

Agenda

11 Monday

- N/A

12 Tuesday

- Treasury auctions

13 Wednesday

- U.S., January CPI

14 Thursday

- TurkStat, December industrial production
- CBRT, December balance of payment
- Germany, 4Q18 GDP
- U.S., jobless claims
- U.S., January PPI
- U.S., January retail sales

15 Friday

- S&P will release Turkey's sovereign credit rating review
- Ministry of Treasury and Finance, January budget realizations
- TurkStat, November labor statistics
- U.S., February Empire mfg survey
- U.S., January industrial production, CUR and Michigan sentiment index

Outlook:

Major global stock markets declined on Friday amid falling risk appetite attributable to ongoing uncertainty over US-China trade talks and concerns over global growth deceleration, with the downward revision in the Eurozone growth outlook. In parallel to the course of major international markets, the BIST100 also closed 0.3% lower at 102,452 on Friday. The US markets had closed rather mixed, and the Asian markets have also been trading mixed today. We expect the BIST to open rather positively this morning, with mixed trading to follow during the day. As the earnings season moves along, we expect stock-specific moves to take the stage. SUPPORT: 102,100-101,400; RESISTANCE: 103,400-104,100.

Money Market:

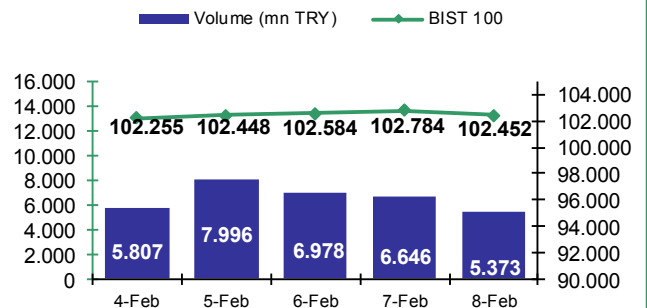
The Lira was positive on Friday, gaining 0.17% against the USD to close at 5.2370. Additionally, the currency appreciated by 0.17% against the basket composed of \$0.50 and €0.50. Meanwhile, the local fixed income markets were relatively flat. The ten-year benchmark bond ended at 14.58%, 4 bps below its previous close.

Domestic Headlines:

Loaded macro agenda throughout the week: Markets will be watching important macro data flow and Treasury auctions throughout the week. The Treasury is to reissue an 11-month (15/01/20220) discount bond and a 2 year sukuk tomorrow ahead of Wednesday's TRY4.0bn domestic debt redemption. Midweek markets will see December's balance of payments data, which is expected to point to a USD1.5bn C/A deficit (our estimate is USD1.8bn) and bring the 12-month rolling C/A deficit to around USD28bn from USD34bn in November. On Thursday, December IP data will be disclosed, where the market expects a 7.0% YoY contraction (we expect -6.3%). If the outcome turns out in line with expectations, 4Q IP growth would be close to -6%. On Friday, January budget data will be disclosed, where markets will look for clues as to fiscal discipline. Recall that the Treasury's cash balance for January produced a TRY2.5bn cash and TRY9.1bn primary surplus, but there was a nominal 64% YoY increase (37% in real terms) in non-interest expenditures, which probably means that a large portion of the CBT's profit transfer has already been spent, therefore, it will be important to watch the budgetary details. On Friday, markets also get to see S&P's credit rating decision after the markets close. S&P rates Turkey at B+ (four notches below investment grade, last downgraded on 17 August 2018) with a stable outlook. We and the market expect S&P to maintain the credit rating and outlook as is.

Sector News:

Banking watchdog the BRSA has published an amendment to the communiqué pertaining to banks' loan transactions. Accordingly, banks will be able to restructure consumer loans for up to 60 months' maturity. **Garanti Bank (GARAN.TI; OP)**, **Vakif Bank (VAKBN.TI; MP)** and **Isbank (ISCTR.TI; MP)** have the highest market shares in our coverage universe (**Negative**).



Indices (TRY)	Previous	Last	Chg.	YTD
BIST 100	102.784	102.452	-0,32%	12,25%
BIST 30	129.138	128.712	-0,33%	12,57%
BIST-Financial	115.020	114.720	-0,26%	13,97%
BIST-Industrial	119.154	118.390	-0,64%	12,89%
BIST-Services	77.415	77.546	0,17%	8,38%

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
EUHOL	19,30	ADESE	-10,00	GARAN	843.692.053
BJKAS	12,35	SONME	-8,94	THYAO	746.472.286
TGSAS	11,42	VAKFN	-5,11	EREGL	318.301.625
MERKO	10,96	ODAS	-4,98	KRDMD	314.750.281
TUKAS	10,18	ANELE	-4,88	AKBNK	244.782.748

Money Market	Previous	Last	Pr. Mn	YE15
O/N Repo (%)	23,30	23,91	23,00	25,48
Euro Bond (30 year, \$)	118,93	118,93	118,93	118,93
Bond (Benchmark, %)	18,4	18,37	19,27	19,73

Currency	Previous	Last	Chg.	YTD
US\$	5,2460	5,238	-0,15%	-0,87%
Euro	5,9475	5,93	-0,29%	-1,82%
Euro/Dolar	1,1337	1,13234	-0,12%	-0,94%

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	62,2	61,7	-0,96%	11,98%
Oil (NYMEX future, \$)	52,7	52,0	-1,38%	11,71%
Gold (Ounce, \$)	1.314,9	1.311,3	-0,27%	2,21%
Silver (XAG, \$)	15,8	15,8	-0,56%	1,55%

Şeker Funds	Previous	Last*	Chg.	YTD
Fiba Portföy Şekerbank Money	1,474007	1,476734	0,19%	2,53%
Fiba Portföy Şekerbank Short T.	0,017360	0,017396	0,21%	2,11%

* Prices as of 11-Feb-19

Company News:

Aksigorta (AKGRT.TI; N/C) has announced a non-consolidated net profit of TRY 62mn in 4Q18, thus below the expectations (4Q17: TRY 41mn net profit), while the market consensus was for a TRY 68mn net profit. Following the 4Q18 print, cumulative net profit reached TRY 228mn in FY18 (FY17: TRY 127mn net profit).

Aselsan (ASELS.TI; OP) has signed an agreement with the Presidency of Defense Industries regarding security systems for TRY 58.3mn + USD 21.3mn (total ~USD32.4mn). Deliveries will be made in between the years 2019-2020. The latest deal represents 0.4% of the company's total backlog (**Slightly Positive**).

Aselsan (ASELS.TI; OP) -STM-HAVELSAN-ASFAT Business Partnership has signed an agreement with the Presidency of Defense Industries regarding the Preveze Class Submarine Mid-Life Modernization Project. Within the context of this agreement, Aselsan business share is valuing TRY 512.4mn (USD 97.4mn). Deliveries will be made between the years 2021-2027. The latest deal represents 1.1% of the company's total backlog (**Positive**).

Avivasa (AVISA.TI; N/C) has announced a non-consolidated net profit of TRY 49mn in 4Q18, thus below expectations (4Q17: TRY 28mn net profit), while the market consensus was for a TRY 60mn net profit. Following the 4Q18 print, cumulative net profit reached TRY 191mn in FY18 (FY17: TRY 102mn net profit).

Halkbank (HALKB.TI; MP) appointed Mr. Erkan Kilimci as the new EVP responsible for treasury and international banking (**Neutral**).

Isbank (ISCTR.TI; MP) posted a TRY2,196mn net income (+77.3% QoQ) in its 4Q18 bank-only financial statements. This is respectively 45% and 46% above our TRY1,512mn call and the TRY1,502mn RT consensus estimate. The bank's 12M profit of TRY6,769mn was strongly up 27.5% YoY (Private banks: +11.6% YoY) with a ROAE of 14.6%

The main drivers of deviation from the actual figures are: 1) a negative surprise on the trading loss, 2) better than expected other income, 3) lower than expected provision burdens and 4) estimate-beating OPEX. Lastly, the effective tax rate was 12%, vs. our 22% call. We note strong deposit performance, relatively weak core spreads, solid fee revenues >>>

World Indices					
America	Previous	Last	Chg.	YTD	
Dow Jones (US)	25.170	25.106	-0.25%	7,63%	
Nasdaq (US)	7.288	7.298	0,14%	9,99%	
S&P 500 (US)	2.706	2.708	0,07%	8,02%	
Bovespa (Brasil)	94.406	95.343	0,99%	8,48%	
Europe	Previous	Last	Chg.	YTD	
Dax (Germany)	11.022	10.907	-1,05%	3,29%	
FTSE 100 (UK)	7.094	7.071	-0,32%	5,10%	
CAC 40 (France)	4.986	4.962	-0,48%	4,88%	
MIB30 (Italy)	19.478	19.352	-0,65%	5,61%	
PSI20 (Portugal)	5.136	5.091	-0,88%	7,60%	
ASE (Greece)	645	645	0,00%	5,19%	
RTSI (Rusia)	1.200	1.200	-0,04%	12,25%	
Asia	Previous	Last	Chg.	YTD	
Nikkei (Japan)	20.751	20.333	-2,01%	1,59%	
Hang Seng (Hong Kong)	27.990	27.974	-0,06%	8,23%	
Shanghai Comp. (China)	2.618	2.618	0,00%	4,99%	
KOSPI (South Korea)	2.203	2.177	-1,20%	6,66%	
Sensex (India)	36.636	36.636	0,00%	1,57%	
Turkdex (Set. Price)	Previous	Last	Chg.	YTD	
INX30 (February 19)	130,625	130,525	-0,08%	10,59%	
USD (February 19)	5,3033	5,293	-0,19%	-3,03%	
EURO (February 19)	6,0325	6,016	-0,27%	-4,32%	
GOLD (February 19)	223,76	224,09	0,15%	-0,99%	
Portfolio	Inclusion Date	Inclusion Price	Last Close	Chg. (%)	BIST Relative
Doğuş Otomotiv	07/11/18	4,83	4,63	-4,1%	-10,7%
Türkish Airlines	06/12/17	12,80	14,71	14,9%	19,2%
Pegasus	06/03/18	35,64	29,42	-17,5%	-5,8%
Migros	07/12/18	15,27	16,45	7,7%	-1,5%
Akbank	17/01/19	6,61	6,73	1,8%	-3,8%
Arçelik	01/11/18	15,45	19,87	28,6%	16,0%
Turkcell	01/11/18	11,93	14,50	21,5%	9,6%
Garanti Bank	17/01/19	9,25	8,88	-4,0%	-9,3%
Portfolio Yield (yoy)				-30,9%	-22,9%
Portfolio Yield (mom)				13,2%	0,8%

>>> and strong solvency metrics as the main highlights of the quarter. We increase our target price to TRY5.98 from TRY4.92 following our revisions to other income and provisions for 2019-2023. Our new TP offers 10% upside potential. We also maintain our "Market Perform" recommendation. The bank is trading at a 2019E P/E of 3.9x (18% discount to domestic peers) and P/BV of 0.43x with a 2019E ROAE of 11.6%. **There should be a positive market reaction to the easing of provision burdens and decrease in LDR.**

Kardemir (KRDMD.TI; OP) According to reports on Matriks newswire, as per Kardemir's continuing talks with the Ozcelik labor union regarding an agreement encompassing the next 2 years, the Union has reportedly proposed a 20% wage hike for the first 6 months of the agreement, and CPI+1 for the next couple of 6 months and CPI+2 for the last 6 months of the agreement. The Union has also proposed gross bonuses of TRY 1,000 and TRY 1,700 before each Eid break during the year. The meetings will continue on January 13th, 2019. The union's proposals are, in essence, in line with our estimates for Kardemir's personnel wage increases for the year, as we have been estimating a rise in parallel to that of CPI for the said periods. As we believe other market participants could also be approximating similarly, we do not expect the reports to significantly impact the steelmaker's share performance.

TAV Airports Holding's (TAVHL.TI; OP) total (inorganic) PAX growth decelerated, as expected, to 3.4% YoY in Jan 2019, due mainly to declining domestic demand in the Group's Turkish operations, following 4.4% YoY growth attained in Dec 2018 (with the inclusion of Antalya Airport to the Group's operations in co-control with Fraport from May 2018 onwards). The group's passenger traffic excluding Antalya has retreated by 6.1% YoY in Jan 2019 (Dec 2018: -4.9% YoY). Though expected, the data announcement per se may create somewhat negative sentiment around the Group shares.

- **Total PAX traffic in TAV's biggest operation, Istanbul Atatürk International Airport, contracted by 2.5% YoY in Jan 2019 (Dec 2018: -2.2% YoY). Yet international Pax traffic at this airport remained positive at 1.9% YoY, denoting growth deceleration when compared to the 3.3% YoY growth attained in Dec 2018.** The contraction in domestic PAX at Istanbul Ataturk International Airport has, however, also decelerated to 12.4% YoY from 15.0% YoY in Dec 2018. Meanwhile, PAX growth at Antalya International Airport decelerated to 12.9% YoY (Dec 2018: 13.7% YoY), yet remained strong, supported by quite strong international PAX growth of >>>

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- >>> 64.1% YoY in Jan 2019 (Dec 2018: 67.5% YoY). The contraction of passenger traffic in Ankara and Izmir airports remained elevated at 21.9% & 9.6% YoY (Dec 2018: -20.7% & -8.7% YoY), due mainly to significant declines in domestic PAX traffic. Passenger traffic at Milas- Bodrum Airport also shrank by 11.7% YoY, following a contraction of 14.6% YoY in Dec 2018. Traffic growth towards Gazipasa in Alanya also decelerated to -0.4% in Jan 2019 (Dec 2018: +4.1% YoY).
- **Pax growth in TAV's international operations (c.14% of total Pax in Jan 2019) also decelerated to 1.2% YoY in Jan 2019, following growth of 4.8% YoY in Dec 2018.** TAV's PAX traffic in Georgia remained strong at double digits, decelerating to +15.6% YoY in Jan 2019 (Dec 2018: +20.8% YoY). PAX growth in Macedonia decelerated to +6.0% YoY in Jan 2019 (Dec 2018: +13.4% YoY). Tunisia continued to record a notable recovery with PAX growth of 54.2% YoY (Dec 2018: 51.1% YoY), while growth in Medinah stalled to -7.2% YoY (Dec 2018: -4.9% YoY). Passenger traffic growth in Zagreb also decelerated to 0.0% in Jan 2019 (Dec 2018: +5.1% YoY).

TSKB (TSKB.TI; MP) has purchased 0.47 mn of **TSKB GYO (TSGYO; N/C)** shares at a TRY0.79 price and increased its stake to 87.10% **(Neutral)**.

Turk Telekom (TTKOM.TI; OP) CMB has approved its issuance of one or more foreign currency and/or TRY denominated debt capital market instruments overseas within the structure of a conventional Eurobond up to a total amount of US\$ 500mn (including the equivalent of US\$ 500mn). Separately, Turk Telekom has purchased US\$2.0mn nominal worth of its Eurobonds for approximately US\$1.8mn (at an average price of: US\$ 92.400) on February 8, 2019. Recall that the company had disclosed that Turk Telekom and/or Group companies would purchase and/or sell Turk Telekom's bonds, currently trading on the Irish Stock Exchange, at prices and levels determined by the management, based on market conditions. The maximum amount of funds allocated for this purpose is set at US\$20mn. Thus far, approximately US\$13.5mn of Eurobonds have been bought back **(Neutral)**.

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