

Agenda

05 Monday

- TurkStat to announce inflation figures for October.
- Treasury to re-issue 4-year fixed coupon bond.
- Treasury to hold 10-year CPI linker auctions.
- U.S., October, ISM non-manufacturing index figures.

06 Tuesday

- CBRT to announce Price Developments Report for October.
- Treasury to re-issue 10-year and 4-year fixed coupon bonds.
- Eurozone, September PPI figures.
- U.S.; 2012 Presidential Election.

07 Wednesday

- Treasury to pay down TRY 18.3bn (USD 10.2bn) in debt.
- CBRT, economist and investor meeting.
- Eurozone, September retail sales figures.
- German, September industrial production figures.

08 Thursday

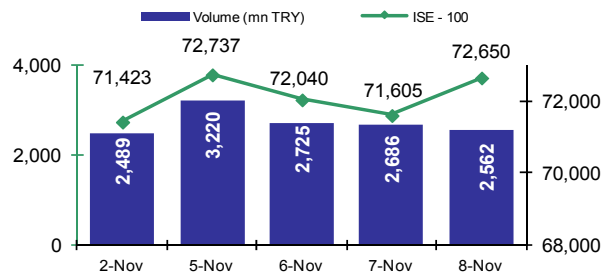
- TurkStat to announce industrial production figures for September.
- CBRT to announce results of November's first survey of expectations.
- Treasury to announce cash budget realizations for October.
- BoE and ECB to announce interest rate decisions.
- U.S., September international trade figures.
- U.S., jobless claims.

09 Friday

- U.S., November first Michigan sentiment index

Outlook:

Fitch Insulation... Good morning and TGIF!!! Despite fiscal cliff worries Stateside, and the continuing Euro-zone debt crisis, Fitch's recent credit rating hike, and the expectation of a similar move from either S&P or Moody's is helping insulate the ISE against external shocks. Yesterday, the index advanced noticeably by 1.46% to close at 72,650 on a volume of TRY 2.56bn, with most of the buys coming in the second session. During the day, the 6.2% September IP reading surpassed our conservative in-house estimate of 1.5% and the 2.2% consensus, while Fitch's Istanbul conference was more formality than anything else after Monday's hike, identifying tension in Syria as the key concern. Elsewhere, the benchmark bonds are falling even faster post-upgrade, and will start the new day at 6.74%, while the USD traded relatively flat against the TRY at 1.7857, and is slightly lower this morning at 1.7826. Today, we expect the ISE to open with an uptick, and there are no major data releases. All in all, we expect the upward momentum to continue, albeit shedding participants along the way.



Indices (TRY)	Previous	Last	Chg.	YTD
ISE-100	71,605	72,650	1.46%	41.71%
ISE-30	89,254	90,660	1.58%	46.94%
ISE-Financial	105,733	107,835	1.99%	52.00%
ISE-Industrial	59,004	59,423	0.71%	23.17%
ISE-Services	44,445	44,659	0.48%	30.20%

Money Market:

The lira was bullish yesterday as the local currency weakened 0.1% to close at 1.7857. Additionally, the TRY appreciated by 0.08% against the basket composed of \$0.50 and €0.50. Meanwhile, the local fixed income market was bullish. The two-year benchmark bond traded within a range of 6.74% - 6.86%, ending 6.74%, thus 11bps below its previous finish.

Advances		Declines		Most Active	
Stocks	(%)	Stocks	(%)	Stocks	Vol (TR)
BRMEN	20.00	TRNSK	-10.29	GARAN	358,388,527
UZERB	7.60	IPEKE	-7.91	ISCTR	326,489,887
MMCAS	6.71	AKMGY	-7.29	IPEKE	249,397,676
GARFA	6.60	BEYAZ	-5.20	VAKBN	171,502,913
YGYO	6.45	UYUM	-4.14	AKBNK	159,582,185

Domestic Headlines:

September IP very strong, but neutral for accommodative monetary policy. In September, industrial production surged by 6.2% over a year ago (August: 1.8% decline) The realization is notably above the market consensus (2.2%) and our forecast (1.5%). Meanwhile, adjusted for seasonal and working-day effects, IP expanded 3.9% over a month ago, following 2.0% contraction in August. This MoM strength is visible in all a sub-groups, i.e. manufacturing (up 4.0% MoM), mining (up 4.4% MoM) and electricity, gas and water (up 1.2% MoM). As for Q3, IP expanded 2.7% over a year ago, corresponding to a 0.9% QoQ expansion.

The strength was broad-based across sectors under manufacturing. Motor vehicles output rose just 0.4% over a year ago, but represented a strong recovery having declined 22.4%YoY in August. In fact, by our calculations, motor vehicle production rose 13.1% MoM in September, in WD and seasonally-adjusted terms, making a 1.1 pp contribution to IP growth over the previous month. Meanwhile, textile industry and wearing apparel production, which have a total weight of 17.8% in IP, rose 3.6% and 2.5% MoM, respectively. While chemical production rose 3.8% over August, output of furniture sector rose by 14%. The figures are clearly stronger than expected in the last month of Q3. In September other transport equipment output rose by 197% YoY contributing 1.3 pp to annual IP growth despite its low weight in total production. Clearly, as in previous surges observed this year, this surge also probably stems from an accounting recording practice in the sector.

Despite expecting some of this strength to be reversed in October, IP data provides good signals for the pace of economic activity in the last quarter of the year. >>>

Money Market	Previous	Last	Pr. Mn	YE11
O/N Repo (%)	5.00	5.19	5.02	10.55
Euro Bond (30 year, \$)	189.50	189.00	171.00	164.00
Bond (Benchmark, %)	7.02	7.05	7.68	11.14

Currency	Previous	Last	Chg.	YTD
US\$	1.7905	1.7895	-0.06%	-5.34%
Euro	2.3165	2.2975	-0.82%	-6.13%
Euro/Dolar	1.2943	1.28432	-0.77%	-0.76%

Commodity	Previous	Last	Chg.	YTD
Oil (Brent spot, \$)	108.1	106.5	-1.50%	-0.66%
Oil (NYMEX future, \$)	86.2	86.9	0.75%	-12.81%
Gold (Ounce, \$)	1,715.5	1,680.0	-2.07%	7.32%
Silver (XAG, \$)	32.3	31.1	-3.74%	10.62%

Şeker Funds	Previous	Last*	Chg.	YTD
Şekerbank A T. Shares	0.271834	0.272833	0.37%	22.47%
Şekerbank B T. Bond&Bill	0.019729	0.019744	0.08%	1.51%
Şekerbank B T. Liquid	0.820265	0.820380	0.01%	6.64%
Şeker Yat. A T. Mix	0.015287	0.015313	0.17%	-3.24%
Şeker Yat. B T. Gold	0.017414	0.017500	0.49%	-1.31%
Şekerbank B T. Short T. Bond&Bill	0.010124	0.010126	0.02%	-

*Prices as of 09-Nov-12

>>>The decline in the cost of funding since early June may have started to affect economic activity positively in recent months. Recall that October's PMI index at above 50 and the sub-indices of the real sector confidence index (volume of output and export orders for the next 3 months, total orders in the past 3 months), and recent credit figures also yield positive indicators for Q4 growth.

Strong IP figures will not likely affect the main route of the accommodative monetary policy yet, as the pace of economic activity remains far from desired levels. We still expect the CBRT to support the decline in loan rates through continued cuts in the ON lending rate. Following the latest IP figures we maintain our expectation that the MPC will cut the upper boundary of the interest rate corridor by 50 bps on November 20th, followed by a 50 bps cut in December partially thanks to recent appreciation in the lira. Meanwhile, we expect a measured increase in reserve option coefficients (ROCs) on FX RRRs kept for TRY liabilities at November's meeting.

Medium-term inflation expectations stable in latest Survey of Expectations Year-end inflation has eased to 7.18% from 7.29%, compared to our forecast of 7.1%. Meanwhile, 12-month and 24-month ahead inflation expectations remained stable, as the former rose to 6.72% (up 2 bps), while the latter remained unchanged at 6.22%. However, both are still significantly higher compared to 5% medium-term inflation target. Recent lira appreciation following the uptick to investment grade seems to have left its effect on lira expectations, where the 12-month ahead expectation for USD/TRY declined to 1.808 from 1.830. Meanwhile, the current account deficit expectation for this year and the next fell to USD 59.7bn (down USD 0.8bn) and USD 63.2bn (down USD 0.5bn), respectively. We forecast a USD 58bn CAD for this year with downside risks. Meanwhile, growth expectation for this year rose to 3.3% from 3.2%, while that of the next year remained stable at 4.4%.

Company News:

Akbank (AKBNK.TI; Marketperform) announced a bank-only net profit of TRY 779mn for 3Q12, up 69.45 % YoY, thus above the market consensus (CNBC-e: TRY 766 mn). NIM rose by 48.67% YoY and Fee&Comission income rose by 12.54% YoY. Total loans reached TRY 85.4bn on 24.70% YoY growth. The loan to asset ratio reached 99.67% in 3Q12 from 93.94% in 3Q11, while CAR remained solid at 17.08%. In terms of asset quality, the bank improved its NPL ratio, which came in at 1.6% compared to the sector average of 2.8%.

World Indices					
America	Previous	Last	Chg.	YTD	
Dow Jones (US)	12,933	12,811	-0.94%	4.86%	
Nasdaq (US)	2,937	2,896	-1.42%	11.15%	
S&P 500 (US)	1,395	1,378	-1.22%	9.53%	
Bovespa (Brasil)	58,517	57,524	-1.70%	1.36%	
Merval (Argentina)	2,370	2,402	1.34%	-2.47%	
Mexico Bolsa (Mexico)	41,721	41,011	-1.70%	10.61%	

Europe	Previous	Last	Chg.	YTD	
Dax (Germany)	7,233	7,205	-0.39%	22.15%	
FTSE 100 (UK)	5,792	5,776	-0.27%	3.66%	
CAC 40 (France)	3,410	3,408	-0.06%	7.84%	
WSE WIG (Poland)	43,304	43,429	0.29%	15.52%	
Prague (Czech Republic)	989	985	-0.40%	8.15%	
Budapest (Hungary)	18,898	19,073	0.93%	12.37%	
RTSI (Rusya)	1,413	1,408	-0.31%	2.00%	

Asia/Africa	Previous	Last	Chg.	YTD	
Nikkei (Japan)	8,975	8,837	-1.54%	4.52%	
Hang Seng (Hong Kong)	22,100	21,567	-2.41%	16.80%	
Shanghai Comp. (China)	2,106	2,072	-1.64%	-5.51%	
KOSPI (South Korea)	1,928	1,914	-0.71%	4.86%	
JSE Africa All Shr.(S.Africa)	37,472	37,593	0.32%	17.53%	

Turkdex (Set. Price)	Previous	Last	Chg.	YTD	
INX100 (DECEMBER 12)	72.750	72.300	-0.62%	38.84%	
INX30 (DECEMBER 12)	89.725	91.150	1.59%	46.19%	
USD (DECEMBER 12)	1.795	1.797	0.14%	-6.21%	
EURO (DECEMBER 12)	2.292	2.287	-0.20%	-7.82%	
COTTON (DECEMBER 12)	3.750	3.750	0.00%	-2.47%	
WHEAT (DECEMBER 12)	0.700	0.700	0.00%	12.72%	
GOLD (DECEMBER 12)	99.105	99.005	-0.10%	1.82%	

Portfolio Recommend.	Inclusio Date	Inclusio Price	Last Close	Chg. (%)	ISE Relative
Tofas	08.09.11	5.84	9.90	69.5%	28.9%
TAV Airports Holding	08.01.10	4.75	9.00	89.5%	43.4%
Garanti Bank	04.05.12	6.40	8.64	35.0%	10.2%
Turkish Airlines	01.06.12	2.52	4.36	73.0%	31.2%
Turkcell	04.05.12	8.83	10.90	23.4%	0.7%
Aksa Akriklik	10.01.12	3.90	4.76	22.1%	-16.3%
TSKB	21.09.12	1.93	1.97	2.1%	-5.9%
Aygaz	24.08.12	8.44	8.44	0.0%	-9.0%
Portfolio Yield					92.3%

*Starting date of portfolio 30/11/2004

According to the media, electricity sales to Syria have commenced. We may see a positive reaction for **Aksa Energy (AKSEN.TI; Outperform)**.

According to the media, winter tires have become compulsory for commercial between December 1 –April 1. We expect this news to affect **Brisa (BRISA.TI; N/C)** and **Goodyear (GOODY.TI; N/C)**, positively (Positive).

Halkbank (HALKB.TI; Outperform) is to issue TRY 3 billion in bank bills of assorted maturity.

According to the media, the Izmir 4th Administrative Court has stayed the execution of an EIA report of Yerti Tahtaci mines in Bergama – Izmir. Based on the news, **Koza Gold (KOZAL.TI; Outperform)** has announced that Yerli Tahtaci mines has not affected the company's production and resource/reserve.

The ISE has announced that the shares of **Orma Orman Mahsulleri Integre Sanayi** are to commence trading on the Istanbul Stock Exchange as of November 15, under the ticker "ORMA".

Tekfen Holding (TKFEN.TI; N/C) has reported a net profit of TRY 48.6mn for 3Q12, down by 10% YoY, thus below the market estimate of a TRY 58mn net profit. In cumulative terms, the net profit has come in at TRY 197.8mn for 9M12, staying flat YoY.

Yapi Kredi Bank (YKBNK.TI; Outperform) is in the process of issuing a nominally-valued TRY 500mn, and should demand materialize, up to a TRY 600mn of a 178-day maturity bank bond. The book building will be between November 12 -15, 2012.

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Vakifbank (VAKBN.TI; Marketperform) is to release its 3Q financial results. The market consensus for net income is TRY 262mn. Furthermore, the BRSA announced the banking sector's monthly figures yesterday. According to BRSA data public banks increased their net income 20% YoY indicating that Vakifbank may release earnings above market expectations.

Akcansa (AKCNS.TI; Market Perform) has disclosed a net profit of TRY 32.7 million in its Q3 financials, below both the market consensus of TRY 39.6 million and our in-house expectation of TRY 43 million. Following a net profit of TRY 32.7 million in 3Q12, total profit rose by 29% YoY to TRY 93 million in 9M12. The company had TRY 277 million of consolidated revenues in 3Q12, below both the market consensus and our estimate of TRY 288 million, up 2.5% YoY (-3.2% QoQ). Akcansa's EBITDA was realized at TRY 61 million in 3Q12, down by 1.8% YoY, below the market and our in-house estimate of TRY 67 million. Meanwhile, the EBITDA margin declined 100 bps to 22% in 3Q12 from 23% in 3Q11, due to the increase in production costs. We believe its Q3 figures will negatively affect its share performance in the short-term.

TRY Million	9M11	9M12	YoY	3Q11	3Q12	YoY	2Q12	QoQ
Revenues	741	782	5,5%	270	277	2,5%	286	-3,2%
Gross Profit	129	153	18,8%	59	58	-1,1%	61	-4,3%
<i>Gross Profit Margin</i>	17,4%	19,6%		21,7%	20,9%		21,2%	
EBIT	100	120	20,0%	49	47	-3,6%	50	-6,8%
<i>EBIT Margin</i>	13,5%	15,4%		18,0%	17,0%		17,6%	
EBITDA	140	163	15,8%	62	61	-1,8%	65	-5,6%
<i>EBITDA Margin</i>	18,9%	20,8%		23,0%	22,0%		22,6%	
Net Profit	72	93	28,8%	34	33	-2,9%	46	-28,4%
<i>Net Profit Margin</i>	9,8%	11,9%		12,4%	11,8%		15,9%	

Tofas (TOASO.TI; Outperform) has reported a net profit of TRY 99.5mn for 3Q12, down by 24% YoY, but slightly below the market consensus of TRY 105mn. In cumulative terms, total profit declined by 6% YoY to TRY 322.6mn in 9M12. 3Q12 revenues shed 7.9% YoY and 17.8% QoQ to TRY 1.54 bn, lower than market consensus of TRY 1.6bn, and in cumulative terms revenue reached TRY 4.93bn, down by 11.1% on lower automotive sales volume. In 3Q12, Tofas generated an EBITDA of TRY 190mn, down by 8.1% YoY, and 16.9% QoQ, slightly lower than the market consensus of TRY 199mn, while the EBITDA margin stayed at 12.4% compared to the same period of last year. This may have a somewhat negative effect on the stock performance, since the results are slightly worse than expected.

TRY Million	9M11	9M12	YoY	3Q11	3Q12	YoY	2Q12	QoQ
Revenues	5.554	4.936	-11,1%	1.669	1.537	-7,9%	1.870	-17,8%
Gross Profit	652	609	-6,7%	220	186	-15,7%	238	-21,9%
<i>Gross Profit Margin</i>	11,7%	12,3%		13,2%	12,1%		12,7%	
EBIT	390	349	-10,6%	129	103	-19,9%	141	-26,7%
<i>EBIT Margin</i>	7,0%	7,1%		7,7%	6,7%		7,5%	
EBITDA	610	608	-0,4%	207	190	-8,1%	229	-16,9%
<i>EBITDA Margin</i>	11,0%	12,3%		12,4%	12,4%		12,2%	
Net Profit	343	323	-6,0%	131	100	-24,1%	126	-21,1%
<i>Net Profit Margin</i>	6,2%	6,5%		7,9%	6,5%		6,7%	

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