

AT - A GLANCE

February 16, 2011

Market Comment

Same Universe... Nothing too different today. And so the trading range is likely to remain unchanged, with 64,000 on the down side and 65,500 to the north being the borders.

Macro News

- Continuing marginal decrease in unemployment...
- Robust January budget kick off...
- US\$ 8.9 bn FDI in 2010...

Sector News

- Pegasus to apply to go public...
- Negotiations continue for Nuclear plant in Sinop...

Company News

- THY's <THYAO TI> Jan 11 traffic results...
- Mardin Cimento <MRDIN TI> plans to distribute TL 0.647 per share dividend...
- Sekerbank <SKBNK TI> reports 2010 YE tax purpose results...
- Karsan <KARSN TI> - Offer received for use of NYC taxi design at 2016 Rio Olympics...

Agenda

- 16.02 • Consumer Confidence Index for January
- 17.02 • Non-Residents' Holdings of Securities for the Week of 11 February
- Private Sector External Debt
- 17.02 • FDI Position for December

Market Data

Indices	Daily	Weekly	YTD	Last	Vol. *	Mcap **
ISE 100	▲ 0.8%	-0.2%	23.2%	65,100	1,498	351
ISE 30	▲ 0.9%	-0.5%	19.1%	79,764	878	274
Financials	▲ 0.9%	-0.8%	21.3%	96,723	826	228
Industrials	▲ 0.5%	-0.4%	40.7%	53,312	585	100
Banking	▲ 1.1%	-0.8%	14.8%	137,271	306	171

Most Active

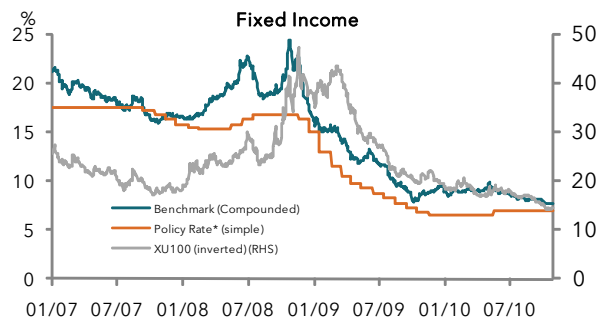
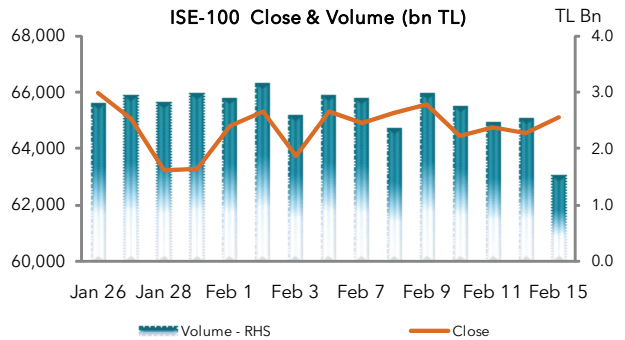
	Perf.	Vol. *	Best	Worst
DOHOL	▲ 7.2%	206	DOHOL 7.2%	DOAS -3.3%
KARSN	▲ 0.8%	202	SASA 6.3%	OTKAR -3.0%
ISCTR	▲ 1.2%	93	NETAS 3.4%	GLYHO -2.7%
GARAN	▲ 1.1%	84	TTKOM 2.8%	EGSER -2.2%
DYHOL	▲ 2.4%	83	AKSA 2.7%	SISE -1.5%

* in TLmn,, ** in TLbn

Key Valuation Parametrics

Multiples **	2009	2010E	2011E	Growth	2010E
P/E	12.3	11.0	9.7	Net Earnings	13%
EV/EBITDA	8.9	6.1	5.5	EBITDA	13%
EV/Sales	1.2	0.9	0.8	Sales	14%
P/BV(Banks)	2.5	1.9	1.6	BV	13%

** in TL, based on AtaInvest Coverage (c.82% of ISE MCap)



*Borrowing rate until 20 May 2010, then one-week repo rate.

What the Day Heralds

Continuing marginal decrease in unemployment... In November the unemployment rate fell slightly to 11.0%, thereby comparing favorably to 13.1% in November 2009. The labor force participation rate came in at 48.6%, above 48.1% in November 2009, while non-farm unemployment fell to 13.7% from 16.2% a year before. The seasonally-adjusted employment figure published by TURKSTAT, at 11.2%, indicates that unemployment has declined in November when compared to the 13.3% level of the year before.

Comment: The slight decrease in unemployment continued in November. Yet the current 11.0% level remains too high, and rigidity in Turkey's high unemployment rate, despite robust growth momentum, is mainly due to structural problems of the Turkish economy. This raises the question of the sustainability of Turkey's high economic growth rate. The economy recovered sharply in 2010, and is expected to finalize the year on growth of around 8%.

However, such a high growth rate has not created sufficient jobs. Hot money flows resulting in Lira appreciation have increased cheap imports, thus benefiting job growth elsewhere, but causing Turkey's current account deficit to rise to US\$ 48.6 bn, or 6.4% of GDP in 2010. The Central Bank has recently imposed measures to ease credit growth and prevent further Lira appreciation. However, these measures alone are also unlikely to solve Turkey's unemployment problem. Further measures, including an easing of the tax burden on employers, and job market flexibility, must be introduced to truly address the country's jobless growth problem. (*See our Macro Note: Labor Force Statistics- November 2010 of Feb. 14*).

Robust January budget kick off... The Central government budget produced a TL1.0 bn surplus in January; while the primary surplus totaled TL 4.8 bn. Budget revenues rose by 20.4% y/y, due mainly to a 14.2% rise in tax receipts. In contrast, expenditures shed 0.7%. Meanwhile, non-interest expenditures rose by 12.9% y/y to TL 18.7 bn in January. Budget revenues registered at TL 23.5 bn, with related expenditures of TL 22.5 bn in January. Therefore, the budget posted a surplus of TL 1.0bn, rising by 132.2% year-on-year.

Comment: The budget posted a TL 1.0 bn surplus in January. The signal of this robust result had already been seen in the robust performance of the Treasury's cash balance realizations released last week- a good indicator of the central government budget. The year-end budget deficit target for 2011 is at TL 33.5 bn, and thus we conclude that this is a good kick off in terms of meeting the 2011 target.

Wait and see stance- as expected... The CBT kept policy rate as expected at 6.25%. Moreover, the committee has kept O/N borrowing and lending rates at 1.50% and 9.0% respectively- in addition to overnight lending rate to primary dealers which is at 8.0%. Furthermore, late liquidity window facility (which, banks borrow from the Central Bank against collateral) and lending rates have been kept at 0% and 12% respectively. The committee has mentioned that the recently declared economic indicators regarding the economic activity are in line with the outlook mentioned in the January Inflation Report. MPC statement also emphasized that recovery in the economic activity is continuing, thanks to the domestic demand, and external demand started to gain ground recently but still at low levels.

It has been also mentioned that the employment sector is recovering but the unemployment level is still at high levels. Consequently, annual inflation in February is expected to slightly decline further and be volatile starting from second quarter onwards. The Bank expects the year end inflation to be realized in line with the expectations in the January Inflation report which is at 5.9% level. In addition, it has been also underlined that effects of measures applied helped in reducing the import demands- balancing the total demand, therefore decreasing the financial risks. Lastly, it has been put forward that the measures are also effective in limiting the inflation risks derived by domestic demand but increase in energy and other commodity prices are applying some pressure on inflation.

Comments: The Central Bank adopted a wait-and-see stance, by keeping the policy rate and reserve requirement ratios at current levels- as expected, at today's MPC meeting. We expect the Central Bank to keep interest rates at current levels until the second half of 2011- as inflationary pressures are expected to start kicking in thereafter. The relatively peaceful transition period towards civilian rule in Egypt is good news for regional economies. However, further unrest in the region is likely to increase geopolitical risks in Middle Eastern and Northern Africa countries (MENA), while pressuring oil prices, and adding up to inflationary expectations. In addition, a possible rise in wheat prices is likely to fuel inflationary expectations. As a result, the Central Bank of Turkey may be forced to tighten monetary policy earlier than expected. And of course, tighter monetary policy implies higher yields, which is in turn negative for both growth and the stock market. We stick to our year end policy rate call standing at 7.0%- which means 75 bps rate-hike in 2011. (*See our Macro Note: Monetary Policy Meeting- February 2011, of Feb. 14*).

US\$ 8.9 bn FDI in 2010... Net international direct investment inflow amounted to US\$ 1.9 bn in December 2010. The equity investment inflow, which represents the equity share transfers of international investors for their new or existing companies in Turkey, and for their participation in existing domestic companies, was at US\$ 1.8 bn. Of this, US\$ 1.4 mn went into electricity, gas and water supply sector. Meanwhile, US\$ 1.6 bn of the US\$ 1.8 bn equity investment was exported by EU countries. The net international direct investment inflow registered at US\$ 8.9 bn in 2010. The equity investment inflow component of international direct investment inflows (net) reached US\$ 6.3 bn in 2010.

Pegasus to apply to go public... According to daily Milliyet, Pegasus - a low-cost-carrier - has applied to the ISE to go public, with the company's 34.2 mn lot shares to be floated at the ISE, with 31.3% free float.

Negotiations continue for Nuclear plant in Sinop... According to daily Aksam, negotiations between Japanese Toshiba and the Turkish Government are continuing for the planned Nuclear power plant in Sinop. Accordingly, the State-run Electricity Generation Company aims to participate in the planned Nuclear power plant with between a 20%-40% stake, while Toshiba targets to lower the electricity selling price by up to US\$ 10 cents.

Company News

Turkish Airlines	OUTPERFORM	Share Price: TL 5.06
THYAO TI	P/E: 11.6x	Target Share Price: TL 6.56
Aviation	EV/EBITDA: 8x	Upside Potential: 30%

THY's <THYAO TI> Jan11 traffic results...

Turkish Airlines has announced Jan11 traffic results. Accordingly, passenger number rose by 6.3% y/y in Jan11, to 2.1 mn, while Business Class and transit passengers climbed 23.2% and 4% y/y, in the underlying period.

On the other hand, THY's load factor eased by 1.5% y/y to 67.3%. Meanwhile, ASK and RPK advanced by 13.4% and 11%, respectively.

Mardin Cimento	MARKETPERFORM	Share Price: TL 7.94
MRDIN TI	P/E: 11.4x	Target Share Price: TL 8.48
Cement	EV/EBITDA: 8.5x	Upside Potential: 7%

Mardin Cimento <MRDIN TI> plans to distribute TL 0.647 per share dividend...

Mardin Cimento plans to distribute a TL 70.9 mn gross dividend. This corresponds to a TL 0.647 gross per share dividend (TL 0.55 net), yielding 8.2%, based on the company's latest price.

Sekerbank	MARKETPERFORM	Share Price: TL 1.65
SKBNK TI	P/E: 7.7x	Target Share Price: TL 1.81
Banking	P/B: 0.8x	Upside Potential: 9%

Sekerbank <SKBNK TI> reports 2010 YE tax purpose results...

Net profit for the full year was TL 170 mn, versus our TL 137 mn forecast and the CNBC-E consensus of TL 144 mn; corresponding to a 12% y/y rise.

Implied 4Q10 net profit is at TL 66 mn, versus our call of TL 33 mn and TL 40 mn consensus estimates, implying a 90% q/q increase.

Tax results do not include footnotes or any balance sheet items; hence we cannot comment on volumes, margins or RoE. However, these results are generally either identical to -or very close to- official BRSA results.

Looking into the details of the P&L, Net Interest Income exceeded our forecast at TL 164 mn (versus our TL 129 mn estimate), up by 37% q/q. Trading income was also robust on a 409% q/q increase. Provisioning expenses climbed 133% q/q in line with our forecast, while operating expenses increased by just 1% q/q.

Karsan	N/R	Share Price: TL 2.36
KARSN TI	P/E: -	Target Share Price: -
Automotive	EV/EBITDA: -	Upside Potential: -

Karsan <KARSN TI> - Offer received for use of NYC taxi design at 2016 Rio Olympics...

According to daily Sabah, Jan Nahum, Karsan's CEO has stated that Japanese Bank authority has offered to use Karsan's taxi designed for New York City at the 2016 Rio Olympic Games.



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