The markets turned to positive with the increasing risk appetite in the global market during July...

Risk appetite returned back with the strong earning releases…

The market has continued its bullish trend during July after some profit realizations and slight market corrections that took place during the previous month.

The capital markets were focused on the continuing US earning releases during July. Banks such as Goldman Sachs, Morgan Stanley, and Citigroup have disclosed better than expected earning results. Automotive producers, Ford and GM have also started to make profit while Intel has disclosed worse than expected Q209 results. With the increasing risk appetite in the global financial markets, the ISE Index has consistently increased during July and tested 40,000 levels due to the positive expectations for the IMF agreement, CBRT's more than expected rate cuts and the positive mood on international markets following strong earnings releases from the US Banking corporations.

The IMF has previously expected the economic growth for 2010 at 1.9% on its April report. However, in the first upgrade released on July 2009, the fund has upgraded next year's global growth at 2.5%.

CBRT cut its key lending rate by 50 basis points in July...

CBRT's Monetary Policy Committee cut its benchmark short-term borrowing rate more than expected by 50 basis points to 8.25% and its lending rate to 10.75% respectively. According to CBRT's statement, the inflation rate is expected to remain at low levels in the foreseeable future. The CBRT envisages that the next rate cut may be measured, and that it seems necessary for the monetary policy to maintain an easing bias for a considerable period. The Committee would consider decelerating or pausing rate cuts if improvement signs for a robust recovery of the economic activity. The general consensus for the rate cut is 25 basis points for August.

According to Prime Minister Erdogan, IMF negotiations are expected to end by September...

A downward pressure on Turkish equity markets took place during July however, the IMF deal expectations turned into positive with the Prime Minister's positive announcements about the IMF negotiations scheduled to end by September 2009. The IMF agreement is expected to be signed during before the IMF Officials visit to Istanbul at the 28th of September.

Our portfolio recommendation for August…

In our opinion, the ISE-100 Index will be focused on the releases of Turkish macroeconomic indicators, CBRT's interest rate decisions, negotiation process with the International Monetary Fund and also second quarter Turkish Banking earning results. Therefore, we expect the market to maintain its upward trend in August as it did during July. Our investment portfolio's percentages have not changed compared with the last month figures, as 20% in Equity, 60% in treasury bonds, and 20% in foreign currencies.