

ISE trading at record highs...

Markets will be pursuing the FED...

The markets continued their bullish trend on the back of the expectation that FED would purchase US government securities in QE2. In a period where global markets are shaking with news and speculation on “Currency Wars” the reserve requirement hike of 25 bps from Bank of China resulted in fluctuations in the markets right before G-20 summit.

Medium-Term Plan has been announced...

Following the cancellation of the widely anticipated Fiscal Rule, Turkish government announced its Medium-Term Plan making the market to maintain its bullish stance on the Turkish equity and fixed income markets. According to the Plan, GDP growth in 2010 year-end has been revised to 6.8% from 3.5%. On the other hand, another positive perception by the market was on the public spending side where the government expects a decline despite the fact that 2011 will be an election year.

The Central Bank continued its technical rate adjustments as previously announced...

In line with our expectations, the CBRT left its benchmark interest rate, the 1-week repo lending rate, unchanged at 7% for a 11th consecutive month as it seeks to shore up domestic growth against potential weakness in the global economy. The CBRT underlined that it expects more “moderate” rates in the period ahead and for “uncertainties” to remain in foreign demand. Though inflation will rise for another month, a constant decline should follow afterwards. On the other hand, the bank surprisingly took a dovish stance and lowered the overnight borrowing rate to 5.75% from 6.25%, while kept its lending rate at 8.75%. We believe that the CBRT will hold its policy rate constant until 2H11 and complete its exit strategy (increasing the reserve requirements) by year-end 2010.

The positive view on the market stemming from the referendum in September 12th continued backed by expectation of a prolonged hot money inflow due to FED’s quantitative easing expectations, Medium-term Plan and Moody’s modification on Turkey’s rating outlook to Positive leading to a bullish market with record highs at 70,000 levels.

Our portfolio recommendations for November 2010...

During November the markets will closely monitor the 3Q results of financial and non-financial companies as well as the outcome of the G-20 summit and FED’s open market operations’ quantitative easing announcements.

As a conclusion we expect a fluctuating market trend in November following a 17% MoM increase in September with a quite heavy international and domestic news flow as stated above.

We maintain our 40% government securities, 40% FX and 20% equity portfolio as we see the Dollar increasing the possibility to gain some ground following the G-20 summit.