

Daily View

Good morning. Following the inflation data and wage growth slowing down in the U.S., along with generally positive bank earnings, strong gains were observed. We see that European and Asian markets have also followed this trend. However, at Borsa Istanbul, the weakening expectations for a rapid rate-cutting cycle by the Monetary Policy Committee (PPK) have prevented BIST companies from keeping up with global markets. Despite this, due to the accelerated buying observed abroad during yesterday's evening hours when our market was closed, we anticipate a strong market performance domestically today. For the BIST 100 index, we find the 9,850 resistance level critical, and we are in a period where we could see momentum gains up to the 10,000 level. On the support side, 9,650 and 9,500 can be monitored. On today's agenda, in addition to the ongoing economic management meetings in London, we will follow the Central Bank of Turkey's (CBRT) announcements on reserves and weekly foreign transactions. In the U.S., retail sales and weekly unemployment claims will be watched closely. Turkey's 5-year CDS premiums start the day at 269 basis points.

Macro and Politics

*** The CBRT will release weekly foreign portfolio flows, money & banking statistics, and international reserves for the period of January 3 – 10 today @ 14:30 local time.** Based on our calculations upon the CBRT's analytical balance sheet, we estimate that during the week of January 3 – 10, the net international reserves increased further by USD2.11bn to USD69.73bn and the gross FX reserves climbed by USD2.52bn to USD160.56bn. To recall the data from the previous week: In the week of December 27 – January 3, the equity and the bond market (excluding the repo transactions) market experienced a foreign inflow of USD42.1mn and USD187.5mn, respectively. Moreover, the foreigners' share in total bond stock increased to 7.9% from 7.7% in the mentioned period. In annual terms, the equity market experienced a cumulative foreign outflow of USD2.4bn, while the bond markets (excluding the repo transactions) saw a cumulative foreign inflow of USD16.4bn. Besides, the residents' FX deposits rose slightly by USD166mn (gold accounts excluded, EUR/USD parity adjusted) in the period of December 27 – January 3, while their total FX deposits (including gold, price adjusted) climbed moderately by USD144mn. The CBRT's gross FX reserves rose by USD2.9bn to USD158bn, while net international reserves increased by USD4.1bn to USD67.6bn. Lastly, net reserves excluding swaps surged by USD2.9bn to USD46.6bn.

***In December, the central government budget recorded a deficit of TL829.2bn, with the primary deficit amounting to TL754bn.** As a result, the central government budget for 2024 posted a record deficit of TL2.1tn, slightly exceeding our house estimate of TL1.9tn, while aligning with the official budget deficit projection of TL2.15tn set out in the Medium-Term Economic Program. Moreover, the primary balance for 2024 resulted in a deficit of TL835.7bn. A significant portion of the approximately TL1tn earthquake-related expenditures anticipated for this year was incurred in the final month, in line with our expectation, leading to a notable increase in the budget deficit. On the expenditure side, there was a 22.3% annual increase in December. In terms of budget revenues, there was a 60.4% annual rise, and when considering the 44.4% annual CPI inflation rate in December 2024, it is evident that there was a real increase in budget revenues. We project the 2025 budget deficit at TL1.61tn (2.7% of GDP). In 2025, a year likely to present greater challenges in addressing inflation, we believe the effectiveness of fiscal policy will depend on enhanced coordination and the successful execution of fiscal consolidation, crucial for balancing inflation and growth.

***The CBRT Governor Karahan, delivered a presentation in London yesterday, on inflation outlook in Turkey.** Karahan stated that the decline in inflation is prevailing, and that service sector inflation has also shown signs of moderation. He highlighted that rent inflation is on a downward trajectory, and the core inflation trend has been experiencing a reduction. Karahan noted positive developments in inflation expectations and reported that improvements have started to emerge in household inflation expectations as well. He also pointed out the continued rise in the share of Turkish lira deposits. Karahan mentioned that the decrease in FX protected deposit accounts (KKM) persists, with a limited portion of KKM accounts transitioning to foreign currency. He emphasized the significant improvement in reserve adequacy.

Sector and Company News

- **AGESA** reported total premium production of TL14.3bn for 2024, representing a 91% increase compared to the previous year.
- **ALMAD** reported that it has decided to purchase 406.71 m² of a 2,891 m² plot in İzmir-Kemalpaşa, owned by Manisa Orman Ürünleri, for a price of TL6.7mn.
- **ENKAI** announced that a contract worth GBP529mn was signed between its subsidiary ENKA UK Construction and Vertex Hydrogen for the Low-Carbon Hydrogen Production Facility Project, which will be built at the Stanlow Refinery in the Ellesmere Port area.
- **FROTO** announced that it has applied to the Capital Markets Board (CMB) for a 900% bonus capital increase.
- **GENIL** announced that its EU Good Manufacturing Practices (GMP) certificate, issued following an inspection by the German Health Authority, has been updated to include non-sterile production lines in addition to sterile ones. The company stated that this certification increases its export potential to EU countries.
- **GLYHO** announced that it has taken over operations of the Bremerhaven Cruise Port. The port is expected to host approximately 300,000 passengers in 2025.
- **MOGAN** announced the commencement of commercial production at its 32.5 MW Hybrid Solar Power Plant (GES) project. The project, with an annual production capacity of 53 mn kWh, was financed through equity at a total investment of USD17.7mn. The company's total installed capacity has reached 1,058 MW.

- **RAYSG** reported total premium production of TL31.4bn for 2024, representing a 93% increase compared to the previous year.
- **TKFEN** announced that 147K shares were repurchased at an average price of TL65.50. Following this transaction, the proportion of company-held shares to its total capital increased to 3.10%.

Share Transactions

Acquirer	Seller	Company	Type (Buyback / From Market)	# of lots	Transaction Price (TL)	Share in Capital after transaction
LKMNH		LKMNH	Buyback	16,369	20.65	2.97%
TKFEN		TKFEN	Buyback	147,380	65.50	3.10%
FRIGO		FRIGO	Buyback	20,000	7.90	2.70%
KRVGD		KRVGD	Buyback	166,583	2.23	1.36%
GEDIK		GEDIK	Buyback	280,000	7.89	2.39%
YGGYO		YGGYO	Buyback	34,347	64.96	3.42%
ALKLC		ALKLC	Buyback	500,564	28.13	0.70%
DMRGD		DMRGD	Buyback	60,000	11.99	4.55%

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