FORTIS

Macro Scope

19 – 25 January 2009

Weekly Economic and Strategic Review

Haluk Burumcekci (Managing Director)
Tel: +212 318 34 49
Email: haluk.burumcekci@fortis.com.tr

H. Erkin Isik, CFA (Manager)
Tel: +212 318 34 05
Email: erkin.isik@fortis.com.tr

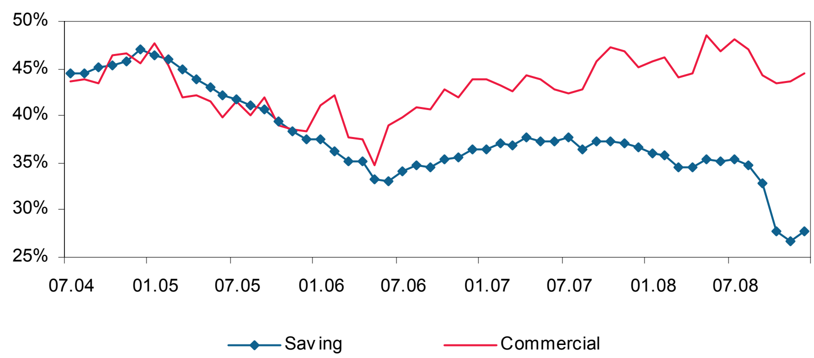
Nilufer Sezgin (Assistant Manager)
Tel: +212 318 37 90
Email: nilufer.s@fortis.com.tr

Email: research@fortis.com.tr
Tel: +212 272 79 98
Fax: +212 275 44 05

Three Apples Fell From The Sky…

There were fairly striking capital movements in October-November period when the global volatility reached its peak. We want to mention about the details of CBRT's November balance of payments and the Bank's studies about the oversized "Net Errors and Omissions" item released in the preceding week. Firstly, even if it was not the desirable aim, all these data and studies backed some urban legends rather than lifting the smoke screen on the noticeable fund transfers in the related months. We will tell what these legends are but initially we want to remind the conditions of these months and the expected repercussions of these conditions on the external financing movements. In October the risk aversion was quiet high and there was a sharp sell-off in the emerging markets. Accordingly, the credit flows were about to pause in this period. Under these conditions, the markets mostly anticipated that there would be sizable portfolio outflows and substantial decline in the official and banks' FX reserves which would reflect the gloom in the FX liquidity. Even though all these assumptions came true, there was no decline in the total F/X reserves. Even, the banks added some US$1.5bn to their portfolio. In these two months, there was US$5.6bn outflow from the portfolio investments, with US$1.6bn and US$4.0bn portions being from the equity portfolio and bond market, respectively. On the credits, firms' commercial loans and banks' external loans decreased by US$3.0bn and US$1.3bn, in the same order. Meanwhile the other loans of the firms posted some US$1.0bn increase. US$9.8bn inflow in the "Net Errors and Omissions" (NEO) item prevented this sizable total outflow to send the FX reserves down. Especially, US$7.6bn NEO registered in October was the record high level of this item. While the US$4.5bn inflow in the NEO registered in September 1998 was the highest reading seen beforehand, it had been neutralized with U$4.8bn outflow in the following month. Yet, the ongoing uptrend of NEO in November and Central Bank's disclosure that there will not be any revision in the net errors

Share of F/X In Saving and Commercial Deposits



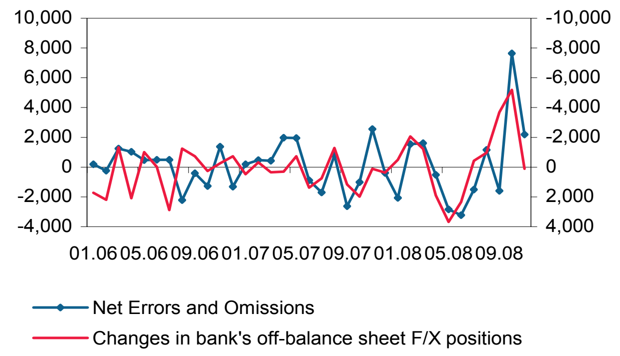
Source: BRSA,Fortis Economic Research and Strategy and omission item of October 2008 balance of payments added a new perspective to the situation this time.

As a result of its studies, Central Bank determined that three noteworthy developments explained below had some important effects on the Net Errors and Omissions item.

1) Transactions carried out through Turkish lira currency with non-residents and subject to the balance of payments statistics are followed with the changes in the resident Banks' related Turkish lira accounts with respect to previous month. In October 2008, the change of foreign exchange value of New Turkish Lira against US Dollar was in the direction of continuous and significant depreciation. As a result, the calculated value of the change in US Dollar equivalent of New Turkish Lira accounts by using average foreign exchange rate and converting US Dollar equivalent of corresponding foreign exchange accounts with foreign exchange rate prevailing at the time of the transaction causes discrepancy between US Dollar equivalents of the corresponding records of the same transaction because of applying different foreign exchange rates.
2) It was observed that there was a substantial increase in volume of sales of foreign currency from foreign exchange saving accounts of residents to banks, opened with the funds transferred from saving accounts abroad, which are not recorded in Turkish balance of payments.
3) In October 2008, there was a significant increase in sales of foreign exchange cash, from savings, which are held outside of the banking system by residents, to resident banks in exchange for New Turkish Lira.

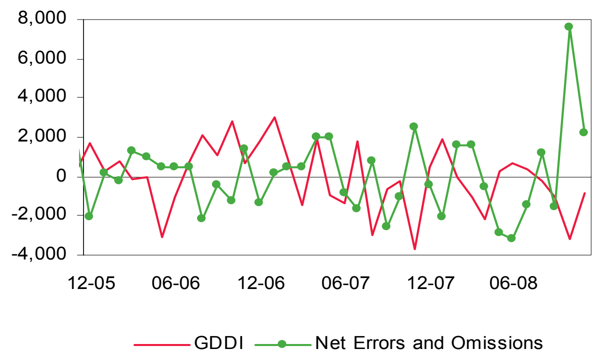
We reckon, the first disclosure refers to the movements emanated from the non-residents' transactions in TRY-denominated bonds (GDDI). The GDDI flows and the tendency of the NEO are like the reflections on the mirror. The certain thing is that these instruments were both faced a significant sell-off in October-November period. Yet, two different choices; keeping TRY deposits at home or changing it to the FX deposit and send to the external arena, cause significant differences in terms of balance of payments. Moreover, if the TRY deposit is originated by the swap transactions, it will be much more difficult to follow the movements and reflect them correctly to the balance of payments.

Bank's Swaps and Net Errors&Omissions



Source: CBRT, Fortis Economic Research and Strategy

GDDI Movements and Net Errors&Omissions



Source: CBRT, Fortis Economic Research and Strategy

(*) The positive/negative values of the "Net Errors and Omission" item pointed to the F/X inflows/outflows in terms of the balance of payments

The second disclosure may be taken as a favorable contribution of the law put into force on November 22nd. The aim of this law was to let the savings of residents abroad to flow into economy. This would be done by giving waiver to past legal duties for these savings abroad. Yet, the effective date of the law and the anecdotal knowledge did not approve a significant inflow yet. Under this scene, the second disclosure may be referring to the movements in the resident non-banks' FX deposits which can not be followed through the Bank of International Settlement (BIS) data. According to the International Investment Position data, the related assets of firms and individuals were US$32.2bn in the October-end and there was no change vs. the preceding month. The third development, namely effective-TRY transformation, is observed frequently in such fluctuations. Accordingly, in the lack of any persuasive explanation it is hard to prove or disprove any claim. Indeed, it is the situation which cushioned the urban legends that we mentioned above.

If we accept that the FX assets are higher than reflected by Bank of International Settlement (BIS) data, the reliability of CBRT's and our estimates for the FX open positions of the firms can be interrogated, as well. In this case, the change of the open position vs. the previous period (tendency) will be on the fore front rather than the size of it.

In conclusion, the current account deficit registered in October-November period accompanied with the weakening portfolio and credit flows, creating a substantial financing need. Yet, the jitters regarding FX reserves did not come true. On the other hand, the capital movements that cover the deficit could not be followed by the most widely-known channels. Therefore, the unprecedented inflows were seen in "Net Errors and Omissions" item. While this situation created an appropriate atmosphere for the urban legends, it also made the data such as the International Investment Position and firms' open position questionable.

Economic and Political Agenda

- The domestic agenda will be very quiet this week. The sole data of the week will be the Central Bank's second Expectation Survey for January. Meanwhile, the Treasury will not hold any auctions ahead of its TRY1bn redemption on January 21st. Most of the redemption will be TRY-denominated.

- Glancing at external arena, U.S. housing data and Eurozone flash PMIs will be important. Meanwhile BoJ rate decision will be eyed within the week. Separately, the U.S. markets will be closed on January 19th.

Data issuances at Home

Importance	Indicator	Unit	Date of issuance	Fortis *(Consensus)*
High	CB's Expectation Survey, Jan. II	-	Jan 22nd	-

Importance	Country	Indicator	Unit	Date of Issuance	Consensus
Medium	Germany	ZEW Index, Jan.	-	Jan. 20th, 10:00 GMT	-41.0
High	Japan	BoJ Rate Decision	%	Jan. 22nd	-
High	U.S.	Building Permits, Dec.	mn	Jan. 22tnd, 13:30 GMT	0.61
High	U.S.	Housing Starts, Dec.	mn	Jan. 22tnd, 13:30 GMT	0.61
Medium	Eurozone	Services Flash PMI, Jan.	-	Jan. 23rd , 9:00 GMT	41.3
Medium	Eurozone	Manufacturing Flash PMI, Jan.	-	Jan. 23rd , 9:00 GMT	33.3

Macro-Economic and Financial Forecasts

Macro Economic Outlook of 2007-2010

	2007	2008f	2009f	2010f
GDP (TRY - mn)	853.7	971.7	981.6	1,076.9
GDP (US$ - bn)	658.8	747.5	609.7	694.8
GDP Growth (y/y % chg)	4.6	1.0	-1.0	4.0
PPI (y/y % chg)	5.9	8.1	6.0	5.0
CPI (y/y % chg)	8.4	10.1	6.5	6.0
Trade Balance (US$ - mn)	-62.8	-69.6	-36.2	-45.4
Exports (FOB, excl. luggage trade)	107.3	131.5	118.4	130.2
Imports (CIF, incl. gold)	170.1	201.1	154.6	175.6
Current Account Balance (US$ - mn)	-38.2	-42.1	-10.1	-17.2
Current Account Balance / GDP (%)	-5.8	-5.6	-1.7	-2.5

Financial Indicators Forecasts

	Jan. 16th	1M	3M	6M	12M	2009	2010
US$/TRY	1.6115	1.6000	1.7000	1.6000	1.6000	1.6000	1.5000
EUR/TRY	2.1229	2.1120	2.2100	2.0800	2.0800	2.0800	1.9800
FX Basket	3.7344	3.7120	3.9100	3.6800	3.6800	3.7166	3.5800
EUR/US$	1.3173	1.3200	1.3000	1.3000	1.3000	1.3000	1.3000
O/N	13.00%	12.00%	12.00%	12.00%	12.50%	12.00%	14.00%
Benchmark Bond	14.90%	13.20%	15.20%	14.20%	14.30%	13.70%	16.00%

Fortis Bank SA/NV
Montagne du Parc 3
B-1000 Brussels
Belgium
Tel: +32 2 565 11 11

Fortis Bank Austria
Euro Plaza/D
Wienerbergstrasse 41
1120 Vienna
Austria
Tel: +43 1 81 10 43 81 85

Fortis Bank Czech Republic
Myslbek Building
Ovocny Trh 8
117 19 Prague 1
Czech Republic
Tel: +420 225 43 60 10

Fortis Bank Denmark
Gothersgade 49 3.
1123 Copenhagen
Denmark
Tel: +45 32 71 19 09

Fortis Bank, Succursale en France
30, quai de Dion Bouton
F-92824 Puteaux Cedex
France
Tel: +33 1 55 67 72 00

Fortis Bank Germany
Christophstrasse 33-37
50670 Cologne
Germany
Tel: +49 221 161 13 30

Fortis Bank Greece
Sygrou Ave 166
17671 Athens
Greece
Tel: +30 21 09 54 43 70

Fortis Bank Hong Kong
27/F, Fortis Bank Tower
77-79 Gloucester Road
Hong Kong
Tel: +852 28 23 04 56

Fortis Bank Hungary
Deak Ferenc 15
1052 budapest
Hungary
Tel: +36 14 83 81 09

Fortis Bank Italy
Via Cornaggia 10
I-20123 Milano
Italy
Tel: +39 02 57 53 24 61

Fortis Banque Luxembourg
50, avenue J.F. Kennedy
L-2951 Luxembourg
Luxembourg
Tel: +352 42 421

Fortis Bank Norway
Haakon VII's gate 10
0161 Oslo
Norway
Tel: +47 23 11 49 50

Fortis Bank Polska S.A.
P.O. Box 15
02-676 Warszawa
Poland
Tel: +48 22 566 90 00

Fortis Bank Portugal
Rua Alexandre Herculano 50-6 Andar
1250-011 Lisboa
Portugal
Tel: +351 213 13 93 16

Fortis Bank SA/NV, Singapore Branch
63 Market Street #21-01
Singapore 048942
Tel: +65 65 38 03 90

Fortis Bank S.A., Sucursal en España
Serrano 73
28006 Madrid
Spain
Tel: +34 91 436 56 00

Fortis Bank Romania
Tipografilor 11-15
013714 Bucharest
Romania
Tel: +40 21 401 17 02

Fortis Bank Sweden
Birger Jarlsgatan 25
10396 Stockholm
Sweden
Tel: +46 8 505 375 59

Fortis Bank Switzerland
Rennweg 57
8021 Zurich
Switzerland
Tel: +41 58 322 09 70

Fortis Bank Turkey
Yildiz Posta Caddesi
No: 54 Gayrettepe
34353 Istanbul
Turkey
Tel: +90 212 318 38 38

Fortis Bank SA/NV, UK Branch
5 Aldermanbury Square
EC2V 7HR London
United Kingdom
Tel: +44 20 32 96 80 00

Fortis Bank USA
520 Madison Avenue, 3rd Floor
New York, NY 10022
United States
Tel: +1 212 418 87 00

Fortis Securities LLC
520 Madison Avenue, 3rd Floor
New York, NY 10022
United States
Tel: +1 212 418 87 14

Each research analyst primarily responsible for the content of this research report certifies that with respect to each security or issuer that the analyst covered in this report: 1) all of the expressed views accurately reflect his or her personal views about those securities or issuers, and 2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views contained in this report.

Production of the document

Fortis Bank SA/NV, with registered office at Montagne du Parc 3, 1000 Brussels, Belgium ("Fortis"), is responsible for the production and the dissemination of this document, which has been prepared by the individual(s) working for Fortis or any of its affiliates and whose respective identity is disclosed in this document (the "persons involved") (together the "producers of the document"). This document can be distributed (i) by an affiliate of Fortis Bank SA/NV that is not registered as a U.S. broker-dealer to major U.S. institutional investors only and (ii) by Fortis Securities LLC, a U.S. registered broker-dealer, to all U.S. persons.

No public offer or financial promotion

This document does not constitute an offer or solicitation for the sale, purchase or subscription of any financial instrument in any jurisdiction. It is not directed to, or intended for distribution to, any person or entity who is a citizen or resident of or incorporated or located in any jurisdiction where such distribution would be contrary to local law or regulation and/or where Fortis would infringe any registration or licensing requirement within such jurisdiction. This document has been provided to you for your personal use only and should not be communicated to any other person without the prior written consent of Fortis. Should you have received this document by mistake, please delete or destroy it, and notify the sender immediately.

Sources and disclosure

Fortis believes that the information and/or the interpretations, estimates and/or opinions regarding the financial instrument(s) and/or issuer(s) to which this document relates (respectively, the "financial instrument(s) concerned" and/or the "issuer(s) concerned") are based on reliable sources. Fortis makes no representations as to the accuracy or completeness of those sources and, in any case, the recipients of this document should not exclusively rely on it before making an investment decision. The interpretations, estimates and/or opinions reflect the judgement of Fortis on the date of this document and are subject to changes without notice. This document has not been disclosed to the issuer(s) concerned prior to its dissemination by Fortis.

No investment advice

The information contained herein does not constitute investment advice nor any other advice of whatever nature (including advice on the tax consequences that might result from making any particular investment decision). Investments in the financial instrument(s) to which this document relates may involve significant risks, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any financial instrument(s) concerned may fluctuate and/or be affected by external factors such as exchange rates fluctuations. Past performance is not indicative of future results. This document is intended for general circulation and does not take into account the recipient's particular financial knowledge and experience, investment objectives and financial situation or needs, and is not intended as a personal recommendation to invest in the financial instrument(s) concerned. Before making an investment decision on the basis of this document, an investor should consider whether such investment is suitable in light of, amongst others, its particular financial knowledge and experience, investments objectives and financial situation and, if necessary, should seek appropriate professional advice. Neither Fortis nor any of its group companies (including any subsidiary, affiliate or holding company), directors, officers and employees shall in any way be liable or responsible (whether directly or indirectly) for any costs, claims, damages, liabilities and other expenses, including any consequential loss, arising from any use of this document, except in the event of wilful misconduct or gross negligence on their part.

Supervision

Fortis Bank SA/NV is authorised by and subject to the supervision of the "Commision Bancaire, Financière et des Assurances/Commissie voor het Bank-, Financie-en Assurantiewezen" (the "CBFA") in Belgium and each of its affiliates is regulated by the supervisory authority of the country in which it carries out its activities.

To check the occurrence of possible (conflicts of) interests please visit our website through the link:
http://www.fortisbusiness.com/fbweb/service/disclosures/companies.jsp