

# DAILY MARKET COMMENT

30 July 2010

## Dark Thoughts on a Bright Day

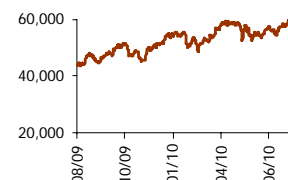
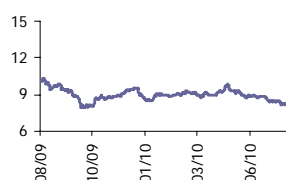
Most forward-looking leading indicators now signal some sort of second-half slowdown. The only area of debate now seems to be in its magnitude.

I'm getting a lot more concerned and bearish now that risk asset markets continue to rally while growth leading indicators are falling in unison - and that stocks and sectors most sensitive to this impending downturn remain oblivious.

In macro, what happens at the margin matters and the macro/political reaction and feedback loops with the financial sphere are key. Following the austerity debate closely, regrettably, I sense that dangerous feedback loops between private and public balance sheets are ignored or underestimated, which could hasten the speed of descent into a slowdown....(see next page)

Murat Berk

## Market Summary

Stock Market	Close	Day Chg.	2009 Chg.	Blue Chip Tracker	Price (TRY)	Chg (%)	Mcap (\$ mn)
ISE-100	60,737	0.6%	126.1%	Akbank	8.40	1.8%	22,352
ISE-100 (\$)	4.04	0.5%	128.9%	Garanti Bank	8.20	0.6%	22,911
	<b>29/07</b>	<b>28/07</b>	<b>2009 Avg.</b>	Isbank	5.75	0.0%	17,213
Turnover (\$mn)	1,217	1,346	1,361	Yapi Kredi Bank	4.66	3.1%	13,476
				Koc Holding	5.95	1.7%	9,560
Indicators *	Close	Day Chg.	2009 Chg.	Sabanci Holding	6.95	-0.7%	9,434
\$/TRY	1.5144	-0.2%	-1.5%	Turk Telekom	5.65	2.7%	13,155
€/€	1.3070	0.4%	-5.7%	Erdemir	4.20	0.5%	4,470
\$/JPY	86.50	-0.8%	-5.2%	Tupras	34.00	0.7%	5,664
Gold (\$)	1,168.95	0.3%	34.0%	Turkcell	8.85	0.6%	12,952
Brent Oil (\$)	79.96	2.9%	128.8%	Turkcell-NYSE	\$	Chg	TRY
US 10-Yr Bond(%)	2.97	-0.4%	32.2%	Turkcell-ADR	14.43	0.35%	8.74
<i>*priced as of 6:30 CET this morning</i>							
Fixed Income	Maturity	28/07	29/07	ISE National	Bond Yield (%)		
Local bond	25/04/12	8.2%	8.3%				
Eurobond	15/01/30	165.750	165.750				
Repo-simple	6.53%	Repo-comp	6.75%				

## Calendar of Events

Date	Data
Jul 30	US - 1Q GDP
Jul 30	US - 1Q Core PCE
Jul 30	US - Michigan Consumer Confidence

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The fiscal hawks may be right to say that the fiscal situation is unsustainable. But the doves are also right that tightening could take us back into recession (and drive the deficits even higher). There does not seem to be an easy way out of this. The market reaction to the acknowledgement of this fact -amid a slowdown and still high unemployment- could turn out to be quite nasty, in my personal view.

My personal views on the risk reward outlook are very clear. They may be wrong (I've been wrong in the last two weeks and many times before), but they are clear. I'm fully aware that because my personal market view is very precise and at odds with the accepted wisdom, I'm putting myself out on a limb. But my personal view remains simple: if you are long risk assets (and especially cyclical ones), you should consider buying protection, sell, or get short depending on your investment objective/mandate. My personal tactical market view for risk assets remains short (bearish) but for risk management purposes, I'd would cover if appropriate stop-loss are hit.

Based on the fundamental background coupled with some cycle work, my guess for risk assets (using the SPX as a reference/benchmark) is as follows: this current rally should stop at around 1130-1160 and a significant decline (+10%) into the Sept-Oct period should follow no later than mid August, in my personal view.

In the greater scheme of things, the response to the slow down is likely to be additional QE. I've started to read some books (i.e. "Dying of Money: Lessons of the Great German and American Inflation" by Jens O. Parsson and "When money dies: The nightmare of the Weimar collapse" by Adam Ferguson) as a high-inflationary end result in the long term is becoming more likely, in my personal view.

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