

# DAILY MARKET COMMENT

29 July 2010

## Soaking Up

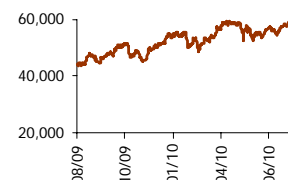
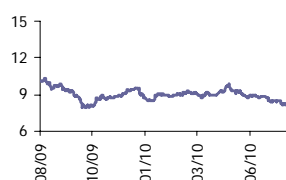
The CBT raised the foreign currency reserve requirement for banks to 10 percent from 9.5 percent. The Lira reserve requirement was left at 5 percent. The CBT estimates it will soak up USD 719.6m of fx liquidity from the market.

This smallish step should be seen as part of the Bank's earlier announced strategy of unwinding emergency measures (which were adopted during the global financial crisis) and not a policy change, in our view.

As a reminder, the CBT said in April that it would gradually bring foreign exchange liquidity facilities back to pre-crisis levels as global markets returned to normal. The Bank had cut the foreign exchange reserve requirement from 11 percent to 9 percent in Dec 2008...(see next page)

Murat Berk

## Market Summary

Stock Market	Close	Day Chg.	2009 Chg.	Blue Chip Tracker	Price (TRY)	Chg (%)	Mcap (\$ mn)
ISE-100	60,404	0.1%	124.9%	Akbank	8.25	-1.2%	21,955
ISE-100 (\$)	4.02	0.3%	127.6%	Garanti Bank	8.15	2.5%	22,773
	<b>28/07</b>	<b>27/07</b>	<b>2009 Avg.</b>	Isbank	5.75	-1.7%	17,214
Turnover (\$mn)	1,346	1,406	1,362	Yapi Kredi Bank	4.52	-1.7%	13,072
				Koc Holding	5.85	1.7%	9,400
<b>Indicators *</b>	<b>Close</b>	<b>Day Chg.</b>	<b>2009 Chg.</b>	Sabanci Holding	7.00	-1.4%	9,502
\$/TRY	1.5180	0.4%	-1.2%	Turk Telekom	5.50	2.8%	12,807
€/€	1.3016	0.0%	-6.1%	Erdemir	4.18	-0.5%	4,449
\$/JPY	87.21	-0.7%	-4.4%	Tupras	33.75	-2.2%	5,623
Gold (\$)	1,165.75	0.3%	33.6%	Turkcell	8.80	1.1%	12,880
Brent Oil (\$)	77.72	1.6%	122.4%	<b>Turkcell-NYSE</b>	<b>\$</b>	<b>Chg</b>	<b>TRY</b>
US 10-Yr Bond(%)	2.99	-1.9%	32.7%	Turkcell-ADR	14.38	1.05%	8.73
<i>*priced as of 6:30 CET this morning</i>							
<b>Fixed Income</b>	<b>Maturity</b>	<b>27/07</b>	<b>28/07</b>	<b>ISE National</b>	<b>Bond Yield (%)</b>		
Local bond	25/01/12	8.2%	8.2%				
Eurobond	15/01/30	166.375	165.750				
Repo-simple	6.54%	Repo-comp	6.76%				

## Calendar of Events

Date	Data
Jul 29	EU - Consumer Confidence
Jul 29	US - Initial Jobless Claims
Jul 29	US - Continuing Claims

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As a tangent, the CBT announced the summary of the latest MPC meeting (July 15). The summary did not contain any major new news but the following paragraph is both noteworthy and relevant: *“...given the relative improvement in the creditworthiness of Turkey during the post-crisis period, a possible strengthening in capital inflows in the forthcoming period stands out as another factor that may lead to a faster recovery in the domestic demand in contrast to external demand. Should the divergence in the growth rates between domestic and external demand continue in the forthcoming period, it would be necessary to utilize other policy instruments such as reserve requirement ratios and liquidity management facilities more effectively. Accordingly, if the composition of strong domestic demand and weak external demand continue as envisaged, and if this pattern of growth coexists with rapid credit expansion and a deterioration in the current account balance, consequently leading to financial stability concerns, than the Committee may bring forward the measures outlined in the exit strategy that are expected to be implemented until the end of 2010.”*

**Market implications:** The reserve requirement decision and MPC summary are unlikely to move markets dramatically. That, said the Lira may see some pressure on the back of this decision. As said before, recent market developments suggest that the market could be getting ahead of itself and we find ourselves as relative hawks/bears. On an absolute view, we do not see many attractive opportunities in fixed income. However, on a relative view (i.e. vs EMEA), Turkey remains attractive for fundamental reasons (i.e. underleveraged, strong fiscal policy, best growth prospects).

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