

IMF expectations still support the markets...**Central Banks continued to hold their benchmark rates at low levels...**

FED and ECB continued to hold the benchmark interest rates at their historic low levels. We believe that the global economy could be deemed to be in a recovery stage, after bottoming out in the second half of 2009. Furthermore, IMF Managing Director Strauss-Kahn has stated that it would be too early for officials to withdraw stimulus that's driving the global recovery.

On the other hand, global markets went under strong selling pressures following Europe's concerns over Greece's debt problems and US President Obama's proposal to impose limits on investment banks.

Fitch and Moody's upgraded Turkey's rating...

Even though the credit rating agencies have downgraded the sovereign ratings of some European Countries, due to Turkey's relatively stable condition during the global crisis, Fitch and Moody's raised Turkey's credit rating by one notch to Ba2.

The CBRT kept the policy rate at 6.50% in January...

The CBRT kept the policy rate at 6.50% in January as widely expected. Accordingly, the overnight borrowing and lending rates stood at 6.50% and 9.00%, respectively. While a long pause period for the policy rate is ahead, the hottest issue would be the timing for the CBRT to restart interest rate increases.

The Turkish monetary policy makers' concerns had shifted from inflation to growth issues as the collapse in the domestic demand along with the sharp decline in commodity prices has eased inflation to manageable levels. As the economy recovers, inflation will become a more important issue in 2010. We had anticipated that on the back of rising inflationary concerns, the CBRT would enter into a rate hiking cycle in the last quarter of this year. However, the IMF program will allow the CBRT to keep its rates longer on hold and we expect a 150 bps rate hike in 2011.

IMF is back to the table...

In the recent weeks, Turkish government has brought the IMF deal out once again; as PM Erdogan's comments have renewed hopes. Turkey prefers a 2 year standby agreement which would also cover the 2011 election period. We believe that Turkey would draw as much as USD 20-25 billion from the IMF, way below the USD 45-50 billion figures previously mentioned by the market participants. Thus, we have revised our macroeconomic outlook under an IMF deal with financing facilities of USD 20-25 billion, although preserving the right to review the macro indicators following the official announcement of the deal's detail, attentive fiscal framework and the type of financing facilities. On the other hand, considerable external financing would not only improve Turkey's domestic financing but also external debt rollover ratios, supporting its growth dynamics, backing up the loosening monetary policy stance and inflation outlook and finally providing a buffer to any external shocks.

The ISE which has diverged positively from its peers...

Due to increasing positive expectations regarding an IMF agreement along with Turkey's credit rating upgrades by credit agencies, the ISE maintained its bullish trend which has diverged positively from its peers during January 2010.

We believe that during February 2010, the ISE would follow the external markets shaped by US President Obama's proposal of limits on investment banks and the internal markets shaped by IMF expectations along with year-end company financials. Thus, we expect the market to show a fluctuating trend during February 2010.

Our portfolio recommendation for February...

Finally, we are offering the investors to switch from financial sector stocks to industrial stocks with higher expectations.

In light of the abovementioned developments we are not revising the distribution of our investment portfolio consisting of 30% of equity, 50% of treasury bonds, and 20% of FX.