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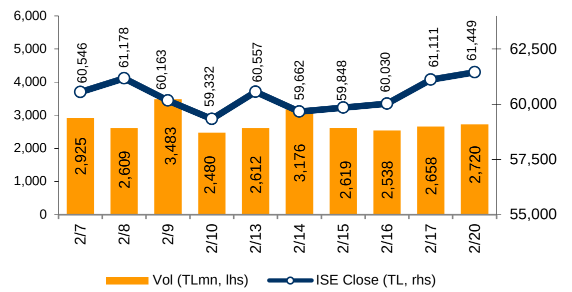
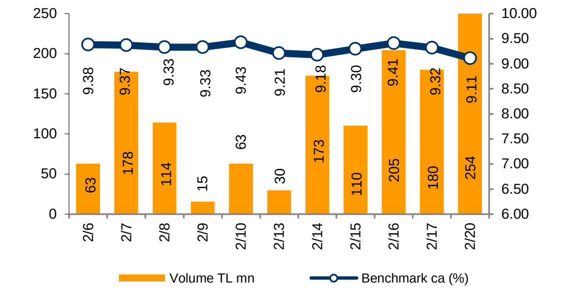
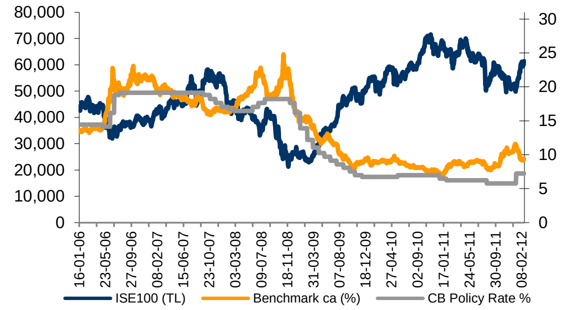
Turkey / market

morning.call

February 21, 2012 Tuesday







Market.comment

Firm open foreseen with MPC meeting in spotlight

As Greece-EU deal is reached to send global shares and commodities higher, Turkish stocks are expected to open firmer again this morning. After having hit the resistance at 61.7k yesterday and ending the session around the lows, ISE-100 is likely to trade 0.5% higher in early trade and aim at 62.5k. MPC meeting at 2pm is unlikely to affect trading unless MPC decides to bring down the upper band of the interest rate corridor sitting at 12.50% (to indicate next move likely to be easing biased). TRY is 0.15% firmer vs the basket amid globally rising EUR.

market.data	Close	Previous	Daily Ch	1m	YTD
ISE100 TL	61,449	61,111	0.6%	12.0%	16.3%
Trading Vol. (TLmn)	2,720	2,658	2.3%	-	-
Benchmark Bond ca *	9.11%	9.32%	-21bps	-151bps	203bps
CBT Policy Rate	5.75%	5.75%	0bp	0bps	425bps
E.bond – Turkey 2030	5.87%	5.85%	1bp	-52bp	0bp
US$ / TL	1.74	1.75	-0.9%	-4.8%	16.6%
Euro / TL	2.30	2.31	-0.3%	-2.4%	7.1%

Top5 trading volume**	Close TL	Daily Change	Volume TLmn
GARAN	6.80	0.3%	321.0
ISCTR	4.34	1.2%	189.3
VAKBN	3.14	0.3%	106.7
EKGYO	2.33	2.2%	97.5
IHLAS	1.02	5.2%	96.0

Top5 price gains**	Close TL	Daily Change	Volume TLmn
DYHOL	0.73	7.4%	38.1
IHLAS	1.02	5.2%	96.0
FENER	43.20	3.1%	29.2
ECILC	2.03	3.0%	16.7
AKGRT	1.74	3.0%	8.0

Top5 price losses**	Close TL	Daily Change	Volume TLmn
AKENR	2.30	-2.1%	7.4
KOZAL	33.00	-2.1%	6.4
TOASO	7.64	-2.1%	3.0
GSRAY	148.00	-2.0%	18.0
ENKAI	4.94	-2.0%	4.7

(*) Benchmark Treasury bond is December 4,2013   (**) ISE50 stocks only

event.horizon

Feb 21 Tue
- **MPC Meeting (decision due at 14:00) (Ekspres and consensus: no change)**
- **TOASO 4Q11 results analyst meeting at 11:00**
- **Initial issue of the Revenue-Index Bond - direct sale cont'd (maturity 19.02.2014)**
- **FROTO 4Q11 results (Ekspres est.: TL185mn, consensus: TL183mn)**
- **FROTO 4Q11 results analyst meeting at 15:00**

Feb 22 Wed
- **CBT's Expectation Survey - Feb'12, II at 14:00**
- **TCELL 4Q11 results (Consensus est.: TL270mn)**

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You may find our research on Bloomberg page; EKSP

Economy

The CBT will disclose the MPC decision at 14:00 today. The Bank is likely to keep the interest rate corridor unchanged, at Tuesday's MPC meeting, as agreed by the Consensus. Below are our thoughts on other decisions and assessments:

- The CBT will also announce the new liquidity parameters, which will hint where the monetary policy stance is heading. We expect no change in these parameters, either. That is to say, the CBT would continue to provide TL3bn-TL7bn 1-week repo every day and would leave the 1-month repo size unchanged at TL20bn.
- It would be pre-emptive to ease on the merits of the expected decline in core inflation and the deceleration of credit growth to below targets in our view. Hard data suggest that there is a very limited slowdown in the economic activity which does not necessitate an urgent monetary stimulus and there is still a risk that the elevated headline inflation jeopardizes pricing behavior.
- The statement is to repeat that the rebalancing of the economy is still underway and give a warning about short-term inflation due to high food prices. Moreover, the CBT would say that the tight monetary policy stance is to prevail for some more time.
- The global conditions are favorable for reacceleration of capital inflows to EMs, while the CBT would wait at least until the FX basket declines below 2.0 to start FX purchases.
- Nevertheless, the CBT believes that worst is over in the EU crisis which seems to have lessened the need for tightening flexibility.
- The blended cost of CBT's funding would probably remain above 7.5% in the next weeks, yet the overall monetary conditions seem to be slightly less tight. CBT is less eager to use the upper bound of the interest rate corridor and the ON repo rate may not climb back towards its regular band of 10-11% for some time.
- The critical point would be whether the CBT believes there is need to lessen the tightening flexibility permanently say by cutting the upper bound of the interest rate corridor. Even though such a change may be well suited amidst the easing global uncertainties, the CBT will unlikely to give up this free option this early.

Minister Caglayan said that C/A deficit is to decelerate towards the vicinity of US$4bn in January. Recall that after the January budget was disclosed last week, we had noted that the trade deficit may decline to around US$6.0bn in January vs. US$7.5bn deficit in the same month of last year. Despite this visible improvement, our rough estimate for the C/A deficit would be around (or even slightly higher than) US$4.5bn vs. US$6.5bn C/A deficit in January last year. In that sense, Caglayan's guesstimate today seems to be based on even a lower trade deficit, which would be a positive market mover. If Caglayan turns out to be correct in his call, this would mean almost a balanced C/A excluding the energy bill. (Milliyet, Ekspres Research)

Earnings brief

Tofas: The company posted 4Q11 NI of TL131mn, higher than both consensus and house estimates due to higher than expected non-operating income. While top-line was below both consensus and house forecasts, EBITDA margin was parallel to expectations, accordingly EBITDA was below estimates. Tofas will hold an analyst meeting today at 11:00 where we will hear the details of 4Q11 and expectations for 2012. (KAP)

News in brief

- **Altimo claims that it might pledge Cukurova's Turkcell (MP, target price: TL10.50/share, upside: 5%) shares until the latter pays back its debt to the former by March – denied by Cukurova.** Recall that Cukurova is to pay US$1.5bn to Altimo and if not fulfilled, Altimo claims Cukurova's shares at Turkcell - which will change the controlling ownership at the company. Note that Cukurova owns 14% effective stake at Turkcell and Altimo 13%. However, Cukurova sources deny the announcement as a potential default in debt is not to trigger a share transfer, since the appeal case at Privy Court of London had previously taken a preliminary injunction to prevent Altimo to exercise any rights on the shares before a final verdict is reached. (Vatan)
- **Ulker Biskuvi (U/R) will have an extraordinary general meeting on March 19 to remove the privileged shares through increasing its paid-in capital by 27%.** *Neutral as announced before.* Recall that, the new shares will be handed over to A, B type and privileged shareholders. D type shares will be renamed as B types, as they have managerial privileges over the company. Since there will be no change in the number of C-type shares (common shares), there will be no adjustment in the share price. (KAP)

Earnings Announcements

Company name	Ticker	Net Profit 4Q10 (TL mn)	Net Profit 4Q11 (TL mn)	Net Profit Change YoY (%)	Consensus Estimate* (TLmn)	Ekspres Estimate (TLmn)
Lider Faktoring	**LIDFA**	0	2	n.m.	-	-
Tukas	**TUKAS**	7	-14	n.m.	-	-
TOFAS	**TOASO**	119	131	10%	120	124

*Source : KAP   * CNBC-e consensus*

Corporate Actions

Company Name	Ticker	Date	Bonus issue	Rights issue	Ref. Price	Dividends/share	Div. Yield (Gross)
Alternatifbank	ALNTF	n.a.	40%				
Emek Elektrik End.	EMKEL	22-02-12		-70%			
Emek Elektrik End.	EMKEL	n.a.		100%			

Source: KAP

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