

### Agenda

#### 13 Monday

- CBRT, March balance of payments
- Treasury auction

#### 14 Tuesday

- TurkStat, March industrial production
- Treasury auction
- Germany, April CPI
- U.K., March unemployment rate
- Germany, May ZEW Survey
- Eurozone, March industrial production

#### 15 Wednesday

- Ministry of Treasury and Finance, April budget realizations
- TurkStat, February labor statistics
- Turkstat, March sectoral turnover indices
- China, April industrial production
- China, April retail sales
- Germany, 1Q19 GDP Growth
- Eurozone, 1Q19 GDP Growth
- U.S., April retail sales
- U.S., May Empire Manufacturing
- U.S., April industrial production and capacity utilization

#### 16 Thursday

- U.S., jobless claims
- U.S., April housing starts and building permits
- U.S., May Philadelphia Fed business outlook

#### 17 Friday

- Eurozone, April CPI
- U.S., May Michigan Consumer sentiment

#### Outlook:

Global stock markets recovered part of their losses midweek on hopes of easing trade tensions, thanks to news flow on the US Administration's plans to delay auto tariffs by up to 6 months. Meanwhile, risk appetite remained relatively subdued, as suggested by the decline in US 10-year Treasury yields. After a volatile day's trading, the BIST100 closed 0.7% lower at 87,380. The TRY has also appreciated, diverging positively from its EM peers. The CDS rates, however remained elevated at 493 bps, still suggesting that risk perception towards TRY-based assets remains high. Investors will today follow US jobless claims, April housing starts and building permits data, plus the May Philadelphia Fed business outlook; there will be no major local data announcements. Asian markets have been mixed-to-lower today after reports that President Trump has signed an order that would ban telecom equipment from countries considered foreign adversaries. We expect the BIST to open flat today. Reactionary buying could continue, albeit at a slower pace; yet local concerns such as high oil prices, the S-400 missile system related political debate with the US and jitters over the Istanbul municipal elections may hinder its further advance. These concerns remaining in place, any upturn at the index might well be utilized as profit taking. SUPPORT: 86,200-85,400, RESISTANCE: 88,100-88,800.

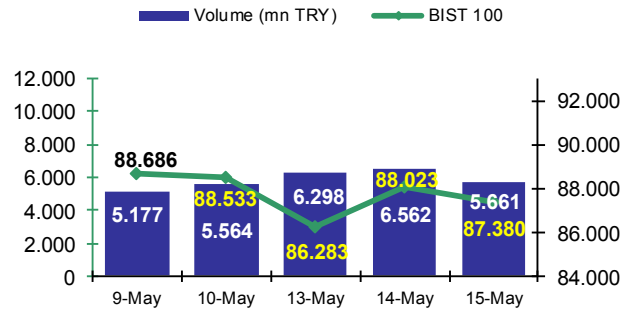
#### Money Market:

The Lira was negative yesterday, weakening 0.08% against the USD to close at 6.0090. Additionally, the currency depreciated by 0.12% against the basket composed of \$0.50 and €0.50. Meanwhile, the local fixed income markets were relatively flat. The ten-year benchmark bond was traded within a range of 19.48%-19.55%, ending the day at a high of 19.55%, 7 bps above its previous close.

#### Domestic Headlines:

**Deterioration in fiscal deficit getting more pronounced:** The central government budget posted a TRY18.3bn deficit in April compared to a TRY2.8bn deficit in the same month of last year. There was also a TRY13.2bn primary deficit, vs. the TRY0.4bn primary surplus of March 2018. For the Jan-Apr period, we note a TRY54.5bn budget deficit and TRY16.0bn primary deficit compared to TRY23.2bn budget deficit and TRY2.2bn primary surplus in the same period of 2018. Meanwhile, on 12-month trailing basis, the budget deficit has reached TRY103.9bn (~2.6% of GDP), while the primary balance also points to a TRY16.9bn deficit. According to the IMF definition, i.e. adjusted for one-off items, the primary deficit jumps to a whopping ~TRY100bn.

Even though we acknowledge some improvement in the current pace of both revenues and expenditures, we fear that the budget deficit may even reach levels in excess of 3.0-3.5% of GDP in 2019. It seems that, in order to maintain the fiscal deficit at plausible levels, the government would require a significant amount of additional non-tax revenue sources (as was the case in previous years) quite apart from expenditure controls. **For our detailed analysis, please click the link:**



Indices (TRY)	Previous	Last	Chg.	YTD
BIST 100	88.023	87.380	-0,73%	-4,26%
BIST 30	109.947	109.230	-0,65%	-4,47%
BIST-Financial	99.809	98.680	-1,13%	-1,96%
BIST-Industrial	105.691	105.794	0,10%	0,88%
BIST-Services	64.479	63.741	-1,15%	-10,91%

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
IZOCM	9,07	ISFIN	-14,61	THYAO	1.080.649.912
IHGZT	7,78	POLHO	-9,27	GARAN	757.748.166
AKGUV	7,35	POLTK	-6,17	KOZAA	395.052.475
SANEL	6,23	AGYO	-5,88	HALKB	376.006.596
SELEC	5,17	DOGUB	-5,69	AKBNK	292.043.502

Money Market	Previous	Last	Pr. Mn	YE15
O/N Repo (%)	25,00	25,50	25,49	25,48
Bond (Benchmark, %)	25,43	25,87	21,95	19,73

Currency	Previous	Last	Chg.	YTD
US\$	6,0040	6,009	0,08%	13,72%
Euro	6,7275	6,7375	0,15%	11,55%
Euro/Dolar	1,1205	1,12101	0,05%	-1,93%

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	72,2	72,3	0,25%	31,40%
Oil (NYMEX future, \$)	62,2	62,6	0,55%	34,46%
Gold (Ounce, \$)	1.296,4	1.296,7	0,02%	1,07%
Silver (XAG, \$)	14,8	14,8	-0,07%	-4,70%

Şeker Funds	Previous	Last*	Chg.	YTD
Fiba Portföy Şekerbank Money	1,559157	1,560180	0,07%	8,32%
Fiba Portföy Şekerbank Short T.	0,018311	0,018325	0,08%	7,57%

\* Prices as of 16-May-19

**Unemployment rate rises further to 13.6% in February:** TURKSTAT has disclosed February (January-March period) employment statistics, which imply that employment numbers have continued to deteriorate. The seasonally-adjusted series suggests that headline unemployment rose further to 13.6% from 13.3% a month ago. The non-agricultural and youth unemployment rates also rose to 15.8% and 24.8% from 15.5% and 24.5%, respectively. Recall that the seasonally-adjusted unemployment rates have consistently risen since end-2017 from 9.8%, 11.7% and 18.8%, respectively. On a positive note, we see some 68K rise in employment in February (in seasonally-adjusted terms) following a cumulative 760K employment loss in the prior three months.

The un-adjusted unemployment rate stood at 14.7% compared to 10.6% in the same period of last year, indicating more than a 4.0% point YoY increase. The workforce actually seems to have risen at a moderate pace by 564K (or 1.8%), which somewhat limited the spike in the unemployment rate. The number of employed fell by 811K (2.9%) YoY, which means that the number of unemployed rose by 1.38 million (41%) to 4.73 million over the same period.

**Sectoral turnover and volume indices imply some recovery compared to 4Q18, while still pointing to YoY contraction:** TURKSTAT released the sectoral turnover (revenue) and volume indices yesterday, which imply similar results to those of the IP index. To start with the trade sector turnover index, we note a 14.1% YoY rise in March in nominal terms, which actually indicates 4.7% deceleration in real terms (when deflated by CPI inflation). Accordingly, the trade turnover index fell by 5.5% YoY in real terms compared to -7.6% in 4Q18. Another growth indicating data print is the retail sector volume index, which pointed to a YoY decline of 5.1%, bringing the YoY change in 1Q19 to -5.0% from -7.5% in 4Q18. Finally, the construction turnover index rose by 14.1% YoY, which points to a 12.0% deceleration in real terms. In 1Q19, the construction index fell by 19% YoY in real terms, vs. the 22% YoY decline in 4Q18.

### Company News:

**Aksa Energy (AKSEN.TI; OP)** expects to generate TRY 4.835 billion (2018: TRY 4.669 billion) in revenues and TRY 1.339 billion of EBITDA (2018: TRY 1.060 billion) by year-end 2019. It also foresees total CAPEX of TRY80 million for the year (decrease of 33% YoY). The company guides for no new investment expenditures for 2019. >>>

World Indices					
America	Previous	Last	Chg.	YTD	
Dow Jones (US)	25.532	25.648	0,45%	9,95%	
Nasdaq (US)	7.734	7.822	1,13%	17,89%	
S&P 500 (US)	2.834	2.851	0,58%	13,73%	
Bovespa (Brasil)	92.092	91.623	-0,51%	4,25%	
Europe	Previous	Last	Chg.	YTD	
Dax (Germany)	11.992	12.100	0,90%	14,59%	
FTSE 100 (UK)	7.242	7.297	0,76%	8,45%	
CAC 40 (France)	5.341	5.374	0,62%	13,60%	
MIB30 (Italy)	20.893	20.863	-0,14%	13,86%	
PSI20 (Portugal)	5.109	5.131	0,44%	8,45%	
ASE (Greece)	732	723	-1,25%	17,87%	
RTSI (Rusia)	1.242	1.247	0,44%	16,68%	
Asia	Previous	Last	Chg.	YTD	
Nikkei (Japan)	21.067	21.189	0,58%	5,86%	
Hang Seng (Hong Kong)	28.122	28.269	0,52%	9,37%	
Shanghai Comp. (China)	2.884	2.939	1,91%	17,83%	
KOSPI (South Korea)	2.082	2.093	0,53%	2,53%	
Sensex (India)	37.319	37.115	-0,55%	2,90%	
Turkdex (Set. Price)	Previous	Last	Chg.	YTD	
INX30 (June 19)	112,775	111,875	-0,80%	-5,21%	
USD (June 19)	6,1596	6,169	0,15%	13,01%	
EURO (June 19)	6,9202	6,926	0,08%	10,14%	
GOLD (June 19)	257,94	258,18	0,09%	14,07%	
Portfolio Recommend.	Inclusion Date	Inclusion Price	Last Close	Chg. (%)	BIST Relative
Tofas	08.04.19	18,90	16,74	-11,4%	-1,7%
Turkish Airlines	06.12.17	12,80	12,10	-5,5%	15,0%
Pegasus	06.03.18	35,64	29,50	-17,2%	10,8%
Migros	07.12.18	15,27	11,95	-21,7%	-16,1%
Arcelik	08.05.19	16,80	16,03	-4,6%	-1,4%
Turkcell	01.11.18	11,93	11,31	-5,2%	0,2%
Garanti Bank	17.01.19	9,25	7,63	-17,5%	-11,5%
Portfolio Yield (yoy)				-37,5%	-27,3%
Portfolio Yield (mom)				-9,1%	-0,2%

\*Starting date of portfolio 30/11/2004

>>> Its calculations are based on a projected average exchange rate of 6.23 for the USD and 7.10 for EUR.

**Kardemir (KRDMD.TI; OP)** Cag Celik Demir, a company chaired by Mr. Gulec, who is also the Chairman of the Board of Kardemir, has shared buying c.100k TL nominal worth Group A shares of Kardemir at a price of TRY 2.03/share (c.0.01% of Kardemir's total share capital and c.4.6% of KRDMA shares' average daily trading volume) on May 15, 2019. Following this transaction, Cag Celik Demir's stake in Kardemir rose to 3.981%. The possible extension of stake purchases might create positive sentiment around Kardemir stocks.

**Kardemir (KRDMD.TI; OP)** Mr. Cagri Gulec, a member of Kardemir's BoD has shared buying c.20k TL nominal worth Group B shares of Kardemir at a price of TRY 2.04/share (c.0.002% of Kardemir's total share capital and c.1.0% of KRDMA shares' average daily trading volume) on May 14, 2019. Following this transaction, Mr. Gulec's stake in Kardemir increased to 0.000557%. Possible extension of stake purchases might create positive sentiment around Kardemir stocks.

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