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Lira Gains to Highest in Four Months on Turkey Rate Raise Bets
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By Selcuk Gokoluk

April 8 (Bloomberg) -- The lira appreciated to an almost four-month high against the dollar as an increase in Turkish industrial production supported bets the central bank may raise its benchmark interest rate later this year.

Turkey's currency advanced 0.5 percent to 1.50355 per dollar, the strongest since Dec. 14, at 12:13 p.m. in Istanbul.

Output rose an annual 14 percent in February from a year earlier when adjusted for the number of working days, the Ankara-based statistics agency said today. Without adjustment, the annual figure gained 13.9 percent, compared with a median forecast of 14.5 percent in a Bloomberg survey of seven economists.

"This supports our view that the Turkish economy no longer enjoys the disinflationary buffer against higher commodity prices," said Inan Demir, chief economist at Finansbank AS in Istanbul, said in a note to clients. "Consequently, we expect further tightening in monetary policy through reserve requirement hikes to the tune of 400 basis points in weighted average terms in the remainder of the year," he said.

Turkey's central bank may raise its key lending rate by 75 basis points to 7 percent by the end of the year, according the median of six estimates in a Bloomberg survey.

Turkey's currency has rallied 6.2 percent versus the dollar in the past month, the best performance of more than 20 emerging markets tracked by Bloomberg.

Yields on two-year benchmark bonds rose for the first day in six, advancing 5 basis points, or 0.05 percentage point, to 8.67 percent. The main ISE National 100 index dropped 0.6 percent to 69,101.92.

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