

Agenda

16 Monday

- Ministry of Treasury and Finance, November budget realizations
- TurkStat, September labor statistics
- Treasury auctions
- Japan, December Nikkei mfg. PMI
- China, November industrial production
- China, November retail sales
- Germany, Dec. Markit non-mfg & mfg PMI
- Eurozone, Dec. Markit mfg & non-mfg PMI
- U.K., Dec. Markit mfg & non-mfg PMI
- U.S., Dec. New York Empire State Manufacturing Index
- U.S., Dec. Markit mfg & non-mfg PMI

17 Tuesday

- U.K., October unemployment rate
- Eurozone, October trade balance
- U.S., November housing starts and building permits
- U.S., November industrial production and capacity utilization

18 Wednesday

- Japan, November trade balance
- Germany, November PPI
- Germany, December IFO business climate
- U.K., November CPI & PPI
- Eurozone, November CPI

19 Thursday

- BoJ, rate decision
- U.K., November retail sales
- BOE, rate decision
- U.S., jobless claims
- U.S., December Philadelphia Fed business outlook
- U.S., November existing home sales

20 Friday

- Japan, November CPI
- Germany, January GfK consumer confidence
- U.K., 3Q19 GDP Growth
- U.S., 3Q19 GDP Growth
- U.S., November personal income and spending
- U.S., December Michigan Consumer sentiment

Outlook:

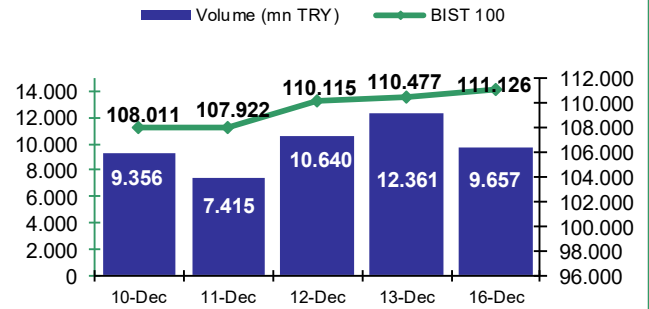
The BIST100 closed 0.6% higher at 111,126 on Monday in parallel to the broad-based advance among major global stock markets. Global risk appetite has improved, thanks to the announcement of a 'phase-one' trade deal between the US and China and the Conservative Party's election victory in the UK. Oil prices have increased with easing worries over global growth; the TRY has somewhat depreciated, diverging negatively from its EM peers. Meanwhile, Turkey's 5-year CDS rates have retreated to 288bps, their lowest level since July 2018, suggesting that the risk perception towards the TRY-based assets has improved. While the TRY may continue to diverge negatively from its EM peers with a continuing rise in oil prices, we believe the BIST should maintain its uptrend amid heightened risk appetite and recent positive sentiment in global equity markets, as it remains attractively valued. Yet any downturn in global markets could reflect more strongly at the BIST, due to its recent strong performance. Even so, we believe this could in turn be exploited for further buying into the market, so long as no negative local news flow arises. Investors will today follow the UK's October unemployment rate, Eurozone's October trade balance and the US' November housing starts and building permits, and industrial production and capacity utilization data. There will be no major local data announcements. Asian markets have been advancing today. We expect the BIST to open somewhat flat and maintain its uptrend during the day, in parallel to the upturn in major global equity markets, despite possible intermittent profit takings. SUPPORT: 110,100-109,000, RESISTANCE: 111,900-112,400.

Money Market:

The Lira was negative yesterday, weakening 0.58% against the USD to close at 5.8470. Additionally, the currency depreciated by 0.51% against the basket composed of \$0.50 and €0.50. Meanwhile, the local fixed income markets were negative. The ten-year benchmark bond was traded within a range of 12.52%-12.61%, ending the day at a low of 12.52%, 16 bps above its previous close.

Domestic Headlines:

Sectoral turnover indices point to continued recovery in economic activity, excepting the construction sector: Looking at the wholesale and retail trade sector turnover index for October, we see a 17.7% YoY nominal rise in WD-adjusted terms, which actually indicates an 8.4% increase in real terms (when deflated by CPI inflation). The services (ex-trade) turnover index rose 12.2% YoY in nominal terms, which suggests a 3.3% improvement in real terms. As another growth-indicating (particularly domestic demand) data print, the retail sector volume index, also pointed to a 5.9% YoY rise in WD-adjusted terms. And yet, the condition of the construction sector continues to deteriorate with the construction turnover index witnessing a 19% YoY decline in nominal terms. This translates into slightly more than a 20% YoY deceleration in real terms (when deflated by the D-PPI index).



Indices (TRY)	Previous	Last	Chg.	YTD
BIST 100	110.477	111.126	0,59%	21,75%
BIST 30	134.823	135.507	0,51%	18,51%
BIST-Financial	131.504	132.228	0,55%	31,37%
BIST-Industrial	131.579	132.516	0,71%	26,36%
BIST-Services	84.122	84.811	0,82%	18,54%

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
UNYEC	20,00	QNBFB	-8,64	THYAO	1.344.150.191
GUSGR	19,70	OLMIP	-4,34	KRDMD	562.865.692
BOLUC	15,99	SANKO	-4,08	ASELS	477.953.944
ATAGY	14,97	OYLUM	-4,07	GARAN	374.196.735
ADANA	12,05	GLRYH	-4,04	GSRAY	324.452.319

Money Market	Previous	Last	Pr. Mn	YE15
O/N Repo (%)	10,70	10,70	12,75	25,48
Bond (Benchmark, %)	11,83	11,86	12,15	19,73

Currency	Previous	Last	Chg.	YTD
US\$	5,8085	5,847	0,66%	10,65%
Euro	6,454	6,511	0,88%	7,80%
Euro/Dolar	1,1111	1,1147	0,32%	-2,48%

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	65,5	65,5	0,01%	19,02%
Oil (NYMEX future, \$)	60,1	60,2	0,05%	29,29%
Gold (Ounce, \$)	1.476,4	1.477,0	0,04%	15,12%
Silver (XAG, \$)	17,0	17,1	0,05%	9,90%

Şeker Funds	Previous	Last*	Chg.	YTD
Fiba Portfoy Şekerbank Money	1,729620	1,730104	0,03%	20,12%
Fiba Portfoy Şekerbank Short T.	0,020405	0,020409	0,02%	19,80%

* Prices as of 17-Dec-19

Unemployment rate falls slightly MoM: The seasonally-adjusted unemployment rate decelerated slightly to 13.9% in September (August-October period) from 14.1% last month and the historic high level of 14.2% registered in July. The non-agricultural unemployment rate also decelerated slightly to 16.3% from 16.5%, while the youth unemployment rate remained also fell to 26.1% from 27.1%. We also see that there was a 73K MoM decline in the number of unemployed in September after the 21K MoM decline in August. Recall that, throughout Mar-18 - Jul-19 period, the number of unemployed has increased by about 1.5 million, ~900K of which has come from the loss in current employment, and the remainder due to the rise in workforce.

Meanwhile, the unadjusted unemployment rate stood at 13.8%, down from 14.0% a month ago, but much higher than the 11.4% registered in the same month of last year, indicating 2.4% percentage point YoY deterioration. The number of employed fell by 623K (-2.1%) YoY, and together with the 193K (0.6%) rise in the workforce, the number of unemployed rose by 817K (22%) YoY to 4.57 million. Similar to the past few months, the YoY loss in employment stems mainly from the construction sector with a 432K (-%22) YoY deceleration, while employment in agricultural and industrial sectors also fell by 108K (-2%), 152K (-3%), and the services sector added some 68K (0.4%) new jobs. [For our detailed analysis, please click the link:](#)

Revised year-end targets plausible with November budget results:

The central government budget posted a TRY7.8bn surplus in November, very close to the TRY7.6bn surplus in the same month of last year. There was also a TRY15.2bn primary surplus, vs. the TRY14.8bn primary surplus of November 2018. We also calculate that the IMF-defined primary balance would point to a surplus of some TRY13.9bn, when one-off items are excluded (TRY10.7bn in Nov-18). For the Jan-Nov period, we note a TRY92.9bn budget deficit and TRY2.8bn primary surplus compared to a TRY54.5bn budget deficit and TRY17.3bn primary surplus in the same period of 2018. The YoY deterioration for the IMF defined primary balance is actually much more pronounced, down from a deficit of TRY26.1bn to a deficit of TRY98.5bn. Meanwhile, on a 12-month trailing basis, the budget deficit and primary deficit stand at TRY111.0bn and TRY13.2bn, respectively. According to the IMF definition, i.e. adjusted for one-off items, we observe a whopping ~TRY128bn (about 3.0% of GDP) primary deficit. >>>

World Indices				
	Previous	Last	Chg.	YTD
America				
Dow Jones (US)	28.135	28.236	0,36%	21,04%
Nasdaq (US)	8.735	8.814	0,91%	32,84%
S&P 500 (US)	3.169	3.191	0,71%	27,31%
Bovespa (Brasil)	112.565	111.896	-0,59%	27,32%
Europe				
Dax (Germany)	13.283	13.408	0,94%	26,98%
FTSE 100 (UK)	7.353	7.519	2,25%	11,76%
CAC 40 (France)	5.919	5.992	1,23%	26,65%
PSI20 (Portugal)	5.203	5.221	0,34%	10,35%
RTSI (Rusia)	1.501	1.517	1,05%	41,96%
Asia				
Nikkei (Japan)	24.023	23.952	-0,29%	19,67%
Hang Seng (Hong Kong)	27.688	27.508	-0,65%	6,43%
Shanghai Comp. (China)	2.968	2.984	0,56%	19,67%
KOSPI (South Korea)	2.170	2.168	-0,10%	6,23%
Sensex (India)	41.010	40.939	-0,17%	13,50%

Turkdex (Set. Price)				
	Previous	Last	Chg.	YTD
INX30 (December 19)	135,400	136,150	0,55%	15,36%
USD (December 19)	5,8310	5,867	0,61%	7,48%
EURO (December 19)	6,4988	6,544	0,70%	4,07%
GOLD (December 19)	275,53	279,34	1,38%	23,42%

Portfolio Recommend.	Inclusion Date	Inclusion Price	Last Close	Chg. (%)	BIST Relative
Tofas	06/09/19	18,98	25,50	34,4%	19,7%
Turkish Airlines	06/12/17	12,80	14,01	9,5%	4,7%
Pegasus	06/03/18	35,64	82,70	132,0%	144,2%
Petkim	06/08/19	3,74	3,62	-3,2%	-13,3%
Akbank	09/10/19	7,47	8,17	9,4%	-1,9%
Turkcell	01/11/18	11,93	13,81	15,8%	-3,8%
Garanti Bank	17/01/19	9,25	10,92	18,1%	26,6%
Portfolio Yield (yoy)				49,4%	21,1%
Portfolio Yield (mom)				2,9%	-2,4%

Portfolio Yield (in 2010)

>>> Considering that all budgetary appropriations for non-interest expenditures will be utilized, the government's revised TRY125bn (3.0% of GDP) target seems plausible. For next year, the budget deficit target of 2.9% of GDP would surely be dependent on achieving the NEP's 5% GDP growth target, as well as significant discipline on the expenditure side, as we do not expect a similarly high outcome in non-tax revenues as this year. As such, there may be some slippage next year. [For our detailed analysis, please click the link:](#)

Company News:

Akbank (AKBNK.TI; OP) has authorized its management to issue up to USD2bn subordinated debt abroad (**Slightly Positive**).

Isbank (ISCTR.TI; MP) has sold 0.191 mn **Is Yatirim Menkul Degerler (ISMEN.TI; N/C)** shares within a TRY4.31-4.34 /share price range, reducing its stake to 66.95% (**Neutral**).