

TURKISH BULLETIN

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ECONOMY & MARKET

MARKETS

At Monday's close, market situation was:

O/N for ISE Repo market & TLR Interbank market		TRY/USD
6.50%		1.4881
Most actively traded T-Bills		
Date	Maturity	C/Rate
08/12/09	03/08/11	9.04%
ISE-100 index		ISE- 100 Ref \$
49,916		33,453

Auctions between 25th Nov. – 8th Dec. 09

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales mn	Ann. Comp Yield

Treasury funding program for Dec: both domestic and external debt service will reach TL2.3bn, to be in part financed by new borrowings of TL1.5bn. It will withdraw TL3.5bn from the cash reserves in the CBT to fund a TL2.9bn cash primary deficit and the remaining debt redemptions.

Inflation: Consumer price index increased by 2.4%/m/m in Nov09, which led to an annual rate of 5.5%/y/y, up by 40bps compared to Oct09. CPI increase is mainly due to the rise in

food (+2.2%/m/m), clothing (+4.6%/m/m) and transport (+1.3m/m) prices.

- Production Price Index rose by 1.3%/m/m and increased by 1.2%/y/y down from the previous month figure of +0.2%/y/y. Main monthly increase was observed in the refined petroleum product sector (+6.9%/m/m).

Foreign Trade Deficit contracted by 51%/y/y to US\$2.6bn in Oct09. In 10M09, exports declined by 28%/y/y to US\$83bn while imports shrank by 37%/y/y to US\$113bn.

- Exports were recorded at a level of US\$10.1bn in Oct09, increasing by 3.4%/y/y and up from Sept's level of US\$8.5bn. The y/y increase was in part driven by the surge in machinery exports (+7%/y/y).

Business Confidence index fell by 3%/m/m to 91 in Nov09 from Oct's level of 94.

Fitch upgraded Turkey's long term foreign currency rating by two notches to BB+, stressing the country's "relative resilience to the severe stress test of the global financial crisis".

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

Turkey-US relations: at a recent bilateral meeting, Obama highlighted Turkey's importance in stabilizing Afghanistan and Iran's nuclear program, and in normalizing Syria-Israel relations, while Erdogan focused its speech on the PKK issue and on Azerbaijan-Armenia dispute (and its potential effects on

the Nabucco pipeline project). Turkish PM reiterated that his country's army will continue to help to fix Afghanistan's infrastructure, but avoided concrete conclusions on its military role. Obama said that he appreciated Turkey's efforts to normalize relations with Armenia and to improve minority rights.

SECTOR NEWS & PRIVATISATION

Steel: Tosyali Holding completed its US\$1.0bn flat steel investment, for a production capacity of 2mn tons/year. The Group started the commercial production on Dec. 1st.

White Goods: domestic sales declined by 5%/y/y to 0.44mn units, but exports jumped by 26%/y/y to 1.4mn units in Oct09.

Electricity consumption increased by 1.2%/y/y in Nov09 according to TEIAS. This is the second positive y/y growth figure in 2009 following the 6.2%/y/y increase in Oct.

Equity Capital Markets: International investors were net buyers on the Istanbul Stock

Exchange with US\$98mn in Nov09. Foreign investors placed US\$4.5bn buy orders versus US\$4.4bn sell orders. Koç and Garanti were the most bought stocks while IsBank and Vakifbank were the most sold ones. Total inflow reached US\$1.57bn in 09 compared to a US\$2.9bn net outflow in Jan-Nov08.

M&A

Banking: the Chairman of Union of Arab Banks stated that Arabic Banks are in talks to acquire Turkish Banks and mentioned that there were talks with Tekstilbank and Millennium Bank but that approached parties kept on offering too high prices.

Privatization

Banking: State Minister stated that the Gov't has no intention to complete privatization of the three state banks, yet IPO for Ziraat Bank may be considered if market conditions improve in 2010.

Ports: Global Holding-Hutchison-EIB Limas consortium is in talks with Arkas Holding, Turkish Chamber of Commerce and Izmir Municipality to form a partnership for the acquisition of the Izmir port.

COMPANY NEWS

Is Bank will sign a loan agreement of 10bn yens (US\$11mn) with JBIC which will be used for long-term financing for importers who plan to buy ships from Japan.

Sekerbank obtained a €30mn & 5yr-maturity loan from IFC.

Dogan Yayin Holding: no settlement has been reached between the Finance Ministry and the Holding on the TL3.8bn tax fine. The process will come back to court again and it could mean to around 2yrs of uncertainty for the company.

Erdemir cut its HRC and CRC prices by 12% and 5% to US\$545/tons and US\$695/tons respectively. This is the first price decrease this year following the 50% hike in listed prices last summer.

Petkim announced that the company made an agreement with French company Technip to increase the LDPE-T capacity by 25K tons/yr to 145K tons/yr. The investment is expected to be completed in 2011.

Tupras started talks with Technicas Reunidas for the Residium Upgrading Project. The management expects the final agreement to be signed within Dec09. The construction of the project is planned to start in 2010 and expected to be completed at the end of 2013.

Turkcell was notified by the Tax Authority a tax fine of TL152.3mn regarding the issue of the "Special Communication Tax" due on prepaid SimCard sold to Distributors. The Company will make the payment and should appeal to the Court.