

Agenda

26 Monday

- CBRT to release Capacity Utilization Rate for July.
- US, June new home sales figures.
- Treasury to hold a 3-year T-Bill auction.

27 Tuesday

- CBRT to release 3rd inflation report of the year.
- US, July Consumer Confidence.
- Treasury to hold two auctions. (357-day TRY discounted Bill and 7-year TRY FRN).

28 Wednesday

- US, June Durable Goods Orders figures.
- Treasury to redeem TRY 5.94bn of domestic debt

29 Thursday

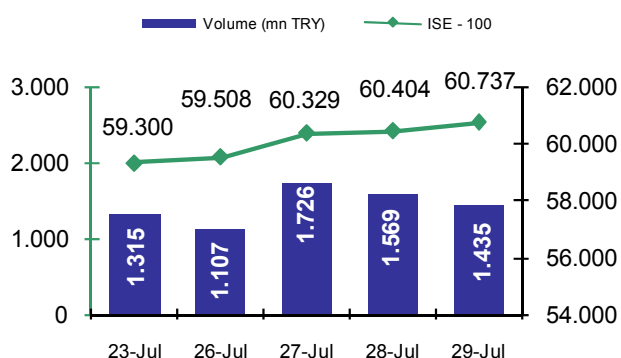
- US, jobless claims.
- Turk Stat to release tourism revenues for 2Q10.

30 Friday

- US, 2Q10 GDP figures.
- US, July Consumer Sentiment.
- Turk Stat to release foreign trade index figures for June.
- Treasury to release Aug-Oct borrowing strategy.

Outlook:

Good morning! The ISE preserved its incline in the wake of the recent optimistic mood in international markets and positive expectations for 2Q10 financials of Turkish banks. The index remained green all day testing 61,000, increasing 0.55% to 60,737 by the end of trading with a volume TRY 1.8bn. The mood, however, is appearing to be stuttering as incoming US macro data was disappointing, reminding investors that the markets are not out of the woods yet. US markets retracted with pessimistic announcements from American technology firms, paving the way for some Asian exchanges to experience losses approaching 1.5%. Today, the market will pay a fair bit of attention to US 2Q10 growth results, and the ISE100 should start its final trading day of the week with a sell-sentiment. However, losses in the ISE are to remain limited as satisfactory financials are expected from Turkish banks. Technically, 60,800 and 61,200 are our respective resistance levels whilst 60,000 and 59,700 are the primary and secondary support levels.



Money Market:

In the domestic money markets, April 2012 benchmark yields depreciated by 12bps on Thursday and closed at 8.31% while TRY traded sideways against USD, closing at TRY 1.510. On the domestic front, the CBRT has raised the reserve requirement ratio on FX deposits by 0.5 percentage points to 10%. It withdrew USD 720mn from the FX markets but the implications were limited. Meanwhile, the Treasury successfully borrowed USD 1bn by reissuing Eurobonds with 2021 maturities in the international markets. Focus will be on the US growth data for 2Q10 and consumer confidence today. Any negative figures may put further pressure on the already fragile global financial markets. Given the negative mood in the global financial markets, we expect the domestic money markets to lose slight ground today.

Indices (TRY)	Previous	Last	Chg.	YTD
ISE-100	60.404	60.737	0,55%	14,98%
ISE-30	76.638	77.197	0,73%	15,23%
ISE-Financial	95.563	96.281	0,75%	20,71%
ISE-Industrial	43.470	43.514	0,10%	14,82%
ISE-Services	36.435	36.553	0,32%	1,16%

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
IHGZT	9,49	KRDMB	-5,61	VAKBN	121.114.800
EPLAS	8,99	KRDMA	-4,76	YKBNK	116.478.735
AGYO	8,87	DERIM	-4,26	GARAN	112.480.841
MZHL	8,60	GEDIZ	-3,86	THYAO	88.420.513
EGYO	8,33	GDKYO	-3,70	ISCTR	86.563.017

Domestic Headlines:

June trade figures are out today We expect June exports and imports at USD 9.6bn and USD 15.1bn, respectively. Thus, our monthly trade deficit forecast stands at USD 5.5bn for the month, lower than market consensus of USD 5.9bn. TurkStat will announce the figures today at 08:00 (London time). We do not expect the markets to react to the monthly trade deficit since a widening trade deficit is already anticipated.

The Treasury raised USD 1bn in 2021 Eurobond auctions this week The Treasury has successfully raised USD 1bn through reissuing a USD-denominated Eurobond with March 2021 maturity yesterday. The yields were at 5.25% and the demand for the issue was strong. It has raised USD 6bn so far this year, exceeding its full-year projection of USD 5.5bn in Eurobond financing for 2010. It has served USD 7.3bn in foreign debt redemptions so far while the remaining for the rest of the year stands at USD 3.5bn.

Tourism revenues remain supportive in 2Q10 The Turkish Statistics Institute announced quarterly tourism revenue statistics. Accordingly, tourism revenues rose by 7% YoY in 2Q10 to USD 4.58bn. In the first half of the year, while the number of foreign visitors went up by 7% YoY, the increase in revenues were limited to 4% YoY as the tourism expenditures per visitor remained at USD 615 for the period. Tourism revenues are a crucial component of the current account balance to support the economy. This year's performance remains positive despite the declining global demand for travel.

Money Market	Previous	Last	Pr. Mn	YTD
O/N Repo (%)	6,54	6,53	6,52	6,66
Euro Bond (30 year, \$)	167,25	167,25	155,25	161,50
Bond (Benchmark, %)	8,19	8,31	8,77	8,80

Currency	Previous	Last	Chg.	YTD
US\$	1,5125	1,5105	-0,13%	0,87%
Euro	1,968	1,9745	0,33%	-8,12%
Euro/Dolar	1,2994	1,308	0,66%	-8,62%

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	72,7	77,1	6,05%	-0,37%
Oil (NYMEX future, \$)	77,0	78,3	1,65%	-1,58%
Gold (Ounce, \$)	1.163,5	1.163,9	0,03%	6,08%
Silver (XAG, \$)	17,5	17,6	0,67%	4,50%

Şeker Funds	Previous	Last*	Chg.	YTD
Şekerbank A T. Variable	0,268896	0,268949	0,02%	3,29%
Şekerbank B T. Bond&Bill	0,018628	0,018610	-0,10%	3,15%
Şekerbank B T. Liquid	0,728583	0,728613	0,00%	1,66%
Şeker Yat. B T. Variable	0,016906	0,016904	-0,01%	1,97%
Şeker Yat. B T. Gold	0,011575	0,011598	0,20%	4,76%

* Prices of 30-Jul-10

Company News:

Halkbank (HALKB.TI, HOLD) releases 1H10 financials Halkbank announced a net profit of TRY 1,035mn for 1H10, up by 31.5% YoY. Our forecast for the same period stood at TRY 1,008mn (vs. Market: TRY 1,005mn) thus the bank has given a slight surprise for both us and the market on the upside (c. 3%). On quarterly terms, even though its bottom-line growth stayed flat at 0.8%, it went up by 23.0% YoY when compared to the same period last year. To summarize, in 1H10 the bank experienced (i) 7.1% YoY growth, -1.9% QoQ contraction in NII, (ii) 22.3% YoY, 7.3% QoQ growth in Total Assets to TRY 68bn (SE: 65.6bn), (iii) 34.3% YoY, 9.6% QoQ growth in Total Loans to TRY 38.2bn (SE: TRY 36.5bn) (iv) 25.2% YoY, 9.4% QoQ growth in Total Deposits to TRY 51.2bn (SE: 48.4bn), (v) 12-month trailing reported ROAE at 34.2%, (vi) relatively lower CAR at 15.1% (vs. Sector: 19.4%), (vii) Adjusted NIM at 5.6% (20 bps contraction QoQ) (viii) Further improving NPL ratio (by 40 bps) to 4.3% (vs. Sector: 4.3%), (ix) relatively low but slightly increasing C/I ratio at 31.5% (x) increasing but still low loan to deposit base at 74.7% (vs. Sector: 82.6%). On the other hand, Halkbank announced yesterday that the bank has secured a EUR 75mn loan from the European Investment Bank (20% of the loan has been obtained from the European Commission at zero interest). The EIB loan, which has a 5-year maturity, will be paid as a lump-sum single payment.

Turk Telekom (TTKOM.TI, BUY) has made an announcement regarding the decision of The Information and Communication Technologies Authority (ICTA) on naked DSL prices. Accordingly, the ICTA has determined the naked DSL price at TRY 8.13 (excluding taxes). Turk Telekom will appeal to the court for the cancelation of the decision as its find the new price prohibitively low.

Otokar (OTKAR.TI, HOLD) bottom-line over market consensus in 2Q10 Otokar announced a net profit of TRY 3.7mn in 2Q10 below our expectation of TRY 4.9mn (Market consensus: TRY 2.3mn). The company had released a TRY 2.8mn net loss in 2Q09. On the other hand, the company's 1H10 net loss reached TRY 2.7mn (1H09: TRY 11.7mn net profit) due to a decline in armored vehicle sales volume. Otokar's armored vehicle sales volume shrank by 80% to 27 units in 1H10 from 136 units in 1H09. The company's unit sales were boosted by 65% YoY in 1H10 and reached 1,434 units due to an increase in domestic bus, trailer and especially Land Rover sales volume. Finally, Otokar's total revenue reached TRY 192.7mn in 1H10 and diminished by 4% YoY. We maintain our "HOLD" recommendation for Otokar.

World Indices	World Indices			
	Previous	Last	Chg.	YTD
America				
Dow Jones (US)	10.498	10.467	-0,29%	0,38%
Nasdaq (US)	2.265	2.252	-0,57%	-0,77%
S&P 500 (US)	1.106	1.102	-0,42%	-1,22%
Bovespa (Brasil)	66.808	66.954	0,22%	-2,38%
Merval (Argentina)	2.374	2.405	1,32%	3,65%
Mexico Bolsa (Mexico)	32.666	32.464	-0,62%	1,07%

Europe	Europe			
	Previous	Last	Chg.	YTD
Dax (Germany)	6.179	6.135	-0,72%	2,98%
FTSE 100 (UK)	5.320	5.314	-0,11%	-1,83%
CAC 40 (France)	3.670	3.652	-0,50%	-7,23%
WSE WIG (Poland)	42.416	42.617	0,47%	6,58%
Prague (Czech Republic)	1.184	1.191	0,63%	6,63%
Budapest (Hungary)	22.508	22.681	0,77%	6,85%
RTSI (Rusya)	1.476	1.502	1,79%	3,99%

Asia/Africa	Asia/Africa			
	Previous	Last	Chg.	YTD
Nikkei (Japan)	9.753	9.696	-0,59%	-8,06%
Hang Seng (Hong Kong)	21.091	21.094	0,01%	-3,56%
Shanghai Comp. (China)	2.634	2.648	0,55%	-19,19%
KOSPI (South Korea)	1.773	1.771	-0,15%	5,24%
JSE Africa All Shr.(S.Africa)	28.367	28.550	0,64%	3,19%

Turkdex (Set. Price)	Turkdex (Set. Price)			
	Previous	Last	Chg.	YTD
INX100 (JULY 10)	60,850	60,800	-0,08%	15,37%
INX30 (JULY 10)	76,825	77,325	0,65%	15,67%
IR365 (JULY 10)	87,780	87,780	0,00%	-1,48%
USD (AUGUST 10)	1,521	1,519	-0,13%	1,64%
EURO (AUGUST 10)	1,976	1,985	0,43%	-7,83%
COTTON (JULY 10)	3,685	3,685	0,00%	41,73%
WHEAT (JULY 10)	0,554	0,554	0,00%	-2,64%
GOLD (AUGUST 10)	56,555	56,630	0,13%	7,74%

Portfolio Recommend.	Portfolio				
	Inclusio Date	Inclusio Price	Last Close	Chg. (%)	ISE Relative
Turk Traktor	13.07.10	12,20	13,80	13,1%	7,2%
Aygaz	21.05.10	5,80	6,70	15,5%	3,6%
TAV Airports Holding	08.01.10	4,88	6,45	32,2%	19,6%
Ak Enerji	28.06.10	3,14	3,24	3,2%	-5,1%
Is Bank	21.05.10	4,82	5,75	19,3%	6,9%
Turkish Airlines	11.05.10	4,08	4,42	8,3%	0,7%
Is REIT	26.04.10	1,74	1,60	-8,0%	-11,7%
Ford Otosan	13.01.10	9,24	11,20	21,2%	7,1%
Portfolio Yield				21,3%	39,4%

TRY Million	1H09	1H10	YoY	2Q09	2Q10	YoY	1Q10	QoQ
Revenues	200,7	192,7	-4,0%	83,2	111,2	33,7%	81,5	36,5%
Gross Profit	63,7	27,4	-57,0%	16,8	14,9	-11,4%	12,9	15,6%
Gross Profit Margin	31,7%	14,2%		20,2%	13,4%		15,8%	
EBIT	26,1	-3,2	N.M.	2,0	-0,5	N.M.	-2,4	N.M.
EBIT Margin	13,0%	-1,7%		2,4%	-0,4%		-3,0%	
EBITDA	31,1	4,2	-86,5%	4,8	3,4	-29,7%	1,2	176,9%
EBITDA Margin	15,5%	2,2%		5,7%	3,0%		1,5%	
Net Profit	11,7	-2,7	N.M.	-2,8	3,7	N.M.	-6,4	N.M.
Net Profit Margin	5,8%	-1,4%		-3,4%	3,3%		-7,9%	

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Netas (NETAS.TI; N/C) has disclosed a 2Q10 net profit of TRY 2.1mn down by 76% YoY from TRY 9.1mn in 2Q10. With the inclusion of second quarter results, Netas has registered a TRY 4.7mn net profit in the first half of 2010 down by 71% YoY from the net profit of TRY 16.3mn in the same period a year ago. On the top-line, Netas booked revenues of TRY 49.4mn in 2Q10 up by 13.87 %YoY but down by 5.7% QoQ, bringing revenues for the first half of the year to TRY 101.07mn, which indicates a 0.1% YoY improvement. Finally, the company disclosed an EBITDA figure of TRY 5.1mn for 2Q10, up by 167% YoY and 140% QoQ.

TRY Million	1H09	1H10	YoY	2Q09	2Q10	YoY	1Q10	QoQ
Revenues	101,5	101,7	0%	43,3	49,4	14%	52,3	-6%
Gross Profit	18,4	10,6	-42%	4,2	6,9	64%	3,8	82%
<i>Gross Profit Margin</i>	18,1%	10,4%		9,7%	13,9%		7,2%	
EBIT	12,3	5,2	-58%	0,8	4,1	411%	1,1	264%
<i>EBIT Margin</i>	12,1%	5,1%		1,8%	8,3%		2,1%	
EBITDA	14,6	7,2	-51%	1,9	5,1	167%	2,1	140%
<i>EBITDA Margin</i>	14,3%	7,1%		4,4%	10,3%		4,0%	
Net Profit	16,3	4,7	-71%	9,1	2,1	-76%	2,6	-18%
<i>Net Profit Margin</i>	16,0%	4,7%		20,9%	4,3%		5,0%	

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