Daily View

Good morning. Global risk appetite continues to remain in positive territory. Trump's measured initial steps regarding customs tariffs, expectations of relief in geopolitical risk parameters, and company-specific positive news flows are driving the S&P 500 index above 6,100 to new all-time highs. While the average target for the index is around 6,700, indicating a 10% potential in dollar terms, we also observe institutional targets of 7,000 and above. Therefore, as mentioned in yesterday's Global Markets Bulletin, despite multiples trading above historical averages, the optimism toward U.S. equities persists due to expectations of easing fiscal policies and attractive valuations. Domestically, we followed the Central Bank's interest rate decision yesterday. As expected, the policy rate was reduced from 47.5% to 45%. While the message that decisions will remain data-driven and meeting-based was reiterated, we maintain our expectation of a 250 basis point rate cut in the March 6 meeting. Today, PMI data from the U.S. and Europe will be monitored, while after-market close, Moody's decision regarding Turkey's credit rating will be followed. Turkey's rating, currently at "B1, positive," four notches below "investment grade," is expected to be upgraded by one notch to "Ba3, stable." Should the outlook exceed expectations and remain "positive," this could positively impact Turkish assets. Turkey's 5-year CDS premium starts the day at 265 basis points.

Macro and Politics

***Credit rating agency Moody's is expected to release Turkey's sovereign rating review today.** Any possible review announcement would likely come late at night Turkish time. It's important to note that these calendars are only reference points and do not guarantee that the agencies will conduct a review or make a new rating decision. We expect Moody's to upgrade Turkey's credit rating by one notch, from "B1" to " Ba3", while also anticipating the agency to revise the outlook from "positive" to "stable". Market consensus also aligns with our house projection. Please note that S&P and Fitch currently assess Turkey's credit rating as three notches below investment grade, while Moody's evaluates it four notches lower. We believe credit rating agencies will adopt a cautious wait-and-see stance following the adjustments to the minimum wage and administered price & tax adjustments.

***The Treasury will hold the direct sales of 1y gold-denominated bond & 1y gold-denominated lease certificates today and finalize its domestic borrowing program for January.** The Treasury has borrowed a total of TL248.3bn from the domestic markets since the beginning of the month. According to three-month (Jan – Mar 25) domestic borrowing strategy, the Treasury has a total domestic redemption of TL225.4bn in January, while in return plans to borrow TL293.8bn throughout the month, indicating a roll-over ratio of 130%, via six auctions and two direct sales. In line with the Treasury's domestic borrowing projection, a domestic borrowing of approximately TL45bn is anticipated in the direct sales scheduled for today.

*** The MPC continued its easing cycle by trimming the policy rate for the second time, reducing it by 250bps to 45%, in line with our house estimate and market consensus.** The Committee reinforced the cautious tone, avoiding dovish signals and emphasizing that data-driven decisions will be made at each meeting. Upon reviewing the evaluations regarding inflation, the Committee cited that while the underlying trend of inflation decreased in December, leading indicators point to an increase in January, in line with the projections. However, it also highlighted that inflation expectations and pricing behavior continue to present risks to the disinflationary process. Our base scenario assumes that interest rate cuts could continue by 250bps in both the March and April meetings. We anticipate that the decline in annual inflation will prevail, albeit at a slower pace, in the second half of the year compared to the first half. Accordingly, we consider that after the 250bps in March and April, the pace of interest rate reductions could be moderated starting with the June meeting. We forecast that interest rate cuts will continue throughout 2025, with the policy rate reaching 30% by the end of the year. In formulating our 2025 policy rate forecast, we assume that ex-post and ex-ante real policy rates, as well as their average, will consistently remain above a certain threshold.

***During the week of January 10 – 17, the equity market witnessed a foreign outflow of USD67.2mn, while the bond market recorded a notable foreign inflow of USD1.2bn (excluding repo transactions).** Furthermore, the foreigners' share in the total bond stock soared to 8.5% from 7.9%, which stands for the highest level since February 2020. On an annual basis, the equity market saw a cumulative foreign outflow of USD2.9bn, whereas the bond market (excluding repo transactions) experienced a cumulative foreign inflow of USD17.7bn. Besides, the residents' FX deposits increased by USD802mn (gold accounts excluded, EUR/USD parity adjusted) in the period of January 10 – 17, while the residents' total FX deposits (including gold, price adjusted) rose by USD516mn in the mentioned period. The CBT's gross FX reserves rose by USD2.85bn to USD163.42bn, while the net international reserves climbed by USD1.46bn to USD71.41bn. The net reserves excluding swaps, moreover, surged by USD4.5bn to USD59.38bn.

*** The Consumer Confidence Index dropped merely from 81.3 to 81 as of January.** As per the sub-categories of the January data, the index related to the financial situation of households at present increased from 63.8 to 64.8, while the general economic situation expectation index over the next 12-month period climbed from 76.8 to 79.1. Moreover, the financial situation expectations of households over the next 12 months index retreated from 81.9 to 80.5. Lastly, the sub-index related to the assessment on spending money on durable goods over the next 12 months compared to the past 12 months period, which is an important leading indicator in terms of domestic demand, slid from 102.6 to 99.4. The evident rise in consumption tendency in recent months raises the likelihood of positive quarterly growth in 4Q24. Nonetheless, we anticipate that stringent financial conditions will place additional strain on the industrial sector, with annual GDP growth expected to decelerate further over the next two quarters. We expect annual growth to gain some momentum starting in the second quarter of 2025, following a relatively subdued period. We project GDP growth to conclude 2024 at around 2.9%, with a further slowdown to 2.6% by the end of 2025.

Sector and Company News

- **ADGYO (Neutral)** reported its Q4 2024 financial results with a net profit of TL656mn, marking a 233% increase year-on-year, influenced by a monetary loss of TL130mn. The company recorded gross profit of TL390mn for 2024, reflecting a 21% decline year-on-year, with a gross profit margin of 67.3%. Operating profit was recorded at TL351mn, a 22% decrease year-on-year. In Q4, the company reported EBITDA of TL122mn, a 4% decline from the previous quarter, with an EBITDA margin of 57.8%. Return on equity was 8.4%. Net working capital decreased to TL1.8bn in Q4, compared to the previous quarter.

- **AKFYE** commenced commercial energy production for the 4.5 MW portion of its Denizli Hybrid Solar Power Plant Project. The company's total installed capacity has reached 707.5 MW, with a target of 887 MW by the end of the year.

- **ASELS** announced that it has signed a contract with STM for the supply of radar, electronic warfare, electro-optics, communication, navigation, and weapon systems for naval platforms, with a total value of EUR36.7mn. Deliveries will take place between 2025 and 2028.

- **BINHO** announced that its Dutch-based investment, Go Sharing BV, decided to undergo a revision due to the economic contraction in the micromobility market and operational challenges caused by regulations. Within the scope of this revision, Amsterdam operations have been suspended.

- **HLGYO (Slightly Positive)** announced its decision to partially sell office properties in its portfolio located at İstanbul Finans Merkezi, Ümraniye, Finanskent Mahallesi, Finans Caddesi, No. 28, registered in the land registry as Block 3328, Parcel 11. The assets include one main building and two podiums, with a total area of 36,655.89 m². The sale will be to its main shareholder, Türkiye Halk Bankası AŞ, at a price of TL4.5bn + VAT, exceeding the appraisal value. According to the valuation report dated 31/12/2024, the total value of Parcel 11 (78,282.40 m²) was determined to be TL10.949mn.

- **LILAK** announced that it will disclose its 4Q24 financial results on February 13.

- **MIATK** announced that its software project, with a budget of TL13mn, has been approved. The company plans to complete the project within 18 months.

- **ODAS** announced that antimony prices have increased fourfold over the past year, reaching USD45K per ton. The company continues production activities at the antimony mine site it acquired in 2015 for USD1mn and aims to maximize antimony production in 2025, targeting an EBITDA contribution of approximately USD12mn.

- Fitch Ratings affirmed **TAVHL**'s BB+ credit rating (stable outlook), as well as the credit rating of its issued international bond.

- **TKFEN** announced that 160K shares were repurchased at an average price of TL64.85. As a result of the transaction, the proportion of shares held in the company's capital increased to 3.35%.

- **TTRAK** announced that it has applied to the Capital Markets Board (CMB) to increase its registered capital ceiling by 700%, from TL250mn to TL2bn.

- **TUPRS** announced that it will disclose its 4Q24 financial results on February 17.

Share Transactions

Acquirer	Seller	Company	Type (Buyback / From Market)	# of lots	Transaction Price (TL)	Share in Capital after transaction
LKMNH		LKMNH	Buyback	28,166	21.52	3.03%
FRIGO		FRIGO	Buyback	20,000	8.00	2.79%
KRVGD		KRVGD	Buyback	98,675	2.16	1.40%
TKFEN		TKFEN	Buyback	160,000	64.85	3.35%

Important Disclosures

Disclaimer