

Agenda

30 Monday

- TurkStat to announce foreign trade figures for March.
- Treasury to announce domestic borrowing strategy for May-July.
- US, Dallas Fed to release business outlook survey for April.

01 Tuesday

- National holiday, domestic markets closed.
- ICC to announce Istanbul inflation for April.
- TEA to release export figures for April.
- US, March construction spending figures.
- US, April ISM manufacturing index figures.

02 Wednesday

- Treasury to pay down TRY 0.8bn (USD 0.4bn) in debt.
- Turkey PMI figures for April.
- Eurozone, March unemployment figures.
- US, April ADP employment change figures.
- US, March factory orders figures.

03 Thursday

- TurkStat to announce inflation figures for April.
- Eurozone, March PPI figures.
- ECB to announce interest rate decisions.
- US, jobless claims.
- US, April ISM non-manufacturing index figures.

04 Friday

- CBRT to announce Price Developments Report for April.
- Eurozone, March retail sales figures.
- US, April unemployment figures.

Outlook:

Good morning. Although S&P's downgrade of Turkey's outlook did not cause any drastically negative mood at the opening bell on Wednesday, the index lost some blood after worse than expected Eurozone PMI figures and the US ADP employment change to close the day at 58,943 (-1.78%), recording a volume of TRY 2.14bn. Meanwhile, benchmark bonds and the USD closed the day slightly higher at 9.34% and 1.7620, respectively. Today we expect a flat opening and investors will be focusing on April CPI figures to be released at 10:00 (08:00 GMT) and initial jobless claims in the US. For the technicals, we foresee 59,500 and 60,000 as resistance levels, whilst 58,650 and 57,900 are the primary and secondary support levels, respectively.

Money Market:

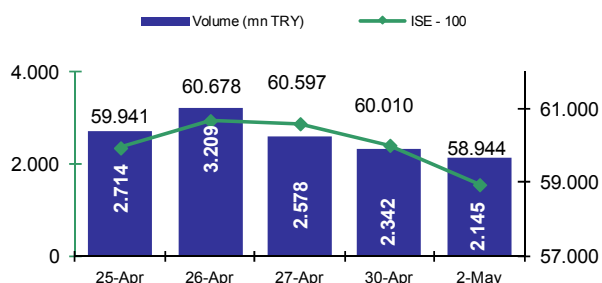
The lira was bearish yesterday in the wake of S&P's rating outlook cut. The local currency weakened 0.19% to close at 1.7603 per dollar. In terms of the currency basket composed of \$0.50 and €0.50, the lira depreciated 0.17%. The local fixed income market meanwhile was flattish, and two-year benchmark bond yields closed at 9.34%, thus 2bps above the previous close. In addition, The CBRT lent TRY 5.0bn at a 1-week repo auction at an average annual rate of 5.75%.

Domestic Headlines:

April inflation figures due at 10:00 (8:00 UK time) today We make no change to our April inflation forecast of 1.39% MoM (11.0% MoM) having seen the ICC data, as we had forecast a 0.8% change in food group prices in April. Market consensus is for a 1.31% MoM rise in consumer prices. Recall that according to the Cost of Living Indices prepared by the Istanbul Chamber of Commerce for Istanbul, retail prices rose 2.6% MoM in April. However, the surge in prices in Istanbul was mainly due to the rise in clothing prices of 33.5% in April according to ICC data, which prevents a significant correlation between ICC and TurkStat data in April, as clothing prices have risen by some 10% in April on average in recent years in Turkey. On the other hand, food prices rose 0.8% in Istanbul, which is a better indicator for the TurkStat food group. Meanwhile, the decline in LPG prices might have offset some of the increase in electricity and natural gas prices in the energy group in April.

PMI Turkey index rose above 50 in April, signaling acceleration in manufacturing industry activity The PMI Turkey index, which evaluates conditions in the manufacturing industry in Turkey exceeded 50 (no-change level) to 52.3, up from 49.6 in February and March, thus pointing to expansion in manufacturing sector output in April. The index rose to its highest level since November as the sub-indices regarding output, new orders and employment pointed to better developments compared to the previous month. Despite the PMI index signaling acceleration in industrial production in April, we believe that it would be too early to achieve sustainable acceleration since higher funding costs due to additional tightening will likely prevent decent acceleration.

No new messages from the CBRT The CBRT held a meeting with economists and investors in Ankara yesterday. There were no new messages regarding monetary policy or the Bank's view of economic >>>



Indices (TRY)	Previous	Last	Chg.	YTD
ISE-100	60.010	58.944	-1,78%	14,97%
ISE-30	71.847	70.453	-1,94%	14,19%
ISE-Financial	83.401	81.761	-1,97%	15,25%
ISE-Industrial	54.685	54.146	-0,98%	12,24%
ISE-Services	40.976	40.311	-1,62%	17,53%

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
NUGYO	16,75	DESPC	-10,97	GARAN	432.924.875
OZBAL	15,72	ATAC	-10,60	ISCTR	192.798.476
ERICO	11,54	EUKYO	-10,12	BRISA	157.676.445
MATAS	7,30	KARTN	-8,98	YKBNK	122.065.094
BFREN	7,21	USAK	-8,05	VAKBN	90.250.380

Money Market	Previous	Last	Pr. Mn	YE11
O/N Repo (%)	9,42	9,65	9,62	10,55
Euro Bond (30 year, \$)	172,00	171,88	170,60	164,00
Bond (Benchmark, %)	9,32	9,34	9,31	11,14

Currency	Previous	Last	Chg.	YTD
US\$	1,7575	1,7625	0,28%	-6,77%
Euro	2,3315	2,3185	-0,56%	-5,27%
Euro/Dolar	1,3238	1,31563	-0,61%	1,66%

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	119,7	119,0	-0,56%	11,04%
Oil (NYMEX future, \$)	106,2	105,6	-0,50%	5,99%
Gold (Ounce, \$)	1.662,4	1.652,0	-0,63%	5,53%
Silver (XAG, \$)	30,9	30,5	-1,26%	8,67%

Şeker Funds	Previous	Last*	Chg.	YTD
Şekerbank A T. Shares	0,246455	0,244441	-0,82%	9,73%
Şekerbank B T. Bond&Bill	0,019603	0,019602	-0,01%	0,78%
Şekerbank B T. Liquid	0,792214	0,792406	0,02%	3,00%
Şeker Yat. A T. Mix	0,015687	0,015668	-0,12%	-0,99%
Şeker Yat. B T. Gold	0,017176	0,017127	-0,29%	-3,41%

>>> developments on which the policy is based. CBRT officials chose instead to reiterate those messages given in the inflation report published in late April. Accordingly, the Bank maintains its hawkish position and is determined to use the interest rate corridor to increase average funding cost whenever needed to defend the lira in order to achieve the 6.5% year-end inflation forecast.

The CBRT is happy with the current unorthodox monetary policy framework in which it can change average repo funding cost on a daily basis. The Bank argues that it will continue using the current framework as global uncertainties continue to linger.

According to the officials, the Bank's primary objective is price stability, as it seeks to prevent excessive volatility, or depreciation/appreciation in the lira. Note that the CBRT states that it has no target for the lira. According to the Bank, The average cost of repo funding is quite high so as to keep medium term inflation expectations under control, even though one may observe notable increases in short-term inflation expectations. However, medium-term inflation expectations are more important for the Bank.

The CBRT reiterated that the frequency of additional tightening would be increased instead of revising inflation forecasts and the 5% target. The bank seems committed to bringing inflation down to its inflation forecast of 6.5% by year-end, compared to our 7.3% forecast. Recall that it argues that inflation would decline to the 5% inflation target in mid-2013.

According to the media, the government plans to implement a major tax inducement in pursuit of a solution for electricity distribution tenders. Accordingly, the government plans to exempt all income related to electricity distribution tenders from corporate tax and value added tax (VAT).

Company News:

Aksa Akriilik (AKSA.TI; Outperform) has announced that it is to distribute a 24.32% cash dividend beginning on May 30, 2012.

Enka Insaat (ENKA.TI; N/C) has decided to increase its paid-in capital to TRY 2.8 billion through a 12% bonus issue.

Galatasaray (GSRAY.TI; N/C) has announced that the company would increase its paid in capital by 400% through a rights issue, and that preemptive rights would be used at TRY 25 per share.

Migros (MGROS.TI; N/R) has announced opening a total of 18 stores >>>

>>> (12 Migros, 5 Tansas and 1 Macrocenter) in Turkey and one Ramstore in Kazakhstan in April 2012.

Turcas Petrol (TRCAS.TI; N/C) has announced that it would distribute a 3.3% cash dividend.

Turkcell (TCELL.TI; Outperform) disclosed a net profit of TRY 515 million in its Q1 financials, surging by 56% YoY, and also up by 55.2% QoQ. 1Q12 bottom-line significantly beat both our in-house estimate of TRY 373 million and market consensus of TRY 404 million. Better-than-expected net income mainly emanated from higher net finance income of TRY 161.8 million due to increased interest income on deposits together with a translation gain of TRY 37 million as opposed to a translation loss of TRY 24 million in 1Q11 besides strong operational performance. At the top-line, Turkcell also registered higher-than-expected revenues of TRY 2,382 million in the first quarter of 2012, up by 12.4% YoY thanks to an 8% rise in Turkcell Turkey's revenues and 43% improvement in the contribution of group companies. In terms of EBITDA, the company's EBITDA figure widened by 12.3% YoY to TRY 703 million from TRY 625.8 million in 1Q11, while the EBITDA margin was flat at 29.5%. In light of the announced strong financials, we maintain our **Outperform** recommendation, which we had revised up from Market Perform on May 1, 2012. We keep our target Mcap of TRY 24,637 billion (**TRY 11.20 per share**) for Turkcell. We expect a positive impact on the share price in the short term due to the better-than-expected figures from top to bottom. >>>

World Indices	World Indices			
	Previous	Last	Chg.	YTD
America				
Dow Jones (US)	13.279	13.269	-0,08%	8,60%
Nasdaq (US)	3.050	3.060	0,31%	17,45%
S&P 500 (US)	1.406	1.402	-0,25%	11,51%
Bovespa (Brasil)	61.820	62.424	0,98%	9,99%
Merval (Argentina)	2.272	2.242	-1,33%	-8,97%
Mexico Bolsa (Mexico)	39.324	39.461	0,35%	6,43%

Europe	Europe			
	Previous	Last	Chg.	YTD
Dax (Germany)	6.761	6.711	-0,75%	13,77%
FTSE 100 (UK)	5.812	5.758	-0,93%	3,33%
CAC 40 (France)	3.213	3.226	0,42%	2,11%
WSE WIG (Poland)	40.274	40.115	-0,39%	6,70%
Prague (Czech Republic)	939	933	-0,58%	2,44%
Budapest (Hungary)	18.235	18.025	-1,15%	6,19%
RTSI (Rusya)	1.590	1.590	0,00%	15,21%

Asia/Africa	Asia/Africa			
	Previous	Last	Chg.	YTD
Nikkei (Japan)	9.351	9.380	0,31%	10,94%
Hang Seng (Hong Kong)	21.094	21.309	1,02%	15,40%
Shanghai Comp. (China)	2.396	2.396	0,00%	9,30%
KOSPI (South Korea)	1.982	1.982	0,00%	8,56%
JSE Africa All Shr.(S.Africa)	34.399	34.482	0,24%	7,81%

Turkdex (Set. Price)	Turkdex (Set. Price)			
	Previous	Last	Chg.	YTD
INX100 (JUNE 12)	60,175	59,600	-0,96%	14,45%
INX30 (JUNE 12)	71,250	70,225	-1,44%	12,63%
USD (JUNE 12)	1,781	1,787	0,34%	-6,73%
EURO (JUNE 12)	2,353	2,346	-0,32%	-5,46%
COTTON (MAY 12)	3,940	3,940	0,00%	2,47%
WHEAT (MAY 12)	0,629	0,629	0,00%	1,21%
GOLD (JUNE 12)	94,780	94,870	0,09%	-2,44%

Recommend.	Date	Price	Close	(%)	Relative
Tofas	08.09.11	6,16	7,68	24,7%	16,8%
TAV Airports Holding	08.01.10	4,88	9,40	92,6%	79,6%
TSKB	10.01.12	1,77	2,28	28,8%	8,9%
Aksa Energy	08.09.11	2,73	3,80	39,2%	30,4%
Anadolu Cam	27.03.12	3,10	2,85	-8,1%	-2,4%
Aksa Akriilik	10.01.12	4,14	4,30	3,9%	-12,2%
Vakifbank	26.01.11	2,62	3,05	16,4%	8,5%
Arçelik	08.09.11	6,32	7,72	22,2%	14,5%
Portfolio Yield					86,5%

*Starting date of portfolio 30/11/2004

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TRY Million	1Q11	1Q12	YoY	4Q11	QoQ	2010	2011	YoY
Revenues	2.118,4	2.381,8	12,4%	2.445,5	-2,6%	9.003,6	9.370,1	4,1%
Gross Profit	870,7	892,0	2,4%	655,1	36,2%	3.973,4	3.421,3	-13,9%
<i>Gross Profit Margin</i>	<i>41,1%</i>	<i>37,4%</i>		<i>26,8%</i>		<i>44,1%</i>	<i>36,5%</i>	
EBIT	349,3	371,0	6,2%	99,7	272,3%	1.817,6	1.325,5	-27,1%
<i>EBIT Margin</i>	<i>16,5%</i>	<i>15,6%</i>		<i>4,1%</i>		<i>20,2%</i>	<i>14,1%</i>	
EBITDA	625,8	702,7	12,3%	1.687,0	-58,3%	2.948,3	2.912,9	-1,2%
<i>EBITDA Margin</i>	<i>29,5%</i>	<i>29,5%</i>		<i>69,0%</i>		<i>32,7%</i>	<i>31,1%</i>	
Net Profit	330,9	515,5	55,8%	333,3	54,7%	1.771,6	1.183,3	-33,2%
<i>Net Profit Margin</i>	<i>15,6%</i>	<i>21,6%</i>		<i>13,6%</i>		<i>19,7%</i>	<i>12,6%</i>	

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