

Agenda

09 Monday

- Japan, 2Q19 GDP Growth
- Germany, July trade balance
- U.K., 2Q19 GDP Growth
- U.K., July industrial production
- U.K., July trade balance

10 Tuesday

- Treasury auction
- China, August CPI
- U.K., July unemployment rate

11 Wednesday

- U.S., August PPI
- U.S., July wholesale inventories

12 Thursday

- CBRT, rate decision
- Germany, August CPI
- Eurozone, June industrial production
- ECB, rate decision
- U.S., jobless claims
- U.S., August CPI
- U.S., August Federal Treasury Budget

13 Friday

- TurkStat, July industrial production
- CBRT, July balance of payments
- Japan, July industrial production
- Eurozone, July trade balance
- U.S., August retail sales
- U.S., August Michigan Consumer sentiment

Outlook:

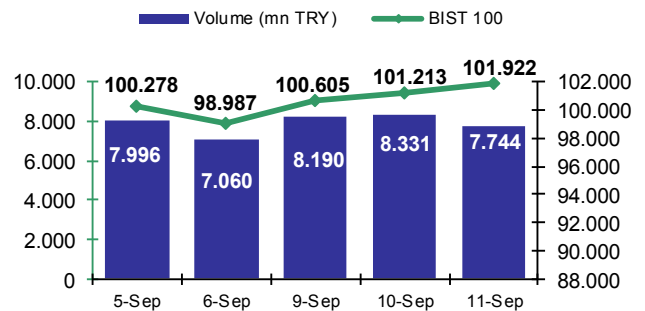
Major global equity indices rose further midweek as risk appetite returned in anticipation of a dovish outcome from today's ECB's policy meeting, and thanks to diminishing US-China trade tension as the latter lifted tariffs on certain US goods, and seemingly reduced risk of a no-deal Brexit. Maintaining its uptrend, the BIST100 also closed 0.7% higher at 101,922, led by the 1.0% rise in the banking sector index, attributable also to expectations of a rate cut from the CBRT today. The BIST100 thus recovered a large part of its losses incurred in August to become one of the best performers (in TRY terms) among the major world equity indices. Meanwhile, the negative decoupling of the TRY has come to a halt, and the currency appreciated against the US\$ yesterday, partly attributable to the decline in oil prices. Investors will today focus on the CBRT's policy decision, where the market expects a rate cut in the order of 250-275bps. We believe this expectation has largely been priced in, and a higher- than-expected, front-loaded rate cut could put new pressure on the TRY. The performances of the TRY and the BIST have lately been diverging from one another ahead of the CBRT meeting. Thus, the probability of profit taking with the realization of expectations following the delivery of the CBRT's policy decision today could be high. That said, Turkey's 5-year CDS premium retreated to 397bps yesterday. Investors will today also follow the ECB's rate decision with the expectation of a monetary stimulus package amid recent recession concerns. Should the leading central bank not deliver on market expectations, we might observe selling pressure in major equity markets, and vice versa, while a better than expected package would strengthen risk appetite. Meanwhile, Germany's August CPI, the Eurozone's industrial production and US jobless claims, August CPI, and Federal Treasury Budget data will also be followed. Asian equity markets have been advancing today ahead of the expected monetary policy easing from the ECB. We expect the BIST to also open positively and maintain its uptrend during the day. We would, however, remind readers of the risk of profit taking, and note that intraday volatility could be high. SUPPORT: 101,500 – 100,800 - RESISTANCE: 102,900 – 103,550.

Money Market:

The Lira was positive yesterday, gaining 0.45% against the USD to close at 5.7570. Additionally, the currency appreciated by 0.63% against the basket composed of \$0.50 and €0.50. Meanwhile, the local fixed income markets were positive. The ten-year benchmark bond ended at 15.75%, 12 bps below its previous close.

Domestic Headlines:

Market expects 250-275 bps cut today, but would not be surprised to see more than a 300 bps cut either: The long-debated MPC meeting will be held today, and the CBT's decision announced at 14:00. According to three separate surveys, market expectations for the 12 September MPC meeting range between a 175 and 400 bps rate cut, with the median expectation pointing to a 250-275 bps cut (bringing the policy rate to 17.0-17.25% from the current 19.75%). Yet, as we got closer to the MPC meeting, the market started to argue that more than a 300 bps cut would not be surprising either, especially amid ongoing supportive global >>>



Indices (TRY)	Previous	Last	Chg.	YTD
BIST 100	101.213	101.922	0,70%	11,67%
BIST 30	125.865	126.852	0,78%	10,94%
BIST-Financial	116.772	117.948	1,01%	17,18%
BIST-Industrial	116.151	116.614	0,40%	11,19%
BIST-Services	77.687	78.115	0,55%	9,18%

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
IDEAS	12,05	FLAP	-9,72	THYAO	1.444.445.321
METRO	11,76	SEYKM	-7,10	GARAN	877.710.911
KLNMA	10,20	YYAPI	-6,67	ASELS	522.249.050
TSGYO	6,98	ESCOM	-5,43	PETKM	338.266.799
AVHOL	6,84	CEMAS	-4,85	KRDMD	334.779.194

Money Market	Previous	Last	Pr. Mn	YE15
O/N Repo (%)	19,00	19,80	19,90	25,48
Bond (Benchmark, %)	15,66	15,50	15,22	19,73

Currency	Previous	Last	Chg.	YTD
US\$	5,7830	5,757	-0,45%	8,95%
Euro	6,3725	6,3225	-0,78%	4,68%
Euro/Dolar	1,1019	1,10127	-0,06%	-3,66%

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	61,2	61,3	0,15%	11,41%
Oil (NYMEX future, \$)	55,8	56,3	0,93%	20,91%
Gold (Ounce, \$)	1.496,7	1.498,1	0,09%	16,77%
Silver (XAG, \$)	18,1	18,2	0,19%	16,99%

Şeker Funds	Previous	Last*	Chg.	YTD
Fiba Portföy Şekerbank Money	1,669774	1,670522	0,04%	15,99%
Fiba Portföy Şekerbank Short T.	0,019653	0,019662	0,05%	15,41%

* Prices as of 12-Sep-19

>>> sentiment. As we have previously communicated in our reports, based on the CBT's guidance on the "plausible real interest rate term", we sense that the CBT might be thinking of lowering the policy rate to about 15.0 % by year-end. So, the question now is precisely how much of its available leeway will the CBT opt to make use of at today's meeting. Although we had penciled in a 275 bps rate cut in the latest market polls, we would not be surprised either to see more than a 300 bps cut. As long as global sentiment remains supportive, the negative impact on the TRY might be limited, although we fear that the TRY may still be vulnerable to another round of abrupt sell-off when/if market sentiment turns sour, should the CBT act too fast.

Sector News:

The Banks Association of Turkey has stated that loans provided to energy producer and distributor companies has reached USD47bn, of which USD12-13bn needs to be restructured. TBB also stated that USD10bn of natural gas power plant loans were expected to be restructured by YE19, which would lower the sector's CAR by 23bps. (Our calculations: 80bps) **(Negative)**.

Company News:

TSKB (TSKB.TI; OP) has received a USD200mn loan from China Development Bank with a Treasury guarantee. A fresh funding source is to be utilized for the funding of SME, energy, health, education and infrastructure loans **(Neutral)**.

Turkish Airlines (THYAO.TI; OP) Turkish Airlines' August 2019 PAX declined by 1.8% YoY, following a drop of 4.5% YoY in July 2019. Its load factor also retreated by 0.8 pp YoY to 84.8% in August 2019 over a strong base. Though indicating a slight decline in its total PAX and load factor year-over-year, Turkish Airlines' latest traffic data includes a pick-up in its international PAX growth in August 2019. Hence we expect the impact of the announcement on the share performance to be rather neutral.

- **Total PAX declined 1.8% YoY to 7.4mn in August 2019 (July 2019: -4.5% YoY)**, due mainly to the 10.7% YoY decline in domestic PAX (July 2019: -11.2% YoY) to 2.8mn. On the other hand, international PAX grew by 4.6% YoY to 4.6mn, thanks mainly to a 9.4% YoY increase in international-to-international transfer >>>

World Indices					
America	Previous	Last	Chg.	YTD	
Dow Jones (US)	26.909	27.137	0,85%	16,33%	
Nasdaq (US)	8.084	8.170	1,06%	23,12%	
S&P 500 (US)	2.979	3.001	0,72%	19,71%	
Bovespa (Brasil)	103.032	103.446	0,40%	17,70%	
Europe	Previous	Last	Chg.	YTD	
Dax (Germany)	12.269	12.359	0,74%	17,05%	
FTSE 100 (UK)	7.268	7.338	0,96%	9,06%	
CAC 40 (France)	5.593	5.618	0,44%	18,76%	
MIB30 (Italy)	21.869	21.892	0,10%	19,47%	
PSI20 (Portugal)	4.995	5.006	0,22%	5,80%	
ASE (Greece)	850	857	0,88%	39,78%	
RTSI (Rusia)	1.344	1.355	0,80%	26,76%	
Asia	Previous	Last	Chg.	YTD	
Nikkei (Japan)	21.392	21.598	0,96%	7,91%	
Hang Seng (Hong Kong)	26.684	27.159	1,78%	5,08%	
Shanghai Comp. (China)	3.021	3.009	-0,41%	20,65%	
KOSPI (South Korea)	2.032	2.049	0,84%	0,40%	
Sensex (India)	37.145	37.271	0,34%	3,33%	
Turkdex (Set. Price)	Previous	Last	Chg.	YTD	
INX30 (October 19)	128,525	129,525	0,78%	9,74%	
USD (October 19)	5,8981	5,855	-0,73%	7,27%	
EURO (October 19)	6,5400	6,467	-1,12%	2,83%	
GOLD (October 19)	285,05	283,17	-0,66%	25,11%	
Portfolio Recommend.	Inclusion Date	Inclusion Price	Last Close	Chg. (%)	BIST Relative
Migros	05/07/19	14,42	20,30	40,8%	37,6%
Tofas	06/09/19	18,98	19,46	2,5%	-0,4%
Turkish Airlines	06/12/17	12,80	12,18	-4,8%	-0,8%
Pegasus	06/03/18	35,64	65,30	83,2%	110,2%
Petkim	06/08/19	3,74	3,63	-2,9%	-5,2%
Turkcell	01/11/18	11,93	13,36	12,0%	1,5%
Garanti Bank	17/01/19	9,25	9,58	3,6%	11,1%
Portfolio Yield (yoy)				21,0%	10,7%
Portfolio Yield (mom)				11,1%	6,9%

- >>> PAX traffic that made up 53% of the carrier's total international PAX in August 2019, while direct international PAX declined very slightly by c.0.4% YoY (July 2019: -5.2% YoY).
- Load factor retreated 0.8 pp YoY to 84.8%. Following the transfer of operations to its new hub on April 5-6th, 2019, Turkish Airlines' total capacity further increased by 4.0% YoY in August 2019 (July 2019: +2.1% YoY) through mainly a 6.1% YoY capacity increase over international routes (July 2019: +4.0% YoY), while domestic capacity was cut notably by 9.8% YoY in August 2019 (July 2019: -10.6% YoY) in parallel to the decline in domestic air travel demand. Turkish Airlines' RPK, on the other hand, rose 3.0% YoY in August 2019, following a slight decline of 0.6% YoY in July 2019. Its load factor thus declined just slightly by 0.8 pp YoY to 84.8% over a strong base, due mainly to the 1.0 pp retreat in its international load factor (July 2019: -2.6 pp YoY) to 84.3%. Meanwhile, with the reduction in domestic capacity, the domestic load factor continued to improve by 0.7 pp YoY in August 2019 (July 2019: +1.3 pp YoY) to 88.4%.
- **Cargo volume growth decelerated slightly to 11.5% YoY in August 2019**, following growth of 12.6% YoY in July 2019. Yet 8M19 volume growth remained higher (+9.6% YoY) than the recently upwardly revised guidance of 7% growth for 2019E.

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