

Agenda

03 Monday

- TurkStat to announce inflation figures for November.
- Turkey, November PMI manufacturing figures.
- German, November PMI manufacturing figures.
- Eurozone, November PMI manufacturing figures.
- U.S., November, ISM non-manufacturing index figures.

04 Tuesday

- CBRT to announce Price Developments Report for November.
- CBRT, economist and investor meeting.
- Eurozone, October PPI figures.

05 Wednesday

- Treasury to pay down TRY 0.8bn (USD 0.4bn) in debt.
- Eurozone, November PMI non-manufacturing figures.
- Eurozone, October retail sales figures.
- U.S., November ADP employment figures.
- U.S., November ISM non-manufacturing index figures.

06 Thursday

- CBRT to announce results of December's first survey of expectations.
- Eurozone, 3Q12 GDP figures.
- BoE and ECB to announce interest rate decisions.
- U.S., jobless claims.

07 Friday

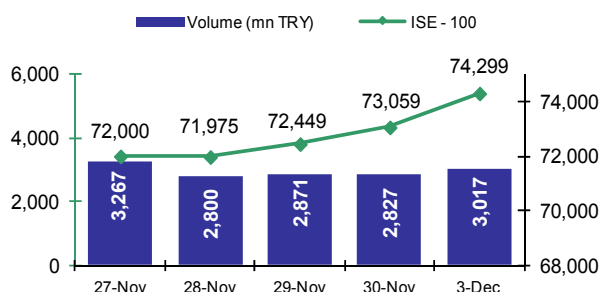
- German, October industrial production figures.
- U.S., November unemployment rate figures.
- U.S., December first Michigan sentiment index.

Outlook:

Lower than expected inflation figures leaked 18 minutes ahead of schedule. Coincidence, or over excitement?

A very good morning from a cold and rainy Istanbul. Yesterday was truly historic for many reasons. The November inflation figures were leaked 18 minutes ahead of schedule, coming in at 0.38%, versus the market's consensus of 0.90%, and our expectation of 0.60%, and enabling the ISE to expand its record closing to 74,299 from 73,314 set on November 5th. Separately, yesterday's positive meeting between the Russian and Turkish leaders addressing the Syrian issue, as well as furthering trade between the two countries, also continued the festive mood to the end of the session. The banking sector rose by an average of 2.08%, but it was **Garanti Banks (GARAN.TI; Outperform)** +3.58% gain that shone the brightest, while **Turkish Airlines (THAYO.TI; Outperform)** continues to fly high with investors, adding another 6.46% gain. Elsewhere, benchmark bonds dipped to their historic lows at 5.78% before ending the day at 5.82%, while the USD closed yesterday flat at 1.7865, and is trading slightly higher this morning against the TRY at 1.7878. The lower inflation figures, combined with the low interest rate environment, may prompt the CBRT to further reduce interest rates, thus maintaining the positive mood in the ISE.

Today, we may see the Index taking a breather from its recent stellar performance, and accordingly, we expect a flat to negative opening as investors may seem tempted to realize profits. There are no major data releases expected.



Indices (TRY)	Previous	Last	Chg.	YTD
ISE-100	73,059	74,299	1.70%	44.93%
ISE-30	91,059	92,795	1.91%	50.40%
ISE-Financial	106,327	108,246	1.81%	52.58%
ISE-Industrial	61,295	62,085	1.29%	28.69%
ISE-Services	46,057	46,854	1.73%	36.60%

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
FVORI	21.33	ETILR	-5.98	ISCTR	347,305,188
FFKRL	18.00	ASCEL	-3.31	GARAN	264,245,587
AYCES	11.84	COSMO	-3.30	TCELL	247,443,028
UZERB	10.00	SASA	-3.28	HALKB	231,199,884
SODSN	8.62	GARFA	-3.19	AKBNK	214,904,220

Money Market:

The lira was bullish yesterday as the local currency weakened 0.04% to close at 1.7865. Additionally, the lira depreciated by 0.26% against the basket composed of \$0.50 and €0.50 due to appreciation in the EUR/USD exchange rate. Meanwhile, the local fixed income market was positive. The two-year benchmark bond traded within a range of 5.76% - 5.89%, ending at 5.82%, thus 11bps below the previous finish.

Money Market	Previous	Last	Pr. Mn	YE11
O/N Repo (%)	5.08	5.11	5.19	10.55
Euro Bond (30 year, \$)	199.50	200.25	168.00	164.00
Bond (Benchmark, %)	5.93	5.80	7.05	11.14

Currency	Previous	Last	Chg.	YTD
US\$	1.7855	1.7865	0.06%	-5.50%
Euro	2.3185	2.3285	0.43%	-4.86%
Euro/Dolar	1.2990	1.30373	0.36%	0.74%

Domestic Headlines:

Downside surprise in November's CPI inflation. Monthly CPI inflation for November came in at 0.38%, notably below the consensus (0.9%), but closer to our forecast of 0.6%. Hence annual inflation declined to 6.37% from 7.80% registered in October. Meanwhile, all core inflation indicators continued to decline in November. The CBRT's favorite annual core inflation indicator, I index inflation, declined to 5.73% from 6.11% recorded in October. The latest data increases the chance of a cut in the ON borrowing and/or policy rate at the upcoming MPC meeting of December 18th, as annual inflation will likely end the year at around 6.6% by our forecasts, notably below the CBRT's 7.4% revised inflation forecast in October's Inflation Report.

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	111.2	111.4	0.24%	3.97%
Oil (NYMEX future, \$)	88.9	89.0	0.12%	-10.68%
Gold (Ounce, \$)	1,713.8	1,714.6	0.05%	9.53%
Silver (XAG, \$)	33.4	33.5	0.14%	19.12%

Şeker Funds	Previous	Last*	Chg.	YTD
Şekerbank A T. Shares	0.272260	0.273972	0.63%	22.98%
Şekerbank B T. Bond&Bill	0.019711	0.019713	0.01%	1.35%
Şekerbank B T. Liquid	0.822924	0.823028	0.01%	6.98%
Şeker Yat. A T. Mix	0.015312	0.015366	0.35%	-2.90%
Şeker Yat. B T. Gold	0.017569	0.017479	-0.51%	-1.43%
Şekerbank B T. Short T. Bond&Bill	0.010157	0.010158	0.01%	-

*Prices as of 04-Dec-12

Company News:

Akfen Holding (AKFEN.TI; N/C) has sold its 40.0% stake in Karasular Enerji Uretim ve Ticaret A.S. to Aquila Hydropowerl NVEST Investitions GmbH & Co. KG for Euro 22,908,113. On the other hand, Akfen Holding's partner Akfen Insaat Turizm has applied to the Central Registry Agency to sell 3,994,903 nominal shares (the amount corresponds to a 2.75% proportion of paid in capital) of Akfen Holding on the ISE.

Anadolu Cam (ANACM.TI; Outperform) is to transfer its production line in Zeytinburnu, Istanbul to the Eskisehir Industrial Zone.

Ulker Biskuvi (ULKER.TI; N/C) has signed a 2-year maturity semi-annual payment syndication loan in order to roll over the debts set to expire in 2013 and to cover operating activities. The syndication loan has two EUR denominated and USD denominated tranches. The EUR-denominated tranche is of EUR 134.8mn at a cost of Eulibor +3.4, while the USD-denominated tranche is of USD 138.3mn at a cost of Libor+3.4. The lead-manager of the syndication is BofA Merrill Lynch.

Halkbank (HALKB.TI; Outperform) has introduced its new credit card brand "PARAF", which may help to increase its market share in the credit card business. Recall that the bank is one of new players in the credit card business.

TAV Airports Holding (TAVHL.TI; Outperform) has revealed plans for 15% passenger growth in 2013.

Fitch has upgraded **Vakifbank's (VAKBN.TI; Market Perform)** financial capacity note from "BB+" to "BBB-" Vakifbank has also applied to the CMB to issue corporate bonds of TRY 3bn.

Anadolu Isuzu (ASUZU.TI; N/C) has failed to win the tender for Izmir Ulasim Hizmetleri (public transportation).

Sabancı Holding (SAHOL.TI; Outperform) has announced that the share transfer of Verbund Int.'s (its energy business partner) shares in EnerjiSA to E.ON. Currently, Sabancı Holding has a 50% stake in EnerjiSa. E.ON is a Germany-based energy company with facilities across Europe, Russia and North America. We expect this share transfer to create synergy in EnerjiSA.

World Indices					
America	Previous	Last	Chg.	YTD	
Dow Jones (US)	13,026	12,966	-0.46%	6.12%	
Nasdaq (US)	3,010	3,002	-0.27%	15.24%	
S&P 500 (US)	1,416	1,409	-0.47%	12.08%	
Bovespa (Brasil)	57,475	58,202	1.27%	2.55%	
Merval (Argentina)	2,419	2,420	0.02%	-1.74%	
Mexico Bolsa (Mexico)	41,834	41,834	0.00%	12.83%	
Europe	Previous	Last	Chg.	YTD	
Dax (Germany)	7,406	7,435	0.40%	26.06%	
FTSE 100 (UK)	5,867	5,871	0.08%	5.37%	
CAC 40 (France)	3,557	3,567	0.26%	12.87%	
WSE WIG (Poland)	45,015	45,293	0.62%	20.48%	
Prague (Czech Republic)	997	994	-0.30%	9.14%	
Budapest (Hungary)	18,265	18,211	-0.30%	7.29%	
RTSI (Rusya)	1,437	1,439	0.07%	4.20%	
Asia/Africa	Previous	Last	Chg.	YTD	
Nikkei (Japan)	9,401	9,446	0.48%	11.72%	
Hang Seng (Hong Kong)	22,030	21,768	-1.19%	17.89%	
Shanghai Comp. (China)	1,963	1,980	0.85%	-9.68%	
KOSPI (South Korea)	1,935	1,933	-0.10%	5.87%	
JSE Africa All Shr.(S.Africa)	38,105	38,050	-0.14%	18.96%	
Turkdex (Set. Price)	Previous	Last	Chg.	YTD	
INX100 (DECEMBER 12)	73.125	73.775	0.89%	41.67%	
INX30 (DECEMBER 12)	91.375	93.125	1.92%	49.36%	
USD (DECEMBER 12)	1.793	1.793	-0.03%	-6.45%	
EURO (DECEMBER 12)	2.329	2.340	0.47%	-5.68%	
COTTON (DECEMBER 12)	3.750	3.750	0.00%	-2.47%	
WHEAT (DECEMBER 12)	0.720	0.720	0.00%	15.94%	
GOLD (DECEMBER 12)	99.555	99.095	-0.46%	1.91%	
Portfolio Recommend.	Inclusio Date	Inclusio Price	Last Close	Chg. (%)	ISE Relative
Tofas	08.09.11	5.84	10.65	82.4%	35.6%
TAV Airports Holding	08.01.10	4.75	8.94	88.2%	39.3%
Garanti Bank	04.05.12	6.40	8.78	37.2%	9.5%
Turkish Airlines	01.06.12	2.52	5.60	122.2%	64.8%
Turkcell	04.05.12	8.83	10.85	22.9%	-2.0%
Aksa Akriklik	10.01.12	3.90	4.82	23.6%	-17.1%
TSKB	21.09.12	1.93	2.01	4.1%	-6.1%
Aygaz	24.08.12	8.44	8.72	3.3%	-8.1%
Portfolio Yield					98.5%

*Starting date of portfolio 30/11/2004

Final bids for the **Gediz Electricity Distribution Company** tender are to be received today, December 04, by 16:00 Turkish time. Recall that thirteen firms have applied for pre-qualification in the tender for the company, a subsidiary of Elektrik Uretim AS, via the block sale of a 100% stake (listing only the public ones):

Sabancı Holding (SAHOL.TI; Outperform) through EnerjiSA
Park Elektrik (PRKME.TI; Outperform) through Park Holding
Aksa Energy (AKSEN.TI; Outperform) through Aksa Elektrik
Zorlu Energy (ZOREN.TI; Market Perform) through Zorlu Holding
Torunlar REIT (TRYGO.TI; N/C) through Torunlar Gida

The Board of the ISE has announced that shares of **Tumosan Motor ve Traktör Sanayi** would commence trading as of December 05, 2012 under the ticker "**TMSN.E**". The share price has been set at TRY 4.00.

Yapi Kredi Bank (YKBNK.TI; Outperform) has registered the issuance of bank bonds of 10-year maturity with a coupon rate of 5.50% and a nominal value of USD 1bn with the Capital Markets Board.

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