

# TURKISH BULLETIN

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## ECONOMY & MARKET

### MARKETS

At Monday's close, market situation was:

O/N for ISE Repo market & TLR Interbank market		TRY/USD
6.50%		1.5582
Most actively traded T-Bills		
Date	Maturity	C/Rate
06/07/10	25/01/12	8.55%
ISE-100 index		ISE- 100 Ref \$
55,716		35,756

**Treasury funding program** for July10: both domestic and external debt service will reach TL13.8bn (TL12.7bn domestic including TL11.0bn to the markets), to be in part financed by new borrowings of TL11.8bn. Market roll-over ratio is estimated to be around 93%. Other sources of financing will stem from the budget primary surplus and privatization receipts.

**CBT** released its latest inflation forecast: year-end CPI inflation rate is expected to be of 8.0%, down from previous forecast of 8.1%.

**GDP** surged by 11.7%/y/y in 1<sup>st</sup>Q10, mainly due to base effects following the 14.5%/y/y contraction in 1<sup>st</sup>Q09. On the expenditure side, private consumption improved by 10%/y/y while Gov't consumption remained almost flat at +1.0%/y/y. Gross Fixed Capital Formation increased by 14.4%/y/y, mainly due to a surge in Private Sector's investment (+22.1%/y/y).

On the production side, industry surged by 20.6%/y/y while construction improved by 8.0%/y/y.

**Inflation:** Consumer price index decreased by 0.6%/m/m in June10, for the second consecutive month, which led to a year-on-year rate of 8.4%, down by 60bps compared to May10. CPI decrease is mainly due to the decline in food prices (-2.5% m/m).

- Production Price Index fell by 0.5%/m/m, bringing the y/y increase to +7.6%/y/y. The declines were led by the decrease in metals and petroleum products' prices.

**Foreign Trade Deficit** came in at US\$4.8bn in May10, up by 40% on y/y terms. 12-month rolling deficit increased to US\$50.5bn, up from US\$49bn posted last month.

- Exports were recorded at a level of US\$9.9bn in May10, up by 35%/y/y compared to May09. Imports increased by 35%/y/y to US\$14.7bn. In 5M10, exports improved by 16%/y/y to US\$46bn while imports reached US\$68.0bn, implying a 36%/y/y increase.

**Capacity Utilization rate** rose to 73.6% in June10, up by almost 6.8 pts compared to June 09 and higher than May10's figure of 73.4%.

## POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

**Constitutional Amendments:** Constitutional Court's rapporteur submitted his opinion on CHP's appeal against constitutional amendments package. He called on the Court to reject CHP's appeal on the grounds that the amendments are not yet ratified by the referendum which is due to take place in Sept. 12<sup>th</sup>. However, his opinion is non-binding and could be ignored by the Court.

**Turkey – Israel relationships:** Turkey denied an Israeli military plane to enter the Turkish airspace. The move is partly aimed at putting pressure on Israel to accept Turkey's demands after Gaza incident, when nine Turkish civilians were killed in a commando operation conducted by the Israeli Army. The Gov't indeed asks for i) a compensation to be given to the victims' relatives ii) the end of the Gaza strip blockade and iii) official apologies.

## SECTOR NEWS & PRIVATISATION

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**Tourism:** number of visitors surged by 15.8%/y/y in May10 to 3.1mn people, bringing the 12month rolling number of tourists to 27.8mn. In 5M10, arrivals increased by 10.1%/y/y.

**Aviation:** passenger number increased by 19.5%/y/y to 10.4mn in June10, supported by a 21%/y/y surge in domestic passenger numbers. Total passenger numbers grew by 23.7%/y/y to reach 44.3mn in 1<sup>st</sup>H10.

**Banking** sector's net income came in at TL1.75bn in May10, down by 23%/m/m and at TL10.3bn in 5M10, up by 13%/y/y.

**Electricity:** TETAS, electricity wholesale company, raised the price of electricity sold to distribution grids by 2.3% to TL15.63/kWh.  
- Power consumption increased by 6%/y/y to 17.4GWh in June10, bringing the 1<sup>st</sup>H10 increase to 7%/y/y.

**Oil & Gas:** SOCAR-Turcas Refining Company finally obtained the 49-year license from EMRA for its refinery project in Aliaga.  
- Zorlu Enerji signed an agreement to sell its natural gas exploration & production Turkish

subsidiaries (Amity Oil & Petrogaz) for US\$96.5m to Transatlantic Petroleum.

### IPO

**Pegasus** Chairman stated that they were planning an IPO to be held by 2<sup>nd</sup>H10 or 1<sup>st</sup>Q11 for an issue worth at least US\$100mn.

### M&A

**Kazanci Holding**, the parent of Aksa Enerji is seeking partners for the 3 electricity distribution grids it has acquired for total amount of US\$557mn. The sale is pending approval of the Energy Market Regulatory Authority.

**Debt Capital Markets:** Boyner mandated AK Securities for a TL40mn & 24-month bond issue of which the proceeds should be used for working capital requirements.

**Equity Capital Markets:** International investors were net buyers on the Istanbul Stock Exchange with US\$314mn in June10. Foreign investors placed US\$4.68bn buy orders vs. US\$4.37bn sell orders. IsBank and VakifBank airports were the most bought stocks while TEB and Turkish Airlines were the most sold ones.

## COMPANY NEWS

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**Albaraka Turk** gave a mandate to Standard Chartered, ABC Islamic Bank and Noor Islamic Bank to secure a US\$100mn & 1-year Murabaha syndicated loan.

**AkBank** obtained the approval from BRSA to issue a US\$1.0bn & 5-year bond. JP Morgan, Citi, Bank of America and Standard Chartered have been mandated to conduct the road-show with bond investors.

**Halkbank** is about to secure a 1-year dual-tranche syndicated loan facility of US\$500mn from a consortium of 11 international banks.

EBRD granted loans of US\$180mn to **Garanti, Akbank and Vakifbank** (US\$60mn each) and of US\$20mn to **DenizBank**.

**TSKB** signed a US\$100mn loan agreement with the Islamic Development Bank to finance renewable energy projects.

**Erdemir** signed loan agreements with several banks, amounting to a sum of US\$1.1bn (US\$800mn + TL450mn) to refinance its loans that will mature in 1<sup>st</sup>H11. Those loans are based on 6 to 10 yrs maturities with 2 year grace period.

**Anadolu Efes:** S&P revised the Company's outlook to positive, confirming its long term rating to BB.