

TURKISH BULLETIN

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ECONOMY & MARKET

MARKETS

At Monday's close, market situation was:

1-week repo rate or Policy Rate		TRY/USD
7.00%		1.4767
Most actively traded T-Bills		
Date	Maturity	C/Rate
06/12/10	25/04/12	7.69%
ISE-100 index		ISE- 100 Ref \$
67,712		45,854

Auctions between Nov. 23rd – Dec. 7th 10

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales mn	Ann. Comp Yield
06.12.10	17.06.15	1,937	1,226	1,363	8.41%

CBT released its latest expectation survey: year-end CPI expectation stood unchanged at 8.1% from 7.6 %. GDP Growth is expected to reach 7.0% (10bps higher compared to last survey).

Treasury intends to soon issue US\$1.8bn of Samurai bonds.

Treasury funding program for Dec10: both domestic and external debt service will reach TL11.2bn (TL10.0bn domestic including TL8.6bn to the markets), to be financed by new borrowings of TL12.2bn. The TL1.0bn gap between redemption and financing comes from the forecast in a primary balance deficit.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

Fitch revises Turkey's credit rating outlook from stable to positive, to be accounted for the strong economic recovery and improving public finances. On the other hand, the Agency points at some challenges the Country may face, meaning macroeconomic instability coming from a large current account deficit and temptation of drifting towards a loose fiscal policy ahead of the next general elections to take place in June 2011. A potential upgrade would be dependant on i) the implementation of a sound fiscal policy to lower debt/GDP ratio combined with a lengthening of Gov't Debt, ii) robust economic growth (the Agency

Inflation: Consumer price index stood flat in Nov10, which led to a year-on-year rate of 7.3%, down by 130bps compared to Oct10. CPI decrease is mainly due to the slight drop in food (-1.9% m/m) prices.

- Production Price Index slightly decreased by 0.3% m/m, bringing the y/y increase to 8.2% y/y. The decrease was led by the drop in agriculture (-4.3% m/m) prices.

Foreign Trade Deficit came in at US\$6.3bn in Oct10, up by 136% on y/y terms. 12-month rolling deficit increased to US\$63.8bn, up from US\$60.1bn posted last month.

- Exports were recorded at a level of US\$10.9bn in Oct10, up by 8.8% y/y compared to Oct09. Imports increased by 35.5% y/y to US\$17.3bn (highest level since Sept08).

- Preliminary data shows that exports increased by 7.0% y/y in Nov10 to US\$9.4bn.

Capacity Utilization Rate slightly increased to 75.9% in Nov10 from last month's figure of 75.3%.

Manufacturing PMI rose by 2.1 pts over previous month to 56.4 in Nov10, which is the highest index value since May10.

expects GDP to grow by 8% in 10, and by 5% in 11 & 12) along with disinflation and the launch of a major labour market's reform and iii) political stability at a time of general elections and likely new constitutional changes.

General Elections: according to a recent opinion poll, ruling AKP's vote share would stand at 46.4%, almost the same as the party scored in 2007 parliamentary election. Main opposition CHP would be positioned second with 25% while nationalist MHP would be at 10.2%, barely above the threshold for parliamentary representation.

SECTOR NEWS & PRIVATISATION

Airports: total passenger numbers in the country's airports grew by 20.2%/y/y to 7.1mn in Nov10 and by 20.9%/y/y to 96.3mn in 11M10.

Automotive: light vehicle sales increased by 165%/y/y and 1%/m/m to 74K units in Nov10 and by 31%/y/y in 11M10 to 613K units.

Tourism: foreign tourist arrivals increased by 8.5%/y/y to 2.8mn in Oct10, and by 6.2% in 10M10.

Infrastructure: Transportation Minister stated that they are planning to build up a 3rd Airport in Istanbul European Side with an annual capacity of 60mn passengers, including two accessing highways and through a build-operate-transfer (BOT) model. Estimated investment amount is around US\$5.0bn.

Power: Steel company İçdas signed a US\$253mn loan agreement with a consortium composed of Yapı Kredi Bank and Vakıf Bank to finance the construction of a HEPP Project on the Karasu River in Erzincan (Eastern Turkey), which will generate 500mn kWh.

Nuclear Power: both Russian parliament houses approved the Intergovernmental agreement for the construction and operation of the Akkuyu Nuclear power plant. Starting then, the Russian party has a one-year period to apply for the necessary authorizations.

Privatization

Electricity Distribution: PA announced that they received 39 bids from potential investors for the 3 electricity grids under privatization process (Akdeniz, Istanbul Anatolian side and Toroslar). Main bidding companies or consortiums are the following ones: Aksa, MMEKA (Cukurova & Kazanci), Akfen Enerji, Enerjisa, Alarko, Park Holding, Türkerler etc.

Turkish Airlines: PA launched the process for selecting the advisors for the SPO of the airlines company as it still owns a 49% stake. It set Jan. 7th 2011 as the deadline to apply for a pre-qualification

M&A

Dogan Yayin: Holding's CEO announced that the company plans to prepare a shortlist of 2-3 potential buyers within one month and to complete the assets' sale within 3 months.

Yapi Kredi: Koc Holding Chairman Mustafa Koc stated that they would be seriously interested if its partner UniCredit would intend to sell its stake in their local JV Bank.

Banking: Bank Hapoalim (Israeli Bank) was the sole bidder for AdaBank, previously owned by the Deposit Insurance Fund.

Power: Aygaz (Koç Holding's subsidiary) announced that they agreed to sell a 49.62% stake in power generation company "Entek" to AES Holding for US\$136.5mn. After the sale, Aygaz will continue to hold a 36.5% stake in Entek, which runs power plants for a total installed capacity of 305MW, mainly natural-gas fired ones.

- Alarko Holding announced that the acquisition process of the 50% remaining stake in Altek from SNET for a purchase amount of US\$58.5mn has been concluded.

Shipping: mining and shipping group Yildirim Holding will spend US\$500mn to buy a 20% stake in French shipping company CMA CGM, the world's third-biggest transporter of containers.

Debt Capital Market: Finansbank postponed its lira bond issue until after its IPO, which it expects to hold at the beginning of 2011.

- AkBank's TL2.5bn local bond issue has been approved by Capital Market Board (CMB).

- Alternatif Bank applied to CMB for a TL150mn bond issue.

Stock Exchange: international investors were net sellers on the Istanbul Stock Exchange with US\$614mn in Nov10. Foreign investors placed US\$6.2bn buy orders vs. US\$6.8bn sell orders. THY and Finansbank were the most bought stocks while Garanti and IsBank were the most sold ones. Total inflow up-to-date in 2010 declined US\$2.6bn

COMPANY NEWS

Eximbank obtained a 1-year & €150mn syndicated loan priced at Euribor +90bps.

Garanti raised 1-year syndicated loan of US\$1.0bn (dual tranche of US\$316mn & €514mn) at a cost of Libor/Euribor + 120bps and roll-over ratio of nearly 140%.

Dogan Holding: announced that TL326mn accrued interests regarding tax fine of TL919mn were notified to the company. Total tax fine and accrued interest reached TL2.5bn and TL1.1bn, respectively.

- Council of State accepted the injunction request of the Holding on the tax fine of TL1.37bn (TL0.89bn penalty + TL0.48bn interests). It also accepted the injunction request on the tax fine of TL1.05bn (TL713mn penalty, TL335mn interest).

Tofas will make a €100mn investment next year to improve current models and its factory infrastructure.

Turkcell obtained preliminary qualification for the 3rd GSM license tender in Syria (with 4 other bidders).