
Middle East crisis pulls down markets...

**Global markets
faced with profit
takings...**

Developed markets maintained their bullish trend backed by the Fed and ECB's quantitative easing and treasury buying programs. However, increasing tensions in the Middle East and North Africa contributed to price shocks in commodities, including oil. The global markets, along with their emerging market peers, faced strong sell-off pressures through the end of February.

**MPC held the
benchmark
interest rate at
6.25%...**

The Monetary Policy Committee (MPC) kept the policy rate (one-week repo rate) unchanged at 6.25% in line with the market consensus and our in-house forecast. Meanwhile, the bank also kept the O/N borrowing and lending rates at 1.50% and 9.0%, respectively.

However, as it is important to not change the policy rate, the committee signaled that it would wait and see the effects of the measures it has taken until the next meeting. We interpret this statement to mean that the bank is not likely to increase RRRs until the next meeting.

**Our portfolio
recommendations
for March 2011...**

Selling pressures on Turkish equities and the fixed income markets accelerated due to unrest in the MENA countries, which pushed oil prices above the USD 100/bbl threshold. This took its toll at a time when the CBRT's new monetary policy was on hold (as the bank entered into a wait & see policy) and the markets were searching for a bullish direction.

We believe that the markets will closely monitor developments in MENA, any possible spill-over effects to other oil exporting countries (such as Saudi Arabia) and the risks to changes in oil prices, along with the MPC meeting to be held on March 23rd. If oil prices continue to stay above USD 100/bbl, we believe this increases the downside risks mentioned in our earlier reports and translate into increased selling pressures in the money markets.

We maintain our portfolio coverage of 40% in government securities, 20% in FX and 40% in equities.