

TURKISH BULLETIN

Vladimir Bolze + 90 212 293 00 32

e-mail: vladimir.bolze@bnpparibas.com

ECONOMY & MARKET

MARKETS

At Tuesday's close, market situation was:

O/ N for ISE Repo market & TLR Interbank market		TRY/ USD
18.23%		1.3578
Most actively traded T-Bills		
Date	Maturity	C/ Rate
07/ 10/ 08	14/ 04/ 10	20.53%
IE-100 index		ISE- 100 Ref \$
31,562		23.2

Turkish Treasury borrowed a total of TRY 4.2bn ahead of its redemption of TRY 4.6bn, through 3 auctions:

- On October 6th, it borrowed TRY 1.2bn with the issuance of the 5yr TRY fixed coupon bond maturing on Aug. 28th, 2013, sold at an average yield of 21.12%. Bid/ cover ratio was at 1.2.
- On October 7th, it raised TRY 553mn with the issuance of the 13-month TRY discounted bond maturing on Nov. 18th, 2009, sold at an average yield of 20.47%. Bid/ cover ratio was at 2.9.

It also borrowed TRY 2.4bn with the 20-month TRY discounted bond maturing on June 23rd, 2010, sold at an average yield of 20.6%.

Public sector net debt stock reached TRY 235,015mn in 2Q08 with net public sector external debt stock at TRY 14,175mn and net public sector domestic debt stock at TRY 220,840mn. Total public sector net debt stock is at 25.6% of GDP.

Gross external debt stock reached US\$284,403mn in 2Q08 with gross public and private sectors debt stocks at US\$77,650mn and US\$190,549mn, respectively while central

bank's gross external debt stock came in at US\$16.2bn. Note that private sector gross external debt stock posted a 10.7% QoQ increase while its share amounted to 67% of total gross external debt stock.

Trade deficit posted another record high of US\$8.1bn, up by 37% YoY in August, well above expectations of US\$7.5bn. 8M08 trade deficit reached US\$53.1bn, up by 33% YoY whereas YoY trade deficit peaked at US\$76bn. Exports posted a 26% increase in August to US\$11bn supported by "iron & steel" sector. Imports reached US\$19.2bn in August, up by 31% YoY supported by "mineral fuels" and "iron & steel". Export/ import coverage ratio fell to 57.5%.

September inflation figures: CPI increased by 0.45%, below expectations of 0.92% while PPI declined by 0.9%, much better than expectations of a 0.15% increase, on the back of lower than expected food and clothing prices. YoY CPI and PPI declined to 11.1% and 12.5% from 11.8% and 14.7% in August, respectively.

Industrial production index posted a 4% YoY decline in August, well below expectations (0% YoY change), supported by falling chemical, textile and food industries.

Number of foreign visitors coming to Turkey increased by 11.1% YoY in August to 4.69mn. Tourism income reached US\$3bn in July, up by 16.7% YoY.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

Military tensions with terrorist group PKK have recently grown up again in South East

Turkey. A new cross-boarder operation into N. Iraq to tackle PKK's bases is in talks.

SECTOR NEWS & PRIVATISATIONS

Energy

Global Investment Holdings is talking with 20 potential investors to become a strategic partner in its subsidiary Yesil Enerji. Note GIH mandated ABN Amro in Aug 08 to find a strategic partner in Yesil Enerji. The company plans to build a hydro power plant with 576 MW of installed capacity and has a financing need of US\$403mn.

Nuclear power plant; only Russian company Atomstroyexport submitted a bid to build and operate a nuclear power plant in the Mersin area. Final decision will be known soon. Recall thirteen parties purchased tender specifications with some of them asking for a delay due to worsening financial conditions.

Privatisations

Halkbank and Ziraat Bank; PM Erdogan underlined the Halkbank's SPO/ block sale and Ziraatbank's IPO will be delayed due to current market conditions.

Igdas and Ispark privatisations; accordingly, foreign interest for both Istanbul's natural gas distribution company and parking facilities network is growing. Reportedly, Gazprom, GDF, Shell, BP, Koc, Sabanci, Alarko, Zorlu and Calik are eying Igdas, while Dekron Invest, Amoy Invest Group, Emparque and ZEGS are interested by Ispark.

Meram (Central Anatolia) and Aras (North East) electricity grid's privatisation; Alarko

submitted the highest bid for Meram with US\$440mn while Kiler submitted the highest bid for Aras with US\$128.5mn.

National Lottery's tender process to be launched on October 15. Interested parties are Koc, Dogan, Dogus, Cukurova, Alarko, OPAP, G'Tech-Lottomatica, Essnet-Tattersall, Intralot, Scientific Games, Austrian Lotteries and Sisal.

Sugar factories' privatisation was recently announced by PA. The 25 factories to be privatised through asset sale of 6 regional portfolio groups. Bidding deadline for portfolio A (6 factories in North Eastern Turkey) is on Nov. 27. Other portfolios to be privatised in 4Q08 and 1Q09.

Other

3G tenders to take place on Nov 28th, after the implementation of MNP on Nov 9th. Recall that in the previous tender held in Sept 2007, Turkcell was the only participant and offered EUR321mn for the widest bandwidth.

Sabanci Holding to sell its 50.12% stake in Bossa to Akkardan for US\$76.43mn.

TAV to operate Alexander the Great (Skopje) and St Paul the Apostle (Ohrid) airports in Macedonia for 20 years starting from end 2008. TAV was qualified for the 2nd round of Almaty International Airport tender. Note TAV partnered with Goldman Sachs for the tender.

COMPANY NEWS

S&P stated in a recent report than the risk on Turkish banks is increasing due to current environmental factors. Nevertheless, the banks

benefit from diversified funding, good liquidity and a moderate reliance on international funding.

Sources: Anadolu Agency, Turkish Daily News, Merrill Lynch, Bender, Garanti Bank, Detay, MEED, DİE, Undersecretary of Treasury, CBRT, Yapı Kredi Yatırım, Finansın vest, Hürriyet, Sabah, Radikal, Akşam, Financial Times, TEB Yatırım, Cumhuriyet.