turkey-U.S. Business Council (TAİK), operating under the umbrella of the Foreign Economic Relations 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.



TAİK

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ECONOMY

TURKISH CB: ECONOMY TO CONTINUE MODERATE, STABLE GROWTH

- Turkey's Central Bank governor said Tuesday that the nation's economic activity continues to display a moderate, stable course of growth and that planned structural reforms will boost Turkey's growth potential.
- Speaking at a press conference for the release of the Central Bank's quarterly inflation report, Governor Murat Cetinkaya said the bank will continue to maintain financial support measures amid temporary uncertainty with a limited impact.
- "The Central Bank will continue to take extra measures to support financial stability if needed," Cetinkaya said.
- He said the inflation rate will fluctuate between 6.6 percent and 8.4 percent throughout the end of 2016.
- "The midpoint in 2016 will be 7.5 percent and 6 percent in 2017," he said.
- Turkey's gross domestic product (GDP) grew 4.8 percent in the first quarter of 2016 compared to the same period last year, making Turkey one of the fastest-growing economies in Europe as well as among Organization for Economic Cooperation and Development (OECD) members.
- Cetinkaya's comments came almost 10 days after the bank stepped in to provide liquidity to the financial system following the deadly coup attempt on July 15 when rogue elements of the Turkish military tried to overthrow the country's democratically elected government.
- He said that the bank does not have a nominal or real foreign exchange rate target.
- Turkish markets shook off post-coup attempt losses on Monday, as the Borsa Istanbul soared and the Turkish lira recovered some of the losses it saw last week against the U.S. dollar.
- The country's top economic officials, including PM Binali Yildirim, have been trying to reassure investors that the July 15 failed coup will not cause permanent damage to the economy. Turkey's public debt is very low with around 35 percent of GDP in 2015, compared to over 60 percent in many European countries.

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- Cetinkaya also said the central bank's "simplification of the monetary policy", which aims to achieve a narrow and symmetrical corridor and provide funding via a single rate, would not have a negative impact on the performance of the local currency.
 - "The simplification will increase predictability, easing the risk premium," the governor said.
 - The CB cut the overnight lending rate by 25 basis points to 8.75 percent while it kept its benchmark one-week repo rate on hold on July 19 after a failed coup attempt on July 15.

'BANK READY TO ACT'

- "The CB prioritizes healthy functioning of the markets for which liquidity plays center role," economist Bora Tamer Yilmaz at Ziraat Securities told Anadolu Agency on Tuesday.
- "In order to preserve financial stability, the central bank acted cautiously in declaring support, if needed. Governor Çetinkaya further stressed that the bank is ready and willing to act upon its lender of last resort mandate, providing they have ammunition left in their policy frame-work," Yilmaz said.
- Yilmaz said as long as markets function, healthy price formations can reflect economic fundamentals in the country.
- "And they may recover from their depressed levels. Additionally financial stability ensures further credit growth supporting real sector and the economy in general," Yilmaz added.
- KapitalFx Analyst Enver Erkan said the bank is optimistic in terms of inflation expectations.
- "The expectation is based on the measures of government to stabilize the food prices, especially red meat prices," Erkan said.
- "Although the risks of failed coup attempt, the CB expects the negative effects on financial markets to be limited; simplification policy will last for suitable time period and at the end of simplification, funding will be at a single policy level," Erkan said.
- "We think that, the single interest rate should be based on the 12-month forward inflation expectations, in order to prevent the fragility which would be caused by negative real interest rate."
- In the Quarterly Inflation Report released on Tuesday, the bank said: "The CB closely monitors market depth and prices and may take all measures required to maintain financial stability when necessary. The recovery in global risk appetite and the adopted measures are expected to render the spillovers from domestic uncertainty short-lived and limited."
- The bank said in the report that the implementation of the planned structural reforms will significantly boost the growth potential, favorably affecting the risk sentiment towards the Turkish economy.
- The central bank said its "medium-term fiscal policy stance is based on the Medium-Term Program projections covering the 2016-2018 period,"

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- “Conditional on this outlook, inflation is likely to stabilize around 5 percent as of 2018 after falling to 7.5 percent in 2016 and to 6 percent in 2017,” it said.
 - Official figures showed on July 4, an inflation increase to 7.64 percent in June from 6.58 percent in May.
 - Factors cited in the report as driving inflation higher in the second quarter of the year were the energy prices and food prices.
 - Economy is expected to maintain a steady growth
 - The report noted that recent terrorist attacks and domestic developments pose a downside risk to economic activity especially through the tourism sector.
 - “On the other hand, the economy is expected to maintain a steady growth path amid structural arrangements and investment incentives,” it said.
 - The report noted that, economic growth is expected to be driven mainly by domestic demand in 2016.
 - “Notwithstanding substantial wage hikes, the favorable course of employment will continue to support consumption via the income channel. Private investments are expected to edge up in the second half of 2016 on the back of domestic demand conditions and the modest global growth,” the report said.

OIL PRICE ASSUMPTION INCREASED BY \$4 PER BARREL

- The bank’s crude oil price assumption was increased to \$44 from \$40 per barrel, as Turkey was seeing immediate benefits from sudden decline in crude oil prices in recent years. Turkey’s current account deficit has improved and inflation rates have also been reduced.
- The fall is also to continue to bolster the Central Bank’s efforts to cope with price stability, as Turkey channeled “energy import cost” into investments and consumption, boosting the country’s economic growth in the medium term.
- “Global financial markets and capital flows remain highly volatile. Despite the recent slight rise in the risk appetite, persisting concerns over global growth and uncertainties in global monetary policies feed into volatility. The bank will closely monitor the developments in both global and domestic markets and take necessary stabilizing measures by utilizing its large variety of tools,” the report said.
- “Sustained fiscal discipline has become essential in reducing the sensitivity of the Turkish economy against external shocks in recent years. In the current environment of highly uncertain global markets, the gains from maintaining and further advancing these achievements are significant. Any measure to ensure the sustainability of fiscal discipline and reduce the savings deficit will support macroeconomic stability and contribute positively to social welfare by keeping interest rates of long-term government securities at low levels,” the report added.

TURKEY NOT EXPECTING RATING DOWNGRADE FROM MOODY'S: INVESTMENT AGENCY HEAD

- A downgrade to Turkey's credit rating is not expected from Moody's in their review on Aug. 5, the president of Turkey's Investment Support and Promotion Agency (ISPAT) said on July 25.
- Arda Ermut, the agency's president, spoke to Anadolu Agency after Moody's announced last week that it would review Turkey's rating for a possible downgrade following the July 15 coup attempt. "Moody's stated that there were some fragile points in the Turkish economy in April 2014. But since then the Turkish economy has reached a stronger position," Ermut said.
- Turkey's Baa3 rating has remained unchanged since April 2014. Ermut, whose agency is a part of the prime minister's office, said ISPAT considers the Baa3 rating to be below the level the country deserves.
- Turkey's GDP increased by 4.8 percent during the first quarter of 2016 compared to the same period last year, and the country became one of the fastest growing economies among the G-20 and members of the Organization for Economic Cooperation and Development (OECD).
- "Our country put a number of action plans in place and started to get results," Ermut said. "Along with that, international investors have invested \$21 billion in Turkey since the start of 2015. Over \$13 billion of this amount was invested in domestic products and services. Even these numbers show that Turkey's structural and fiscal strength has improved since 2014," he added.
- The coup attempt put pressure on the political risk factor - a component of the credit rating - Ermut admitted. "However, this attempt was put down as our people flocked to the streets to oppose rogue elements of the military.
- Solidarity among the people removed the political risk factor from Turkey's agenda. So I do not think Moody's will take a negative decision on Turkey's credit rating. Turkey's current credit rating is already lower than what it deserves," he said. ISPAT will continue to promote foreign investment in the country, Ermut also stressed.
- "We have started getting in touch with foreign investors, numbering around 10,000 in our database. With these contacts, we have seen that their trust in Turkey is not wavering and their hunger for making investments is still strong," he said.

TURKEY'S CENTRAL BANK RAISES REDISCOUNT CREDIT LIMIT

- Turkey's Central Bank said July 25 that it would expand its rediscount credit facility by \$3 billion to \$20 billion in a bid to expand the utilization of the bank's rediscount credit facility and increase the contribution of rediscount credits to the bank's foreign exchange reserves, in a written statement.
- "The overall limit of rediscount credits has been increased from \$17 billion to \$20 billion," said the bank, adding that of this total amount, \$17 billion was allocated to Export Credit Bank of Turkey, Inc. (Türk Eximbank) and \$3 billion to commercial banks. "In line with the increased overall limit for rediscount credits, the credit limit per company for foreign trade capital companies has been raised from \$300 million to \$400 million and for other companies, from \$250 million to \$350 million," it also noted.

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- The Central Bank has announced a raft of measures to minimize the adverse effects of the failed military coup attempt in Turkey, including unlimited liquidity. “The Central Bank will provide banks with necessary liquidity, without limits,” said the bank in a written statement on July 17, following top level meetings.

TURKEY’S TOP BUSINESS ORGANIZATION STARTS GLOBAL CAMPAIGN TO FAVOR DEMOCRACY, TURKISH ECONOMY

- Turkey’s leading business organization has begun a global campaign and issued an advertisement underlining the country’s devotion to democracy and the strength of the Turkish economy in a number of leading papers in the U.S., Germany, France and Britain, following the failed coup attempt.
- The statement by the Turkish Industry and Business Association (TÜSİAD) entitled “Defending the Democratic Constitutional Order in Turkey,” was issued in the Financial Times, Le Monde, the Washington Post and the Frankfurter Allgemeine Zeitung.
- TÜSİAD, which represents 85 percent of the country’s total foreign trade (excluding energy), some 50 percent of private sector employment and 80 percent of total corporate taxes, noted that the coup attempt late July 15 failed thanks to the mobilization of all segments of society, including the people, political leaders and institutions of Turkey.
- “All of them have expressed their refusal of the violations of the [country’s] institutions and of the constitutional order and their attachment to the principles of the rule of law, fundamental freedoms and human rights,” it said in the advertisement.
- TÜSİAD noted the democratic standards of the EU and the accession process were among the most effective sources of Turkey’s strong democracy and global competitiveness, underlining that today Turkey was the world’s 18th largest economy and fully integrated with global markets.
- “Turkey has clearly proven the breadth of [its] nationwide commitment to democracy. We are confident that Turkey will continue to demonstrate the resilience of its democracy and its commitment to the rule of law.
- TÜSİAD is and will continue to be an earnest supporter of these universal principles and goals,” concluded the association

HOW THE FAILED COUP COULD IMPACT TURKEY’S ECONOMY

- Investors will be watching President Recep Tayyip Erdogan’s response to last week’s failed coup attempt in Turkey, according to Bernard Haykel, professor of Near Eastern Studies at Princeton University.
- Contentious politics, instability and recent terror attacks have led to a loss of tourism and the view that risks in Turkey are rising, said Haykel.
- “People I think are wondering, look, if this guy Erdogan, who has these very authoritarian tendencies, doesn’t get the country back in order, it’s a risky place and don’t invest there,” he told CNBC’s “Squawk Box.”

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- On Monday, the iShares MSCI Turkey Exchange ETF was down 5 percent in premarket trading. The Turkish lira recovered against the U.S. dollar after dropping to a multimonth low on Friday.
 - Turkey suspended thousands of police officers on Monday, widening a purge of the armed forces and judiciary and raising concern among European allies that it was abandoning the rule of law.
 - While Erdogan is democratically elected and most Turks prefer him to military rule, he has also placed his supporters into key positions of power while ridding himself of “any form of opposition,” Haykel said. The faction of the military that launched the coup was seeking to block that process, he added.
 - He also raised the possibility that the plotters were motivated by a perception that Erdogan would soon purge the military of supporters of Fethullah Gulen, a U.S.-based Turkish cleric with whom Erdogan was allied until the country’s 2013 government corruption scandal.
 - Erdogan says Gulen orchestrated Friday’s coup attempt, and Turkey is saying it is preparing to request Gulen’s extradition. On Monday, Secretary of State John Kerry said U.S. compliance would require that Turkey present evidence.
 - Haykel said the United States should check Erdogan’s power and ensure he does not overreach in managing purges, but ultimately the European Union — Turkey’s largest economic market — has the most influence over the nation of 80 million people.

NOW IT IS BANKS’ TURN TO TAKE STANCE AGAINST COUP PLOTTERS: İŞBANK CEO

- It is now banks’ turn to take a stance against military coup plotters, the general manager of İşbank, Turkey’s largest private bank, has said, praising the media’s “key role” in preventing the July 15 failed coup attempt.
- “Now it’s our turn to take responsibility, just as the media of all stripes played a key role in preventing the coup,” Adnan Bali told daily Hürriyet, adding that the media’s actions set an example for financial institutions. “Financial institutions should also present a stance that creates constructive solutions,” Bali said, vowing that the finance sector and the real sectors would collaborate. “We will try to use the opportunities that we have, until the end, for market and economy-friendly practices.
- We are strong enough as banks if our understanding is that way. I don’t want to exaggerate, but I call this an ‘economic mobilization’ upon the very serious political reflex that was shown.
- We’re all a part of this,” he added. Bali also stressed that the “normalization process” in Turkey cannot be abandoned and the country can emerge from the current situation and progress - if the process is managed well. “We will leave in the past the causes of disintegration. We have a state, a republic and a democracy to protect, and we will get down to business.
- We have all received education in this country and shared the prosperity of it. Now we will make self-sacrifices in the hard times. We have increased our welfare via the businesses that have been going well recently, now it’s time to share this country’s hardships,” he also added. Describing the prevention of the attempted coup as an “initial phase” in the name of “democracy and independence,” the İşbank general manager stressed that without financial support such a phase could not be made permanent.

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- Bali also criticized S&P and Moody's for their stance against Turkey after the failed coup attempt, saying their decisions were "politically motivated." "I've previously said that the note of a country should be protected. It can be decreased easily, but it's hard to increase it. The rating institutions are not centered on objectivity. They are involved in economic politics.
 - One of them starts evaluating and the other downgrades credits before it is even known what is happening, or what the decisions of the political authority and the economic precautions will be. Then it gives a negative outlook.
 - I want to ask them: Have they evaluated the situation in Turkey by coming to the country?" he said. Stating that the decisions were made with "superficial" information, Bali added that the failed coup attempt had actually resulted in "unification" in Turkey rather than "disintegration."

HUNGER FOR TURKEY'S ENERGY INVESTMENTS UNLIKELY TO EBB: IEA

- The intensive appetite for energy investments with increased demand in Turkey is unlikely to be lost in the wake of the failed coup attempt on July 15, International Energy Agency (IEA) Executive Director Fatih Birol has said.
- Speaking to Anadolu Agency on the impacts of the attempt, Birol noted the steps taken by Turkey to repel long term risks have been positive.
- Turkey's Central Bank said on July 17 that it would cut the commission on daily liquidity options for banks to zero as well as provide them with unlimited liquidity to maintain efficient functioning of the financial markets.
- "It will be better if these steps are supported with market-friendly structural reforms," Birol added.
- He said one of Turkey's biggest objectives was to increase energy investments. "Two points need to be considered in energy investments. First, energy projects are long-term projects, and second the fundamentals regarding the energy sector in the country have to be taken into account," he said.
- He added that no change in Turkey's fundamentals was evident from the point of view of investors, as the economy was experiencing what many countries consider an enviable growth rate.
- The International Monetary Fund (IMF) had revised Turkey's 2016 growth forecast to 3.8 percent, from 3.2 percent, according to its World Economic Outlook report published in April. The IMF expected Turkey to grow by 3.4 percent in 2017.
- "I think the appetite for energy investment is unlikely to be lost and the steps taken up to now are in place to increase this appetite," Birol said.
- Turkey declared a state of emergency for three months late on July 20 in response to the coup attempt.

OIL BOOSTED BY TURKEY, BANGLADESH ATTACKS

- Oil prices finished a choppy week higher July 1 as an apparent hostage crisis in Bangladesh revived worries about political risk and the implications for oil supply.
- Gunmen stormed a crowded restaurant in the Bangladeshi capital of Dhaka on Friday night, apparently taking diners hostage and sparking a firefight with police, officials said.
- Analysts said the oil market was already jittery after suicide attackers on June 28 launched an assault at the Istanbul airport in Turkey.
- U.S. benchmark West Texas intermediate for August delivery gained 66 cents at \$48.99 a barrel on the New York Mercantile Exchange.
- Brent North Sea oil for September delivery advanced 64 cents to \$50.35 a barrel in London. Investors want to play it safe before the long weekend, with the US market closed Monday for the Independence Day holiday, said energy industry consultant Andy Lipow.
- “The market didn’t really want to go into the weekend short (on oil) given what’s been going on in the Middle East,” Lipow said. “There’s probably some nervousness going into a three-day weekend.”
- Lipow said oil is also expected to receive support from rising gasoline use this summer as more motorists take advantage of low prices at the pump and opt for road trips instead of air travel.
- Most analysts still view the oil market as amply supplied thanks to high output in key OPEC producers and despite supply disruptions in some key oil-producing countries, such as Nigeria and Canada.

TURKISH LIRA, SHARES REBOUND AS EMERGING STOCKS NEAR NINE-MONTH HIGHS

- Turkish Lira climbed more than 1 percent on July 25 as its post-coup attempt recovery continued, while emerging market stocks tested nine-month highs as a G-20 vow to boost global growth helped offset backsliding oil prices.
- There was a broad-based rebound in Turkish markets, which sold off heavily last week following the failed coup. Alongside the rising lira, Turkish stocks rallied 3.4 percent to put them on course for their best day in more than a month, albeit a move likely to be small consolation to investors after their 13 percent plunge last week.
- Murat Toprak, FX strategist at HSBC, said the stabilization had been driven by two factors: “One is that, although the situation remains fragile, it is under control, there is no big destabilization of Turkey. Also, the global backdrop is relatively favorable.”
- Supporters of Turkey’s ruling and main opposition parties rallied together in support of democracy at the weekend as Deputy Prime Minister Mehmet Şimşek also gave assurances that Turkey would adhere to the rule of law.
- The yield premium paid by Turkish sovereign bonds over U.S. Treasuries on the JP Morgan EMBI Global narrowed to 327 basis points (bps) in early trading, compared with a multi-month high of 342 bps hit last week.

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- Turkish five-year credit default swaps also narrowed to 271 bps according to data provider Markit, having blown out to five-month highs last week.

MSCI's benchmark emerging equity index meanwhile was up 0.23 percent, nudging the nine-month high it hit last week. The tick-up followed reassurances from G-20 policymakers at the weekend that they would use "all policy tools" to boost global growth.

- HSBC's Toprak said loose, accommodative monetary policy globally remained the primary driver of financial markets. "The key thing we are watching is if the European Central Bank, the Bank of England, and the Bank of Japan will deliver more - we are in an environment where the market expects more loosening from central banks," Toprak said.

TURKEY'S CENBANK SLAMS S&P OVER 'HASTY' RATINGS DOWNGRADE

- The Turkish central bank governor slammed ratings agency Standard & Poor's on Tuesday for downgrading Turkey's sovereign debt following the July 15 failed coup, calling the decision "hasty".
- Speaking at a news conference to announce the bank's quarterly inflation report in Ankara, Murat Cetinkaya said it was still too early to assess the impact of the abortive putsch on the Turkish economy.
- "To be able to understand the impact of the incident we have recently experienced in Turkey ... a sufficient amount of time needs to have passed and a sufficient amount of data and observations need to be collected," Cetinkaya said.
- "We think it is still too early for this. I want to say that we, as the central bank, find the decision recently taken by a rating agency as hasty," he added.
- Last week Standard & Poor's cut Turkey's credit rating deeper into junk territory, saying its political landscape had further fragmented since the attempted coup, when a faction in the military tried to overthrow the government. It soon crumbled as large numbers of Turks rallied in support of democracy in response to an appeal from President Tayyip Erdogan.
- S&P also said political polarization had further eroded institutional checks and balances in Turkey, a reference to a wide-ranging crackdown on suspected coup plotters and their supporters in the judiciary, the military, the educational sector and the civil service.
- Cetinkaya said the bank's mid-point forecast for year-end inflation was 7.5 percent for 2016 and 6 percent for 2017, both unchanged from the previous report in April.
- Cetinkaya also said at the presentation in Ankara that the bank's liquidity measures, taken in the wake of the attempted putsch, helped to limit volatility in markets.
- He said the monetary policy stance would depend on the inflation outlook in the coming period.

TURKEY OPEN FOR BUSINESS WITH PURGES NEARLY OVER, PM SAYS

- Turkey's currency, stocks and bonds gained after the premier said in an interview that the purges of those allegedly implicated in the putsch, which have spread concerns that President Recep Tayyip Erdogan was taking advantage of the upheaval to neutralize opponents, are nearing an end.
- "Here is what we are telling global investors: Life is back to normal in Turkey," Yildirim said, speaking at his official residence in Ankara on Sunday.
- The failed attempt July 15 by military officers to seize power left about 250 dead, shocked markets, drove the currency to a record low and sent stock prices down. Sweeping purges of those accused of complicity have reached far beyond the military, with educators and corporate executives also removed from their positions. A total of 13,165 people were detained on suspicions of involvement in the plot or links to Fethullah Gulen, the U.S.-based Islamic cleric that the government has blamed for inciting the uprising. Gulen has denied any involvement.
- **'Wealth-Management Fund'**
- The economic impact of the upheaval has been limited mainly to financial markets and a downgrade of Turkey's credit rating by S&P Global Ratings. Moody's Investors Service has put the country's debt on review for a possible downgrade.
- Morgan Stanley said in a report on Monday that while their base case is for Turkey to keep its rating, "we believe that it is now a very close call."
- Markets are showing signs of recovery. The lira strengthened 0.8 percent Monday to 3.0401 to the dollar, its third advance in a row, and the Borsa Istanbul 100 Index for stocks was the world's best performer, rising 3.4 percent. The stock market is still down around 10 percent from before the coup and the currency is down about 4.6 percent.
- The yield on the benchmark 10-year bond closed Monday at 9.87 percent, down from 10.04 percent Friday, but up from about 9.1 percent below the failed putsch.
- "It has not been a devastating effect," Yildirim said, noting the government is committed to keep strong growth on track. He provided few details on the new "wealth-management fund," beyond saying it would be worth "tens of billions of dollars" and would not threaten the country's low budget deficit.
- "It's a structure that will finance large-scale projects," he said. "We are going to finance investments through this fund instead of the general budget." In 2013, the government considered using money earmarked for future unemployment benefits to create a fund for strategic projects, but that plan didn't get off the ground.
- This time, the government also expects Turkish banks to play a role in keeping growth strong, he said.
- "Our banks will shift to a mentality of loans directed towards economic growth without capitulating on their lending criteria," Yildirim said. "If necessary, preferential interest rates will be applied to investments in priority areas, while the difference will be paid for by the state's loan-guarantee fund."
- **No 'Ambush Elections'**

- Turkey's economy, the largest in the Middle East, has consistently beaten estimates since the end of 2014, powered in large part by consumer spending owing to millions of refugees displaced by the civil war in Syria. The economy grew 4.8 percent in the first quarter of this year and 5.7 percent during the preceding three months, the fastest expansion among the G-20 top economies after China and India, according to data compiled by Bloomberg.

- Yildirim, 61 years old, took office two months ago. He said what he called "ambush elections" would only cloud the outlook, adding that the next poll would be held as scheduled in 2019.

- "We have no time to lose with an election," he said. "For us, an election means slowing down the economy, reducing visibility and halting plans of the government for the future."

- Erdogan's AK Party lacks the votes needed in parliament to make constitutional changes to impose a presidential system that would give him greater control. Many observers had expected him to take advantage of the surge in popularity he's enjoyed since the failure of the coup to seek early elections and more support in parliament.

- "Under the presidential system, there would be no one attempting such an adventure," Yildirim said, referring to the failed coup. "Because then an absolute political will would be in charge."

- **Army Overhauls**

- Yildirim said the military, which has overthrown the government three times since 1960, needs further overhauls.

- "There is a serious need to restructure the Armed Forces," Yildirim said. "We've seen during the coup-attempt that there is a security weakness, there are some problems in the chain of command."

- The government is also investigating intelligence failures prior to the coup attempt to determine if there was any neglect or intentional oversight, he said, when asked whether the government was considering removing the intelligence chief or the top military commander from office.

- **Purges Abate**

- But the sweeping removals and arrests that have followed the coup are nearing their end, Yildirim said.

- "Most of those involved in this coup attempt have been handed over to justice and I don't think there is a high number of people" implicated who remain at large, he said. The government would come down "like a sledgehammer" on any future efforts to challenge it, he added.

- The government last week declared a three-month state of emergency and ordered the seizure of assets of organizations, including schools, hospitals, and foundations, linked to Gulen, the alleged mastermind of the coup attempt. "The state seized their properties but their operations won't be halted, the schools and hospitals will run under the control of the state," Yildirim said.

SIEMENS, STATKRAFT CONFIRM SUPPORT IN TURKEY'S ECONOMY

- Siemens will continue operations in its various operational sectors in Turkey including energy, Siemens Turkey's chairman said Tuesday in response to the recent coup plot. Huseyin Gelis, chairman of the board of Siemens Turkey, expressed his condolences to those who died in the coup attempt which took place on July, 15, and underlined the event will not damage Siemens' investments in the country.
- The company, which has been operating in Turkey for 160 years, has survived many mass crises and coups, Gelis told Anadolu Agency in a recent interview.
- "Turkey previously experienced many serious issues and economic and social crises, but it was strong enough to overcome all these problems and continue on its path," he stressed and asserted that the country is again strong enough to deal with the current military coup attempt.
- Gelis emphasized that the company will continue with its planned investment strategies regardless of the climate following the failed coup. He concluded that he believes Turkey's economic stability will normalize and refutes the belief that the current situation will negatively impact the country's economic development.
- Siemens began operations in Turkey in 1856 during the Ottoman Empire era. It currently operates in various sectors in the country from energy to transportation. The company generates €2 billion in annual income in Turkey alone. The Norwegian company focusing on hydropower in Turkey, Statkraft, also expressed its confidence in Turkey.
- Statkraft's representative, Lars Magnus Gunther said that the company will continue to invest in Turkey's hydroelectricity and other energy investments. The company started operating in Turkey in 2009, and since then has installed 122 megawatts of capacity. This is expected to increase with the addition of 517 megawatts when the construction of Statkraft's third and largest power plant outside of Norway, Cetin Hydropower plant located in the Southeast Anatolia region, is complete.

OIL PRICE ASSUMPTION INCREASED BY \$4 PER BARREL

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- “Sustained fiscal discipline has become essential in reducing the sensitivity of the Turkish economy against external shocks in recent years. In the current environment of highly uncertain global markets, the gains from maintaining and further advancing these achievements are significant. Any measure to ensure the sustainability of fiscal discipline and reduce the savings deficit will support macroeconomic stability and contribute positively to social welfare by keeping interest rates of long-term government securities at low levels,” the report added.

EBRD INVESTING 21M EUROS IN BOND FOR TURKISH HOSPITAL

- The European Bank for Reconstruction and Development (EBRD) will invest 70 million Turkish liras (about €21 million) in a four-year bond to a major Turkish contractor to finance a state-of-the-art hospital, the bank announced Monday.
- The EBRD is strengthening Turkey’s capital markets by investing in the country’s longest tenor corporate bond. The senior unsecured local currency bond is part of a TRY 250 million (approximately €74 million equivalent) issuance in two equal tranches, with four- and two-year maturities respectively, the bank said in a statement.
- The four-year tranche uses the Turkish Lira Interbank Offer Rate (TRLIBOR) as its benchmark rate, which allows for effective interest rate hedging and wider investor participation, said the statement.
- “We sincerely thank all our local and foreign investors, primarily the EBRD, for their trust in us and the Turkish economy, enabling us to improve market sentiment through this issuance,” Huseyin Arslan, chair of the YDA Group contractor, said. “A four-year tenor for a corporate bond is an important achievement for the local bond market, and we are grateful to the investors who supported this issuance despite the latest developments in local and foreign markets.”
- The bond issued by YDA will be used to build a mega-hospital through a public-private partnership (PPP) in Konya, Turkey’s seventh-largest city. Construction, maintenance, and non-clinical services will be YDA’s responsibility, while medical services will be provided by the Turkish Health Ministry.
- The bank previously arranged a €147.5 million syndicated loan for the development of the high-tech Konya hospital, expected to become operational in 2019.
- The European Bank for Reconstruction and Development’s decision came in the wake of the July 15 coup attempt, which shook the Turkish economy and led to speculation of rate cuts from international credit rating agencies that largely stayed rumors.

YAHOO SOLD TO US TELECOMS GIANT VERIZON

- US internet firm Yahoo is being acquired by American telecoms giant Verizon Communications for nearly \$5bn (£3.8bn) in cash.
- Yahoo will be combined with AOL, another faded internet star, which Verizon bought last year.
- The deal does not include Yahoo’s valuable stake in Chinese firm Alibaba.
- The price tag for the deal is well below the \$44bn Microsoft offered for Yahoo in 2008 or the \$125bn it was worth during the dot.com boom.
- Verizon said the deal for Yahoo’s core internet business, which has more than a billion active users a month, would make it a global mobile media company.

BIG BULL TOM LEE ADMITS: 'AUGUST SCARES US' AND HERE'S WHY

- Strategist Tom Lee is known for perennially serving as one of the biggest bulls on Wall Street, but when asked about the month ahead, he's striking a markedly cautious tone.
- "August scares us," the co-founder of Fundstrat Global Advisors said Monday on CNBC's "Trading Nation." He pointed to two troubling stats in particular.
- Lee observes that going back to 2009, the S&P 500 has fallen an average of 6 percent during the month of August — a stat that jibes well with the "sell in May and go away" line of thinking.
- Further, the odds of a slip could be even greater this year, given that "the bond market has become a lot more volatile than equities, and whenever this happens, 68 percent of the time, the stock market falls in the following month."
- This adds up to a "pretty scary" outlook for next month, Lee said. However, after an August slip, Lee expects a fall rip.
- Or, as the strategist memorably put it in a recent note to clients: "sell the beach, buy the teach."
- More specifically, Lee says that once the S&P falls to 2,100, "we think you should buy it," in anticipation of a substantial rally to Lee's 2,325 year-end price target. It closed Monday at 2,168.48.
- Indeed, the long-term minded "shouldn't do anything, because a 2 to 3 percent sell-off isn't enough to warrant a big shift in a portfolio. But 2 to 3 percent for an active manager is relative performance."

FED SEEN HOLDING RATES STEADY AS INFLATION WATCH CONTINUES

- The U.S. Federal Reserve is expected to keep interest rates unchanged this week, deferring any possible increase until September or December, as policymakers hold out for more evidence of a pickup in inflation.
- Central to the debate at the Fed's July 26-27 policy meeting will be how to reconcile upbeat U.S. economic data, highlighted by strong job gains in June, with a global growth slowdown and other headwinds threatening the inflation trajectory.
- For San Francisco Fed President John Williams, one of the 17 members participating in the central bank's rate-setting deliberations, all that is needed is a bit more confidence that inflation is indeed headed toward the Fed's 2 percent target.
- The inflation measure the Fed prefers to track is currently at 1.6 percent.
- With monthly job gains well above the level needed to prevent an uptick in unemployment, and no signs of a rise in productivity, some Fed policymakers are likely to argue for a quick increase in rates to avoid a surge in inflation.
- "That is the danger – and you can be sure that the hawks are going to be arguing that," said Alan Blinder, a Princeton University professor and a former Fed vice chairman. "I have a hunch that they will talking in July about September."

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- Other policymakers, like influential New York Fed President William Dudley, have signaled they would rather wait for more tangible signs of a rise in inflation before pulling the trigger on a rate increase.
 - “There’s not a lot of reason to raise rates until inflation goes up,” said Kevin Logan, chief U.S. economist at HSBC in New York.
 - The U.S. central bank is scheduled to issue its latest policy statement at 2 p.m. EDT (1800 GMT) on Wednesday.

HEADWINDS

- The Fed raised its benchmark overnight interest rate in December for the first time in nearly a decade, and signaled four rate hikes were coming in 2016 as it moved to “normalize” the ultra-stimulative monetary policy adopted in response to the 2007-2009 financial crisis.
- But headwinds in the global economy, financial market volatility and uncertainty over the impact of Britain’s decision to leave the European Union forced it to delay a rate hike and scale back the number of projected hikes to two for the year.
- Still, absent a shock to markets or a reversal in U.S. economic data, even dovish policymakers like Dudley have signaled that their cautious approach to normalizing monetary policy likely allows for at least one rate hike this year.
- After Wednesday, the Fed has three more policy meetings scheduled this year - in September, November and December. A November rate hike is seen as highly unlikely, as that meeting comes one week before the U.S. presidential election.
- Economists polled by Reuters expect the Fed to hold rates steady until after the election.
- “Rate normalization has fallen down the Fed priority list and will remain there until the dust is well settled on the financial markets and the economy,” Jefferies economists predicted in a note last week.
- Adjusted for inflation, the federal minimum wage is worth less than 50 years ago
- Nearly seven years after the federal minimum wage was raised to \$7.25 an hour from \$6.55, it has remained stagnant despite the increasingly heated debate over better pay and worker protections.
- But that hasn’t stopped Ken Weinstein from paying his workers more at his two restaurants in Pennsylvania, where the state minimum wage matches the federal floor.
- Weinstein owns two Trolley Car Diners in Philadelphia, and decided two years ago to increase the minimum wage for his 75 employees to \$8.50.
- “It’s a competitive thing — you certainly get better employees by paying them more,” said Weinstein, who supports a \$12 an hour federal minimum wage. “We have a stable workforce, and it’s partly due to treating our employees well, and paying them more than our competitors.”
- Despite periodic increases, the buying power of the federal minimum wage hasn’t kept up with inflation, according to the Bureau of Labor Statistics. Data show that in 1968, the federal minimum was equivalent to \$10.90 in 2015 dollars, nearly \$4 higher than today’s rate.

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- Across the country, 29 states and Washington, D.C., currently have wages above the federal floor, according to the National Conference of State Legislatures.
 - California and New York are set to soon have the highest minimum wages in the nation, after deals were struck by their governors to raise them to \$15 an hour by 2022 and 2018, respectively, with slower increases for smaller businesses.
 - Many big cities from Los Angeles to Seattle have also independently hiked their local minimum wages.
 - The Obama administration has also taken some action on wages, with the Department of Labor enacting sweeping changes to overtime regulations. By December, more than 4 million salaried employee-earning \$23,660 to \$47,476 annually will be eligible for overtime pay. And over the past two years, major players including Target, Wal-Mart and Facebook have joined the wage fight, increasing pay for workers amid an ongoing battle over whether higher pay and benefits are better for businesses. For higher-wage advocates, the momentum is a great start, but more work needs to be done.
 - “It’s not acceptable,” Holly Sklar, CEO of the advocacy group Business for a Fair Minimum Wage, said about the seven-year stretch at \$7.25. “The whole point of the minimum wage is to have it go up regularly. It shouldn’t sit still every year when the cost of living is going up. The minimum wage is losing value.”
 - But not everyone on Main Street is ready to pay more. Opponents argue that mandating higher wages will hurt smaller companies that may not have the sales or support to take on the increase plus the added pressure and costs for other regulations, including health-care reform and overtime pay.
 - Members of the conservative lobbying group the National Federation of Independent Business have opposed wage increases at state and local levels in recent years, and are against hiking the federal minimum wage, said spokesman Jack Mozloom.
 - “Our members don’t feel they can absorb the increase and the increases are unrelated to their businesses,” Mozloom said. “Whether they have the sales to support higher labor costs is something politicians can’t answer.”
 - The idea that presidential candidates like Hillary Clinton would support raising wages as high as \$15 an hour at the state and local levels is “very troubling for those in the Midwest and the South, where the cost of living is lower. That would hurt them,” Mozloom said.
 - Donald Trump has wavered on plans to enact a higher minimum wage, telling NBC in May that “states should decide” their own wages, for competitive reasons.
 - Weinstein disagrees with the notion that a federal minimum wage increase is bad for Main Street, and said higher wages haven’t hurt his business. In fact, he’s set to open up a third location next summer.
 - “If we all end up paying our employees more than we do now, they will have more money to spend at our businesses and products — there are benefits to area businesses,” he said.

RENEWED OIL WEAKNESS SPARKS DEMAND FEARS

- U.S. oil prices topped \$50 a barrel in June, boosting optimism a two-year price rout might end. Six weeks later, the long hoped for recovery has yet to take hold.
- Mounting fears that demand has fallen short of expectations as production increases and rig counts rise has analysts believing that any oil price recovery may be a year or more in the future.
- The demand response has been slower than bulls had hoped. U.S. drivers have covered fewer miles than expected this summer, and as they speed toward the Labor Day holiday in September, the overhang of gasoline in storage may put downward pressure on crude and refined product prices.
- “Right now, the only thing that would drive prices higher is robust demand,” said John Paisie, executive vice president at Stratas Energy Advisors, a Houston-based consultancy. The growth must be across the board, for products including distillates like diesel and jet fuel, as well as gasoline.
- “Demand just can’t be made up by one product,” he said, and demand for diesel has been lagging.
- Instead of seeing \$60 a barrel, which would support an increase in production, the demand questions, and ongoing supply concerns, mean oil could fall further. U.S. crude settled at \$43.13 on Monday, after earlier hitting a three-month low.
- “Demand is growing very moderately,” said veteran oil economist and independent consultant Phil Verleger. “There’s no real surge to it - call it the great moderation.”
- While gasoline prices have declined, the lower cost at the pump has only a moderate effect on consumer’s buying habits, Verleger said. Instead of racing out to fill their tanks, consumers are using the savings to pay down debt, he said.
- The U.S. Department of Energy has trimmed its outlook for gasoline demand growth for the remainder of the year, and now forecasts growth of 160,000 bpd, compared with 220,000 bpd previously.
- Gasoline demand data often lags by two months or more, but as figures for the beginning of this year’s summer driving season have been released, analysts have trimmed their outlook for 2016 growth. U.S. drivers logged two percent more miles in May than a year earlier, compared with 2.2 percent in April, according to the U.S. Department of Transportation.
- U.S. gasoline demand rose by a modest 0.8 percent in April according to the Department of Energy. May data is due out on Friday.
- Experts agree that rebalancing the market will take strengthening demand, as crude from shale formations and deepwater fields has continued to come into production despite lower prices.
- “There’s got to be a reckoning that we only have a few weeks left of peak gasoline demand, and then we hit a shoulder season,” said Michael Cohen, head of energy commodities research at Barclays. In the so-called shoulder season during the autumn, diesel usually drives petroleum demand.
- European diesel demand also may be weaker than expected because of Britain’s Brexit vote to leave the European Union, Cohen said. In China, stockpiles have built, which may limit Asian demand growth.
- Without a surge in demand, the market will be unable to use up the gasoline that refiners stockpiled ahead of a summer driving season that shaped up to be more lackluster than expected.
- Cohen said he did not expect to see prices fall into the \$20s or \$30s as in January and February.

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TRADE AND INVESTMENT PARTNERSHIP (TTIP)

PUBLIC WANTS REFERENDUM ON TTIP - POLL

- They also want a similar poll on Europe’s planned trade agreement with Canada, according to the survey carried out by Red C.
- The survey was commissioned by lobby group Uplift, which has campaigned against the US agreement.
- Talks on the Transatlantic Trade and Investment Partnership (TTIP), a sweeping US-European free trade deal, started three years ago - but the two sides have been unable to settle differences over various issues, including agriculture.
- The Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU has also taken years to negotiate, and could come into force next year.
- Uplift commissioned Red C to conduct a poll on public attitudes in Ireland towards certain potential aspects of both the TTIP and CETA trade agreements, with a random sample of 1,004 adults across the country interviewed by telephone earlier this month.
- Young people aged between 18 and 24 are the most sceptical of the two proposed trade agreements, and are most in favour of a referendum to accept or reject them.
- They’re also the age group most in favour of EU standards not being changed to match US or Canadian standards.
- Siobhan O’ Donoghue, Uplift director, said that if passed into law, TTIP and CETA will affect every Irish citizen “in ways never imagined before”.
- “A referendum on TTIP and CETA would balance the power of corporations and put the decision on the future of our democracy in the hands that matter - the people,” Ms O’Donoghue said.
- In June, Uplift started an online signature campaign to urge Taoiseach Enda Kenny to call a referendum on the two trade agreements.
- Members of the group also campaigned outside Leinster House last year, warning that the proposed agreement threatened “to increase the power of multinationals at the expense of people, democracy and the planet”.
- It argues that the Government is only serving the needs of big business.
- However, a report commissioned by the Government said TTIP will boost the economy and trade, and help create thousands of jobs.

- TTIP is primarily an agreement to cut tariffs and regulatory barriers to trade between the US and EU countries, but has encountered opposition from some quarters across Europe, including trade unions.
- The US government said last week that it is committed to concluding the deal this year and believes it is even more essential after the Brexit vote in the UK.
- According to the survey, 69pc of adults state that they would be concerned if TTIP or CETA were to be agreed as they don't know enough about the ramifications.
- The Irish Independent recently published for and against opinions from Chambers Ireland chief Ian Talbot and Unite economist Michael Taft.
- Mr Talbot argued that the proposed deal represented an unprecedented opportunity for two of the world's biggest economies to remove barriers to trade, increase growth and create jobs.
- But Mr Taft said it would "debase democracy" and would give global corporations legal privilege over citizens and governments.

DEAL OR NO DEAL: IS TTIP GOOD FOR US?

- Unite believes that the implications of TTIP are so far-reaching that it must be put to a referendum. Traditional trade issues are only incidental to this so-called 'trade deal'. TTIP's main thrust is to debase democracy by awarding global corporations legal privilege over citizens and elected governments. As a result, the ability of democratically elected governments to safeguard labour, consumer, environmental and health standards will be severely, if not fatally, undermined.
- Our main concern is the Investor State Dispute Settlement (ISDS, now repackaged as the Investment Court System) which enables corporations to sue governments for compensation if they believe public policies interfere with profit maximisation. They can bypass our legal system and take their case to secret, private courts from which there is no appeal. This has been done under the umbrella of other agreements with similar ISDS provisions:
- Philip Morris Company sued Australia over its planned introduction of plain-packaging for cigarettes.
- Veolia is suing Egypt for its decision to raise the minimum wage.
- Canada has been sued by corporations over such decisions as subsidising renewable energy, placing a moratorium on fracking, banning toxic petrol additives and temporarily banning toxic waste exports.
- This is not about 'trade'. It is about global corporations coercing governments into subordinating public welfare to shareholder interests. No wonder the negotiations have been conducted in secret and there is reportedly an agreement with the US that negotiation documents won't be made public for 30 years.
- Instead of addressing this substantial democratic deficit, the Government has focused on TTIP's alleged economic benefits. However, the Government's own report shows little economic gain but potentially significant losses. For example, although TTIP will boost pharmaceutical exports this will have little impact on employment. Pharmaceutical exports have nearly doubled since 2000 but sectoral employment has fallen. Many of TTIP's purported benefits, like the recent GDP figures, will be only marginally attached to the domestic economy.

- But the losses will be felt in the domestic economy. Even the Government admits the beef sector will be badly affected. The Irish Farmers Association has raised additional concerns about the pigmeat and poultry sectors, citing threats to standards governing genetic modified organisms, hormones, pesticides, animal health and product labelling. Thanks to TTIP's 'regulatory convergence', these standards are likely to be driven down to US levels of low regulation. Given the importance of the food sector, our economy could be badly hit. But that's not all.
- Leaked TTIP negotiating documents indicate that a range of consumer protections are also in the firing line. The EU's precautionary principle was dropped (whereby products must be proven safe before they can be sold) in favour of the US 'risk-based' approach which puts the burden of proof on states and consumers to show products are unsafe. Everything from US-sanctioned lead in lipstick to chlorinated chickens could hit our shelves after TTIP.
- European public service unions have warned that health, education and other public services could be exposed to privatisation, race-to-the-bottom competition and secret-court action. The 'negative list' approach means all public services can be permanently opened up to TTIP unless the current government specifically excludes them. This is a real threat in Ireland where global companies already have a foothold in our hospital and higher education sectors.
- Business groups are waking up to these threats. In Germany, 'KMU gegen TTIP' (SMEs against TTIP) is supported by thousands of small companies and entrepreneurs - including many exporters. They point to TTIP's hidden additional costs and the disadvantage they would be placed at vis-à-vis global corporations.
- Throughout Europe there is a rising sentiment against TTIP. Over three million signed a petition - a European Citizens' Initiative - opposing the deal. Over 1,800 cities and regions have declared themselves 'TTIP-free zones' including Barcelona, Cologne, Milan, Vienna, Amsterdam, Birmingham and Co Clare. Every month the list grows.
- In Ireland there is an emerging, broad-based coalition opposed to TTIP - from farming, consumer and environmental activists to ICTU and the trade union movement. TTIP poses such a fundamental threat to democracy, public welfare and our economy that Unite believes people should have the final say in a referendum.

US SEEKING BILATERAL TRADE DEAL WITH UK TO PRESS EU ON TTIP

- A potentially swift bilateral trade and investment deal with the UK is being suggested by American officials as a way of pressing the European Union to speed up its own stalled transatlantic trade deal, as well as cementing a commitment to the UK-US economic relationship.
- The news will be welcomed by the international trade secretary, Liam Fox, who has been charged with striking British trade deals to replace the EU's deals with the rest of the world. The UK cannot formally sign any trade deals with other countries or trading blocs until it has left the EU, but it appears to be accepted that negotiations on the outline shape of such deals can start before that happens.
- During the EU referendum campaign Barack Obama, the US president, said the UK would have to go to the back of the queue for a trade deal with America if it left the EU, but in the wake of the vote US thinking seems to be changing. Fox is due to visit the US shortly.

- The US secretary of state, John Kerry, has spent two days in the UK talking with Downing Street officials and new foreign secretary, Boris Johnson, trying to assess the kind of eventual relationship the UK would like to agree with the EU, and the trade-offs it might accept in order to retain access to the EU single market.
- A bilateral UK-US deal would focus on business investment more than trade tariffs.
- Since 2013 the US has been negotiating a Transatlantic Trade and Investment Partnership (TTIP) with the EU, including the UK. But the agreement is facing strong opposition particularly in Germany, France and Austria. The Obama administration has said if it cannot sign an TTIP agreement, it wants the task to be passed to Hillary Clinton.
- But the US has little leverage over the EU to sign a deal, and a possible alternative outline deal with the free trading UK could act as a lever to persuade the EU to be more flexible. The German vice-chancellor Sigmar Gabriel, Germany's most senior TTIP negotiator, has openly criticised the lack of progress in recent talks while senior members of his centre-left SPD have said the deal is dead.
- Speaking in London, Kerry said it was incorrect to assert that the UK and the US could not begin negotiations on a trade deal, but that it was "impossible to sign an agreement until the EU issue is resolved, and that obviously takes a period of time."
- He added: "President Obama made it very clear the other day, as did our trade representative, Michael Froman, that we are absolutely prepared to engage in conversations because it would be irresponsible not to."
- Boris Johnson added "clearly you can begin to pencil things in, you can't ink them in".
- The investment deal would in essence allow US companies access to the UK. Britain is the US's largest trading partner in the EU as measured by the total export value for goods.
- There is strong support in the Senate for a bilateral US-UK trade deal. House ways and means committee chair, Kevin Brady, said last week: "We should now begin to discuss a modern, new trade agreement with the UK that not only continues but expands the level of trade between our two nations." The attraction is that it should be possible to adapt and pick up on the framework and the progress made in the current TTIP trade talks.
- Kerry is likely to make a final pitch to the EU to sign a deal this summer, including in a visit to Austria this month. He said on Tuesday at his London press conference that TTIP "does not usurp people's ability to have strict standards. It embraces strict standards and it empowers people to be able to regulate their products and economies."
- He argued the US trade deal with the Pacific nations upheld labour standards and he was "convinced that it is possible to address the concerns that exist within Europe with respect to TTIP."
- Acknowledging the causes of the leave vote in the UK, he said: "For all those people who voted because they don't think they're getting the benefits of globalisation, we believe that passing TTIP is in fact the way to begin to guarantee you will get those benefits".
- There is a wider concern in Washington that Brexit might prompt a global economic downturn, which could benefit Donald Trump politically and make trade negotiations harder. The US has cast itself in the role of marriage guidance counsellor trying to ensure that the UK-EU divorce does not disrupt world growth.

- It is exploring whether Germany and France – which are both also under pressure over migration - might be willing to give ground to the UK on the issue of free movement by introducing a wider brake on migration rather than just providing a special deal for the UK.
- The American administration is also investigating why the Remain camp was defeated, to see what lessons can be learnt for combatting populist forces in the US.
- At his press conference Kerry repeatedly referred to the need to ensure globalisation benefitted everyone, and not just the rich

U.S. ELECTIONS

CLINTON CAMPAIGN TOUTS CHILDREN'S HEALTH LAW, BUT OBAMACARE IS HER LEGACY TOO

- the Democratic National Convention on Tuesday night highlighted Hillary Clinton's work on health care issues, with particular focus on her efforts to make sure children have health insurance and to reduce the price of prescription drugs.
- It was a truthful recitation of Clinton's accomplishments. But it was not a complete one, because it left out one key initiative: the Affordable Care Act.
- She owns a big piece of that, too, from her own attempt to craft and help pass a universal health care plan back in 1993 and 1994 when her husband was president and she was the first lady.
- Democrats had been trying seriously to achieve universal coverage for more than half a century, going back to the early 1940s, when Rep. John Dingell Sr. led a congressional effort and then former President Harry Truman made a national health plan a key promise of his campaign.
- Lyndon Johnson won a huge victory in 1965, when he won passage of laws creating Medicare and Medicaid, but millions of non-elderly Americans still had no coverage and efforts to reach them with legislation seemed to be going nowhere.
- Then Bill Clinton became president, with an idea for breaking through where Democrats had failed before. He proposed to achieve the traditional liberal goal of universal coverage, but to do so by using a method conservatives might find acceptable specifically, by providing people with private insurance rather than some form of government-run program. When Clinton became president, he handed over responsibility for crafting and then selling the plan to Hillary an unprecedented delegation of authority to a first lady.
- The proposal never became law and Clinton, who had won gushing praise for her mastery of health policy, ended up taking a lot of the blame. From then on, she focused her efforts on health care initiatives less likely to arouse opposition. Among other things, she played a key role in crafting and promoting the Children's Health Insurance Program a bona fide big deal that has helped millions of children.
- But the failed Clintoncare effort also left a legacy. The veterans of that effort went back to work, studying where they had gone wrong and how they could get it right the next time. Over the next few years, they did the unglamorous but necessary work that goes into passing a major law hashing out the minute details of policy and building alliances of interest groups.

- By the time of the 2008 election, Democrats more or less agreed on what a new health care system should look like a version of Clintoncare, basically, but with less disruption of existing private insurance arrangements. And that turned into Obamacare.
- Plenty of people aren't happy about that. There are progressives who would prefer a single-payer system in other words, the kind of government program Hillary Clinton first rejected in 1993. There are (many more) conservatives who would prefer no universal coverage system at all.
- But the number of uninsured Americans has declined by something like 20 millionsince the Affordable Care Act became law, millions more have security they once lacked, efforts to make medical care efficient appear to be producing positive results, and health care costs are not exploding as predicted

DONALD TRUMP DEFENDS RNC IN INTERVIEW: "I WASN'T LOOKING FOR STAR POWER, I WAS LOOKING FOR POLICY"

- Donald Trump wasn't impressed with what he saw during the first night of the Democratic National Convention in Philadelphia on Monday except for one moment — when first lady Michelle Obama took the stage.
- "I thought her delivery was excellent," Trump tells The Hollywood Reporter. "I thought she did a very good job. I liked her speech."
- And that's where the compliments ended. Speaking by phone on Tuesday, the Republican candidate talked to THR about what lines he's willing to cross during campaigning (is the Monica Lewinsky scandal fair game?), whether Roger Ailes could work with him as a consultant and his response to Democrats' sharply highlighting his mocking of a disabled reporter (he's enraged by the renewed accusation).
- But first: What happened to star power at his Republican National Convention? He called his acceptance speech last Thursday in Cleveland a "phenomenal night of television," but didn't go into specifics about who showed up to back him, other than his family. (Demi Lovato, Paul Simon, Sarah Silverman and Eva Longoria were guest speakers Monday night at the DNC's event.)
- The candidate now claims that bringing "showbiz" to a convention, as he said he wanted to do in April, is beside the point. He wanted substance to be showcased last week. "I think we had, if you include my children and the great success that they had, I would say we had tremendous star power," Trump says. "But I wasn't looking for star power, I was looking for policy. I was looking for hope for people because people are not feeling good about where the country is and where it's going."
- He is now set on parrying Hillary Clinton's political attacks throughout the the convention this week. And, given Trump's willingness to dredge up dirt during the primaries to tar his opponents, the candidate was asked by THR whether he could invoke Bill Clinton's Monica Lewinsky scandal as an attack on Hillary Clinton.
- "Sure, there is a line we won't go, but I'm basing my lines off what they're doing," says Trump. "But there would be absolutely a line that I would not cross."
- Democrats claim Trump has long ago crossed those lines. And on Monday night, the party underscored what perhaps was the candidate's most controversial recent comments, playing a compilation video of his mockery of New York Times reporter Serge Kovalski, who has a muscular disorder, and then introducing a disability rights advocate, Anastasia Somoza, to speak onstage

- “I would never mock a person with disabilities. I would never, ever do that,” reiterates Trump, who became fired up about the topic on the phone. “I imitated a man groveling because he tried to disavow his article.”

- The incident in question happened during a rally last November in Sarasota, Fla., when Trump spoke about a story written after the World Trade Center attack in which it was reported a number of Muslims were openly celebrating the destruction of the towers. Trump used the article as a talking point on the campaign trail. The author, Kovalski, has since said reports of celebrations were never confirmed. Trump in November appeared to be making jerking motions while discussing the comment by the reporter with a muscular disorder.

- “I don’t know him, and I have a great memory, and I don’t know what he looked like,” Trump says now. “So when I made the expression of a man groveling, I had no idea what he looked like. I had no idea he was disabled. If I thought he was disabled, I would have never done that. So that commercial [video shown at the DNC] is a total lie.”

- During his interview with THR, the GOP candidate also addressed a point of speculation in media circles about Ailes. Would he consider having the recently resigned Fox News chief, who stepped down after sexual harassment allegations surfaced, as a consultant on his campaign?

- The billionaire businessman says the topic of Ailes working for his campaign has yet to be “broached.”

- “You know, Roger’s been a friend of mine for a long time and he’s done an incredible job ... but nobody has actually — Roger has never mentioned it to me at all,” says Trump. “I would think about it. We have a great team. We have a great campaign going. But Roger is a very capable guy and he’s a friend of mine.”

- Speaking about his campaign, the candidate also addressed frequent criticism by artists that he’s playing their music without the proper rights. (At the RNC, for instance, he appeared onstage as a silhouette while Queen’s “We Are the Champions” played in the background.)

- Trump says that “both sides” have upset artists by using their music, but he has done nothing wrong. (Queen and The Rolling Stones said Trump used their music without permission during the GOP convention.)

- “I do know you can buy a right to use music if you pay a fee and I know we have bought the rights to the things we use,” Trump says. “I have heard on both sides that some people have complaints, but I do not know of the particulars, however.”

- The Republican businessman did make it clear that he intends to enact favorable policies for the entertainment industry if he becomes president, indicating that Hollywood has been good to him.

- “I do know the industry and I do know the industry in many different ways,” says Trump. “And as you know the industry is moving to different countries where they’re given different tax breaks, financing breaks. And I feel strong about keeping as much production in Hollywood and Los Angeles and in our country as possible. I am all for that, and I feel that I would have a big impact on it.”

- Trump, who credits his appeal to voters largely on his personal showmanship (and frequent social media activity), once again credited his experience during his Apprentice days as serving him well throughout the long election season.

- “I’ve had the good fortune to be successful in so many different ways,” he says. “That was certainly a good experience for me and I learned a lot about the world of show business from doing The Apprentice.”

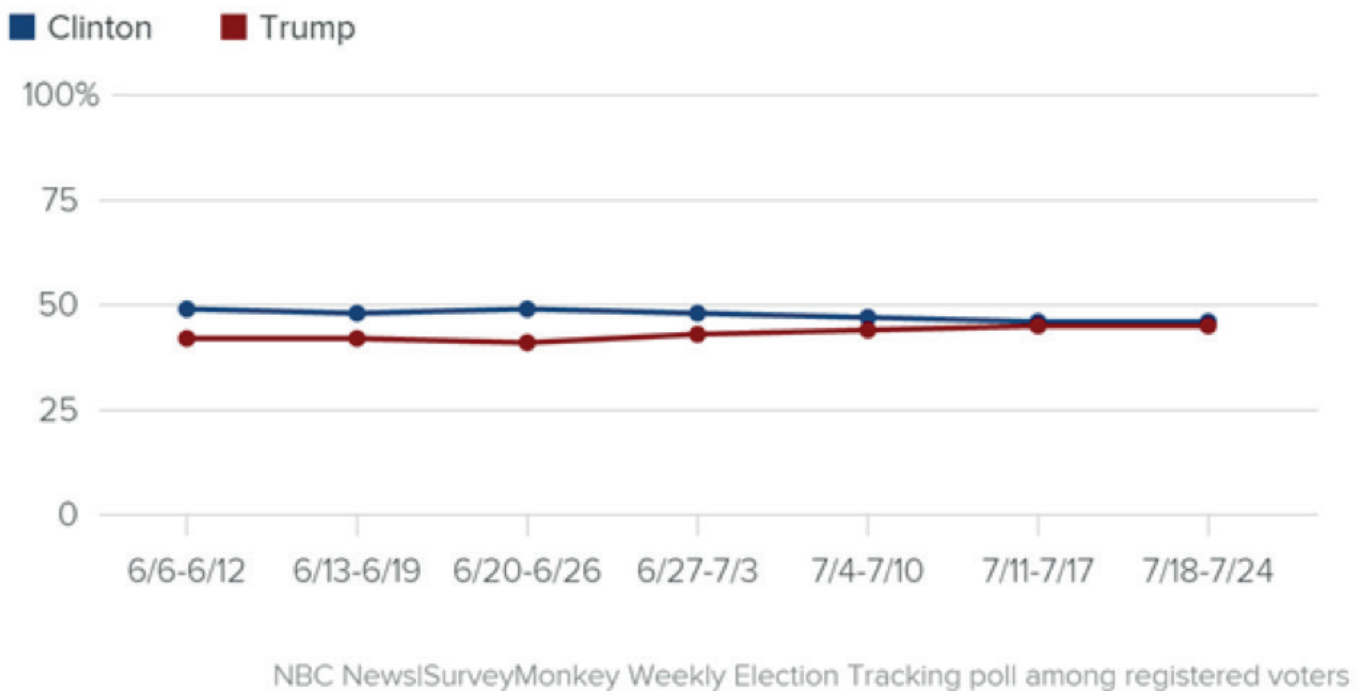
TRUMP: I DON’T WANT TED CRUZ’S ENDORSEMENT

- Donald Trump said he didn’t want Sen. Ted Cruz’s endorsement and instead the conservative Texan should just “stay home and relax,” in comments to supporters in Cleveland on Friday.
- “He might come and endorse, but I don’t want his endorsement,” Trump said. “Ted - stay home and relax.”
- Trump later added: “He has good intellect, but he doesn’t know how to use it.”
- Trump defended his retweeting of a controversial side-by-side image of Melania Trump and Cruz’s wife, Heidi, and also defended his linking Cruz’s father to John F. Kennedy assassin Lee Harvey Oswald based on a National Enquirer Story.

POLL: NO POST-CONVENTION BOUNCE FOR DONALD TRUMP

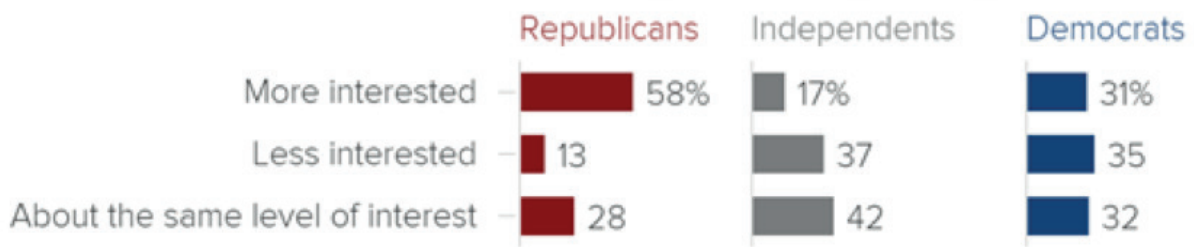
- Donald Trump received no significant bounce following the Republican National Convention, according to the latest NBC News|SurveyMonkey Weekly Election Tracking Poll. Hillary Clinton still leads Trump by a single point: 46 percent to 45 percent. These numbers are unchanged from last week.
- The Trump-Mike Pence ticket saw a modest boost in favorability among Republicans. Independents — the true persuadable voters — were less than enthusiastic about what they saw or heard about the GOP convention, according to the weekly tracking poll, conducted online from July 18 through July 24 among 12,931 adults who say they are registered to vote.
- Trump, however, now leads Clinton by 2 points (41 to 39 percent) in a four-way general election matchup with Libertarian Gary Johnson (10 points) and Green Party candidate Jill Stein (5 points). This is up 1 point from last week.
- Heading into the GOP convention, there was speculation about whether the notable absences of party elites and the “Stop Trump” movement would cause controversy at the party’s formal nominating event. There were also high hopes among Republicans that the convention would provide an opportunity for the normally off-the-cuff candidate to present himself in a more presidential light as well as a champion of conservative ideas and policies — and, hopefully, sway undecided Republicans and Independents in his favor.
- Overall, Trump’s unprecedented candidacy and convention buzz meant that voters from both sides of the aisle were more focused on this year’s Republican convention than in prior years. Overall, 41 percent of voters said that compared to past Republican conventions, this year’s convention was of more interest to them. Nearly six in 10 Republicans and Republican-leaners were more interested in this year’s convention than previous conventions, and even three in 10 Democrats were more interested as well.

If the 2016 presidential election were being held today...



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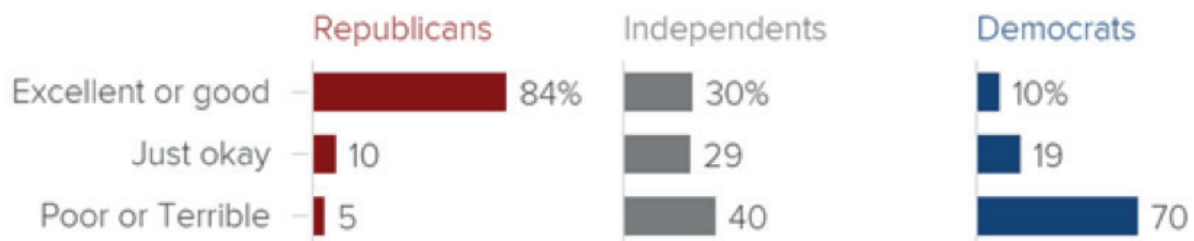
GOP Convention interest this year vs. prior years



NBC News|SurveyMonkey Weekly Election Tracking Poll among registered voters

- Trump, who was looking at the convention as a way to unify the Republican Party, seemed to get a boost in favorability among Republicans this past week. Overall, Trump's approval rating among all Republicans for the week stood at 79 percent. Among Republicans who followed convention events, an even higher 85 percent said they view Trump favorably. This is up from two weeks ago, when 70 percent of Republicans and Republican-leaning voters said they view the nominee favorably.
- Ted Cruz, who scored a strong round of boos when he declined to endorse Trump in his speech to the RNC, was not viewed kindly by Republican voters. Though Cruz finished second in the GOP primary race, just 28 percent of members of his own party now view him favorably; 68 percent now view him unfavorably. Clearly, his performance at the GOP convention was not received well by his party.
- Though the partisan differences in reactions are largely unsurprising, the reaction of Independents matter a great deal for both parties' abilities to win in the general election in November. Clinton and Trump have remained largely competitive among this non-partisan segment of voters for the past few weeks; however, favor swung toward Clinton by 5 points in this week's horserace numbers. This margin may be attributable to their less-than-enthusiastic reception of the GOP convention last week. Democrats are convening in Philadelphia this week for the party's national convention.
- Trump's convention speech, which was received well by Republicans watching the event, did not sit as well with Independents. Just 30 percent of Independents who watched the speech said it was excellent or good, 29 percent said it was "just okay" and a 40 percent plurality said it was poor or terrible.

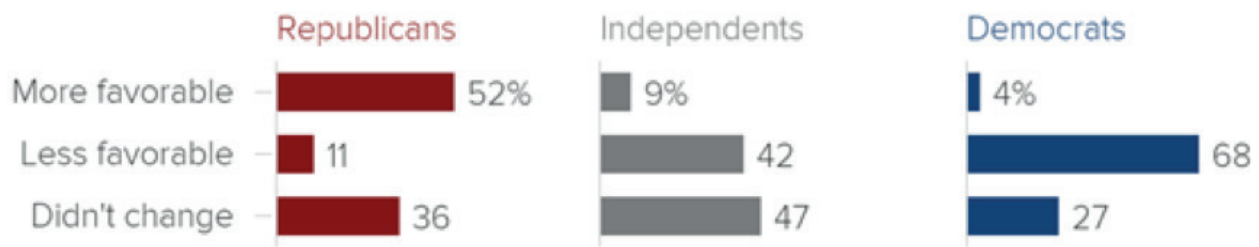
How would you rate Trump's convention speech?



NBC News|SurveyMonkey Weekly Election Tracking Poll among voters who watched Trump's speech

- For most voters, the convention either did not impact their impression of the Republican Party or made them feel less favorable to the GOP as a result (37 percent and 36 percent, respectively). Just a quarter said they now view the GOP more favorably. Among Independent voters, 42 percent now have a less favorable view of the Republican Party following the convention. A plurality, 47 percent, said the convention did not change their opinion.

Feelings about GOP after convention...



NBC News/SurveyMonkey Weekly Election Tracking poll among voters who followed coverage

- Though there were several memorable moments in Cleveland last week, Trump did not receive the historic “post-convention” bump that many candidates can generally rely upon following the event. The open question for this week is whether the Democratic convention produces a bump for Clinton.

DONALD TRUMP BOUNCES INTO THE LEAD

- Donald Trump comes out of his convention ahead of Hillary Clinton in the race for the White House, topping her 44% to 39% in a four-way matchup including Gary Johnson (9%) and Jill Stein (3%) and by three points in a two-way head-to-head, 48% to 45%. That latter finding represents a 6-point convention bounce for Trump, which are traditionally measured in two-way matchups.

- There hasn't been a significant post-convention bounce in CNN's polling since 2000. That year Al Gore and George W. Bush both boosted their numbers by an identical 8 points post-convention before ultimately battling all the way to the Supreme Court.

- National polls don't have a large enough sample to accurately reflect the state of play in key battlegrounds, and there is little information thus far on how Trump's convention performance has affected the presidential race state-by-state.

- The new findings mark Trump's best showing in a CNN/ORC Poll against Clinton since September 2015. Trump's new edge rests largely on increased support among independents, 43% of whom said that Trump's convention in Cleveland left them more likely to back him, while 41% were dissuaded. Pre-convention, independents split 34% Clinton to 31% Trump, with sizable numbers behind Johnson (22%) and Stein (10%). Now, 46% say they back Trump, 28% Clinton, 15% Johnson and 4% Stein.

Donald Trump's plan to win the week

- The poll also reflects a sharpening of the education divide among whites that has been prevalent throughout the campaign. Among white voters with college degrees, Clinton actually gained ground compared with pre-convention results, going from an even 40% to 40% split to a 44% to 39% edge over Trump. That while Trump expanded his lead with white voters who do not hold a college degree from a 51% to 31% lead before the convention to a 62% to 23% lead now.

- Beyond boosting his overall support, Trump's favorability rating is also on the rise (46% of registered voters say they have a positive view, up from 39% pre-convention), while his advantage over Clinton on handling top issues climbs. He now holds double-digit margins over Clinton as more trusted on the economy and terrorism. Trump also cut into Clinton's edge on managing foreign policy (50% said they trusted her more, down from 57% pre-convention).

- The convention also helped Trump make strides in his personal image. A majority (52%) now say Trump is running for president for the good of the country rather than personal gain, just 44% say the same about Clinton. He's increased the share who call him honest and trustworthy (from 38% to 43%), and who would be proud to have him as president (from 32% to 39%). And nearly half now say he's in touch with the problems ordinary Americans face in their daily lives (46% say so, 37% did before the convention).
- Despite Democratic criticism of the Republican convention's message as divisive, the percentage who say Trump will unite the country rather than divide it has increased to 42%, compared with 34% pre-convention.
- Clinton's ratings on these same measures took a hit, though in most cases her drop-off was not quite as large as Trump's gain. Perhaps most troubling for the Clinton supporters gathering in Philadelphia this week: 68% now say Clinton is not honest and trustworthy, her worst rating on that measure in CNN/ORC polling.
- Those positives for Trump come despite some sharply negative reviews for the convention itself. Almost 6 in 10 (58%) said the Republican convention spent too much time attacking Democrats, and 18% called Trump's speech "terrible," the highest by far since CNN started began the question in 1996. Still, 40% called the speech excellent or good and about half of voters (45%) said Trump's speech reflected the way they feel about things in the U.S. today; 48% said it did not reflect their views.
- Clinton campaign manager Robby Mook downplayed the CNN/ORC Poll Friday, which gives Trump an edge coming out of the Republican convention. He said Trump didn't win over persuadable voters, but simply shored up his base.
- "It was just an angry mob," Mook told reporters at a Bloomberg Politics breakfast in Philadelphia.
- A better measure, he said, will come when both conventions are over.

VIEWERS GUIDE TO THE DEMOCRATIC CONVENTION

- The public rendered a split decision on whether the convention made them more or less likely to back Trump, 42% said more likely while 44% said less so, but the shift in voter preferences suggests the "more likely" side carried more weight. And most came away feeling ready to decide about Trump's fitness for the job: 78% say they already know enough to know whether he'd be a good president. Another 20% think they need more information.
- Two prominent convention speakers saw their stock rise post-convention as well. Favorability ratings for Trump's wife, Melania, climbed from 27% pre-convention to 43% post-convention, despite news that her Monday night speech contained passages lifted from Michelle Obama's 2008 Democratic convention speech. Vice Presidential nominee Mike Pence, whose Wednesday speaking slot was largely overshadowed following Ted Cruz's defiant stand on the convention stage, also bolstered the electorate's impression of him, landing at a 39% favorable rating overall, up from 26% pre-convention.
- Cruz's move, however, appears to have backfired. While 60% of Republican voters had a positive impression of the former presidential candidate before the convention, just 33% have one now.

- The Trump campaign has claimed the visceral negative reaction to Cruz reflected the unity the party feels behind Trump himself. But the poll suggests a large share of Republican voters still need to be won over. The share of Republicans who say their party is “united now” climbed from 16% pre-convention to 24% post-convention, but about half (49%) say it’s not united now, but will be by November, and there are still about a quarter who say the party won’t unite at all. Further, 45% continue to say they’d prefer someone other than Trump as the nominee.
- The CNN/ORC Poll was conducted by telephone July 22-24 among a random national sample of 1,001 adults. Results for the sample of 882 registered voters have a margin of sampling error of plus or minus 3.5 percentage points.

DEMOCRAT CLINTON MAKES HISTORY, WINS U.S. PRESIDENTIAL NOMINATION

- Hillary Clinton secured the Democratic Party’s White House nomination, coming back from a stinging defeat in her first presidential run in 2008 and surviving a bitter primary fight to become the first woman to head the ticket of a major party in U.S. history.
- In a symbolic show of party unity, Clinton’s former rival, U.S. Senator Bernie Sanders of Vermont, told the chairwoman from the convention floor that Clinton, 68, should be selected as the party’s nominee at the dramatic climax of a state-by-state roll call at the Democratic convention in Philadelphia.
- Capping nearly a quarter century in public life, Clinton will become the party’s standard-bearer against Republican nominee Donald Trump in the Nov. 8 election when she accepts the nomination on Thursday.
- “If there are any little girls out there who stayed up late to watch, let me just say: I may become the first woman president, but one of you is next,” Clinton told the convention via a video satellite link.
- In nominating Clinton, delegates made the point that the selection of a woman was a milestone in America’s 240-year-old history. Women got the right to vote in 1920 after ratification of the 19th Amendment to the U.S. Constitution.
- Clinton’s husband, former President Bill Clinton, portrayed her in a speech to the convention as a dynamic force for change as he made a case for her White House bid.
- “Hillary is uniquely qualified to seize the opportunities and reduce the risks we face, and she is still the best darn change-maker I have ever known,” he said, hitting back at Republican arguments she is a Washington insider tied to the status quo.
- The Democratic nominee, who promises to tackle income inequality, tighten gun control and rein in Wall Street if she becomes president, is eager to portray Trump, a businessman and former reality TV show host, as too unstable to sit in the Oval Office.
- Trump, 70, who has never held elective office, got a boost in opinion polls from his nomination at the Republican convention last week. He had a 2-point lead over Clinton in a Reuters/Ipsos opinion poll released on Tuesday, the first time he has been ahead since early May.

- Sanders has endorsed Clinton, but some of his supporters protested in Philadelphia against the party leadership's apparent backing of her during the Democratic primary fight.
- Outside the convention hall, protests turned more heated late on Tuesday. Thousands of protesters gathered near a subway station close to the convention center although a heavy police presence and barricades kept them far from convention guests. Among the protesters were Sanders supporters and Black Lives Matter activists.
- At least three people clambered over perimeter fences and were arrested. Some set up a candlelight vigil, sang songs and chanted "Election fraud," in apparent reference to leaked emails that showed the Democratic National Committee tried to undermine Sanders' campaign
- Earlier on Tuesday, delegates from South Dakota had given Clinton 15 votes, formally ensuring that she had more than the 2,383 votes needed to win the nomination. She emerged with a total of 2,842 votes to Sanders' 1,865.

MAKE HILLARY LIKABLE AGAIN: DEMOCRATS SEEK TO RECAST CLINTON

- When Hillary Clinton first ran for president in 2008 she was badly stung by a backhanded compliment from rival Barack Obama, who called her "likable enough" before going on to win the Democratic nomination and the White House.
- Eight years later, with her party's nomination to succeed Obama firmly in hand, the question of her likability, trustworthiness and honesty still hangs over her bid to become America's first woman president, this time in a Nov. 8 election against Republican Donald Trump.
- The Democratic National Convention in Philadelphia this week is, in part, an effort to reintroduce her to American voters, more than half of whom view her unfavorably, according to Reuters/Ipsos polling.
- The criticisms have dogged her for years: She can appear stiff in front of crowds, struggling to show off the compassion her supporters say she shares in private and leaving some voters with the impression she is not giving straight answers to tough questions.
- Clinton recognizes the problem, aides say.
- "She knows that she has work to do to earn people's trust," said Jennifer Palmieri, Clinton's communications director. "She also realizes there aren't some magic words you can say to earn that trust overnight."
- Speaker after speaker at the convention took the stage on Monday and Tuesday to offer testimonials on her behalf, including her husband, former President Bill Clinton, who filled his prime-time speech on Tuesday with anecdotes and private moments shared by America's best-known political couple.
- Gay basketball player Jason Collins told of the support she offered when he went public with his homosexuality; a grandmother described how her daughter's battle with drug addiction inspired Clinton to address the drug crisis.
- A parade of others offered behind-the-scenes glimpses of the former first lady, U.S. senator and secretary of state, describing how she drove through a blizzard to attend a funeral, planned birthday parties and visited survivors of the Sept. 11, 2001, attacks.

- Clinton's personal image, which has fluctuated during her 25 years in the public eye, slumped after a divisive Democratic primary, a lingering controversy over her use of a private email system while serving as the top U.S. diplomat, and repeated Republican attacks on "crooked Hillary."
- Reuters/Ipsos polling showed 55 percent of Americans had an unfavorable view of Clinton. Trump is even less popular, with 61 percent holding an unfavorable view.
- Many Americans think both candidates struggle with the truth. Some 59 percent of Americans believe she is not "honest and truthful," while 53 percent think the same of Trump, according to the poll.
- Republican strategist John Feehery said it was too late to rehabilitate Clinton's image. "You only get one decade to make a first impression," he said.
- Instead, a better strategy would be to focus on tearing down Trump, given that his negatives surpass her own, Feehery added.
- Clinton's campaign appears to be trying just that, running an ad in which Trump can be seen in newsclips, as children watch, swearing, condemning Mexican immigrants as rapists and drug dealers, and mocking a disabled journalist.
- Clinton, 68, has been a lightning rod for conservative attacks for more than two decades and Republicans serenaded speakers at their convention in Cleveland last week with chants of "Lock Her Up" and signs touting "Hillary for Prison."
- For many Democrats who back Clinton, the poor polling numbers are the result of those relentless attacks - along with a strong dose of sexism toward a woman seeking power.
- "If you have somebody who is out there pounding you and pounding you and pounding you, eventually it's going to take a toll," Richard Trumka, head of the AFL-CIO labor federation, said. "I've said this and I've said it publicly: Hillary Clinton has to do A+ work to get a C-."
- For Democrats, this week affords perhaps their best chance before the election to fortify her against inevitable attacks by Trump that could further dent her image. Praise came from invitees ranging from party superstars (First Lady Michelle Obama) to unknowns (former White House interns).
- In one video broadcast to delegates, Clinton embraces and comforts an 11-year-old girl who fears her parents will be deported. In another, shown before the appearance of the Mothers of the Movement - mothers who lost children to gun violence or in police-involved incidents - she encourages them in a private meeting to band together and speak out.
- "A 30-minute meeting turned into two hours because she listened to us. Nobody else listened to us," said Sybrina Fulton, mother of Trayvon Martin, a 17-year-old whose fatal shooting death by a neighborhood watch volunteer in 2012 launched a series of protests around the country.
- Actress Eva Longoria said it was time for Democrats to rally to Clinton's defense.
- "She's had a 25-year smear campaign run against her. It's understandable Americans are confused about what is true and what is not," she told a women's delegate caucus on Tuesday.

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