

Agenda

04 Monday

- TurkStat to announce inflation figures for January.
- Eurozone, December PPI figures.

05 Tuesday

- CBRT to announce Price Developments Report for January.
- US, January ISM non manufacturing index figures.
- Eurozone, December, retail sales figures.
- Eurozone, January PMI figures.
- Germany, January composite PMI figures.

06 Wednesday

- Treasury to pay down TRY 0.4bn in debt.

07 Thursday

- Akbank Q4 of 2012 financials (Şeker Securities TRY 998mn - Consensus TRY 881mn).
- BoE and ECB to announce interest rate decisions.
- U.S., jobless claims figures.
- Germany, December industrial production figures.

08 Friday

- TurkStat to announce industrial production figures for December.
- US, December foreign trade figures.

Outlook:

After last week's harsh sell-offs, the ISE-100 index decoupled positively from its European peers, which suffered heavy losses due to the political uncertainty concerning Italy and Spain, to close 0.62% higher at 80,723 on a volume of TRY 2.89. The index had reached as high as 81,210, before some profit taking due to accelerated selling in the European markets. The banks closed relatively flat, up just 0.22% on average, and elsewhere **Turkish Airlines' (THAYO.TI; OP)** shares soared 3.05%. At the other end of the spectrum, **Koc Holding (KCHOL.TI; OP)** and **Gozde Venture Group (GOZDE.TI; NC)** shares suffered losses, the former of 0.22%, and the latter being the most affected on a loss of 7.31%, due to the possible cancellation of the roadways and motorways privatization tender. The benchmark increased slightly to 5.84%, and the TRY finally weakened against the USD closing at 1.7607, and is trading weaker again this morning at 1.7629. Brent oil has relaxed to USD 115.15, having reached a max of USD 117.04. Please recall that we estimate Brent trading on average at USD 110/barrel for 2013.

Today, we expect a flat opening at the ISE, and there are no expected data releases.

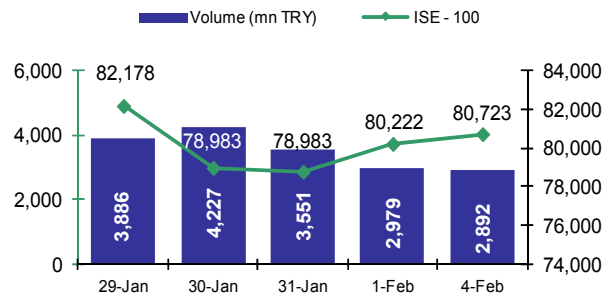
Money Market:

The lira was bearish yesterday as the local currency weakened 0.54% to close at 1.7585. Additionally, the lira depreciated by 0.14% against the basket composed of \$0.50 and €0.50. Meanwhile, the local fixed income market was negative. The two year benchmark bond traded within a range of 5.80% - 5.86%, ending at 5.84%, thus 4 bps above its previous finish.

Headlines:

Inflation spike probably a one-off for CBRT. Consumer prices rose by 1.65% MoM in January, notably above the market consensus and our forecast, both at 1.1%. Hence, the annual figure rose to 7.31% from 6.16% registered in December. Food prices, displaying a reversal, were behind the high headline figure. Annual core inflation (I index, excluding food, energy, tobacco and gold) merely eased to 5.7% from 5.8%, while annual service inflation has also slightly eased (by our calculations).

The correction in food prices has finally come, as rising 4% they made a 1 percentage point contribution to monthly inflation. >>>



Indices (TRY)	Previous	Last	Chg.	YTD
ISE-100	80,222	80,723	0.62%	3.21%
ISE-30	99,635	100,281	0.65%	2.61%
ISE-Financial	117,715	117,884	0.14%	3.75%
ISE-Industrial	66,030	66,607	0.87%	3.05%
ISE-Services	50,282	51,187	1.80%	2.48%

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
DURDO	15.83	MANGO	-17.78	GARAN	341,740,528
MEPET	13.40	MERIT	-10.00	ISCTR	205,684,609
VKBYO	11.93	SKPLC	-8.92	THYAO	202,084,722
AKGUV	10.00	GOZDE	-7.31	HALKB	183,570,279
RANLO	9.62	ATAC	-5.69	TCELL	159,779,992

Money Market	Previous	Last	Pr. Mn	YE12
O/N Repo (%)	4.77	4.76	5.01	5.25
Euro Bond (30 year, \$)	188.75	188.75	165.20	196.38
Bond (Benchmark, %)	5.8	5.84	6.36	6.15

Currency	Previous	Last	Chg.	YTD
US\$	1.7495	1.757	0.43%	-1.60%
Euro	2.3855	2.382	-0.15%	0.95%
Euro/Dolar	1.3653	1.3559	-0.68%	2.63%

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	116.5	116.1	-0.36%	4.33%
Oil (NYMEX future, \$)	97.8	96.4	-1.38%	5.01%
Gold (Ounce, \$)	1,666.8	1,667.8	0.06%	-0.46%
Silver (XAG, \$)	31.8	31.7	-0.21%	4.50%

Şeker Funds	Previous	Last*	Chg.	YTD
Şekerbank A T. Shares	0.284363	0.285185	0.29%	1.76%
Şekerbank B T. Bond&Bill	0.019673	0.019671	-0.01%	0.38%
Şekerbank B T. Liquid	0.829288	0.829412	0.01%	0.45%
Şeker Yat. A T. Mix	0.015685	0.015709	0.15%	1.04%
Şeker Yat. B T. Gold	0.016556	0.016572	0.10%	-2.17%
Şekerbank B T. Short T. Bond&Bill	0.010229	0.010230	0.01%	0.40%

*Prices as of 05-Feb-13

Annual food group inflation thus rose to 6.8% from the year-end figure of 3.9%. Meanwhile, prices in the tobacco and alcoholic beverages group rose 14.3% MoM following tax hikes and had a 0.7 pps inflationary effect. Clothing prices on the other hand fell by 7%, less than seasonal averages, erasing 0.5 pps off the headline figure. Elsewhere, prices in the houseware, and hotels and restaurants groups rose 1.1% and 1% in January, respectively.

Core inflation indicators displayed a mixed picture in January. However, the CBRT's favorite core inflation indicator, I index inflation, resumed its decline, to 5.7% from 5.8%, while H index inflation eased to 6.3% from 6.5%. On the other hand, there have been no increasing inflationary pressures in service group as of January. By our calculations, annual service inflation remained broadly flat in January. It might have slightly declined to 7.0% from 7.1% posted in December. On the other hand, annual non-food goods inflation might have edged up to 7.8% from 7.6%.

January's figures may be strong indications of elevated food prices in the upcoming period, which is the biggest upside risk to the 5% official inflation target and 5.3% CBRT forecast for year-end inflation. While the CBRT maintains its year-end food inflation assumption at 7% in January's inflation report, our figure is at 8.5%. Our year-end inflation forecast stands at 7.3%, notably higher than that of the central bank.

The headline CPI figure seems to be negative for the bonds at first sight. However, one should remember that the CBRT has recently stated that it would not likely react to inflation volatility stemming from food prices unless there was a permanent increase that could affect pricing behavior. Therefore, no significant effect on monetary policy should be expected, especially given the continued decline in core inflation and stable service inflation. The bank will likely stress stable core and service inflation in its technical note on January's price developments to be published today.

We keep our view unchanged that the bank will maintain low interest rates accompanied by merely measured steps against credit growth until the second half of the year, when widening in the current account deficit stands to pick up in pace.

World Indices					
America	Previous	Last	Chg.	YTD	
Dow Jones (US)	14,010	13,880	-0.93%	5.92%	
Nasdaq (US)	3,179	3,131	-1.51%	3.70%	
S&P 500 (US)	1,513	1,496	-1.15%	4.87%	
Bovespa (Brasil)	59,761	60,351	0.99%	-0.99%	
Merval (Argentina)	3,462	3,531	1.99%	23.72%	
Mexico Bolsa (Mexico)	45,278	45,278	0.00%	3.60%	
Europe	Previous	Last	Chg.	YTD	
Dax (Germany)	7,833	7,638	-2.49%	0.34%	
FTSE 100 (UK)	6,347	6,247	-1.58%	5.92%	
CAC 40 (France)	3,774	3,660	-3.01%	0.52%	
WSE WIG (Poland)	46,946	46,557	-0.83%	-1.90%	
Prague (Czech Republic)	1,017	1,008	-0.91%	-3.00%	
Budapest (Hungary)	19,358	19,090	-1.38%	5.05%	
RTSI (Rusya)	1,633	1,607	-1.60%	4.99%	
Asia/Africa	Previous	Last	Chg.	YTD	
Nikkei (Japan)	11,139	11,191	0.47%	8.41%	
Hang Seng (Hong Kong)	23,722	23,685	-0.16%	4.54%	
Shanghai Comp. (China)	2,385	2,419	1.41%	8.32%	
KOSPI (South Korea)	1,962	1,958	-0.21%	-1.49%	
JSE Africa All Shr.(S.Africa)	40,601	40,572	-0.07%	3.37%	
Turkdex (Set. Price)	Previous	Last	Chg.	YTD	
INX100 (FEBRUARY 13)	79.825	80.825	1.25%	2.41%	
INX30 (FEBRUARY 13)	100.050	100.825	0.77%	2.39%	
USD (FEBRUARY 13)	1.758	1.764	0.37%	-1.95%	
EURO (FEBRUARY 13)	2.392	2.390	-0.08%	0.61%	
COTTON (MARCH 13)	3.300	3.300	0.00%	0.00%	
WHEAT (MARCH 13)	0.741	0.741	0.00%	0.00%	
GOLD (FEBRUARY 13)	94.690	93.945	-0.79%	-2.47%	
Portfolio Recommend.	Inclusio Date	Inclusio Price	Last Close	Chg. (%)	ISE Relative
TAV Airports Holding	08.01.10	4.75	10.85	128.4%	55.6%
Koza Gold	26.12.12	41.70	44.90	7.7%	3.5%
Isbank	22.01.13	7.14	6.62	-7.3%	-2.0%
Turkish Airlines	01.06.12	2.52	6.74	167.5%	82.6%
Turkcell	04.05.12	8.83	10.95	24.0%	-8.9%
Migros	22.01.13	22.60	20.90	-7.5%	-2.3%
Yapi Kredi Bank	22.01.13	5.76	5.26	-8.7%	-3.5%
Aygaz	24.08.12	8.44	10.35	22.6%	0.4%
Portfolio Yield					103.7%

Company News:

Aksa Akriklik (AKSA.TI; OP) has announced that as of February 3, 2012 its Yalova plant has resumed full capacity operation after last week's fire (Positive).

Is REIT (ISGYO.TI; OP) has announced that no relevant information has been made public concerning the sale process of its hotels, and that the process was ongoing.

Petkim (PETKM TI; MP) has started negotiations regarding a long term trade partnership with SOCAR's subsidiary STAR Refinery.

Kardemir's (KRDMD.TI; OP) Extraordinary General Assembly is to be held on March 01, 2013.

Tekstilbank (TEKST.TI; N/C) has announced that news is circulating in the press regarding the sale of the bank, but stressed that it had not made any official statement to the public.

Aksigorta (AKGRT TI; N/C) has received a corporate tax of TRY 60.9 mn and recieved tax fine of TRY 91.4mn (Negative).

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