

FED has stated that the recession has ended following the general consensus...

Continuous announcements about the ending recession were made...

US Federal Reserve Bernanke has stated that the recession has declared that the recession has most likely ended after U.S. retail sales have climbed by 2.7% in August. However, Bernanke has also added that the economy will still seem weak because credit conditions remain tight and any decline in the unemployment rate will probably happen gradually.

OECD has also confirmed positive scenarios about the ending recession with increasing leading indicators designed to provide early signals of turning points between the expansion and slowdown of economic activity. IMF has also reviewed World GDP figures will expand around 3% in 2010. Brazil became the fourth biggest economy pulling itself out of recession. Thus, risk appetite has continued increasingly into developed and emerging global markets, and recovery scenarios are continuously priced in.

Bullish trend has growth with the ending recession scenarios and highly supported with Turkey's credit rating increases by S&P and Moody's...

The market has continued its bullish trend during September since March 2009.

The expectations of the ending recession scenarios have increased following. S&P and Moody's, credit rating agencies, upgraded Turkey's credit ratings respectively on the back of the announcement of the government' medium-term economic program and Turkey's relative resilience to the current crisis.

With the accelerating risk appetite in the global financial markets, the ISE Index has consistently increased during August and it has tested 48,000 levels due to CBRT's continuing rate cut process and strong banking earning release expectations for the third quarter.

U.S. Federal Reserve officials left official interest rates near zero but suggested the US economy is leveling out from the recession. The European Central Bank and the Bank of England has both held their benchmark interest rates respectively at 1% and 0.5%. Expectations of continuing low interest rates were reinforced by other central banks.

CBRT cut 50 basis points its benchmark interest rate...

The CBRT has cut its benchmark 50 basis points to 7.25%. According to CBRT's statement, the inflation rate is expected to stay at low levels in the coming terms. The CBRT remains monetary easing bias and argues further measured rate cuts will be necessary in the short-term unless the economic activity starts to recover. The general consensus for the rate cut is 25 a basis points for October 09 which might be followed by a final 25 basis point cut on November.

Government announced medium term macroeconomic program...

The government has declared its medium-term fiscal framework (MTFF). According to the new program, this year's growth rates are revised to -6%, +3% for 2010, +4% in 2011, +5% by 2012. The macro forecasts seem realistic and prudent. However, the credibility of such a plan is likely to be limited without an IMF deal, especially considering the risk of fiscal spending ahead of the 2011 general elections.

Our portfolio recommendation for October...

In line with increasing global recovery scenarios followed by improving global risk appetite and high levels of global liquidity into the emerging economies, capital inflow has continued to inject into the ISE, and a possible correction did not take place on the ISE-Index, one of the leading stock exchanges in terms of performance since the beginning of 2009 among its peers. Turkey is expected to recover easier than its peers thanks to its resilient banking industry, as the main reason behind the ISE-Index strong performance.

As well as global macro economy data releases, the success of the medium term macroeconomic program and decreasing likelihood of an IMF deal, Turkish macroeconomic indicators and CBRT's rate cut decisions will likely to weight on the ISE-100 index in the coming months. Therefore, we expect the market to maintain its fluctuating upward trend in October as it has done during September 2009.

Our investment portfolio's percentages have not shifted compared with the last month figures, as 20% in equity, 60% in treasury bonds, and 20% in foreign currencies.