

Agenda

10 Monday

- Germany - markets will be closed
- Treasury auction
- Japan, 1Q19 GDP Growth
- China, May trade balance
- U.K., Monthly GDP Growth
- U.K., April industrial production
- U.K., April trade balance

11 Tuesday

- Treasury auction
- U.K., April unemployment rate
- U.S., May PPI

12 Wednesday

- CBRT, rate decision
- China, May CPI & PPI
- ECB, President Draghi's Speech
- U.S., May CPI

13 Thursday

- Germany, May CPI
- Eurozone, April industrial production
- U.S., jobless claims

14 Friday

- CBRT, April balance of payments
- China, May industrial production
- Japan, April industrial production
- U.S., May retail sales
- U.S., May industrial production and capacity utilization
- U.S., June Michigan Consumer sentiment

Outlook:

Global equity indices generally retreated on Wednesday after their recent strong run, as attention returned to US-China trade tensions ahead of the expected meeting of President Trump and Chinese counterpart Xi Jinping at the G-20 summit towards month-end. Profit takers have emerged at the BIST as well; the BIST100 index closed 0.2% lower at 92,606, after following a volatile course during the day, due mainly to a 0.9% retreat in the banking sector index. The CBRT has maintained its policy rate unchanged at 24.0%, as expected, stating that in order to contain the risks to pricing behavior and reinforce the disinflation process, it will maintain its tight monetary stance. The TRY, thus, appreciated, diverging positively from its peers yesterday. Yet it has started depreciating today, attributable to news flow regarding Turkey's S-400 missile system purchases. The Turkey 5-year CDS rates have retreated to 467bps levels following the CBRT's monetary policy decision yesterday. Yet they still do not justify the recent positive pricing at the BIST or for other TRY-based assets. Investors will today follow Germany's May CPI, Eurozone April industrial production data and US jobless claims; there will be no major local data announcements. Asian markets have been declining today led by Hang Seng dropping on protests. We expect the BIST to open negatively, with profit takings to continue in parallel to the course of world equity markets today. However, as long as global risk appetite remains high, we believe that any downturn represents further buying opportunities. SUPPORT:92,100, 91,200, RESISTANCE:93,100, 94,600.

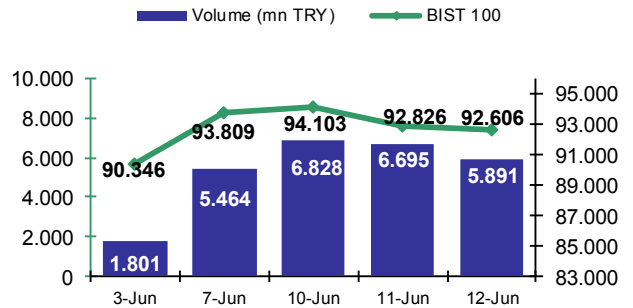
Money Market:

The Lira was positive yesterday, gaining 0.75% against the USD to close at 5.7870. Additionally, the currency appreciated by 0.72% against the basket composed of \$0.50 and €0.50. Meanwhile, the local fixed income markets were positive. The ten-year benchmark bond was traded within a range of 17.26%-18.17%, ending the day at a low of 17.26%, 89 bps below its previous close.

Domestic Headlines:

CBT more confident about disinflation process igniting market expectations of a rate cut cycle to be initiated as early as July: The CBT at its MPC meeting has kept its policy rate, i.e. the weekly repo rate, stable at 24.0%. Considering the 150 bps margin, the O/N borrowing and late liquidity window (LLW) rates also remained stable at 25.5% and 27.0, respectively.

The accompanying MPC statement has slight differences from the previous one, which implies that the CBT might now be more confident about the disinflation process going forward. First, the "higher food and import prices and the elevated course of inflation expectations point to continued risks to price stability" sentence has been dropped from the statement. Furthermore, the CBT has modified the sentence stating that it would maintain its tight monetary policy stance until the inflation outlook displayed a significant improvement to contain the risks to pricing behavior and reinforce the disinflation process. It also believes that tight monetary policy, along with domestic demand conditions support disinflation; words not present in the previous statement.



Indices (TRY)	Previous	Last	Chg.	YTD
BIST 100	92.826	92.606	-0,24%	1,46%
BIST 30	116.151	115.883	-0,23%	1,35%
BIST-Financial	105.305	104.863	-0,42%	4,18%
BIST-Industrial	110.307	110.015	-0,26%	4,90%
BIST-Services	68.325	68.443	0,17%	-4,34%

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
INTEM	10,29	DENGE	-8,08	GARAN	986.003.617
MEGAP	10,11	IDEAS	-5,61	THYAO	820.195.574
ALCAR	7,29	TACTR	-5,20	PETKM	400.602.260
VESBE	7,14	ISFIN	-4,63	AKBNK	364.789.327
QNBFB	6,66	BOSSA	-4,63	KOZAA	229.147.811

Money Market	Previous	Last	Pr. Mn	YE15
O/N Repo (%)	23,51	25,49	25,49	25,48
Bond (Benchmark, %)	23,04	22,43	24,01	19,73

Currency	Previous	Last	Chg.	YTD
US\$	5,8310	5,787	-0,75%	9,52%
Euro	6,5875	6,5425	-0,68%	8,32%
Euro/Dolar	1,1297	1,12993	0,02%	-1,15%

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	60,2	60,9	1,18%	10,63%
Oil (NYMEX future, \$)	51,7	52,0	0,50%	11,62%
Gold (Ounce, \$)	1.333,4	1.336,3	0,22%	4,16%
Silver (XAG, \$)	14,8	14,8	0,20%	-4,56%

Şeker Funds	Previous	Last*	Chg.	YTD
Fiba Portföy Şekerbank Money	1,588496	1,589505	0,06%	10,36%
Fiba Portföy Şekerbank Short T.	0,018651	0,018663	0,06%	9,55%

* Prices as of 13-Jun-19

The CBT's confident stand against disinflation seems to have strengthened market expectations of the initiation of a rate cut cycle as early as July (MPC meeting to be held on 25 July). We believe that currency developments in particular, rather than the inflation trend, will remain the key determinant of monetary policy. To be more specific, if optimism regarding the currency can be maintained for longer, the CBT may be able to initiate monetary easing plans, but with a lesser magnitude (possibly 200-300 bps until end-2019), rather than our initial projections (650 bps). And yet, were we to witness further TRY depreciation in 2019 (e.g.: USD/TRY towards 6.50/7.0), which would lead CPI inflation towards 19.0-20.0% again in 1H20, we believe that the CBT would be unable to initiate the long-awaited rate cut process this year, even though CPI inflation may edge to 10-11% (or possibly high single-digit levels) by September. On the contrary, the CBT might be forced towards further tightening (either through tightening liquidity, or policy rate hikes) during TRY sell-off episodes.

Government extends new TRY25bn loan package to support real sector: The new package, to be backed by the Credit Guarantee Fund (CGF), aims to cover both SMEs and non SME enterprises. Loans will be dispersed with a floating rate indexed to CPI inflation. Recall that the government had previously (late May) also announced a TRY30bn loan package to be sponsored by state banks, which prioritizes raw material and intermediate goods, machinery-equipment and agriculture sectors.

Sector News:

BRSA extends number of credit cards installments: In an effort to incentivize domestic demand, the BRSA has extended the number of credit card installments on select items. Accordingly, the maximum installment number has been increased to 18 months from 12 months for furniture, to 6 months from 3 months for electronics, to 12 months from 9 months for TVs (less than TRY3,500), to 12 months from 9 months for tourism services (airline fees and accommodation), and to 18 months from 12 months for white goods and other electrical household items. Separately, the general instalment limit has been raised to 18 months for commercial credit cards (previously 12 months).

World Indices					
America	Previous	Last	Chg.	YTD	
Dow Jones (US)	26.049	26.005	-0,17%	11,48%	
Nasdaq (US)	7.823	7.793	-0,38%	17,44%	
S&P 500 (US)	2.886	2.880	-0,20%	14,88%	
Bovespa (Brasil)	98.960	98.321	-0,65%	11,87%	
Europe	Previous	Last	Chg.	YTD	
Dax (Germany)	12.156	12.116	-0,33%	14,74%	
FTSE 100 (UK)	7.398	7.368	-0,42%	9,50%	
CAC 40 (France)	5.408	5.375	-0,62%	13,62%	
MIB30 (Italy)	20.610	20.463	-0,71%	11,67%	
PSI20 (Portugal)	5.207	5.179	-0,54%	9,46%	
ASE (Greece)	846	844	-0,26%	37,57%	
RTSI (Rusia)	1.343	1.343	0,00%	25,70%	
Asia	Previous	Last	Chg.	YTD	
Nikkei (Japan)	21.204	21.130	-0,35%	5,57%	
Hang Seng (Hong Kong)	27.789	27.308	-1,73%	5,66%	
Shanghai Comp. (China)	2.926	2.909	-0,56%	16,66%	
KOSPI (South Korea)	2.112	2.109	-0,14%	3,32%	
Sensex (India)	39.950	39.757	-0,48%	10,23%	
Turdex (Set. Price)	Previous	Last	Chg.	YTD	
INX30 (June 19)	117,125	117,125	0,00%	-0,76%	
USD (June 19)	5,8697	5,831	-0,67%	6,82%	
EURO (June 19)	6,6592	6,599	-0,91%	4,94%	
GOLD (June 19)	250,61	250,80	0,08%	10,81%	
Portfolio Recommend.	Inclusion Date	Inclusion Price	Last Close	Chg. (%)	BIST Relative
Tofaş	08.04.19	18,90	17,75	-6,1%	-1,7%
Turkish Airlines	06.12.17	12,80	12,95	1,2%	16,1%
Pegasus	06.03.18	35,64	37,30	4,7%	32,2%
Arcelik	08.05.19	16,80	18,02	7,3%	4,6%
Turkcell	01.11.18	11,93	12,48	4,6%	4,4%
Garanti Bank	17.01.19	9,25	8,16	-11,8%	-5,4%
Portfolio Yield (yoy)				-21,3%	-18,1%
Portfolio Yield (mom)				3,5%	0,7%

*Starting date of portfolio 30/11/2004

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