

The CBRT's dovish tone on rate cut, sustainability of low interest rates continue to support the ISE Index

American and European Indexes maintained their bullish course due to better-than-expected corporate 3rd Quarter Earnings...

FED, BOE, ECB and BOJ continued to hold their benchmark interest rates at historic low levels. The only exception came from the Australian central bank which raised interest rates for the second time by 25 base points to 3.50%, its highest level since 2009.

FED Officials have stated that they will not likely to raise interest rates. The officials have also mentioned that economic policy should aim to bring a durable recovery and lower unemployment, while keeping inflation in check. BOE forecasts a sharply improving outlook for growth, indicating that it expects a V-shaped recovery, even as its projections suggested that interest rates would remain lower for longer than expected.

In Scotland meeting, G-20 governments agreed to keep their stimulus measures in place, despite signs that the global economy has been in recovery. However, G20 thought that the recovery remained dependent on policy support, and high unemployment stayed as a major concern

The US and European Indexes were supported by better-than-expected 3Q09 net earnings combined with G20 nations have agreed to maintain support for the recovery to be assured.

The ISE-Index has faced with profit takings and tested 46,000 technical levels due to the uncertainties regarding the IMF agreement combined with rumors of early elections and rising in political tension. Domestic macro indicators point to weaknesses in industrial earnings, as the domestic demand and sentiment largely remain fragile.

CBRT cut the benchmark interest rate by 25 basis points...

During the last meeting on the November 19th, the CBRT has reduced its short-term interest rates by 25 basis points. Market consensus was 25 basis points. Accordingly, the overnight borrowing and lending rates declined to 6.50% and 9.00%, respectively. We expect the CBRT to cut interest rates for one more time 25 basis points interest rate cut during December policy meetings. We expect the policy rate to stabilize around 6.25% until the first half of 2010.

Uncertainty continues regarding the IMF agreement...

Since Prime Minister's Erdogan statement on October, there was any news flow regarding the IMF negotiation process. We believe that the government is reluctant to finalize the process of an IMF deal while keeping the expectations alive on the matter till 1Q10 as they plan to announce fiscal rule for 2011. As we have mentioned in the previous month, the government can continue without an IMF deal unless the global climate deteriorates. We preserve our neutral stance on the matter since it is a political will after all whereas we definitely prefer an IMF deal in such a fragile global economic recovery in 2010.

In line with continuing global risk appetite, and high levels of global liquidity into the emerging economies, capital inflow has continued to inject into the ISE despite profit takings that took place at the beginning of November. The ISE-Index, one of the best performer emerging market stock exchanges since the beginning of 2009, has tested 46,000 levels. Turkey is expected to recover easier than its peers thanks to its resilient banking industry and CBRT's interest rate cuts more than its peer, as the main reasons behind the ISE-Index strong performance.

Our portfolio recommendation for December...

After ISE-100 Index tested the highest level at 51,800 in mid October, the market faced with profit takings due to the ending short-term expectations combined with increasing political tension. The bullish trend maintained in the first half of November.

As well as global macro economy data releases, Turkish macroeconomic indicators, global risk appetite, decreasing likelihood of an IMF deal and low interest rates on hold will continue to weight on the ISE-100 index in the coming months. Therefore, we expect the market to maintain its fluctuating course in December.

Our investment portfolio's percentages have not shifted compared with the last month figures, as 20% in equity, 60% in treasury bonds, and 20% in foreign currencies.