

### Agenda

#### 27 Monday

- TurkStat, June capacity utilization
- Germany, July IFO business climate
- U.S., June durable goods orders

#### 28 Tuesday

- U.S., July Case-Shiller Index
- U.S., July Conference Board (CB) consumer confidence

#### 29 Wednesday

- CBRT, rate decision

#### 30 Thursday

- BIST will be open until the afternoon.
- U.S., 2Q20 GDP Growth
- U.S., jobless claims

#### 31 Friday

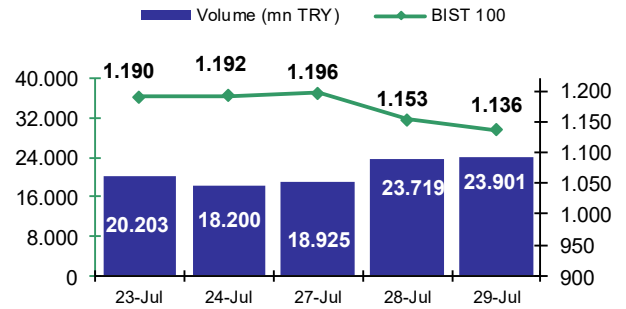
- BIST markets will be closed.
- U.S., June personal income and spending
- U.S., June Chicago PMI
- U.S., July Michigan Consumer sentiment

#### Outlook:

Major global stock markets closed mixed on Tuesday, while the US markets closed higher following the Fed's policy decision. Having started the day with reactionary buying, the BIST100 closed 1.5% lower at 1,135.55 after a day of mixed trading and high volatility. The decline was led by the banking sector stocks, which shed 2.8% on average. Both the BIST and other TRY-based assets faced selling pressure and continued to diverge negatively yesterday, attributable to concerns over political relations with the US. The DXY retreated, although the TRY continued to depreciate; the performance of the TRY against major currencies created unease, which has reflected on the performance of the BIST as well. Meanwhile, non-residents' holdings at the BIST continue to decline, especially in banking sector stocks, which has also led the banking sector index to diverge in a notably negative manner over the past couple of days. Turkey's CDS premium declined slightly to 540bps towards the end of trading day, although these levels still suggest high risk perception towards TRY-based assets. The Fed has unanimously maintained its target funding rate in the range of 0-0.25%, and reiterated that it would use all its tools to support the recovery from a severe economic downturn. In a separate statement, the major central bank has extended its US\$ liquidity swap lines and the temporary repo facility for foreign and international money authorities through March 31, 2021. The FOMC has repeated that the federal funds rate would remain near zero until it is confident that the economy is on track to achieve its maximum employment and price stability goals. The US stock markets have advanced following the Fed's decision and the DXY index continued to decline. Meanwhile, gold prices have maintained their uptrend. The VIX was at around 24; we believe profit taking in the US markets is likely to remain limited as long as the index remains below 28 levels. Global stock markets are likely to maintain their positive course on anticipation of a new stimulus package from the US. Yet should the TRY continue to depreciate, the BIST may face panic selling led by the banking sector stocks. And in the event of a stabilization of TRY performance, we may observe strong reactionary buying. The US and German futures have been trading somewhat positively, although the Asian markets have seen mixed trading today. We expect the BIST to open with reactionary buying, with volatile trading to follow. The BIST will be open for half a day today as the Eid al-Adha begins on July 31st, whereby trading volume could be lower, and its direction mixed. SUPPORT: 1,129 – 1,119 RESISTANCE: 1,144 – 1,156.

#### Money Market:

The Lira was relatively flat yesterday as the local currency remained unchanged from its previous close. The USD to close at 6.9827. Additionally, the currency depreciated by 0.45% 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 12.83%-12.98%, ending at the 12.94%, 12 bps above its previous close.



Indices (TRY)	Previous	Last	Chg.	YTD
BIST 100	1,192	1,136	-4,74%	-0,76%
BIST 30	1,348	1,272	-5,66%	-8,36%
BIST-Financial	1,265	1,188	-6,04%	-12,05%
BIST-Industrial	1,606	1,563	-2,68%	12,35%
BIST-Services	1,070	1,025	-4,20%	17,42%

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
VKFYO	10,00	KENT	-10,00	ASELS	2.309.536.364
KRGYO	10,00	AKMGY	-10,00	GUSGR	2.140.948.304
IHYAY	10,00	POLTK	-9,96	GARAN	1.589.460.764
RTALB	10,00	ISKUR	-9,84	EKGYO	1.361.974.771
BURVA	10,00	TDGYO	-9,71	KRDMD	859.860.913

Money Market	Previous	Last	Pr. Mn	YTD
O/N Repo (%)	9,70	9,70	7,35	11,08
Bond (Benchmark, %)	11,12	11,08	9,19	11,78

Currency	Previous	Last	Chg.	YTD
US\$	6,9824	6,9827	0,00%	17,36%
Euro	8,2531	8,20589	-0,57%	22,95%
Euro/Dolar	1,1820	1,17524	-0,57%	4,77%

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	44,1	44,0	-0,29%	-34,01%
Oil (NYMEX future, \$)	41,3	41,2	-0,27%	-32,72%
Gold (Ounce, \$)	1.970,6	1.958,5	-0,62%	28,13%
Silver (XAG, \$)	24,3	23,7	-2,44%	31,49%

Şeker Funds	Previous	Last*	Chg.	YTD
Fiba Portfoy Şekerbank Money	1,826109	1,826472	0,02%	5,16%
Fiba Portfoy Şekerbank Short T.	0,021515	0,021517	0,01%	4,99%

\* Prices as of 30-Jul-20

### Domestic Headlines:

**\*\*\* CBRT raised inflation forecasts for 2020:** The CBRT has released the second quarterly inflation report of the year, in which the CPI inflation forecast for end-2020 is revised up to 8.9% from 7.4%, and the 2021 forecast to 6.2% from 5.4%.

### Company News:

**Halkbank (HALKB.TI; MP)** has bought back 4.7mn of its own shares (0.19% of its paid-in capital) within a TRY5.29-5.46/share price range as part of its up to TRY120mn share buyback programme (**Neutral**).

**Garanti BBVA (GARAN.TI; OP)** posted a TRY1,600mn net income (-1.9% QoQ) in its 2Q20 bank-only financial statements. This is in line with our TRY1,588mn call and 2% above the TRY1,564mn RT consensus estimate. The bank's 6M profit of TRY3,231mn was down 11% YoY with a ROAE of 11.8%.

The main drivers of deviation from the actual figures are: a negative surprise on the trading gain, higher-than-expected other provisions and better-than-expected ECL. The bank set aside TRY600mn free provision, vs. our TRY200-300mn expectation (Total free provisions: TRY3.1bn). Lastly, the effective tax rate was 29%, vs. our 22% call.

Management has revised down its NIM and F&C guidance and revised up CoR guidance for 2020. TRY loan growth: +25% (Before: High-teens), FC loan growth: Shrinkage (Before: Shrinkage), NIM (Swap and CPI adj.): +50bps (Before: +70-80bps), F&C growth: -High-single digit (Before: High-single digit), OPEX: <10% (Low-teens), NPL: <6.5% (maintained), Net CoR: <300bps (Before: ~200bps).

We note strong lending driven asset growth, tightening core spreads, weakening fee performance QoQ, solid TRY lending led by short term working capital commercial loans, accelerated TRY deposit growth with stellar demand deposit growth, improving NPL ratio, elevated CoR with strong provision build up, a TRY270mn trading gain, contained OPEX and strong solvency metrics as the quarterly highlights.

		World Indices			
		Previous	Last	Chg.	YTD
<b>America</b>					
Dow Jones (US)		26.379	26.540	0,61%	-7,00%
Nasdaq (US)		10.402	10.543	1,35%	17,50%
S&P 500 (US)		3.218	3.258	1,24%	0,86%
<b>Europe</b>					
Dax (Germany)		12.835	12.822	-0,10%	-3,22%
FTSE 100 (UK)		6.129	6.131	0,04%	-18,71%
CAC 40 (France)		4.929	4.959	0,60%	-17,05%
PSI20 (Portugal)		4.407	4.396	-0,27%	-15,70%
RTSI (Rusia)		1.258	1.266	0,66%	-18,26%
<b>Asia</b>					
Nikkei (Japan)		22.657	22.339	-1,40%	-6,29%
Hang Seng (Hong Kong)		24.773	24.910	0,55%	-11,64%
Shanghai Comp. (China)		3.228	3.292	1,97%	7,92%
KOSPI (South Korea)		2.257	2.268	0,48%	3,19%
Sensex (India)		38.493	38.328	-0,43%	-7,21%

<b>Turdex (Set. Price)</b>		Previous	Last	Chg.	YTD
INX30 (August 20)		1.315	1.280	-2,66%	-7,98%
USD (August 20)		7,0324	7,058	0,37%	18,72%
EURO (August 20)		8,2550	8,313	0,71%	24,67%
GOLD (August 20)		442,76	446,01	0,73%	53,20%

Portfolio	Inclusion	Inclusion	Last	Chg.	BIST
Recommend.	Date	Price	Close	(%)	Relative
Tofas	06.09.19	18,98	25,24	33,0%	15,9%
Migros	07.02.20	26,66	43,40	62,8%	73,5%
Turk Telekom	11.05.20	6,88	7,42	7,8%	-7,1%
Yapi Kredi Bank	11.05.20	2,10	2,18	3,8%	-10,6%
Petkim	13.07.20	4,32	3,90	-9,7%	-5,9%
Turkcell	01.11.18	11,93	15,03	26,0%	2,5%
Garanti Bank	17.01.19	9,25	7,10	-23,2%	-17,7%
Portfolio Yield (yoy)				23,6%	11,1%
Portfolio Yield (mom)				-2,7%	-0,8%

Portfolio Yield (from 12/2004)

There should be no major market reaction to the results. We maintain our target price of TRY10.90, offering 53% upside, and our "Outperform" recommendation. The bank is trading at a 2020E P/E of 4.1x (5% premium to domestic peers) and P/BV of 0.5x with a ROAE of 12.7%.

**Yapi Kredi Bank (YKBNK.TI; OP)** posted a TRY1,331mn net income (+17.9% QoQ) in its 2Q20 bank-only financial statements. This is 2% and 4% above our TRY1,305mn call and the TRY1,281mn RT consensus estimate. The bank's 6M profit of TRY2,461mn was up 4.2% YoY with a ROAE of 11.8%.

The main drivers of deviation from the actual figures are: a positive surprise on NII, better-than-expected ECL and subsidiary income and a negative surprise on other operating income. The effective tax rate was 19%, vs. our 22% call.

Management has revised down its F&C growth guidance and revised up CoR guidance for 2020. TRY loan growth: High-teens (Maintained), NIM (swap adj.): +30bps (Before: >3.7%), F&C growth: -Single digit (Before: High-single digit), OPEX: Mid-teens (Maintained), NPL: ~7% (Maintained), Net total CoR: <300bps (Before: ~225bps). Yapi Kredi Bank meets the minimum threshold for the Assets Ratio, and we do not expect a major reshuffling in its asset mix in the upcoming quarters.

We note NIM expansion with a limited tightening in blended core spreads, annual growth in F&C income, muted TRY lending, despite eye-catching commercial instalment loan growth, sector-beating demand deposit evolution, improving CoR with sound coverage, a TRY153mn trading gain and strong solvency metrics as the quarterly highlights.

There should be no major market reaction to the results. We maintain our target price of TRY2.85, offering 31% upside, and maintain "Outperform". The bank is trading at a 2020E P/E of 4.2x (8% premium to domestic peers) and P/BV of 0.4x with a ROAE of 10.0%.

**VakifBank (VAKBN.TI; OP)** has bought back 6.5mn of its own shares (0.17% of its paid-in capital) within a TRY4.42-4.44/share price range (**Neutral**).

**Aselsan (ASELS.TI; MP)** has signed an export sales contract with an international client for the supply of a command and control system, anti-tank missile launching systems, remote controlled weapon systems, radio link systems, inertial navigation systems, and gun detection systems for USD 93.3 mn. Deliveries will be made between the years 2020-2021. The latest deal represents 1.0% of the company's total backlog (**Positive**).

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International rating agency Fitch Ratings has upgraded **Migros's (MGROS.TI; OP)** National Long-Term Rating to 'AA(tur)' from 'A+(tur)'. The Outlook is positive.

**Ak Sigorta (AKGRT.TI; N/C)** has announced a non-consolidated net profit of TRY 169mn for 2Q20 (2Q19: TRY 90mn net profit). The market expectation had been at TRY 180mn net profit for the quarter.

### Sector News:

Banking regulator the BRSA has imposed administrative fines on HSBC and **Albaraka Turk (ALBRK. TI; N/C)** in the amounts of TRY180mn (USD26mn) and TRY20.6mn (USD3mn) for failing to meet the minimum requirements on Asset Ratio calculation. Albaraka Turk has stated that fine would be paid using the 25% advance payment discount, and be reflected in its 2Q20 financial statements.

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