

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. Contrary to most of the international markets, the ISE100 closed positively yesterday at 59,285 (+0.58%), recording a volume of TRY 1.82bn. The positive mood started with the beginning of the session and continued throughout the day without passing into the red zone. Benchmark bonds and the USD closed the day slightly lower at 9.33% and at 1.76 respectively. We expect a flat to positive opening today, and investors will follow the US non-farm payroll data to be released at 15:30, on a day when there is no anticipated domestic newsflow. From a technical standpoint the next resistances await at 59,900 and 60,400. In terms of retreats, 58,800 and 58,300 appear to be the sequential supports.

Money Market:

The lira was bullish yesterday, as the local currency gained 0.20% to close at 1.7638 to the dollar. Additionally, the local currency appreciated 0.19% against the basket composed of \$0.50 and €0.50. Meanwhile, the local fixed income market was flattish and the two year benchmark bond yields closed at 9.33%, 1 bps above the previous close. Furthermore, the CBRT lent TRY 1.0bn at a 1-week repo auction and an average annual rate of 5.75%.

Domestic Headlines:

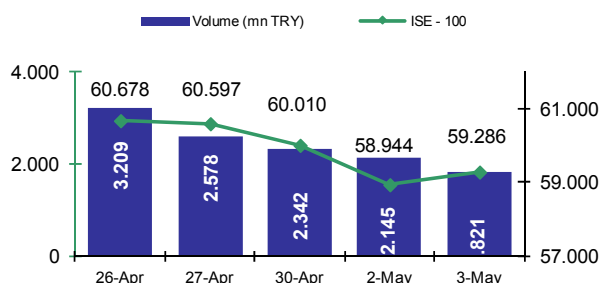
CBRT needs more support from lira on inflation front Consumer prices rose 1.52% in April over March, thus above the market consensus of 1.31% and our in-house forecast of 1.39%. Hence, annual inflation rose to 11.14% from 10.43% in March, marking the highest level since October 2008.

Clothing group prices rose 13.2% MoM, with more than a 10.8% average increase over the past six Aprils, and were the main contributor to monthly inflation with 85 bps. Meanwhile, food group prices remained almost flat (-0.1% MoM), erasing 3 bps from the overall monthly figure. In contrast to clothing prices, monthly food inflation was favorable in April compared to seasonal averages. Elsewhere, housing group prices rose 3.15% MoM, mainly due to natural gas and electricity price hikes, contributing 49 bps to monthly inflation.

Price pressures were also observable in other sub-groups in addition to clothing prices, which may signal deterioration in pricing behavior. Under services, annual restaurant inflation, which has a 5.1 pp weight in the basket, rose to 9.4% from 8.7%, while annual rent inflation slightly rose to 4.6% from 4.5%. According to our calculations, goods and services inflation also provided negative indications for inflation developments. Annual goods inflation rose to 12.7% from 12.0% in March, while annual service inflation increased to 6.7% from 6.2%, breaking the stability seen since December.

Annual core inflation indicators once again turned north in April after the break of the past few months. Annual I index inflation rose to 8.2% from 7.9 in March, mainly on the back of the above seasonal climb in clothing prices. Note that the I index excludes food, non-alcoholic beverages, energy, alcoholic beverages, tobacco and gold from the CPI basket, and is favorite tool of the CBRT with which to gauge core inflation developments.

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. >>>



Indices (TRY)	Previous	Last	Chg.	YTD
ISE-100	58.944	59.286	0,58%	15,64%
ISE-30	70.453	70.827	0,53%	14,80%
ISE-Financial	81.761	82.446	0,84%	16,21%
ISE-Industrial	54.146	54.020	-0,23%	11,97%
ISE-Services	40.311	40.508	0,49%	18,10%

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
IDGYO	11,11	EUKYO	-19,31	GARAN	357.410.387
IHMAD	10,61	KRDMB	-10,67	ISCTR	138.305.011
ISYAT	8,05	ALYAG	-10,00	BRISA	98.365.295
SAMAT	6,52	PIMAS	-9,97	NETAS	98.238.289
SKPLC	6,46	GEREL	-9,32	YKBANK	81.108.291

Money Market	Previous	Last	Pr. Mn	YE11
O/N Repo (%)	9,65	9,60	9,69	10,55
Euro Bond (30 year, \$)	171,88	171,50	170,00	164,00
Bond (Benchmark, %)	9,34	9,33	9,38	11,14

Currency	Previous	Last	Chg.	YTD
US\$	1,7625	1,7605	-0,11%	-6,88%
Euro	2,3185	2,3165	-0,09%	-5,35%
Euro/Dolar	1,3157	1,31481	-0,07%	1,60%

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	118,3	116,8	-1,28%	8,98%
Oil (NYMEX future, \$)	105,2	103,1	-2,01%	3,46%
Gold (Ounce, \$)	1.653,6	1.636,0	-1,07%	4,51%
Silver (XAG, \$)	30,6	30,2	-1,50%	7,45%

Şeker Funds	Previous	Last*	Chg.	YTD
Şekerbank A T. Shares	0,244441	0,245133	0,28%	10,04%
Şekerbank B T. Bond&Bill	0,019602	0,019600	-0,01%	0,77%
Şekerbank B T. Liquid	0,792406	0,792589	0,02%	3,03%
Şeker Yat. A T. Mix	0,015668	0,015676	0,05%	-0,94%
Şeker Yat. B T. Gold	0,017127	0,017018	-0,64%	-4,03%

*Prices as of 04-May-12

>>> The Bank reiterates at every occasion that the frequency of additional tightening would be increased instead of revising year-end inflation forecast and the 5% target. Indeed, it seems committed to bringing inflation down to it is forecast of 6.5% by year-end, compared to our 7.3% annual inflation forecast. Recall that it argues that inflation would decline to the medium-term 5% inflation target in mid-2013, accepting the difficulty of bringing it to the target by the end of this year.

We find April inflation figures positive for the TRY as they point to the need for more support from the lira on the inflation front. However, this does not mean that we expect a notable impact on the CBRT's monetary policy stance, which already has the tendency to use the interest rate corridor to support the lira when needed by changing average funding cost. Additionally, the Bank expects a sharp decline in annual inflation in May thanks to base effects. On the other hand, we expect no notable impact on bonds as the inverted yield curve has already priced in the determination of the CBRT for additional tightening when needed, and the Treasury has a trivial TRY 6.6bn domestic debt redemption in the May-July period. The light domestic debt redemption profile will likely support bond yields, offsetting the effect of tighter monetary conditions, in our view.

CBRT to release April Price Developments Report at 10:00 (8:00 UK time) today.

Company News:

Emlak Konut GYO (EKGYO.TI; Outperform) has announced receiving 9 offers in the 1st round of the sale auction for land in Sarıyer, Istanbul with an income sharing model. The date for the 2nd round is as yet unknown.

Parliament approved the bill concerning the sale of property to foreigners, known as the reciprocity law. This news may positively effect the housing producer REITs such as **Emlak Konut REIT (EKGYO.TI; Outperform)** and **Sinpas REIT (SNGYO.TI; Outperform)**.

Garanti Bank (GARAN.TI; Outperform) has announced receiving a syndicated loan of € 768,113,250 and \$ 307,250,000 with 1 year maturity. The bank also announced the total cost of the loan at Euribor +1.45% and Libor +1.45%.

Is Bank (ISCTR.TI; Outperform) has announced authorizing a consortium of banks to secure a 1 year syndicated loan with two tranches of Euro and USD.

America	World Indices			
	Previous	Last	Chg.	YTD
Dow Jones (US)	13.269	13.207	-0,47%	8,09%
Nasdaq (US)	3.060	3.024	-1,16%	16,09%
S&P 500 (US)	1.402	1.392	-0,77%	10,65%
Bovespa (Brasil)	62.424	62.104	-0,51%	9,43%
Merval (Argentina)	2.242	2.195	-2,07%	-10,86%
Mexico Bolsa (Mexico)	39.461	39.597	0,35%	6,80%

Europe	World Indices			
	Previous	Last	Chg.	YTD
Dax (Germany)	6.711	6.694	-0,24%	13,50%
FTSE 100 (UK)	5.758	5.767	0,15%	3,49%
CAC 40 (France)	3.226	3.223	-0,09%	2,01%
WSE WIG (Poland)	40.115	40.115	0,00%	6,70%
Prague (Czech Republic)	933	925	-0,90%	1,51%
Budapest (Hungary)	18.025	17.871	-0,85%	5,29%
RTSI (Rusya)	1.568	1.556	-0,82%	12,68%

Asia/Africa	World Indices			
	Previous	Last	Chg.	YTD
Nikkei (Japan)	9.380	9.380	0,00%	10,94%
Hang Seng (Hong Kong)	21.309	21.250	-0,28%	15,08%
Shanghai Comp. (China)	2.396	2.438	1,76%	11,22%
KOSPI (South Korea)	1.982	1.999	0,86%	9,49%
JSE Africa All Shr.(S.Africa)	34.482	34.376	-0,31%	7,47%

Turkdex (Set. Price)	World Indices			
	Previous	Last	Chg.	YTD
INX100 (JUNE 12)	59.600	59.075	-0,88%	13,44%
INX30 (JUNE 12)	70.225	70.750	0,75%	13,47%
USD (JUNE 12)	1.787	1.785	-0,14%	-6,86%
EURO (JUNE 12)	2.346	2.342	-0,15%	-5,60%
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)	94.870	93.935	-0,99%	-3,40%

Recommend.	Date	Price	Close	(%)	Relative
Tofas	08.09.11	6,16	7,70	25,0%	16,5%
TAV Airports Holding	08.01.10	4,88	9,50	94,7%	80,5%
Garanti Bank	04.05.12	6,40	6,40	0,0%	0,0%
Aksa Energy	08.09.11	2,73	3,80	39,2%	29,7%
Anadolu Cam	27.03.12	3,10	2,86	-7,7%	-2,6%
Aksa Akirlik	10.01.12	4,14	4,33	4,6%	-12,1%
Halkbank	04.05.12	12,25	12,25	0,0%	0,0%
Arçelik	08.09.11	6,32	7,90	25,0%	16,5%
Portfolio Yield					86,9%

*Starting date of portfolio 30/11/2004

Koza Anadolu Metal Madencilik (KOZAA.TI; N/C) has announced that no dividend would be paid to shareholders.

Netas (NETAS.TI; N/C) has disclosed a net loss of TRY 34.5mn in Q1 of 2012. The company has announced a net profit of TRY 3mn in Q1 of 2011. It also announced its General Assembly approval of the distribution of a 583.57% gross dividend payment to shareholders beginning on May 25, 2012.

The ISE has announced that shares of **Oylum Sinai Yatırımlar** are to commence trading on the Istanbul Stock Exchange as of May 04, under the ticker "OYLUM.E". The share price has been set at TRY 2.30.

Sekerbank (SKBNK.TI; N/R) has announced a net profit of TRY 60.7mn in Q1 of 2012, up by 100% YoY from TRY 30mn in Q1 of 2011.

TAV Airports Holding (TAVHL.TI; Outperform) is to announce its 1Q12 financials today. We expect a 1Q12 net loss of € 4mn, while the market's expectation is for a € 1mn net loss. We expect net sales revenues and EBITDA to reach € 217mn and € 54mn in 1Q12. The market's net sales and EBITDA expectations are € 205mn and € 44mn, respectively. On the other hand, we expect EBITDAR to reach € 82mn in 1Q12, while the market consensus is at € 77mn.

Tekfen Holding (TKFEN.TI; N/C) has announced that it would distribute a 18.96% cash dividend beginning on May 29, 2012.

According to the CMB weekly bulletin, **Teknosa İç ve Dış Ticaret** registered IPO shares with the CMB at a price of TRY 7.00-8.25 per share.

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Is REIT (ISGYO.TI; Outperform) has disclosed a net profit of TRY 16mn in 1Q12, up by 36.7% YoY from TRY 9.8mn in 1Q11, but down by 56.5% QoQ from TRY 36.7mn in the prior quarter. The YoY rise in net profit emanated from the weak TRY compared to the same period of last year. Yet QoQ figures declined due to the one-off provision reversal registered in the previous quarter. TRY 16mn net profit is parallel to our estimate of TRY 16.3mn. On its top-line, Is REIT registered TRY 31.7mn in consolidated revenues in Q1, up by 18.1% YoY, but down by 20.5% QoQ, which is below our estimate and market consensus of TRY 34mn. We do not expect a major impact on share price following these figures.

TRY Million	1Q11	1Q12	YoY	4Q11	QoQ	2010	2011	YoY
Revenues	26,8	31,7	18,1%	39,9	-20,5%	95,5	123,5	29,3%
Gross Profit	13,8	17,9	29,8%	37,5	-52,3%	64,0	78,2	22,1%
<i>Gross Profit Margin</i>	51,3%	56,4%		94,0%		67,0%	63,3%	
EBIT	11,3	15,0	32,6%	34,9	-56,9%	56,9	68,6	20,6%
<i>EBIT Margin</i>	42,3%	47,5%		87,6%		59,6%	55,6%	
EBITDA	17,6	21,5	22,5%	41,0	-47,5%	80,5	93,5	16,2%
<i>EBITDA Margin</i>	65,5%	67,9%		102,8%		84,3%	75,7%	
Net Profit	9,8	16,0	63,0%	36,7	-56,5%	60,9	67,0	9,9%
<i>Net Profit Margin</i>	36,5%	50,4%		92,0%		63,8%	54,2%	

Otokar (OTKAR.TI; Market Perform) announced 1Q12 results. Otokar recorded a net profit of TRY 6.3mn (-31.2% YoY), which is below our estimate of TRY 8.1mn but close to the market estimate of TRY 5.8mn. Company's revenue rose by 16.4% but shrinking gross profit margin from 22.6% to 18.5% in 1Q12 together with increasing operating expenses affected the bottom-line negatively. While the company's EBITDA declined to TRY 13.5mn from TRY 15.1mn in 1Q11, its EBITDA margin declined to 7.9% compared to both previous quarter (12.4%) and year (10.2%). Since Otokar's earnings realization is below the previous year's results, we expect stock to be affected negatively in the short term.

TRY Million	1Q11	1Q12	YoY	4Q11	QoQ	2010	2011	YoY
Revenues	147,6	171,8	16,4%	311,6	-44,9%	517,4	890,5	72,1%
Gross Profit	33,4	31,8	-4,6%	80,3	-60,3%	91,1	195,7	114,8%
<i>Gross Profit Margin</i>	22,6%	18,5%		25,8%		17,6%	22,0%	
EBIT	9,9	6,8	-31,3%	32,9	-79,3%	21,6	75,0	246,8%
<i>EBIT Margin</i>	6,7%	4,0%		10,6%		4,2%	8,4%	
EBITDA	15,1	13,5	-10,7%	38,8	-65,2%	37,4	96,5	157,8%
<i>EBITDA Margin</i>	10,2%	7,9%		12,4%		7,2%	10,8%	
Net Profit	9,2	6,3	-31,2%	23,1	-72,6%	20,8	54,8	164,0%
<i>Net Profit Margin</i>	6,2%	3,7%		7,4%		4,0%	6,2%	

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