

Daily View

Good morning. The United States' increase in tariffs on Mexico, Canada, and China is putting pressure on global markets. Leading up to and following the elections, the U.S. has consistently signaled updates to tariff policies. However, the actual implementation of these measures is now triggering negative pricing in the markets. Mexico, Canada, and China have responded with varying tones, but we can say that a global trade war based on tariffs has already begun. We expect these developments to have a limited impact domestically, yet markets will likely show some sensitivity in their initial reactions. On Friday, Borsa Istanbul closed near the 10,000 threshold, and today, we may see dips below this level. There was no rating or outlook change from Fitch, but this was already in line with general expectations. In the BIST 100 index, support levels to watch are 9,960 and 9,850, while potential rebounds may face resistance at 10,040 and 10,120. Today's agenda highlights inflation data both domestically and in Europe. In Turkey, we anticipate a monthly increase in the range of 4% – 4.5%, leading to a decline in annual CPI from 44% to around 41%. Later in the week, U.S. employment data will take center stage. Meanwhile, Turkey's five-year CDS premiums start the week at 253 basis points.

Macro and Politics

*** TURKSTAT will release January inflation figures today @10:00 local time.** We expect the CPI to increase by 4.1% m/m in January, bringing the annual CPI down from 44.4% to 40.9%. According to the survey conducted by Foreks, the market consensus points to a slightly higher monthly inflation estimate of 4.3%. For 2025, we expect the downward tendency in inflation to persist; however, we project the pace of decline to slow slightly in the second half of the year compared to the first half. We maintain our year-end CPI forecast at 28%.

*** Istanbul Chamber of Industry (ICI) January PMI figures will be announced @ 10:00 local time.** With the release of these preliminary data for January, we continue to compile the initial signals for economic activity in 2025. Our projections for 2025 suggest that economic activity will exhibit a pronounced cyclical pattern throughout the year. Based on the CBT's output gap estimates, we expect the lagged impacts of tight monetary policy to continue to be felt until 2Q25. However, in the second half of 2025, we anticipate a modest rebound in activity, driven by easing inflation and the delayed impact of imminent rate cuts. Accordingly, growth, which we expect to decelerate to 2.9% in 2024, is projected in our baseline scenario to show a pronounced divergence between the first and second halves of 2025, ultimately closing the year at a subdued 2.6%, indicating a further decline from the previous year. Recall that ICI PMI increased to 49.1 level from 48.3 back in December, while standing below the 50-threshold for the ninth consecutive month. The accompanying note underlined that the Turkish manufacturing sector neared stabilization in December as rates of moderation in output, new orders, purchasing and inventories all softened over the course of the month.

Sector and Company News

- **ARCLK (Slightly Negative)** reported 3Q24 financial results with a net profit of TL4bn, exceeding market expectations. The company had posted a TL14.9bn net profit in the same period last year and a TL5.9bn net loss in the previous quarter. During the same period, revenue increased by 19.8% YoY, while it declined by 3.3% QoQ. Following the Whirlpool acquisition, operational profitability continued to decline. The revenue growth above inflation was mainly driven by the expansion from the Whirlpool deal. However, despite Whirlpool's positive impact on revenue, higher personnel expenses, raw material costs, and the low-margin nature of Whirlpool's business in its operating markets have put pressure on Arçelik's overall margins. Additionally, the weaker-than-expected EBITDA margin in 4Q24 was driven by higher production costs, pricing pressures, intensified competition, and an unfavorable EUR/USD exchange rate. The management's 2025 guidance aims to improve margins through the Whirlpool acquisition, targeting an operational profitability of over 6.5%. The transition from a net loss in the previous quarter to a net profit this quarter was mainly due to gains from the negotiated acquisition of Whirlpool operations. Moreover, one-off gains from the closure of several factories in Italy and Poland has contributed to the results. A gradual improvement in financing conditions and lower borrowing costs led to a slight decline in the company's debt level.
- **AKFYE** announced that the remaining 9.01 MW portion of the Saritepe Hybrid Solar Power Plant (GES) project has commenced commercial production. As a result, the company's total installed capacity has reached 716.5 MW, with a target of 887 MW by the end of 2025.
- **CVKMD's** 96.2% subsidiary Hayri Ögelman Mining's application for articles of association amendments for IPO purposes was rejected by the Capital Markets Board (SPK) due to an ongoing legal case.
- **LINK** announced that it has won the tender for the 36-month Health Information Management System Service Acquisition conducted by the Karabük Provincial Health Directorate with a contract value of TL39mn.
- **LKMNH** sold 6.7mn shares from its buyback program at a unit price of TL21 through a special order to domestic institutional investors. The company recorded a profit of TL52mn from the transaction. The buyback program will continue in line with regulations.

- **PETKM** announced that it signed a credit agreement worth USD140mn with its subsidiary Petlim Limancılık and J.P. Morgan under a company guarantee.
- **TKFEN** announced that it repurchased 200K shares at an average price of TL64.70. As a result of the transaction, the proportion of the company's capital represented by the held shares increased to 3.63%.

Share Transactions

Acquirer	Seller	Company	Type (Buyback / From Market)	# of lots	Transaction Price (TL)	Share in Capital after transaction
	LKMNH	LKMNH	Market	6.681.902	21.00	0.00%
KRVGD		KRVGD	Buyback	479.558	2.12	1.47%
TKFEN		TKFEN	Buyback	200.000	64.70	3.63%
GUBRF		GUBRF	Buyback	282.956	268.56	0.09%
ATAKP		ATAKP	Buyback	20.000	39.94	0.15%
OBAMS		OBAMS	Buyback	7.000	60.50	2.05%

Important Disclosures

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