

August Inflation ...

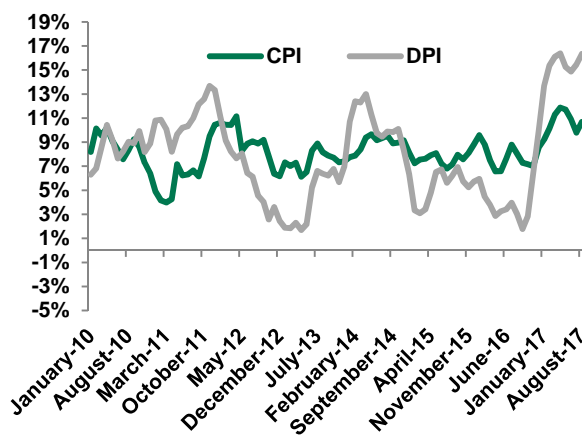
Annual inflation rose to 10.68%

August inflation printed above expectations at 0.52% and annual inflation rose to 10.68% YoY from 9.79% YoY in July. After these announced data prints, the annual rate of CPI has again reached double-digit levels.

Of note, despite a negative print -0.33% MoM, food inflation rose to 11.97% YoY from 10.0% YoY in August, due to the base effect, the main driver of the rise in the annual inflation. Also, core inflation – C increased 0.49% MoM in August. Accordingly, annual core inflation rose to 10.16% from 9.6%.

While clothing&footwear fell 3.09% MoM and food&non-alcoholic beverages by 0.22% MoM, education rose by 2.79% and transportation by 2.05% MoM in August. Annually, the transportation group rose by 17.38%, the food &non-alcoholic beverage group by 11.97% and the health group by 11.67% in August.

We expect annual inflation to remain high on base effects September, before easing to 10% in December. And beyond year-end 2017, we continue to expect significant disinflation towards end-1H2018, with inflation easing considerably toward 6.0% YoY parallel to the stabilization of USD/TRY prity.



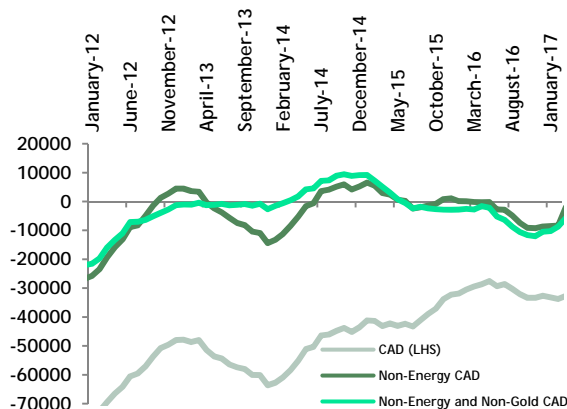
June CAD just slightly below deficit expectations...

12mth rolling deficit at USD34.3 bn...

The CA deficit came in at USD3.8bn in June, just slightly below the USD3.9bn deficit expectation. The 12mth rolling deficit declined to USD34.3bn in June from USD35.5bn in May (5.0% GDP).

Direct investment saw a net outflow of USD 515 million in June. When portfolio investments are examined by sub-item net portfolio investments recorded an inflow of USD4.2bn for the month. Government bond inflow was at USD1.2bn and stock market inflow at USD693mn.

However, almost all of the USD2.5bn of inflows into Turkey were the Eurobond issues of Turkish banks and the Treasury of Turkey. CBRT reserves were up by USD2.96bn in June.



IP June 2017...

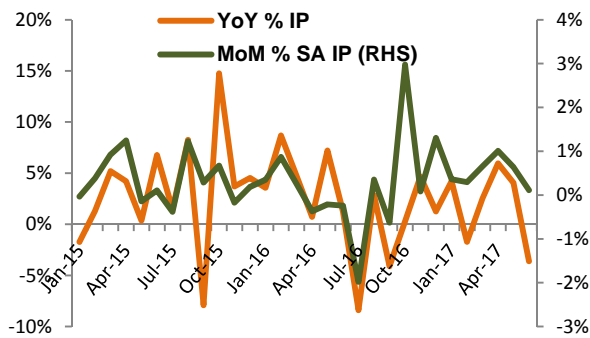
June's working day and seasonally-adjusted industrial production contracted 0.4% MoM following a 1.4% MoM decline and 2.2% MoM rise in the past two consecutive months.

Hence, GDP growth in 2Q17 had probably been as strong as in 1Q17...

According to calendar-effect and seasonally-adjusted data; Industrial production rose 1.7% in the second quarter compared to the first quarter of 2017. Other than this, along with calendar-effect and seasonally-adjusted data, the intermediate goods group declined by 2.2% in June of 2017 compared to the previous month, posting the greatest decline among the main industrial groups (MIGs). In addition; the manufacture of computers, electronic and optical products saw the greatest rise of manufacturing industry sub-sectors, climbing 29.1% MoM in June of 2017.

Turkey's Manufacturing PMI Index registered at 53.6 in July to hit its second 44-month high. In particular, positive manufacturing sector momentum sustained a strong PMI index.

All data bodes well for a blockbuster GDP growth print for 2Q17, quite possibly exceeding 1Q17's 5.0% YoY.



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