THE REPUBLIC OF TURKEY
BAHÇEŞEHİR UNIVERSITY

ANALYSIS OF EMERGING COUNTRIES AND TURKISH CAPITAL MARKETS

Master's Thesis

MELTEM YILMAZ

İSTANBUL, 2010

THE REPUBLIC OF TURKEY
BAHÇEŞEHİR UNIVERSITY

THE GRADUATE SCHOOL OF SOCIAL SCIENCES

CAPITAL MARKETS AND FINANCE

ANALYSIS OF EMERGING COUNTRIES AND TURKISH CAPITAL MARKETS

Master's Thesis

MELTEM YILMAZ

Thesis Supervisor: Dr. GÖKHAN BÜYÜKŞENGÜR

İSTANBUL, 2010

THE REPUBLIC OF TURKEY
BAHÇEŞEHİR UNIVERSITY
THE INSTITUTE OF SOCIAL SCIENCES
CAPITAL MARKETS AND FINANCE

Name of the thesis: Analysis of Emerging Country's and Turkish Capital Markets
Name/Last Name of the Student: Meltem YILMAZ
Date of Thesis Defense:

The thesis has been approved by the Institute of Social Arts.

Prof.Dr.Selime SEZGİN
Director

I certify that this thesis meets all the requirements as a thesis for the degree of Master of Arts.

Prof. Dr. Ümit EROL
Program Coordinator

This is to certify that we have read this thesis and that we find it fully adequate in scope, quality and content, as a thesis for the degree of Master of Arts.

Examining Comittee Members Signature
Title Name and Surname

Dr.Gökhan BÜYÜKŞENGÜR ----------------------

Prof. Dr. Ümit EROL ----------------------

Dr.Hakkı ÖZTÜRK ----------------------

ABSTRACT

ANALYSIS OF EMERGING COUNTRIES AND TURKISH CAPITAL MARKETS

Yılmaz, Meltem

Capital Markets and Finance

Thesis Supervisor:Dr. Gökhan Büyükşengür

September, 2010,169 Pages

The most important element of market economy is the capital markets and its one of the most important institutions are the stock markets. The Changes of security's values, which are traded on stock exchange, has feature to reflect the changes occuring in the country's economy in a very short time.

Capital markets of emerging countries and Turkey's capital market are analysed and are shown that their shortages and superiors to each other.

The geological position of countries, political histories, the impact of production sectors to the economy and the impact of recent economic datas have derived benefit.

In the last chapter, Turkey's capital market's strenghts and weaknesses are presented according to the other emerging countries.

Keywords: Turkish Capital Market, Emerging Countries, Stock Exchanges

ÖZET

GELİŞMEKTE OLAN ÜLKELERİN VE TÜRKİYE SERMAYE PİYASALARININ İNCELENMESİ

Yılmaz, Meltem

Sermaye Piyasaları ve Finans

Tez Danışmanı:Dr.Gökhan Büyükşengür

Eylül, 2010,169 Sayfa

Piyasa ekonomisinin en önemli unsurusermaye piyasaları ve en önemli kurumlarından bir tanesi de menkul kıymetler borsalarıdır. Menkul kıymetler borsasında işlem gören menkul kıymetlerin değerlerinde meydana gelen değişiklikler, ülke ekonomisindeki gelişmeleri çok kısa bir sürede yansıtma özelliğine sahiptir.

Burada gelişmekte olan ülkelerin sermaye piyasaları ile Türkiye sermaye piyasası incelenmiş ve birbirlerine göre eksiklikleri ve üstün oldukları konular gösterilmiştir.

İnceleme sırasında ülkelerin jeolojik konumlarından, politik tarihlerinden, üretim sektörlerinin ekonomiye etkilerinden ve güncel ekonomik verilerden faydalanılmıştır.

Son bölümde ise, Türkiye sermaye piyasasının diğer gelişmekte olan ülkelere göre güçlü ve zayıf yönleri sunulmaktadır.

Anahtar Kelimeler:Türkiye Sermaye Piyasası, Gelişmekte Olan Ülkeler, Menkul Kıymetler

TABLE OF CONTENTS

LIST OF TABLES viii

LIST OF FIGURES ix

ABBREVIATIONS xi

1.INTRODUCTION 1

2.MARKET CONCEPTS 2

2.1.FINANCIAL MARKET 2

2.2.MONEY MARKET 3

2.3.CAPITAL MARKET 5

2.3.1.Features 5

2.3.2.Types 5

2.3.2.1.Primary Market 5

2.3.1.2.Secondary Market 5

2.4.THE RELATIONSHIP BETWEEN THE MONEY MARKET AND THE CAPITAL MARKET 6

3.HISTORY OF STOCK EXCHANGE IN THE WORLD 7

4.HISTORY OF STOCK EXCHANGE IN THE TURKEY 8

5.THE MARKETS WHICH SHOW ACTIVITY IN TURKEY 10

5.1.ORGINIZED MARKETS 10

5.1.1.Open Markets 10

5.1.2.T.C.M.B. Interbank Money Market 14

5.1.3.T.C.M.B. Exchange Market 14

5.2.4.T.C.M.B. Eqityand Bond Market 15

5.1.5.I.M.K.B. Stock Exchange Market 16

5.1.6.I.M.K.B. International Market 16

5.2.OVER THE COUNTER MARKETS 16

6.CAPITAL MARKETS IN TURKEY 17

7.CAPITAL MARKET INSTRUMENTS IN TURKEY 19

7.1.SECURITIES WHICH TRADES ON MARKET **19**
7.1.1.Stock **19**
7.1.2.Warrant **20**
7.1.3.Equity **20**
7.1.4.Government Bonds **21**
7.1.5.Treasury Bills **21**
7.1.6.Interchangeable Bonds **22**
7.1.7.Convertible Bonds **23**
7.1.8.Bonds **23**
7.1.8.1.Commercial Paper **23**
7.1.8.2.Gold, Silver And Platinium Bonds **23**
7.1.8.3.Banking Bonds **23**
7.1.9.Revenue Sharing Certificates **24**
7.1.10.Earnings Index Bonds **24**
7.1.11.Mutual Fund Shares **24**
7.1.12.Exchange-Traded Funds **24**
7.1.13.Asset Finance Funds and Asset-Backed Securities **24**
7.1.14.Depository Receipt **25**
7.1.15.Transaction for Futures Delivery Agreements **25**
7.1.15.1.Futures Delivery Agreements Based On Financial Assets **26**
7.1.15.2.Futures Delivery Agreements Based On Several Goods **27**
7.2. SECURITIES WHİCH TRADE ON VOB **27**
8.EMERGING MARKETS **28**
8.1.TURKEY CAPITAL MARKET **31**
8.2.PEOPLE'S REPUBLIC OF CHINA CAPITAL MARKET **48**
8.3.INDIAN CAPITAL MARKET **54**
8.4.INDONESIA CAPITAL MARKET **58**
8.5.BRAZIL CAPITAL MARKET **64**
8.6.RUSSIA CAPITAL MARKET **70**
8.7.MEXICO CAPITAL MARKET **79**
8.8.ARGENTINA CAPITAL MARKET **85**
8.9.SOUTH AFRICA CAPITAL MARKET **104**
8.10.POLAND CAPITAL MARKET **115**
8.11.SOUTH KOREA CAPITAL MARKET **122**

9.COUNTRY COMPARISON WITH EACH OTHER 128

10.DISCUSSION AND RESULT... 144

REFERENCES... 147

LIST OF TABLES

Table 2.1. : The Main Monetary Policy Instruments...5

Table 8.1. : Economic Growth of Turkey (1)...38

Table 8.2. : Economic Growth of Turkey (2)...38

Table 8.3. : External Balance of Turkey..39

Table 8.4. : Fiscal Policy of Turkey...41

Table 8.5. : Prices, Interest Rates and Foreign Currency for Turkey 42

Table 8.6. : Turkey's Credit Ratings..43

Table 8.7. : Turkey's Debt Stock 44

Table 8.8. : China Exports & Imports 50

Table 8.9. : Brazil Market Capitalization...69

Table 8.10. : RTS Market in Comparison 78

Table 8.11. : South Africa GDP by Sectors..109

Table 9.1. : GDP Based on PPP valuation od Country GDP9 129

Table 9.2. : Percentage of GDP for Top Ten Economies in 2009 133

LIST OF FIGURES

Figure 7.1. : Treasury Bills Issued Abroad Owned By Non Resident..................... 22

Figure 8.1. : Turkey Trading Volume 32

Figure 8.2. : Istanbul Stock Exchange Daily Trading Volume 33

Figure 8.3. : Istanbul Gold Exchange Volume 34

Figure 8.4. : Turkey Market Value / Gross Domestic Product................................ 35

Figure 8.5. : Foreign Trade Broad Economic Categorization 37

Figure 8.6. : Foreign Direct Investment In Turkey by Countries 40

Figure 8.7. : China Exports & Imports 49

Figure 8.8. : China Trading Volume 51

Figure 8.9. : Chine Gross Domestic Product & Populations.................................... 53

Figure 8.10. : Indian National Gross Domestic Product 55

Figure 8.11. : Indian Trading Volume 57

Figure 8.12. : Indonesia Gross Domestic Product... 60

Figure 8.13. : Indonesia Trading Volume 62

Figure 8.14. : Brazil Gross Domestic Product 65

Figure 8.15. : Brazil Gross Domestic Product & Population 66

Figure 8.16. : Brazil Trading Volume 68

Figure 8.17. : Brazil Market Capitalization 69

Figure 8.18. : Russian Gross Domestic Product.. 70

Figure 8.19. : MICEX Index 73

Figure 8.20. : Mexico Gross Domestic Product 81

Figure 8.21. : Mexico Trading Volume 85

Figure 8.22. : Argentina Trading Volume 90

Figure 8.23. : Argentina Gross Domestic Product ... 99

Figure 8.24. : Argentina Current Account Balance ... 104

Figure 8.25. : South Africa Gross Domestic Product ... 106

Figure 8.26. : South Africa-Africa-World Real Gross Domestic Product ... 106

Figure 8.27. : South Africa Listed Bonds Issue ... 111

Figure 8.28. : South Africa JSE Indeces ... 113

Figure 8.29. : Poland Gross Domestic Product ... 120

Figure 8.30. : Poland Trading Volume ... 121

Figure 8.31. : South Korea Gross Domestic Product ... 127

Figure 9.1. : Nominal Gross Domestic Product for Emerging Countries ... 131

Figure 9.2. : Real GDP Growth of Emerging Countries ... 132

Figure 9.3. : GDP per Capita at Emerging Countries ... 134

Figure 9.4. : Current Account Balance at Emerging Countries ... 135

Figure 9.5. : Inflation, Average Consumer Prices ... 136

Figure 9.6. : World Energy Consumption ... 137

Figure 9.7. : Population at Emerging Countries ... 138

Figure 9.8. : Market Capitaliazation of % GDP for Emerging Countries ... 139

Figure 9.9. : Turnover Ratios for Emerging Countries ... 140

Figure 9.10. : S&P Global Equity Indeces ... 141

Figure 9.11. : Real Interest Rates for Emerging Countries ... 142

ABBREVIATIONS

Alternative Exchange Market	: ALTX
American Depository Receipt	: ADR
Asian and Oceanian Stock Exchange Federation	: AOSEF
Association of Southeast sian Nations	: ASEAN
Banco Cenral do Brazil	: BCB
Banknotes in circulation and demand deposts	: M1B
Bolsa de Mercadorias & Futuros	: BMF
Bond Automated Trading System	: BATS
Bond Exchange of South Africa	: BESA
Bond Market Association	: BMA
Broad Money Supply	: M2X
Bursa Efek Indınesia	: BEI
Cash and Demand Deposits	: M1
Cash, demand deposits and term saving deposits	: M2
Central Bank of Turkey	: CBT
Central European Free Trade Agreement	: CEFTA
China Financial Futures Exchange	: CFFEX
Chine Securtes Ddepository and Clearing Corporation	: SD&C
Chinese Depository Receipt	: CDR
Comissiao de Valores Mobiliartos	: CVM

Council for Mutual Economic Assistance	: COMECOM
Dalian Commodity Exchange	: DCE
Development Capital Market	: DCM
Economic Commission for Latin America and Caribbean	: ECLAC
Energy Market Regulation Authority	: EMRA
European Depository Receipt	: EDR
European Union	: EU
Financial Services Board	: FSB
Foreign Direct Investment	: FDI
French Government Bonds	: NOTTIONELS
Futures and Options on RTS	: FORTS
German Government Bonds	: BOBL
Global Depository Receipt	: GDR
Governemt Securites	: GS
Gross Domestic Product	: GDP
Gross National Product	: GNP
Group of Twenty Finance Ministers and Central Bank Governers	: G20
Indonesia Stock Exchange	: IDX
Indsutry Classification Benchmark	: ICB
International Monetary Fund	: IMF
International Organization of Securities Commissions	: IOSCO
Italian Government Bonds	:BTP

İstanbul Menkul Kıymetler Borsası	: I.M.K.B.
Jakarta Automated Trading System	: JATS
Jakarta Islamic Index	: JTI
Jakarta Stock Exchange	: JSX
Japan Government Bonds	: JGB
Johannesburg Equity Derivative	: ED
Johannesburg Securites Exchange	: JSE
Korea Minting and Printing Corporaiton	: KOMSCO
Mercado Comun del Sur / Southern Common Market	: MERCOSUR
Moscow Interbank Currency Exchange	: MICEX
National Merchantile Exchange	: NAMEX
New Taiwan Dollar	: NT $
North American Free Trade Agreement	:NAFTA
Open Market Operations	: OMO
Organization of Islamic Countries	: OIC
Organization of Petroleum Exporting Countries	: OPEC
Over the Counter	: OTC
Purchasing Power Parity	: PPP
Repurchase Agreement	: REPO
Russian Trading System	: RTS
Sao Paulo Stock Exchange	: BVSP
Small and Medium Size Enterprice	: SME

South Africa Futures Exchange	: SAFEX
St. Petersburg Stock Exchange	: SPCEX
Surabaya Stock Exchange	: SSX
The Rand / The Currency of South Africa	: ZAR
Treasury Bills	: T-Bills
Türkiye Cumhuriyeti Merkez Bankası	: T.C.M.B.
United Nations Conference on Trade and Development	: UNCTAD
United Nations	: UN
Venture Capital Market	: VCM
World Federation of Exchange	: WFE
World Trade Organization	: WTO

1.INTRODUCTION

In this study, emerging countries's and Turkish capital markets are analysed and tried to define their strenghts, weaknesses and superiors to each other.

The impact of recent economic datas, countries's political and economic histories have derived benefit during the study. As possible as, the same indicators have tried to use to inroduce the capital markets for each country.

Between 2000 and 2010 has chosen as the time series for the study hovewer, has not been possible to reach all the data for some indicators in this interval.

In the last chapter, Turkish capital market's strenghts and weaknesses are presented according to the other emerging markets and what can be done to improve it. In addition, a forecast for the other emerging countries is tried to predict.

2.MARKET CONCEPTS

Economic markets are defined as where the buyers and sellers communicate with each other in mutual and changes occur. The concepts of market is a concept which is generally theoretical and abstract from the location.Markets vary in size, range, geographical scale, location, types and variety of human communities, as well as the types of goods ans services traded. Stock Exchange is a location which supply and demand meets whatever its type.

If the market is in the national boundary and encloses the transactions which are realezed in the country, called as Domestic Market. If the transactıons are over the national boundary, it called as International Market.
In terms of relevance to the thesis topic here, with only the lower part of the financial markets of Money and Capital Markets will be reviewed.

2.1.FINANCIAL MARKET

In economics, a financial market is a mechanism that allows people to buy and sell (trade) financial securities (such as stocks and bonds), commodities (such as precious metals or agricultural goods), and other fungible items of value at low transaction costs and at prices that reflect the efficient-market hypothesis. Financial market is wider han money and capital markets and includes these markets too.

Financial markets have five main components, Suppliers, Demanders, Invertors, Investment and financial instruments, Subsidiary comittee

2.2.MONEY MARKET

Money Market is the market which short-term fund offer and demand conjoin. Generally, the maturity do not goes over one year at the money market.

Enterprices use the funds to finance their current assets as a credit , was got by money market instruments.

Monetary authority aims to price stability by targeting some aggregates by using their instruments. Central banks target some aggregates such as exchange rate, monetary and inflation and theseaggregates or targets work as nominal anchors.

Monetary policy instruments may be classified as direct and indirect (market related) instruments. Direct instruments are direct controls on the financial prices such as interest rates or quantities such as deposits or credits of financial institutions. Direct instruments may be very effective tools for central bank in the crisis periods. They are effective in the less developed financial markets countries. Direct controls have two disadvantages. They eliminates competition among banks, for example efficient banks may not give higher deposit interest rates or demand lower credit interest rates. Therefore many inefficient banks or financial intermediaries survive in the financial system. In addition to that, direct controls' effectiveness declines in the highly open and integrated financial markets in the world.

Indirect (market related) instruments mainly work via central bank's own balance sheet or adjustment of any basic monetary instrument of Central bank. Then these changes affect behavior of financial institutions. In that framework, central bank controls its liabilities price or quantity (not both of them simultaneously) and aims to affect other interest rates and quantity of money and credit volume of financial system. Indirect instruments may be classified as reserve requirements, open market operations and standing facilities roughly. As financial market develops countries implement indirect instruments instead of direct ones. The general tendency of monetary authorities in developed and developing countries is implementing indirect instruments.

Table 2.1: The Main Monetary Policy Instruments

THE MAIN MONETARY POLICY INSTRUMENTS	
DIRECT	INDIRECT
Interest rate controls	Reserve Requirements
Credit Ceilings (bank by bank)	Rediscount Window
Statutory liquidity ratios	Public sector deposits
Selective credit controls	Credit auctions
Moral suasion	Open market operations
Rediscount quotas	Foreign exchange swaps
	Overdraft window

Source:Sermaye Piyasası ve Borsa Temel Bilgiler Kılavuzu,Nisan 2008,20.Basım,İstanbul Menkul Kıymetler Borsası Yayınları

The most important monetary policy instruments are "reserve requirements, open market operations, discount window and moral suasion" in central banking.

Reserve requirements consist of reserves of banking system. Commercial banks are obliged to hold a set of their deposits in the form of legal reserves in their central bank account. Reserve requirement instrument is not flexible and compulsory for financial market participants. An increase (decrease) in reserve requirement ratio makes banks to hold more (less) reserves in their central bank account. Therefore an increase in reserve requirement reduces money multiplier, banks' ability to extend credit and create broad money via deposit expansion diminishes. In the last years reserve requirements are started to apply on average over a period instead of daily application. In that new application, aim is to reduce daily volatility of overnight interest rates. Reserve requirement instrument may be very effective in the case of structural liquidity shortage or surplus problems in the market. Lastly, they increase cost of banks if they don't paid interest at a market level interest rate.

Open market operations (OMO) are referring broadly to the purchase and sale of specified assets by central bank. Generally government bonds and Central bank securities in some countries are traded. They are realized in voluntary basis and more flexible than other monetary instruments. Open market operations can be classified as repurchase agreements (repo), reverse repo, outright purchases and outright sales.

Rediscount window is related monetary authority's lender of last resort role. Central bank lend reserves to banks and charges discount rate. Discount rate also has announcement effects that send signals to markets about stance of monetary policy. A higher discount rate can be used to indicate a more restrictive policy, while a lower rate may signal a more expansionary policy. Central bank may also determine the type of acceptable collateral to affect banks' sectoral credit allocation.

2.3.CAPITAL MARKET

2.3.1.Features

Capital Market’s most prominent feature is the maturity goes over one year. Medium and Long-term funds conjoin in this market. Enterprices use the funds to finance their fixed assets.

2.3.2.Types

2.3.2.1.Primary Market

The primary markets are where investors can get first crack at a new security issuance. The issuing company or group receives cash proceeds from the sale, which is then used to fund operations or expand the business. Exchanges have variying levels of requirements which must be met before a security can be sold.

2.3.1.2.Secondary Market

A market where investors purchase securities or assets from other investors, rather than from issuing companies themselves. In any secondary market trade, the cash proceeds go to an investor rather than the underlying company / entity directly.

2.4.THE RELATIONSHIP BETWEEN THE MONEY MARKET AND THE CAPITAL MARKET

Broadly, the capital market is a marketplace for trading investments with maturities of more than a year. Capital market investments are typically debt, equity or derivative securities used to raise money for long-term purposes.

The money market is the marketplace used to trade short-term securities which have maturity dates of less than one year. Money market securities are commonly short-term bonds issued by corporations or governments to fund immediate needs.

Capital markets provide a source of funds from which corporations and governments borrow based on potential future cash flows.Alternately, the money market is used to finance current operations and is not necessarily used to fund investment spending.

Short-term securities correlate with lower levels of risk while long-term securities are exposed to greater amounts of risk. This occurs from long-term securities being exposed to the volatility in the securities market for a much longer period of time. Generally, short-term securities are less risky because there is less market volatility in the short term. This difference in risk also corresponds to returns. Returns are generally higher with riskier investments and than in safer investments.

Both of the market's source are the accumulations of savings. Interest rate is a regulator which adjuests the flow of funds between money and capital markets.

Money market involves short-term instruments (under 1 year maturity), all debt. Capital market involves long-term instruments (more than 1 year maturity), both debt and equity.

Capital markets are for people who are willing to accept more risk and less liquidity in their investments for a possibly higher return than Money markets.

3.HISTORY OF STOCK EXCHANGE IN THE WORLD

The history of stock exchanges can be traced to 12th century France, when the first brokers are believed to have developed, trading in debt and government securities. Generally the origin of the stock exchange is traced back to the stock exchange in Antwerp (1460). Unofficial stock markets existed across Europe through the 1600s, where brokers would meet outside or in coffee houses to make trades. The Amsterdam Stock Exchange, created in 1602, became the first official stock exchange when it began trading shares of the Dutch East India Company. These were the first company shares ever issued.Still the Amsterdam Stock Exchange is considered as the oldest stock Exchange in the World. This was established in 1602 by the Dutch East India Company (Verenigde Oostindische Compagnie or called VOC) that issued the first shares on the Amsterdam Stock Exchange (Anon 2010). The company was the first in issuing the stocks and bonds. It was later renamed as the Amsterdam Bourse and was the first to begin trading in secuirities.

By the early 1700s there were fully operational stock exchanges in France and England, and America followed in the later part of the century. Stock exchanges became an important way for companies to raise capital for investment, while also offering investors the opportunity to share in company profits. The early days of the stock exchange experienced many scandals and stock crashes, as there was little to no regulation and almost anyone was allowed to participate in the exchange.

Today, stock exchanges operate around the world, and they have become highly regulated institutions. Investors wanting to buy and sell stocks must do so through a stock broker, who pays to own a seat on the exchange. Companies with stocks traded on an exchange are said to be 'listed' and they must meet specific criteria, which varies across exchanges. Most stock exchanges began as floor exchanges, where traders made deals face-to-face. The largest stock exchange in the world, the New York Stock Exchange, continues to operate this way, but most of the world's exchanges have now become fully electronic.

4.HISTORY OF STOCK EXCHANGE IN THE TURKEY

The origin of an organized securities market in Turkey has its roots in the second half of the 19th century. The first securities market in the Ottoman Empire was established in 1866 under the name of "Dersaadet Securities Exchange" following the Crimean War. Dersaadet Exchange also created a medium for European investors who were seeking higher returns in the vast Ottoman markets.

Following the proclamation of the Turkish Republic, a new law was enacted in 1929 to reorganize the fledgling capital markets under the new name of "Istanbul Securities and Foreign Exchange Bourse".

Soon, the Bourse became very active and contributed substantially to the funding requirements of new enterprises across the country. However, its success was clouded by a string of events, including the Great Depression of 1929 and the impending World War II abroad which had taken their toll in the just developing business world in Turkey. During the industrial drive of the subsequent decades, there was a continuous increase in the number and size of joint stock companies, which began to open up their equity to the public. Those mature shares faced a strong and growing demand from mostly individual investors and some institutional investors (Ünal 1990).

The early phase of the 1980s saw a marked improvement in the Turkish capital markets, both in regard to the legislative framework and the institutions required to set the stage for sound capital movements. In 1981, the "Capital Market Law" was enacted.

The next year, the main regulatory body responsible for the supervision and regulation of the Turkish securities market, the Capital Markets Board based in Ankara, was established. A new decree was issued in October 1983 foreseeing the setting up of securities exchanges in the country.

In October 1984, the "Regulations for the Establishment and Functions of Securities Exchanges" was published in the Official Gazette. The regulations concerning operational procedures were approved in the parliament and the Istanbul Stock Exchange was formally inaugurated at the end of 1985.ISE Indices has started to

calculate on a weekly basis in October and Settlement and Custody Center has established in July,1987.

In 1991, Financial and Industrial indices had added to ISE Composite Index and Bonds and Bills Market has initiated and started outright purchases and sales transactions. Settlement and Custody Center transformed into an indipendent company, Corporate Bonds and Reveue Sharing Certificates has started to trade and Istanbul Stock Exchange has became a full member of World Federation of Exchanges in 1992.

Fifty stocks has started to trade with computuraized system and full automation stock trading system has started in 1994. In 1993, U.S. Securities and Exchange Commission has recognised ISE as "Designated Offshore Securities Market" and the next year, has recognised as an "Eligible Foreign Custodian". In the same year, " Federation of Euro-Asian Stock Exchanges " (FEAS) and Investor Counselling Center has established. 1995 was a fully year. Japan Securities Dealers Association (JSDA) has recognised the ISE as an "appropriate foreign investment market for the private and institutional Japanese investors. At the end of the 1995, ISE Settlement and Custody Company has transformed into the ISE Settlement and Custody Bank (Takasbank)

In 1999, ISE started to calculate National-100 Index on Euro basis. A memorandum were signed between Ise & London Stock Exchange and ISE & Republic of Kazakstan, Kyrgyzstan and Uzbekistan. Then a " Memorandum of Understanding" were signed between the Korea Stock Exchange in 2001 and with Shanghai Stock Exchange in 2007.

In 2009, The Emerging Companies Market was established and Public Disclosure Platform launched. Istanbul Stock Exchange Emerging Companies Market Regulation was published with an aim to provide an organized and transparent market for trading of companies with growth and development potential.

5.THE MARKETS WHICH SHOW ACTIVITY IN TURKEY

5.1.ORGINIZED MARKETS

Organized Markets are T.C.M.B. Open Markets, T.C.M.B. Interbank Money Market, T.C.M.B. Exchange Market, I.M.K.B. Equity and Bond Market, I.M.K.B. Stock Exchange Market, I.M.K.B. International Market.

5.1.1.Open Markets

The Central Bank started open market operations as of February 4, 1987. Although the purpose of open market operations is to control the liquidity of the banking system and implement monetary policy, these operations also contribute to the sale and purchase of government securities, to the formation of a secondary market for the Government Bonds and pursuit of domestic borrowing policy in conformity with daily requirements (Anon 2010).

The open market operations policy of the Central Bank is formed in conformity with the economic policies implemented by the Government. During the implementation of operations, deviations of the realized magnitudes of both narrow money supply (Ml) and broad money supply (M2X), from their predicted values, are taken into account.

Since the start of the open market operations on February 4, 1987 to nowadays open market operations are directed by taking into account the liquidity of the economy, either by increasing the liquidity level through direct purchases of Government bonds or through repurchase agreements, or by decreasing the level of liquidity through direct sale of the said bills or through reverse repurchase agreements.

Average interest rates for open market operations reflects the liquidity condition of the economy.The open market operations of the CBT ensured a reallocation of liquidity level in the economy and also enable banks to manage their securities portfolios rationally.

To realize Opne Market Operations, The Open Market Operations Desk established a portfolio of government securities to do reverse repurchases, direct sales and direct purchases. The Desk would rather do reverse repurchases when the market is very liquid such as at the maturity dates of government securities in order to mop up the excess liquidity and would prefer to bring the maturity of the transaction to a day when the market is in need of cash. If this is not possible, in order not to increase the liquidity of the system, the desk would prefer to roll over by the amount of maturing volume. Usually, the open market operations rates for the same maturity are lower than interbank rates due to different tax structures in the two markets.

Until September 1, 1991, the prices in direct sales and purchases, and the interest rates for repos and reverse repos were determined by the Central Bank. After that date, the Central Bank started arranging auctions for direct sales and purchases. The purpose of this procedural change was to allow the prices to be formed in the market. In doing so, it was hoped that the prices would follow a stable trend and reflect the market conditions. An important procedural change in the reverse repo transactions occurred when the system changed from a quotation system to an auction system on January 22nd, 1992.

Central Bank uses open market operations sometimes together with the interbank money market and the foreign exchange market and sometimes alone to manage the liquidity in the market in accordance with the implemented monetary policy and to preservethe stability of the markets. CBT uses Open Market Operations extensively during the liquidity squeeze resulted from capital outflows.

In last decade Central Bank Republic of Turkey started to use open market operations intensively. As the Figure 1 shows, volume of open market operations engaged by the Central Bank Republic of Turkey increases especially after 1996. Open markets operations:

Outright Purchase: That kind of OMO is realized when there is structural or permanent liquidity shortage in the economy. First of all, CBT decides about what kind of government securities (GS) that have maturity less than one year will be purchased. Then CBT declares its intention to the market participants.

ThenCBT starts to purchase predetermined GS. Banks and brokerage firms that want sell specific GS to CBT call OMO Department of CBT and announce their offers. CBT evaluates market participants' offers by considering desired or planned amount of outright purchase. Then CBT announces results of outright purchase auction. Auction winner participants' TL accounts in the CBT are credited and CBT's relevant TL accounts are debited. (Related government securities accounts move oppositely.) As a result of outright purchase, banking system's and brokerage firms' reserves increase permanently.

Repurchase Agreement (Repo): Repo is realized when there is temporary liquidity shortage in the economy. CBT aims to increase banking system's reserves temporarily. Repo is a forward transaction and it consists of spot purchase of an asset and simultaneous forward sale of the same asset. In that framework, repo can be thought as collateralised lending. Interest rate, lending rate or repo rate is difference between purchase price and sale price of the related government security. During repo transaction, repo rate and sale date determined in the spot date (purchase date). Steps of a repo transaction as follows. In the spot date (first leg), CBT decides about what kind of government securities (GS) that have maturity less than one year will be subject on repo transaction. Then CBT declares repo auction to the market participants. Then CBT starts to purchase predetermined GS. Banks and brokerage firms that want sell specific GS to CBT call OMO Department of CBT and announce their offers. CBT evaluates market participants' offers by considering desired or planned amount of repo purchase. Then CBT announces results of repo auction. Auction winner participants' TL accounts in the CBT are credited and CBT's relevant TL accounts are debited. As a result of first leg of repo transaction, banking system's and brokerage firms' reserves increase. In the forward date (second leg), CBT sells GS at predetermined price and so reserve level in the system decreases. The maturity of repo transactions can't be longer than 91 days.

Outright Sale: It is reverse of outright purchase and it is realized when there is structural or permanent excess liquidity in the economy. CBT decides about what kind of government securities (GS) that have maturity less than one year will be sold. Then CBT declares its intention to the market participants. Then CBT starts to sell predetermined GS. Banks and brokerage houses that want buy specific GS from CBT

call OMO Department of CBT and announce their offers. CBT evaluates market participants' offers by considering desired or planned amount of outright purchase. Then CBT announces results of outright sale auction. Auction winner participants' TL accounts in the CBT are debited and CBT's relevant TL accounts are credited. As a result of outright sale, banking system's and brokerage firms' reserves diminishes permanently.

Reverse Repo: As the name demonstrates, that operation is reverse of repurchase agreement. Reverse repo is realized when there is temporary excess liquidity in the economy. CBT aims to decrease banking system's reserves temporarily. Reverse repo is also forward transaction and it consists of spot sale of an asset and simultaneous forward purchase of the same asset. Repo rate is difference between sale price and purchase price of the related government security. As in the case of repo transaction, repo rate and purchase date determined in the spot date (purchase date). Steps of a reverse repo transaction as follows. In the spot date (first leg), CBT decides about what kind of government securities (GS) that have maturity less than one year will be subject on reverse repo transaction. Then CBT declares reverse repo auction to the market participants. Then CBT starts to sell predetermined GS. Banks and brokerage firms that want purchase specific GS to CBT call OMO Department of CBT and announce their offers. CBT evaluates market participants' offers by considering desired or planned amount of reverse repo purchase. Then CBT announces results of reverse repo auction. Auction winner participants' TL accounts in the CBT are debited and CBT's relevant TL accounts are credited. As a result of first leg of reverse repo transaction, banking system's and brokerage firms' reserves decrease. In the forward date (second leg), CBT purchases GS at predetermined price and so reserve level in the system increases. The maturity of reverse repo transactions can't be longer than 91 days.

Repos and reverse repos are suitable for offsetting short-term fluctuations that affect bank reserves. They are also useful to eliminate large changes in liquidity caused by capital movements.

5.1.2.T.C.M.B. Interbank Money Market

Sometimes, there is a fund more or missing at banks's cash flow within a certain time period. T.C.M.B. Interbank Money Market has established to encoruage reserve movements and ensure the banking system resources more effectively, in 02 April 1986. Interbank's purpose is to meet the banks which for the short term surplus cash available that deposits are not in a in a bank, and which short-term cash needs are but that needs dos not disposaled from long term assest, from each other. T.C.M.B. is duty with intermediary for banks and the banks can lend and borrow although they dont know each others.

5.1.3.T.C.M.B. Exchange Market

The foreign exchange market (forex, FX, or currency market) is a worldwide decentralized over-the-counter financial market for the trading of currencies. Financial centers around the world function as anchors of trading between a wide range of different types of buyers and sellers around the clock, with the exception of weekends. The foreign exchange market determines the relative values of different currencies.

The primary purpose of the foreign exchange market is to assist international trade and investment, by allowing businesses to convert one currency to another currency.

In a typical foreign exchange transaction a party purchases a quantity of one currency by paying a quantity of another currency. The modern foreign exchange market started forming during the 1970s when countries gradually switched to floating exchange rates from the previous exchange rate regime, which remained fixed as per the Bretton Woods system.

The foreign exchange market is unique because of its;

i. huge trading volume, leading to high liquidity
ii. geographical dispersion
iii. continuous operation: 24 hours a day except weekends, i.e. trading from 20:15 GMT on Sunday until 22:00 GMT Friday
iv. the variety of factors that affect exchange rates

v. the low margins of relative profit compared with other markets of fixed income
vi. the use of leverage to enhance profit margins with respect to account size

5.2.4.T.C.M.B. Eqityand Bond Market

The bond market (also known as the debt, credit, or fixed income market) is a financial market where participants buy and sell debt securities, usually in the form of bonds.

References to the "bond market" usually refer to the government bond market, because of its size, liquidity, lack of credit risk and, therefore, sensitivity to interest rates. Because of the inverse relationship between bond valuation and interest rates, the bond market is often used to indicate changes in interest rates or the shape of the yield curve.

Bond markets in most countries remain decentralized and lack common exchanges like stock, future and commodity markets. This has occurred, in part, because no two bond issues are exactly alike, and the variety of bond securities outstanding greatly exceeds that of stocks.

For market participants who own a bond, collect the coupon and hold it to maturity, market volatility is irrelevant; principal and interest are received according to a pre-determined schedule.

But participants who buy and sell bonds before maturity are exposed to many risks, most importantly changes in interest rates. When interest rates increase, the value of existing bonds fall, since new issues pay a higher yield. Likewise, when interest rates decrease, the value of existing bonds rise, since new issues pay a lower yield. This is the fundamental concept of bond market volatility: changes in bond prices are inverse to changes in interest rates. Fluctuating interest rates are part of a country's monetary policy and bond market volatility is a response to expected monetary policy and economic changes.

Equity and Bond markets takes place in the market following the transactions;

i. To qualified investors in Export Markets; the due items, that can issue only the partnerships, which their stocks trade on National Market, Second National Market and New Economy Market, and only can bought by qualified investors issue transactions are realized in the market.
ii. Definite Exchange Market; provide that the second hand fixed income securities transactions to realize in a transparent market and increase their liquidities.
iii. Repo-Reverse Repo Market; Fixed income securities trade on that market selling and buying back by the promise of selling in market condiditons, in a safe way.

5.1.5.I.M.K.B. Stock Exchange Market

The Istanbul Stock Exchange (ISE) (Turkish: İstanbul Menkul Kıymetler Borsası, İMKB) is the only corporation in Turkey for securities exchange established to provide trading in equities, bonds and bills, revenue-sharing certificates, private sector bonds, foreign securities and real estate certificates as well as international securities. The ISE was founded as an autonomous, professional organization in early 1986.

5.1.6.I.M.K.B. International Market

I.M.K.B. International Market is a market which Eastern Block Countries, The Turkish Republics and Middle East countries mainly will operate in ISE International Securites Free Zone with the Free Zone Legislation.

5.2.OVER THE COUNTER MARKETS

Over The Counter Markets are Interbank Turkish Lira Market, Interbank Repos Market, Interbank Bond Market, FX Market, Gold Market.

6.CAPITAL MARKETS IN TURKEY

Main components of Turkish capital markets are suppliers, demanders, Capital Markets Board of Turkey, Istanbul Stock Exchange, members of stock exchange, ISE Settlement and Custody Bank, Istanbul Gold Exchange, Turkish Derivative Exchange, Central Registry Agency Inc., The Association of Capital Market Intermediary Institutions of Turkey.

The most important development during restructuring process is the trading of gold under an organized market by the establishment of Istanbul Gold Exchange (IGE). Istanbul Gold Exchange became an important step in canalizing the gold to financial system, developing gold based investment vehicles and international integration of gold sector in Turkey. After the IGE, local gold prices became in conformity with international prices, imported gold bars was enforced to meet generally accepted standards and fineness and the system gained a transparent structure.

The establishment of Istanbul Gold Exchange started a continuous development process on the market, set a base for the development of gold based financial instruments.

The first legal decision concerning the establishment of Istanbul Gold Exchange was made in 1993, "General Regulation Concerning the Foundation and Operation Principles of Precious Metals Exchanges" was issued by Capital Markets Board on the basis of the provisions of Article 40/A of Code of Capital Markets, number 2499 as amended by law number 3794.

Istanbul Gold Exchange began its operation on july 26, 1995. The exchange has two type of market: Precious Metals Market, Precious Metal Lending Market.In markets, standard and non-standard gold, silver and platinum are traded.

TURKDEX, started its operation right after the company was registered in Registry of Commerce. This registration was officially announced through the Gazetta of Registry of Commerce, dated July 4, 2001.

Turkdex has strategic and economic responsibilities in terms of establishing an efficient and successful risk management platform to meet needs of investors and to maintain a

robust economic system. With these responsibilities in mind, Turkdex is separated from other profit-seeking organizations. Generation of income is undoubtfully important for survival of an institution but profit is neither the only nor the final aim for Turkdex.

The priorities of Turkdex are as follows: protection of investors, transparency in executions, optimal response to market demands, integration with international markets and becoming an exchange in terms of global standarts.

The Istanbul Stock Exchange was established on December 26, 1985 for the purpose of ensuring that securities are traded in a secure and stable environment, and commenced to operate on January 3, 1986. The ISE has contributed to the development of Turkish capital markets and Turkish economy since the date of its establishment.

Established as per the Governmental Decree in Force of Law (KHK) No.91, the ISE is a public corporation operating as an autonomous and professional institution. The ISE is entitled to issue legal regulations related to the subjects and fields within the scope of its authority.

ISE has the following shareholding interests in the following institutions:

i. 32.63 percent in ISE Settlement and Custody Bank Inc.
ii. 30 percent in Central Registry Agency
iii. 18 percent in Turkish Derivatives Exchange
iv. Within the scope of international efforts aimed at developing and supporting the capital markets and stock exchanges of Central Asian countries,
v. 24.5 percent in Kyrgyz Stock Exchange
vi. 5.55 percent in Baku Stock Exchange

7.CAPITAL MARKET INSTRUMENTS IN TURKEY

7.1.SECURITIES WHICH TRADES ON MARKET

There are two types of ınstruments; Securities and The Other Instruments in Capital Markets.

Securites give the partnership or compound to owner, allowing a certain amount representing the investment vehicle used as a periodic income, the multiple qualities, run with serial issue, labeled with the same terms and conditions established by the designated board.The other instruments in capital markets are not securites and also their conditions established by designated board.

7.1.1.Stock

A Type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.

There are two main types of stock: common and preferred. Common stock usually entitles the owner to vote at shareholder's meeting and to receive dividends. Preferred stock generally does not have voiting rights but, has a higher claim on assets and earnings than the common shares. For example, owners of preferred stock receive dividends before common shareholders and have priority in the event that a company goes bankrupt and is liquidated. Also known as "share" or "equity"

The main concepts of the stock price are nominal price, issuing price, market price and house price. The definitions used in determining the value of the shares are book value, liquidation value, concern value, intrinsic value, alternative revenue value and actual value. Stock catagories are as follow bearer share, registered share, common stock, preferred stock, bonus share, recepted share, premiumshare, no premium share, founders share and beneficial share.

7.1.2.Warrant

A derivative security that gives the holder the right to purchase securities (usually equity) from the issuer at a spesific price within a certain time frame. Warrants are often included in a new debt issue as a sweetener to entice investors.

Warrants are investment vehicles which makes investment without all the investment at risk.The main difference between warrants and call options is that warrants are issued and guaranteed by the company, wheras options are exchange instruments and are not issued by the company. Also, the lifetime of a warrant is often measured in years, while the lifetime of typical option is measured in months.

There are three basic components of warrants market; product diversity, market maker, training activity.

The most successful warrants practices are applied in Germany. In Turkey, Capital Markets Board of Turkey is defined the based assets as IMKB indices, stocks which in IMKB-30 index and baskets which include IMKB-30 stocks.

Warrants are debt bonds of issuer. The investor gets the credit risk of the issuer.

Warrant Market is a new market in Turky and is going to furnish benefits to inverstors at the second market. In this way, the investors will be able to add the stock exchange while controlling risks. There will be possible to manege all risks, up and down directions, with wide range of financial product range.

7.1.3.Equity

According to Turkish Commercial Code, the equity is the debenture stock, which labeled with the same terms, par value’s is the same and published to find borrowed money byjoint stock companies.

The bond holder furnishes foreign capital to the company and the equity gives the compound right to owner. However, the bond holder does not take part in the company management. The jural relations, between the bond holder and the company, end at the maturity. Bond holder does not make contribution the company’s gain and cost. When

the maturity ended, bond holder gets his capital and revenue of interest if the company makes a loss.

There are some risks for bond holders. The first risk is the risk of the company comes to unable to pay its debts, capital and interests. The second one is the price volatility risk depends on changes the interset rates on the after market. When the first risk was come true, bond holder can get his capital and interest gain by process of law. In addition, equity's discount rate is change with market interest rates.

Equity catagories as follow state bonds, goverment bonds, public sector bonds, corporate bonds, private sector bonds, premium bonds, par bonds, lottery bonds, cash-convertible bons, guaranteed bonds, non-guaranteed bonds, fixed-rate bonds, floating-rate bonds, indexes bonds. The bonds can be nominative or beares like stocks. Main concepts of the equity price are nominal value, face value, par value, ıssue value, market value.

7.1.4.Government Bonds

Domestic government bonds are published by government. In generally, they can not convert to cash without their maturities end. Domestic governments can be buyed and soldduring their maturities.

Government bonds are classified according to their maturties, type of issue, currency, type of paying interest, coupun or no cupon bonds and purpose of issue. Most common criteria is the maturity. If the bond's maturity is one year and longer than one year it called as Government Bonds but if the bond's maturity is shorter than one year, it called as Treasury Bills.

7.1.5.Treasury Bills

Teasury Bills (or T-Bills) mature in one year or less, like zero-coupon bonds. T-Bills do not pay interest prior to maturity; instead they are sold at a discount of the par value to create a positive yield to maturity.

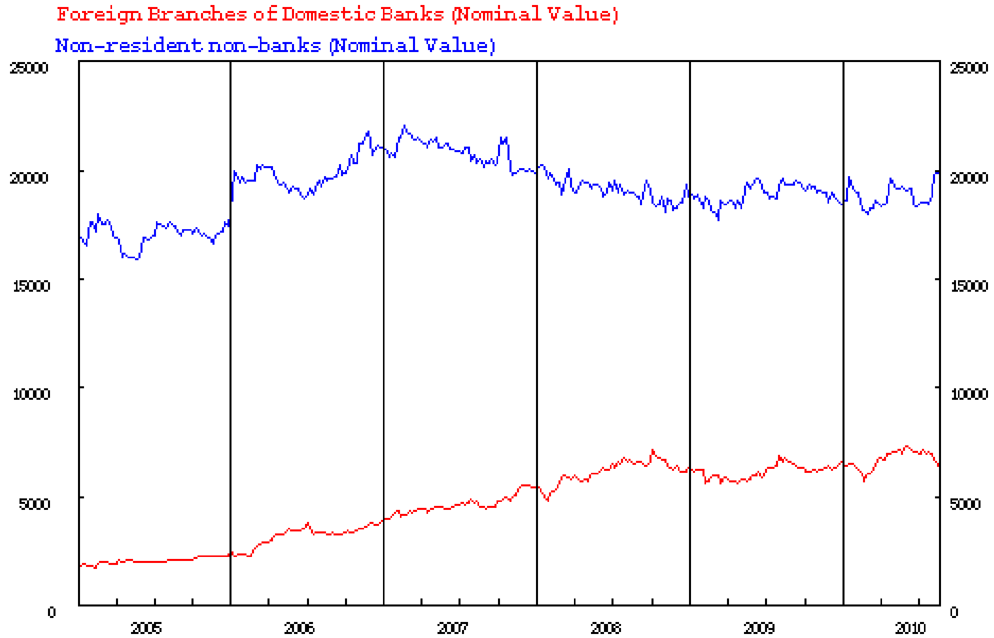

Figure 7.1. :Treasury Bills Issued Abroad Owned By Non Residents (Weekly, Million US Dollars)

Source:Treasury Bills Issued Abroad Owned byNon-Resident,June 2010, http://evds.tcmb.gov.tr/cgi-bin/famecgi?cgi=$ozetweb&DIL=UK&ARAVERIGRUP=bie_dtbec.db, CBRT Electronic Data Delivery System

7.1.6.Interchangeable Bonds

Interchangeable bonds gives the right of change shares which trades on stock exchange, and are published by issuer**.** Interchangeable bonds maturity is not shorter than one year.

The changing with stocks can not be earlier afther the one year later than maturity.The conversion price is defined by stock price. The conversion factor tells us the number of shares which stock is converted.

7.1.7.Convertible Bonds

Convertible bonds gives the chance to use long term fons to savers. Convertable bonds are inclueded hibrids securites in finance literatue cause they are being partly fixed-income security and partly stock under spesific conditions.

Main concepts of convertible bonds areconversion price, conversion rate, conversion parity, call option, put option,investment value and investment premium.

7.1.8.Bonds

7.1.8.1.Commercial Paper

Commercial paper is the security which is published by the issuer as the name of debtor and is sold with a discount. Commercial paper's maturiy is no less than sixty days and no longer than three hundert sixty days.

7.1.8.2.Gold, Silver And Platinium Bonds

Gold, silver and platinum bonds are sold with or without a discount and are published by banks or precious metal intermediaries. Their maturity is no less than sixty days and no longer than three hundert sixty days.

7.1.8.3.Banking Bonds

Banks issue the bank bonds for get capital from capital markets. Banks Bond publishes by investment and development banks as the name of debtor and bank bonds is sold with a discount. Bank Bonds maturity, which will be issue to initial public offering, is no less than sixty days and no longer than three hundert sixty days.

7.1.9.Revenue Sharing Certificates

Revenue sharing certificates are bonds which is issued to be sharer in the gains of government body like bridge, barrage, power plants, telecominicatin systems, railway line, highway, ports... for the artifical persons.

7.1.10.Earnings Index Bonds

The purpose of the issuing earnings index bonds to diversify domestic government bonds and get more investors. There is created a new security related with government revenues.

7.1.11.Mutual Fund Shares

Principal causes is ordered by Capital Markets Board. Mutual fund shares are founded to exploit the portfolio by the name of accounts of proprietors. Mutual fund shares catagories are as follow; equity and bond funds, stock funds, affiliate funds, group funds, foreign securites funds, gold funds, precious metal funds, liquid funds, mixed funds, variable funds, index funds, fund basket, hegde funds, guaranteed funds...

7.1.12.Exchange-Traded Funds

Exchange-traded fundsare effect transaction on stock exchange. Security and cahs is used together when fund participating funds. Exchange-traded fund must include least six securites and any of them must not overweighted 35 percent of total portfolio. Every exchange-traded fund have two value as transaction fas and intrinsic value.

7.1.13.Asset Finance Funds and Asset-Backed Securities

Asset finance funds are assets which issue through the money against asset-backed securites for the name of asset-backed securites owners. Funds have a maturity or perpetual.

7.1.14.Depository Receipt

Approximately twenty years ago, financers started to look for suitable solitions special for issuers needs upon the capital markets merged.

Depository receipts catagories as follow ADR (American Depository Receipt), GDR (Global Depository Receipt), EDR (European Depository Receipt).

7.1.15.Transaction for Futures Delivery Agreements

Financial markets clives two as spot and derivatives market according to securities maturities.

The security and money changes hands at the clearing day in spot markets. For example, Stock Markets, Equity and Bond Markets and Interbank Clearings... in Istanbul Stock Exchange.

Forward, futures and options are purpose to hedging. Forward does not have a standard agreement contrary to futures and options. Forward effects transaction at over the counter markets, Futures effects transaction at stock exchange and options effects transaction both over the counter ande stock exchange. Futures and options have leverage effect and there is no credit risk but leverage effect is not important too much and there is a credit risk in forwards. There is obligation of collateral and cash flow until the maturity in futures and options but for forwards, there is no assesment role of these.

Here is the main components of forward transactions; product, security, financial indicator, maturity of the agreement, minimum transaction amount, delivery shape, compromise price, last trading day, caution rates, price steps, position limits, daily price movements limits...

An option is a type of financial instrument classed as derivatives because they derive their value from an underlying asset. An opstion gives its holder the right, but not obligation to sell some asset on or before the option's expiration at an agreed price.

A call option gives the buyer of the option the right but not the obligation to buy the underlying at the strike price. A put option gives the buyer of the option the right but not the obligation to sell the underlying at the stike price.

Another important class of opsiton, particulary in the U.S., are employee stock options, which are awarded by a company to their employees as a form of incentive compesation. Other types of options exist in many financial contracts for example real estate opstions areoften used to assemble large parcels of land and prepayment options are usually included in mortgage loans. However, many of the valuation and risk management principals apply across all financial options.

An option agreement includes that components; option's type (American or European), agreement type (call or put options), asset or service which subjected to option, price, maturity and premium.

Assets or services which subjected to transaction for future delivery agreements are divident into two groups with an overall clasification.

7.1.15.1.Futures Delivery Agreements Based On Financial Assets

Long Term Government Bonds**:**US T-Bond, UK Long Gilts, Deutshland Bunds, Italian Government Bonds (BTP), Japan Government Bonds (JGB), French Governments Bonds (Nottionnels)....

Medium-Term Government Bonds:US T-Notes, Medium-Term German Government Bonds (BOBL)...

Assets Depend On Short-Term Interest Rates:U.S Treasuy Bills for three months, French Treasury Bills for three months, Eurocurrency Agreements for three months (Eurodollar, Euroyen, Lıbor ...) Certificates of Deposits for three months (based on U.S. Dollar in U.S.A. ...

Currencies: Canadian Dollars, Japaniese Yen, Great Britain Pound...

Transactions for Future Delivery Based On Stocks:

Transactions for Future Delivery Based On Index:TOPIX (Japan and Singapore), IBEX 35 (Spain – MEFF RV), CAC40 (France-MATIF), IBEOVESPA (Brazil-BM&F), S&P100 (ABD-CBOE), ValueLine (ABD), S&P500 (ABD – CME), FT-SE100 (England-LIFFE), Nikkei 225 (Japan-Osaka)

Transaction for Future Delivery Based On Inflation Rate, Consumer Price Index and the Other Variables which are not Economic as weather...

7.1.15.2.Futures Delivery Agreements Based On Several Goods

Future Delivery Agreements Based on Agriculture Goods:Soybeans, Porkbellies, Corn, Live cattle, Feeder cattle, Soybean oil, Cocoa, Coffee, Orenge Jice, Sugar, Wheat, Oats, Soybean Meals, Live Hogs, Lumber, Seafood...

Future Delivery Agreements Based On Natural Springs:Gold, Silver, Crude Oil, Heaitng Oil, Aluminum, Copper, Palladium, Platinum...

7.2. SECURITIES WHİCH TRADE ON VOB

Vob-TLDollar Futures, VOB-TLEURO Futures, VOB-FT TLDOLLAR Futures, VOB-FT TLEURO Futures, VOB-G-DIBS Futures, VOB-IMKB 100 Futures, VOB-IMKB 30 Futures, VOB-Egepamuk Futures, VOB-Anadolu Kırmızı Buğday Futures, VOB-Gold Futures

8.EMERGING MARKETS

Emerging markets are countries that are restructuring their economies along market-oriented lines and offer a wealth of opportunities in trade, technology transfers, and foreign direct investment (Garten 1997). According to the World Bank, the five biggest emerging markets are China, India, Indonesia, Brazil and Russia. Other countries that are also considered as emerging markets include Mexico, Argentina, South Africa, Poland, Turkey, and South Korea. These countries made a critical transition from a developing country to an emerging market. Each of them is important as an individual market and the combined effect of the group as a whole will change the face of global economics and politics.

Emerging markets stand out due to four major characteristics. First, they are regional economic powerhouses with large populations, large resource bases, and large markets. Their economic success will spur development in the countries around them; but if they experience an economic crisis, they can bring their neighbors down with them. Second, they are transitional societies that are undertaking domestic economic and political reforms. They adopt open door policies to replace their traditional state interventionist policies that failed to produce sustainable economic growth. Third, they are the world's fastest growing economies, contributing to a great deal of the world's explosive growth of trade. By 2020, the five biggest emerging markets' share of world output will double to 16.1 percent from 7.8 percent in 1992. They will also become more significant buyers of goods and services than industrialized countries. Fourth, they are critical participants in the world's major political, economic, and social affairs. They are seeking a larger voice in international politics and a bigger slice of the global economic pie.

China, India, and Indonesia are three of the four most populous countries in the world. Each of these, plus Brazil, occupy enormous land masses. If any of the Big Ten are economically successful, their progress will spur development in the countries all around them. Conversely, if they experience an economic crisis, they have the capacity to bring down their neighbors.

There are two potential causes for the creation of emerging markets: the failure of state-fed economic development and the need for capital investment. First, state-fed

economic development failed to produce sustainable growth in the traditional developing countries. This failure and its tremendous negative impact pushed those countries to adopt open door policies, and to change from the state's being in charge of the economy to facilitating economic growth along market-oriented lines. Second, the developing counties desperately needed capital to finance their development, but the traditional government borrowing failed to fuel the development process. In the past, the governments of the developing countries borrowed either from commercial banks or from foreign governments and multilateral lenders like the IMF and the Word Bank. This often resulted in heavy debt overload and led to a severe economic imbalance. The past track record of many developing countries also demonstrates their inability to well manage and efficiently operate the borrowed funds to support economic growth. In light of the unsatisfactory results of government borrowing, developing countries began to rely on equity investment as a means of financing economic growth. They seek to attract equity investment from private investors who will become their partners in development. To attract equity financing, a developing country has to establish the preconditions of a market economy and create a business climate that meets the expectations of foreign investors. This change in financing sources thus became another factor leading to the rise of emerging markets.

The rise of emerging markets is changing the traditional view of development as follows. First, foreign "investment" is replacing foreign "assistance." Investing in the emerging markets is no longer associated with the traditional notion of providing development assistance to poorer nations. Second, emerging markets are rationalizing their trade relations and capital investment with industrialized countries. Trade and capital flows are directed more toward new market opportunities, and less by political consideration. Third, the increasing two-way trade and capital flows between emerging markets and industrialized countries reflect the transition from dependency to global interdependency. The accelerated information exchange, especially with the aid of the Internet, is integrating emerging markets into the global market at a faster pace.

In their effort to create a market economy and to ensure sustainable development, emerging markets still face big challenges that come from fundamental problems associated with their traditional economic and political systems. A market economy

requires those countries to redefine the role of the government in the development process and to reduce the government's undue intervention. Another serious problem that those countries have to confront is controlling corruption, which distorts the business environment and impedes the development process. An even more challenging task for those countries is to undertake structural reforms with their financial system, legal system, and political system, so as to guarantee a disciplined and stable economy that is relatively free of political disturbances and interference.

Emerging markets are the "key swing factor" in the future growth of world trade and global financial stability, and they will become critical players in global politics. They are also crucial to nuclear nonproliferation, the improvement of human rights, environmental cooperation and the avoidance of war in several critical hotspots. They have a huge untapped potential and they are determined to undertake domestic reforms to support sustainable economic growth. If they can maintain political stability and succeed with their structural reforms, their future is promising.

Emerging markets are critical participants in the major political, economic, and social dramas taking place on the world scene. All the big emerging markets are struggling to make the transition from authoritarian state-run economies to democratic capitalism, and on their success rests the future of global politics and economics. The three Latin-American big emerging markets will determine whether the entire continent can escape the recurrent boom-and-bust cycles of the last century. The four Asian big emerging markets will determine whether East Asia will be characterized by expanding trade and investment and stunning economic progress, or whether it will descend into the political and military rivalries more characteristic of Europe in the first half of this century. India will be the most significant test case for whether democracy and capitalism can deal effectively with mass poverty. South Africa will show whether racial harmony and democratic capitalism can coexist. According to Europe and America, Turkey is the wall that could stop Islamic fundamentalism from reaching well into Europe.

All emerging markets are trying to open their economies, balance their budgets, and sell off their state companies. All but two have instituted substantial political liberalization. The pace of economic opening in Argentina, India, and Poland has started most experts. The opening of political systems in Brazil, South Africa, and South Korea is also

impressive. But not all of the emerging markets have made good on the promise of capitalism and democracy. For example, China and Indonesia have made significant economic strides, even though Beijing remains a Communist government and Jakarta is a powerful autocracy. However, emerging markets are critical for Europe and America, as are their political stability.

8.1.TURKEY CAPITAL MARKET

Turkish capital market has a leading position as compared with the other country's capital markets due to its diversity of investment vehicles offered by financial services and institutional functioning of the structurewealth, the strength of international regulations and the parallel legal and technological infrastructurewith the level of development.

Turkish Capital Market has important contributions to the Turkish economy such as creating resources and economic value, increase the employment, to prevent unrecord acts, getting transparency, providing effective risk management techniques...

The banks can became triggers at the crisis in emerging countries like Turkey. However, Istanbul Stock Exchange, Turkish Derivatives Exchange, Istanbul Gold Exchange, Turkish banks... have made positive contributions to the economy with inreasing number of member and company each year, transaction volumes, the diversity of investment vehicles...

Turkish Capital Market is allow the movements of funds, which the economy's needs, through the organized market with fast, secured and low costs.Wieved from this angle, the Turkish Capital Market's most important contribution is to provide access directly and low costed resources to the companies through initial public offerings, which are realized in primary and secondary markets, and rights issue.

In macroeconomic wiev, stock exchange markets are the most important associations which shows the importance of the capital market in the country's economy. The share of capital market at the economic value added is traced with the market value's of listed company to gross domestic product rate.

The Turkish Capital Market's average daily trading volume is taken into account, it is providing access is a serious liquidty into the economy every day.

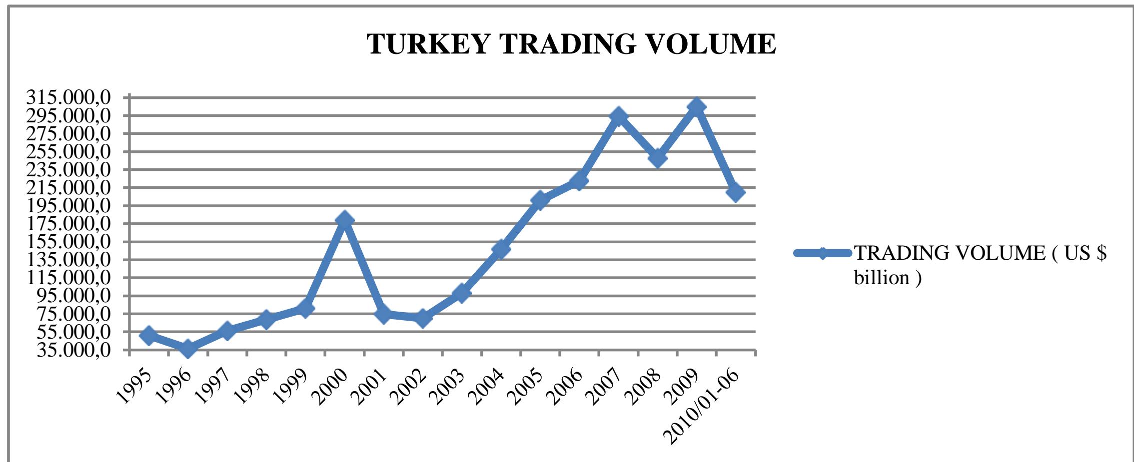

Figure 8.1.: Turkey Trading Volume

Source: *Turkey Trading Volume*, July 2010, http://www.world-exchanges.org, World Federation of Exchanges

Note: 2010/01-06: Between January and June

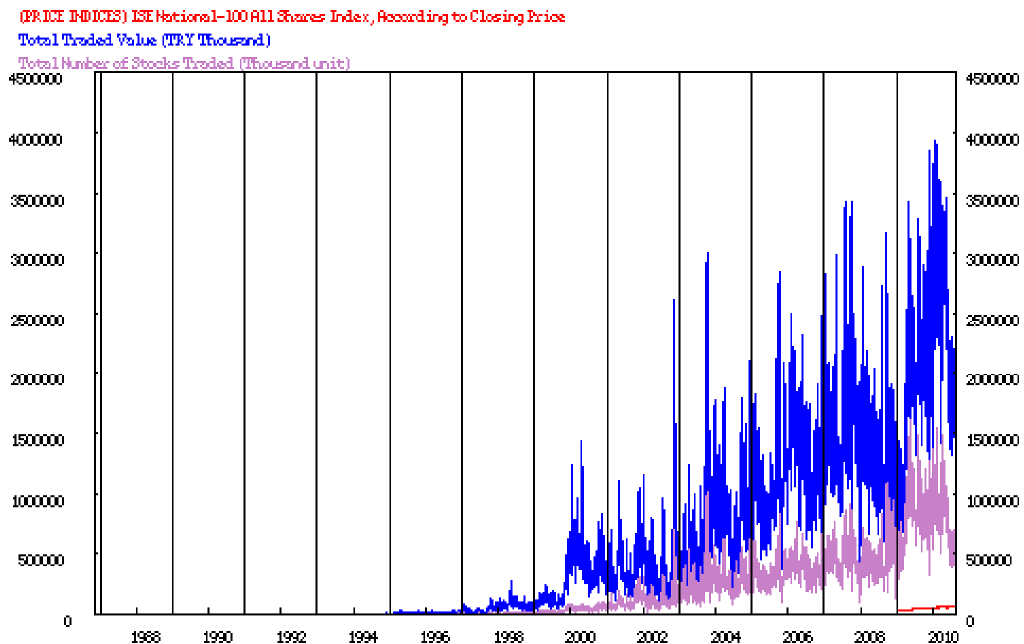

Figure 8.2. : Istanbul Stock Exchange (ISE) Daily Trading Volume (Thousand TRY,Original frequency, Original Observation)

Source: Istanbul Stock Exchange Daily Trading Volume, June 2010, http://evds.tcmb.gov.tr/cgi-bin/famecgi, CBRT Electronic Data Delivery System

In the past, the investors had to wait the due date of the capital which had paid into the bank but, the capital markets are enable to investors that reacting reverse to national and international economical changes. The investors have a dinamic investment media with the capital markets. Although, Turkish investor's choice is realized to capital markets at minimum.

Corporate Finance, which are serviced by capital markets, has an important role on the economic development. Brokerage houses are acts on initial public offering, financial partnership, privatization,purchasing and merging. In this point, initial public offerings are important by purchasing. Because, the foreign investors are cared about transparity and the company, which thinks about purchase, are trade on the stock exchange. So,

Istanbul Stock Exchange presents these opportunities to foreign investors. A developed capital market provides positive contribution to level of employment.

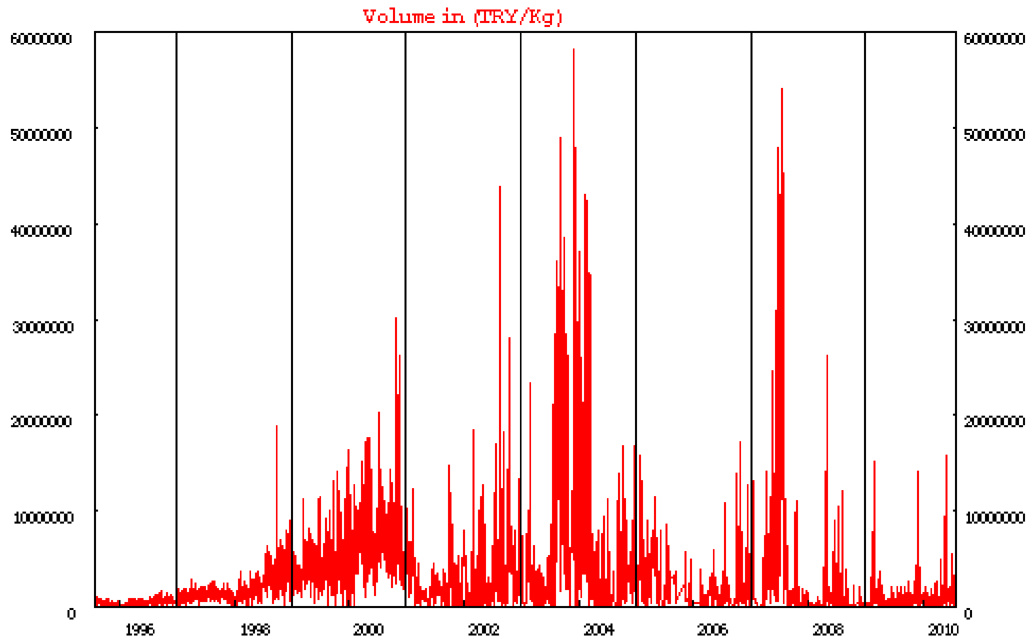

Figure 8.3. : Istanbul Gold Exchange Volume (TRY,Daily)

Source: Istanbul Gold Exchange Daily Volume, June 2010, http://evds.tcmb.gov.tr/cgi-bin/famecgi?cgi=$ozetweb&DIL=UK&ARAVERIGRUP=bie_mkbral.db, CBRT Electronic Data Delivery System

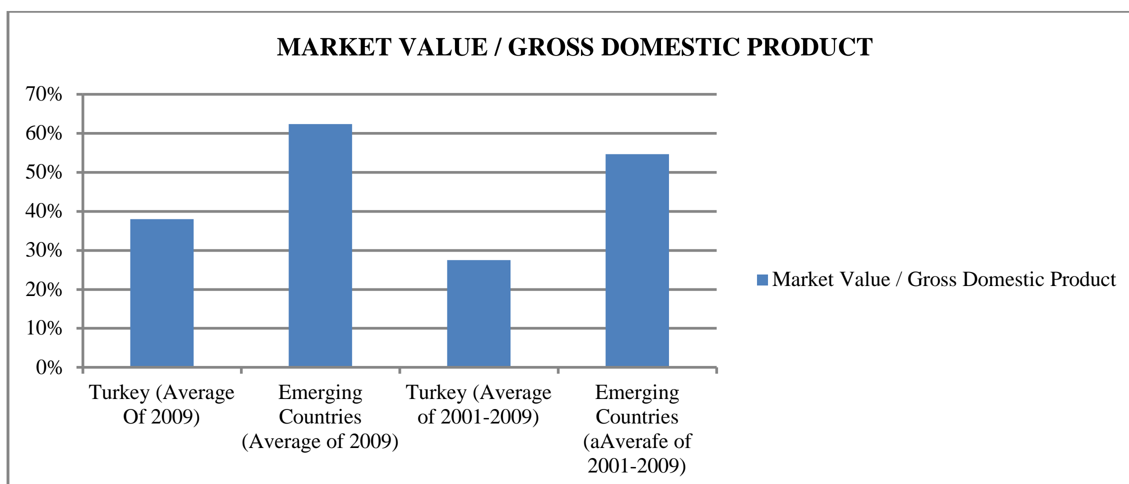

Figure 8.4.: Turkey Market Value / Gross Domestic Product

Source: Turkey Market Volume / Gross Domestic Product, July 2010, http://www.world-exchanges.org, World Federation of Exchanges

The textile industry accounts for more than 25 percent of the overall exports of the country. Turkey is the world's 7th largest cotton-lint producer, with almost 1 million tons of annual production. Turkey is also the global leader in organic cotton production. More than 40,000 companies operate in the textile and clothing industry. The total annual production volumes of both these sectors exceed $30 billion. The textile industry is based out of cities like Izmir, Bursa, Ankara, Kayseri and Adana.

Turkey's industry sectors have been the primary focus of the government since the 1950s. The country's industrial policy had been based on import-substitution until the 1980s. This approach of protectionism was very successful until the liberal economic policies in the 1980s made the industry less protectionist and more forward looking. The policies were geared to enable the Turkish economy to compete in the international markets and lay emphasis on private sector growth.

The energy sector in Turkey which has long been dominated by the state has an estimated size of USD 30 billion and is projected to reach a size of USD 55 billion by 2015. Since 1990 the domination of the share of the public companies has started to

decrease as a result of private sector becoming more active in the electricity generation. Energy Market Regulation Authority(EMRA) which has been an independent, administratively autonomous public institution. is established inorder to regulate energy activities in Turkey in 2001. After the establishment of EMRA in 2001, the government has been encouraging the private sector investments, especially for the renewable energy sources; hydroelectric and wind, majorly. Turkey has a vast potential for renewable energy sources.

Although the electricity generation in Turkey has developed with a rate of 10 percent within the last 40 years; electricity consumption per capita is below the developed countries' averages.Gross electricity consumption per capitaas of 31.12.2007

i. World Average : 2.500 kWh
ii. European Union : 6.500 kWh
iii. Turkey : 2.200 kWh

About The Turkish energy industry relies heavily on imports from Russia. Iran is Turkey's second largest energy supplier. Due to oil prospects in the Black Sea, companies like BP-Chevron, ExxonMobil and Petro Brass have collaborated with Turkish petroleum corporations in the Black Sea region.

Turkey has a thriving automotive sector and is the 16th largest automobile manufacturer in the world and a leader in Europe. Automotive sector is at the first rank compared to other sectors in 2009. The country also aims to be the third largest automobile producing country in Europe and tenth largest in the world.

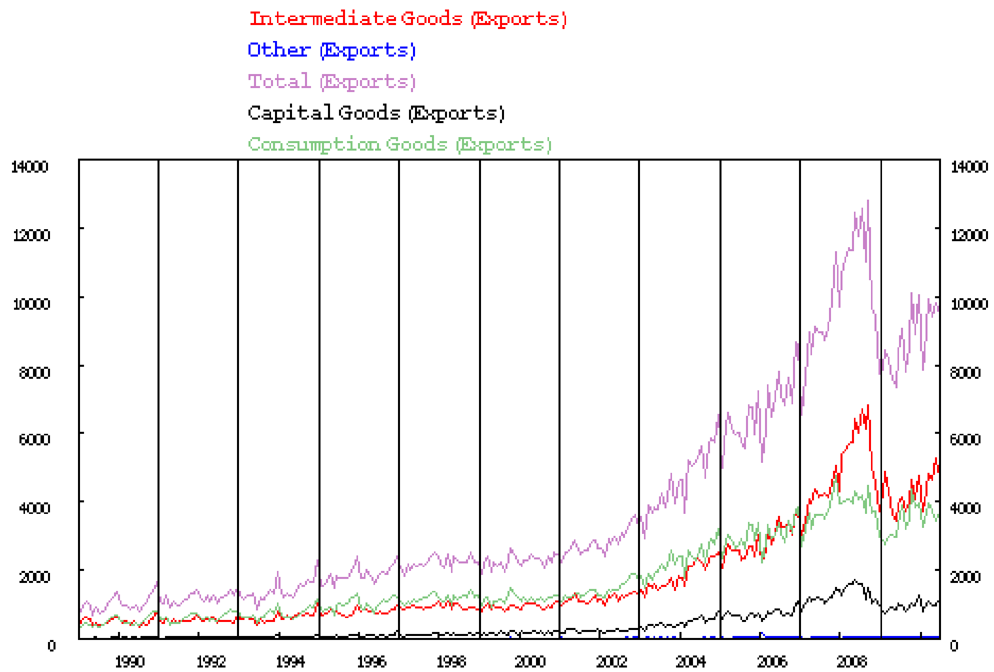

Figure 8.5. : Foreign Trade Broad Economic Categorization(Monthly, $ Millions)

Source:Foreign Trade Broad Economic Categorization, June 2010, http://evds.tcmb.gov.tr/cgi-bin/famecgi?cgi=$ozetweb&DIL=UK&ARAVERIGRUP=bie_dtbec.db, CBRT Electronic Data Delivery System

Turkey has diversified its economy in the 2000s, following an active participation in exports to Europe and other Asian countries. The Turkish industry of late has started looking beyond the Middle East, but still lags behind its European counterparts. The industrial share of the Gross National Product (GNP) stood at 30 percent as of 2009.

Table 8.1. :Economic Growth of Turkey (1)

	2002	2003	2004	2005	2006	2007	2008	2009	2010 Prog	2010 (Jan-March)	2011(e)
Economic growth									Gov.	Latest	
GDP (TRYbn)	350,5	454,8	559	648,9	758,4	843,2	950,5	954	1.029,00	987,5	1.218,90
(US$bn)	230,5	304,9	390,4	481,5	526,4	643,8	742,1	617,6	641	651,8	783
GDP per capita (US$)	3.492	4.559	5.764	7.021	7.583	9.234	10.440	8.590	8.821		10.720

Source:Turkstat, Treasury, Ministry of Finance, CBRT, SPO, FinansInvest, August 2010

After experiencing an economic boom during 2002-2007, Turkey's economy took a beating in 2008, following the global financial meltdown. One of the major issues that the country is facing is the declining exports to European countries. Turkey's trade, exports and imports were hit badly in the year 2008, when the trade deficit stood at -31 percent.

Table 8.2. :Economic Growth of Turkey (2)

	2002	2003	2004	2005	2006	2007	2008	2009	2010(Jan-June)	2011(e)
Economic growth										
Domestic demand	8,4	8,5	11,8	9,8	7,2	5,9	-1,3	-7,4	1,2	5,5
Net exports	-2,2	-3,3	-2,4	-1,4	-0,3	-1,2	1,9	2,7	0	-1,5
Industrial output growth (%)	9,5	87	9,9	5,3	7,8	6,9	-0,9	-9,6	17	5
Capacity usage (%)	76,2	78,5	6,6	80,3	31	81,8	73,1	65	71,4	

Source:Turkstat, Treasury, Ministry of Finance, CBRT, SPO, FinansInvest, August 2010

Turkey's major export products include automobiles clothes, electronicsand agricultural products. Other major products exported from Turkey include iron and steel, mineral

fuels and oil, precious stones and tobacco. On the other hand, the major import commodities for Turkey include electrical equipment, mechanical appliances, optical instruments, iron and steel, and pharmaceutical products. Turkey's major import partners are the USA, Russia, Germany, Italy, France, Switzerland and the UK.

Table 8.3. : External Balance of Turkey

	2002	2003	2004	2005	2006	2007	2008	2009	2010 Prog	2010(Jan-June)	2011(e)
External balance											
Foreign trade balance (US$bn)	-15,5	-22,1	-34,4	-43,3	-54	-62,8	-69,9	-38,6	-45,5	-28,5	-71,8
Exports	36,1	47,3	63,2	73,5	35,5	107,3	132	102,2	107,5	54,8	130,5
Imports	51,6	69,3	97,5	116,8	139,6	170,1	202	140,8	153	83,3	202,3
Current account balance (US$bn)	-0,6	-7,5	-14,4	-22,1	-32,1	-33,2	-41,5	-13,9	-18	-20,7	-44,1
C/A / GDP (%)	-0,3	-2,5	-3,7	-4,6	-6,1	-5,9	-5,6	-2,3	-2,8	-4,2	-5,6
FDIs (US$bn)	1,1	1,8	2,8	10	20,2	22	13,2	5,9		2,3	13
CBRT F/X reserves (US$bn)	26,7	33,6	36	50,5	60,8	71,3	70,1	70,7		78,9	

Source:Turkstat, Treasury, Ministry of Finance, CBRT, SPO, FinansInvest, August 2010

Oil exports from Turkey in 2008 stood at 141,700 b/d, with oil imports at 783,800 b/d in the same period. The total exports amounted to $111 billion in 2009, which fell from its 2008 estimates of $140.7 billion. The total imports amounted to $134.2 billion, according to the 2009 estimates, which again fell from the 2008 estimates of $193.9 billion. Turkey has started to explore alternative markets to counter the effects of the financial crisis. Exports to countries in Africa and Central Asia have increased tremendously. Trade with the Organization of Islamic Countries (OIC) has jumped by more than 50 percent in 2008. FDI from the Middle East countries increased to almost $2 billion in 2008. Exports to Iraq increased by 75 percent in 2009, and trade relations with Africa are expected to strengthen in 2010.

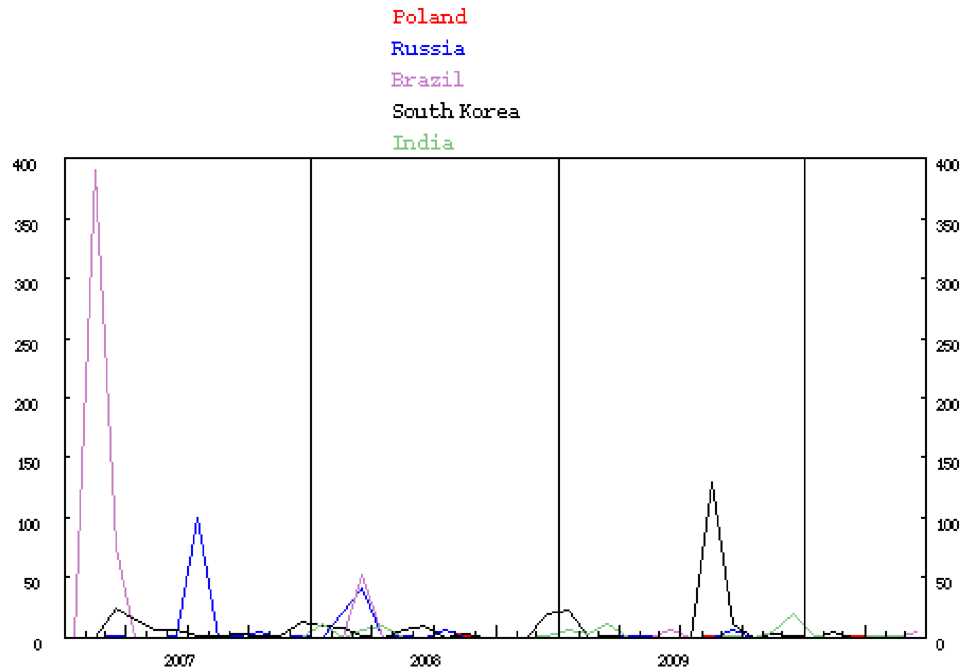

Figure 8.6. : Foreign Direct Investment in Turkey by Countries (Montly,Million USD)

Source:Foreign Diect Investment in Turkey by Countries, June 2010, http://evds.tcmb.gov.tr/cgi-bin/famecgi?cgi=$ozetweb&DIL=UK&ARAVERIGRUP=bie_ydydyul.db, CBRT Electronic Data Delivery System

Turkey's economy is quite interesting in that it is a complicated blend of modern commerce and industry, along with traditional sectors to include agriculture, fisheries, and farming. Today, this country has a strong sector that is growing quickly but even so, the government of Turkey is heavily involved with the basic industry, as well as financial services, financial institutions, banks, communication, and transport. Of all sectors in Turkey, textiles and clothing is without doubt the most significant, accounting for about 35 percent of employment opportunity.

For many years, Turkey's economy saw incredible growth but in 1994, 1999, and 2001, output was cut dramatically. Even with this challenge, by 2004 Turkey was

experiencing growth of the Gross Domestic Product by 9 percent. Then from 2002 to 2007, the country saw more growth specific to improved investor interest for developing emerging markets but despite this, a high national current account balance deficit and incredible debt for external public state, changes were needed. It is now believed with Turkey becoming a member of the European Union, coupled with judicial reform that any economy challenges will quickly and efficiently be resolved.

Table 8.4. : Fiscal Policy of Turkey

	2002	2003	2004	2005	2006	2007	2008	2009	2010 Prog	2010(Jan-June)
Fiscal Policy										
Primary balance / GDP (budget) (%)	3,3	4	4,9	6	5,4	4,1	3,5	0,1	0,7	0,9
Prim.bal. / GDP (budget, IMF) (%)	2,1	3,9	3,9	3,7	4,4	2,6	1,9	-1,5	-0,8	-0,5
Prim.bal. / GDP (whole public, IMF) (%)	2,8	4,6	5	4,4	4,8	3,5	2,2	-0,7	-0,3	-0,2
Over-all budget balance / GDP (%)	-11,5	-8,8	-5,2	-1,1	-0,6	-1,6	-1,8	-5,5	-4,9	-4,5
PSBR / GDP (%)	10	7,3	3,6	-0,1	-1,9	0,1	1,6	6,4	4,2	

Source:Turkstat, Treasury, Ministry of Finance, CBRT, SPO, FinansInvest, August 2010

Unlike many other countries, Turkey is a blend of old and new. Over the years, the Turkey GDP (Gross Domestic Product, Current Prices, US Dollars) enjoyed growth but some decline has also been experienced. With this country now being a part of the European Union, any serious economic challenges should be easier to resolve, making it more likely for the GDP to continue growing. In 2008, the GDP for Turkey was reported at $730.32 billion in US dollars. Then over the following year, a slight reduction of 15.75 percent was seen, which put the GDP for 2009 at $615.329 billion and the country at number 17 worldwide. Expectations for 2010 put the GDP at $710.74 billion, which is only a small change but by 2015, experts believe a more significant change will occur, putting the GDP at $852.379 billion in US currency.

Approximately 97 percent of this country is Asian Turkey, which is separated by Bosporus, Dardanelles, and the Sea of Marmara from European Turkey. The most recent report for the Turkey population shows that almost 75 people live in this country but just 24.5 million work although just over 1 million work in overseas economies. With this, the Turkey unemployment rate is high, hitting 14.6 percent in 2009, an increase from 2008 that hit 10.97 percent.

Table 8.5. :Prices, Interest Rates and Foreign Currency for Turkey

	2002	2003	2004	2005	2006	2007	2008	2009	2010(Jan-June)	2011(e)
Prices and interest rates										
CPI (period-end, %)	29,7	18,4	9,4	7,7	9,7	8,4	10,1	6,5	7,6	6,6
(average, %)	45	25,3	8,6	8,2	9,6	8,8	10,4	6,3	7,6	6,4
PPI (period-end, %)	30,8	13,9	15,3	2,7	11,6	5,9	8,1	5,9	8,2	7,5
(average, %)	50,1	25,6	14,6	5,9	9,3	6,3	12,7	1,2	5,3	7,4
Policy rate (period-end, %)	44	26	18	16,5	17,5	15,8	15	6,5	7	9,5
Foreign Currency										
Real exchange rate index (1995=100)	125,3	136,5	143,5	160	160,6	175,9	166,3	170,2	125,9	
TRY/US$ (average)	1,5058	1,4967	1,4223	1,3405	1,4298	1,2995	1,2985	1,553	1,5193	1,5468
TRY/US$ (period-end)	1,6345	1,3958	1,3421	1,3413	1,4056	1,1593	1,5213	1,4873	1,5032	1,5598
TRY/Eur (average)	1,4315	1,687	1,7672	1,6695	1,7987	1,7768	1,898	2,162	2,0062	1,9335
TRY/Eur (period-end)	1,7139	1,7575	1,8233	1,5875	1,8515	1,706	2,1332	2,1427	1,9644	1,9498

Source:Turkstat, Treasury, Ministry of Finance, CBRT, SPO, FinansInvest, August 2010

For experts to forecast the Turkey inflation rate, which consists of average consumer prices, an index of 2000=100 is used. At the end of 2008, the inflation rate was at 10.44 percent, followed by a small increase of 6.25 percent. Then by the end of 2009, the rate had declined to 6.251 percent, putting Turkey at number 54 for world rankings. Looking at the future, forecasts for 2010 show the rate will be at 9.73 percent. Then for the year 2015, predictions are the inflation rate will be at 4 percent.

Table 8.6. : Turkey's Credit Ratings

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Credit Rating									
S&P	B-(sta.)	B(sta.)	BB-(sta.)	BB-(sta.)	BB-(sta.)	BB-(sta.)	BB-(neg.)	BB (pos.)	BB (pos.)
Moody's	B1(neg.)	B1(sta.)	B1(sta.)	Ba3(sta.)	Ba3(sta.)	Ba3(sta.)	Ba3(sta.)	Ba2(sta.)	Ba2(pos)
Fitch	B(neg.)	B(pos.)	B+(pos.)	BB-(pos.)	BB-(pos.)	BB-(pos.)	BB-(pos.)	BB(sta.)	BB(sta.)

Source:Turkstat, Treasury, Ministry of Finance, CBRT, SPO, FinansInvest, August 2010

Many indicators are important for assesment of credit rating agencies. These include;

i. Budget deficit
ii. The current account balance,
iii. Public sector borrowing requirement (PSBR),
iv. Growth rate
v. The unemployment rate as

Economic indicators, as well as the political criteria

i. Vote for the ruling party,
ii. More history of the proximity and distance,
iii. Political stability,
iv. Political indicators, such as internal political balances in the country is checked.

In fact, developments in the country's foreign policy, relations with other countries are even included in the assessment. Ranking of importance of these indicators may change over time, and the country's situation.

There are only an indication that it will never diminish the importance of: Public sector debt burden and the possibility of reversibility.

When forecasting the Turkey current account balance, experts look at all transactions for major classifications of goods, services, income, and current transfers, minus capital and financial items. Year-end 2008 had an account balance of minus $41.29 billion in US dollars, followed by a reduction of 66.45 percent. This change put 2009 at minus $14.853 billion and placed Turkey at number 171 worldwide. For the future, 2010 and 2015 are being predicted at minus $28.35 billion and minus $39.848 billion in US dollars respectively.

Table 8.7.: Turkey's Debt Stock

	2002	2003	2004	2005	2006	2007	2008	2009	2010(Jan-June)
Debt stock									
Central govern.cons.debt (TRYbn)	242,7	282,8	316,5	331,5	345	333,5	380,3	441,4	458,2
Domestic debt	149,9	194,4	224,5	244,3	251,5	255,3	274,3	330	345,2
External debt	92,8	88,4	92	86,7	93,6	78,2	105,5	111,4	113,1
Central govern.cons.debt/GDP (%)	69,2	62,2	56,6	51,1	45,5	39,6	40	46,6	46,4
Domestic debt / GDP	42,8	42,7	40,2	37,7	33,2	30,3	28,9	34,9	35
External debt / GDP	26,5	19,4	16,5	13,4	12,3	9,3	11,1	11,8	11,5
Gross public debt (TRYbn)	256,9	297,3	332,6	350,8	365,6	355,4	411,7	465,5	475,5
Domestic debt	154,9	201,7	234,7	259,3	268,2	273,2	299,6	347,2	355,5
External debt	102	95,6	97,9	91	97,3	82,2	112,1	118,3	120
EUdef. public debt (TRYbn)	253,2	306,3	331,2	339,4	349,5	332,5	375,2	433,9	444,3
EUdef. public debt/GDP (%)	73,7	67,4	59,2	52,3	46,1	39,4	39,5	45,5	45

Source:Turkstat, Treasury, Ministry of Finance, CBRT, SPO, FinansInvest, August 2010

Strengts of Turkish capital market are as following (Türkiye Sermaye Piyasası Sektör Raporu 2008,13-18) ;

i. Turkish capital market has strong bourses, which can provide trading on organized market, to investors and international financial intermediaries.
ii. The indicators, which like trading volume,yield curves..., have priority at the emerging countries.
iii. Istanbul Stock Exchange has recognised as “International Bankable Market” by Securities Exchange Commission, Japan Securities Dealers Association and Austria Finance Ministery.
iv. The Bourses has online trading system with the other international bourses.
v. Turkish capital market juridical structure and acting mechanism are parallel with international capital markets.
vi. Corporations, which are in the capital market, are taken active roles in international organizations.
vii. Istanbul Gold Exchange provides that the sector’s active participation to the capital markets.

Weakness of Turkish capital markets are as following;

i. Very small portion of domestic savings are invested in capital market instruments.
ii. As a result of high real interest rates, government securities crowds out private sector securities and this undermines the diversity of financial instruments in the capital market.
iii. Institutional investor base and service range are not in desired level.
iv. In recent years, progress has been taken with the changes in listing requirements, although the number of initial public offered companies are not at high levels.
v. Exporters access to capital markets is not in desired level. Companies' free float rate is relatively low.

vi. Courts, that specialized about capital markets does not exist.

vii. Because of individual investors are not attracted of low return of mutual funds, they often invest without effective risk-return analysis.

viii. A large portion of brokerage houses' total operating income depends on comissions rather than portfolio management, investment advice and such as capital market activities. Because of that brokage houses are affected of IMKB trading volume changes.

ix. Transfer of some of the public banks to Savings Deposit Insurance Fund (TMSF) and similar applications has reduced the confidence of investors into the market.

x. Tax rules of capital market returns change very frequently. There are differences of taxes that foreign investors pay and domestic investors pay for capital market earnings. This situation is adversely affecting domestic investors.

xi. Futures and Options Exchange transaction earnings were tax-exempt in 2006, 2007,2008 and 2009. The continuation of tax-exemption can reveal negative effects on the spot market trading volume.

xii. Because of lack of supply and demand, secondary market is not in desired depth and financial crimes are easier.

xiii. Precious metals price dependence on the international market continues. Reckless trading does not decrease in desired speed. Because of low institutionalization rate, failed to rise to the expected growth rate.

xiv. Istanbul Gold Exchange’s relations with financial markets failed to reach the desired level. Therefore the capacity of using the sector's financial products remained low. Accordingly, range of derivative products based on precious metals has not been increased.

There is also opportunities at the Turkish capital market;

i. There are lots of large and medium-sized, well-institutionalized companies that stock securities has not been traded in the stock market

ii. As a geographical advantage being able to establish contact with a wide wariety of stock exchange markets we have the opportunity to develop

new indicators indexes as a basis of creation of stock mutual funds. Meeting these exchanges in a single trading platform, will increase the international competitiveness of the Turkish Capital Markets. Completed remote acces simplifies the realization of these opportunities

iii. Turkey has a young, dynamic and potential capital market interested population.

iv. Turkey's EU membership will lead to increase the foreign investors number.

v. Private pension funds that play a crucial role in the development of capital markets started to take role. These funds in case of tax incentives will increase the potential for development too.

vi. Remote access system significantly reduces the cost of intermediation sector.

vii. Improvements in Turkey's macro-economic indicators has the potential to cause an increase in the number of companies will be able to public offer in mid-long term and an increase on foreign direct investment and private equity investments.

viii. Development of revenue sharing certificates and the similar alternative investment instruments will increase financial market depth and major funding input to the real sector companies by attracting interest rate sensitive investors.

ix. Both spot and futures market trading volume can increase and a wider audience of investors in capital markets can be reached by establishing Specialized Products Exchanges.

x. By allowing a double quotation, subsidiaries of companies traded on the Istanbul Stock Exchange can be traded on Istanbul Stock Exchange. Liquidity of market can be improved.

xi. If conducted studies can be put into practice about to make Istanbul regional financial center, more foreign investments will come to our country

Threats of Turkish capital markets are as follow;

i. The possible distortion in overall progress of the economy affects capital markets and stock markets adversely.
ii. With the increase in raw material prices and a possible narrowing of the international economic turmoil, especially with the acceleration of the flow of liquidity funds to the developing countries, the market may go down in a difficult position
iii. Regional and global stock exchange mergers have negative effects on competitiveness of I.M.K.B.
iv. Technological development and dissemination policy of competitive markets (for example Greece's Hellenic Exchange A.A.) mat out IMKB in a difficult positionwhich have limited mobility and limited technological restructuring because of laws.

8.2.PEOPLE'S REPUBLIC OF CHINA CAPITAL MARKET

Many countries are follow up closely China economy cause of it is fourth biggest economy in the world. There is six stock exchange named are, Shanghai Stock Exchange, Shenzhen Stock Exchange, Shanghai Derivatives Market, Dalian Commodity Exchange, Zhengzhou Commoditiy Exchange and China Financial Derivatives Exchange.

China and Taiwan was seperated with civil war in 1949 and then national administiration (Mao Zedong) proclaimed People's Republic of China. China is administrated with communist system since 1949.

Country's monetary unit is Renminbi Yuan. Stock markets were closed by communist system but they reopened in 1990 so as todirect domestic investors's investments and foreign capitals to china capital markets.

China is realized 9 percent of total worl export and 7 percent of import after the being a member of World Trade Organization in 2001. It is the second country at export after the Germany. 19 percent of total China's export is being to United States. In addition, China is being the front rank with its reserves, amount 1.5 trillion U.S. $.

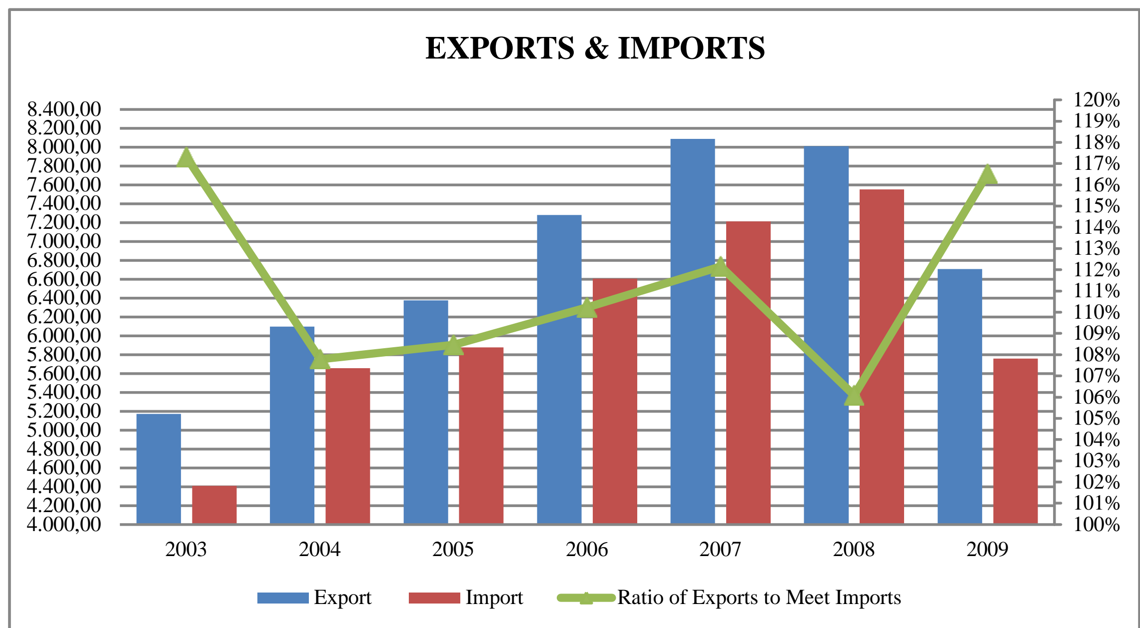

Figure 8.7.: China Export & Imports

Source: Ratio of Exports to Meet Imports, July 2010,http://www.cbc.gov.tw, Central Bank of the Republic of China

Table 8.8.: China Exports & Imports

	Exports of Goods and Services (billions of NT $)	Imports of Goods and Services (-) (billions of NT $)	Ratio of Exports to Meet Imports (%)
2003	5,173.00	4,410.00	117%
2004	6,097.30	5,656.60	108%
2005	6,374.40	5,877.30	108%
2006	7,279.40	6,604.20	110%
2007	8,087.80	7,211.70	112%
2008	8,010.30	7,551.10	106%
2009	6,708.90	5,757.30	117%

Source:Export and Import Datas, July 2010,http://www.cbc.gov.tw, Central Bank of the Republic of China

Chinese financial sector is regulated by different three authorities; Capital Market Regulatory Commission, Banking Regulation Commision, Insurance Regulatory Commission.

According to years China capital markets history as follows; Shanghai Stock Exchange was opened in 1990 and then Shenzhen Stock Exchange was opened in 1991. In 1992, stocks, based on foreign currency, was trade on and Capital Market Regulatory Commission was founded. For the first time, a Chinese company was trade on Hong Kong Market in 1993 and the first mutual fund started to trade on in 1998. In 1999, Securites Exchange Act came into effect. The government gave permission to domestic investors to transaction with stocks which types are B in 2001 and arraied rules for well-qualified foreign corporate investors in 2002. Mutual Funds Act came into effect in 2003. In 2004, China Securities Regulatory Commission consituted for restructuring of brokerage firms, sponsorship system was introduced in public offerings, Small and medium sized firms markets was founded in Shenzen Stock Exchange. Public offerings banned, then lift the ban in the same year andSecurity Acts and Copmanies Act was changed in 2005. In 2006, was arried rules for well-qualified domestic investors.

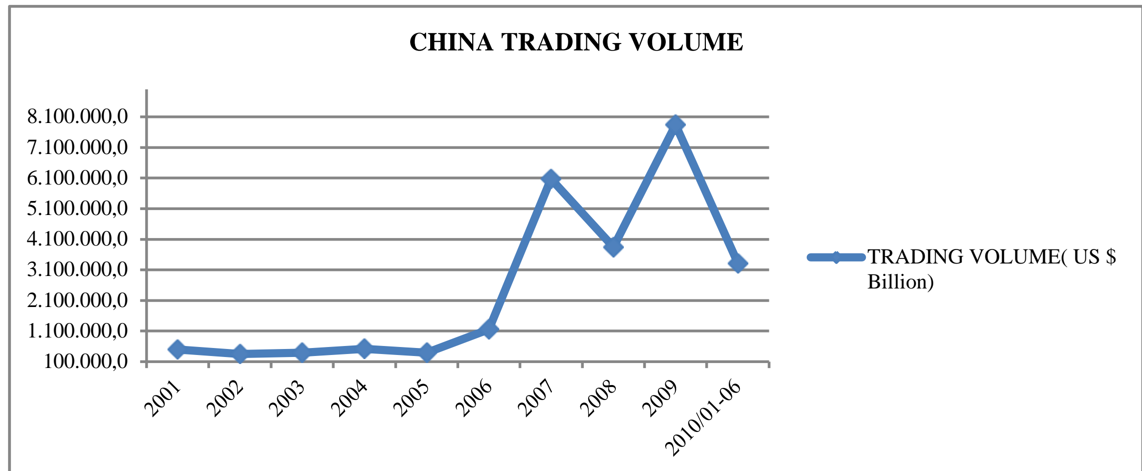

Figure 8.8.: China Trading Volume

Source: Trading Volumes on Emeging Markets, July 2010, http://www.world-exchanges.org, World Federation of Exchanges

Note: 2010/01-06: Between January and June

Shanghai compound index, which as benchmark index, was used in Shangai Stock Exchange with the other eightteen index. Shenzen Stock Exchange is a member of IOSCO, WFE and AOSEF. Aluminum, copper, rubber, fuel oil, gigko and contracts based on gold are trade on Shanghai Futures Exchange. Wheat, cotton, sugar, some kind of acids, colza oil, green bean, are trade on Zhengzhou Commodity Market. Soybean, soybean flour, soybean oil, com, palm oil and polyethilene products with low densitiy are trade on Dalian Commodity Exchange (DCE).

China Financial Futures Exchange (CFFEX) was established in partnership with Shangai and Shenzen Stock Exchange, Shangai Financial Futures Exchange, Zengzhou and Dalian Commodity Market in September, 2006.

Chinese Securities Index Company was established Shangai and Shenzen Stock Exchange's subsidiary. Both stock exchange has 50 percent shares. CSI 100, CSI 200, CSI 300, Hong Kong 100 and Hong Kong Rate Index and several commodity indice are calculated by Chinese Securities Index Company.

China Securities Depository and Clearing Corporation (SD&C) was established in 2001 and its centrum is in Beijing. The Corporation was established in partnership with Shangai and Shenzen Stock Exhange for the purpose of crating a central clearing system of China Capital Market andt both exchamges are have 50 percent shares. The Corporation is authorized clearing and custody the securities and is audited by Capital Market Committee.

Different inverstment vehicle stock, bonds...eg. is traded again after the reopening of China Stock and Commodity Exchanges in 1990 however, banking sector is chosen according to capital markets. Total savings were about 11 trillion $ at finance sector and 63 percent of them was bank bonds, 31 percent were stocks, 5 percent were government bonds and 1 percent of them were the private sector bonds and notes. When we sort the stock exchanges by their returns as U.S. dollars, Shangai Stock Exchange is two and Shenzen Stock Exchange is three times yields than the others in 2007. The number of investor accounts increased 70 percent in 2007 compare a year before.

For the month of June 2010, the mothly growth rates of the monetary aggregates M1B and M2, measured on a daily average basis, were -0,58 percent and -0,06 percent respectively, both lower than those of last month. The annual growth rate of M1B declined to 13.22 percent, mainly due to higher base effect. The annual growth rate of M2 rose to 3.81 percent, because bank loans and ivestments continued to grow. Fort he first six months of this year, the average annual growth rates of M1B and M2 were 19.59½ and 4.43 percent, respectively.

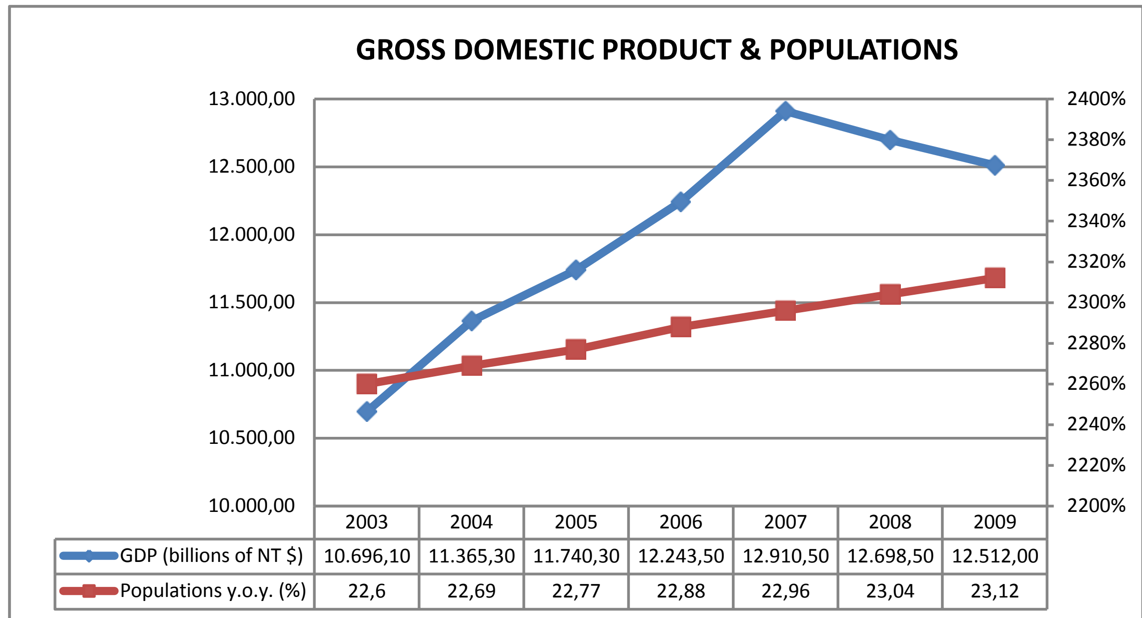

Figure 8.9.: China Gross Domestic Product & Populations

Source:Gross Domestic Product and Populations Datas, July 2010,http://www.cbc.gov.tw, Central Bank of the Republic of China

At the end of June 2010, the mothly growth rate of total deposits in major financial institutions was 27 percent, higher than that of previous month; the annual growth rate rose from 3.69 percent at the end of the previous month to 3.77 percent. The mothly growth rate of total outstanding loans and investments (measured on a cost basis) of major financial institutions was 0.24 percent, lower than that of previous month to 3.75 percent. The rise was mainly due to an increase in bank claims on private sectors. If loans and investments extented by life insurance companies, non-accrual loans reclassified and bad loans written-off by major financial institutions and funds raised by the non-financial sector would show an annual growth rate of 4.07 percent higher than the 3.92 percent at the end of the previous month.

The daily average reserve Money in June was NT $ 2,398.7 billion, a decrease of NT $ 12.2 billion, or 0.51 percent, from the previous month. Of the components, currency in circulation decreased by NT $ 0.3 biilion, while reserves deposited with the Bank

decreased by NT $ 11.9 billion. The annual growth rate of the daily average reserve Money rose to 3.52 percent of the previous month to 4.38 percent. Fort he first six months of this year, the average annual growth rate of reserve money was 4.32percent.

Fort he month of June, the daily average net excess reserves of depository institutions were NT $ 26.9 billion. The average overnight call-loan rate rose from 0,174 percent of the previous month to 0,183 percent in June.

At the end of June, the foreign Exchange reserves amounted to US $ 362.38 billion, increasing by US $ 2.26 billion from the prebious month.

8.3.INDIAN CAPITAL MARKET

India is a South Asian country that is the seventh largest in area and has the second largest population in the world. The land covers an area of 3,287,240 square km (India geography) and the population stands at 1,202,380,000 people (India population) . India has great plains, long coastlines and majestic mountains. Thus, the land has abundant resources. India shares its borders with Bangladesh, Pakistan, Nepal, Sri Lanka and Myanmar.

Large, dynamic and steadily expanding, the Indian economy is characterized by a huge workforce operating in many new sectors of opportunity. The Indian economy is one of the fastest growing economies and is the 12th largest in terms of the market exchange rate at $1,242 billion (India GDP). In terms of purchasing power parity, the Indian economy ranks the fourth largest in the world. However, poverty still remains a major concern besides disparity in income.

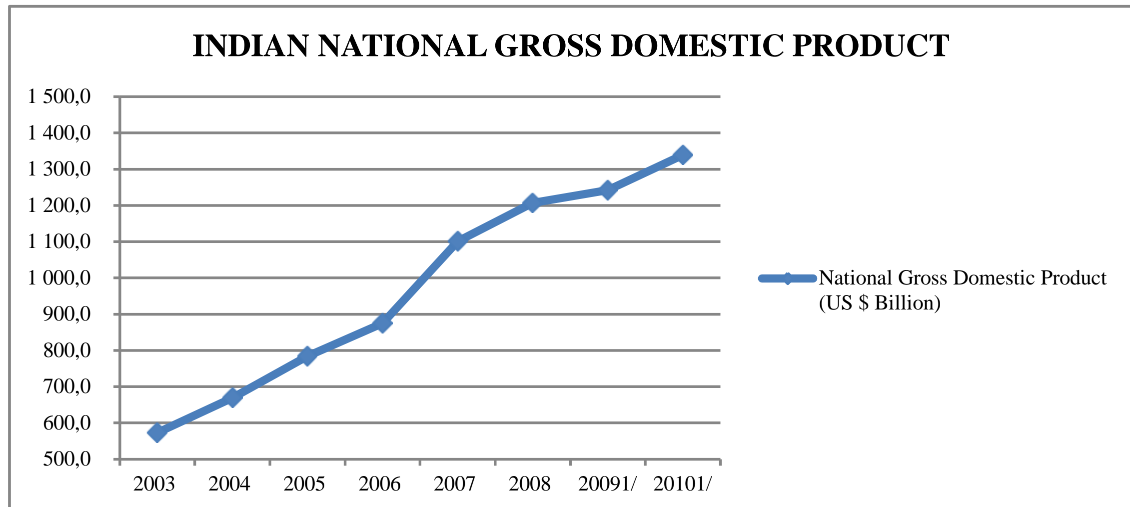

Figure 8.10. : Indian National Gross Domestic Product

Source:Indian National Gross Domestic Product, July 2010, http://www.economywatch.com, Economy, Investments and Finance Reports.

Note: 20091 and 20101/ IMF's estimate

The Indian economy has been propelled by the liberalization policies that have been instrumental in boosting demand as well as trade volume. The growth rate has averaged around 7 percent since 1997 and India was able to keep its economy growing at a healthy rate even during the 2007-2009 recession, managing a 5.355 percent rate in 2009 (India GDP Growth). The biggest boon to the economy has come in the shape of outsourcing. Its English speaking population has been instrumental in making India a preferred destination for information technology products as well as business process outsourcing.

The economy of India is as diverse as it is large, with a number of major sectors including manufacturing industries, agriculture, textiles and handicrafts, and services. Agriculture is a major component of the Indian economy, as over 66 percent of the Indian population earns its livelihood from this area. However, the service sector is greatly expanding and has started to assume an increasingly important role. The fact that the Indian speaking population in India is growing by the day means that India has become a hub of outsourcing activities for some of the major economies of the world

including the United Kingdom and the United States. Outsourcing to India has been primarily in the areas of technical support and customer services.The services sector, backed by the IT revolution, remained the biggest contributor to the national GDP, with a contribution of 58.4 percent. The industry sector contributed 24.1 percent and the agriculture sector contributed 17.5 percent to the GDP.

Other areas where India is expected to make progress include manufacturing, construction of ships, pharmaceuticals, aviation, biotechnology, tourism, nanotechnology, retailing and telecommunications. Growth rates in these sectors are expected to increase dramatically.

Despite the liberalization the economy still largely controlled by the government and the 500+ major companies it owns, which together are worth around US$500 billion, or around 40 percent of GDP at current exchange rates. Thanks to past profligate spending, government debt is running at around 80 percent of GDP. Servicing the interest payments on that debt is now the single largest component of the federal budget. Fiscal discipline and deficit reduction is therefore vital for India's future prospects.It is also crucial to understand that India is driven primarily by domestic (consumer) consumption. This stands in marked contrast to Japan, the Asian Tigers and now China, all of whom have followed the export-oriented model. With the massive growth of the Indian middle class, this vast country may become Asia's first major 'buy' economy.

One of the major challenges for the Indian economy and those responsible for operating it, is to remove the economic inequalities that are still persistent in India after its independence in 1947. Poverty is still one of the major issues although these levels have dropped significantly in recent years. Over 25 percent of the working Indian populace is living below the poverty line (India Poverty Line and Gini Index).

Poverty is a challenge that’s becoming increasingly important in relationship to the alarming rate of new births. This implies that ever more rapid change, or birth control policies like the ‘One Child’ policy in China, are needed to reduce the numbers affected by poverty in the vast Indian economy.

The per capita income of India is 4,542 US Dollars in the context of Purchasing Power Parity. This is primarily due to the 1.1 billion population of India, the second largest in the world after China. In nominal terms, the figure comes down to 1,089 US Dollars, based on 2007 figures. According to the World Bank, India is classed as a low-income economy. India is part of the G-20, Group of Twenty.

In 2009, India's PPP Gross Domestic Product stood at $3.548 trillion, and was the fourth largest economy by volume.

The employment scenario was dominated by the services sector, creating 62.6 percent of the jobs for the 467 million workforce. The industry sector contributed 25.8 percent to the GDP and employed 20 percent of the workforce. The agriculture sector contributed 15.8 percent to the GDP and created 17.5 percent jobs (India Labor Force). The unemployment rate remained around 10 percent in 2009. However, rising inflation became a major concern, and measures to check it are being implemented. In 2009, the rate of inflation was around 10.7 percent (India Inflation Rate Change).

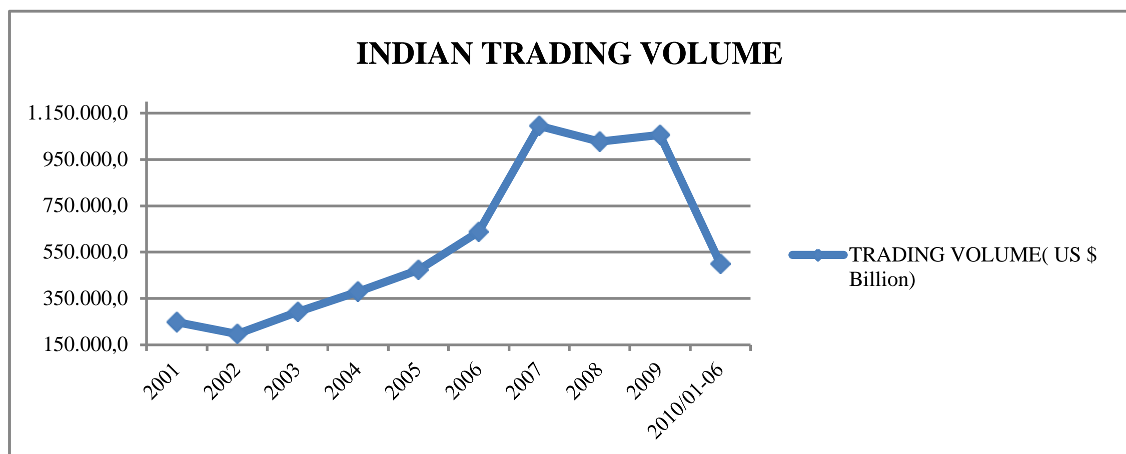

Figure 8.11.: Indian Trading Volume

Source: Indian Trading Volume,July 2010, http://www.economywatch.com, Economy, Investments and Finance Reports.Note: 2010/01-06: Between January and June

Currently, the economic activity in India has taken on a dynamic character which is at once curtailed by creaky infrastructure, for example dilapidated roads and severe

shortages of electricity, and cumbersome justice systemyet at the same time accelerated by the sheer enthusiasm and ambition of industrialists and the populace. The upward economic cycle in India is expected in short time to effectively address the short comings and bottlenecks of the infrastructure. The fast changing, seemingly chaotic and unsettled situation is much more hopeful and reassuring than the socialist morass that was the Nehru and Indira Gandhi legacy

The global economy seems to be recovering after the recent economic shock. The Indian economy, however, was hit in the latter part of the global recession and the real economic growth has witnessed a sharp fall, followed by lower exports, lower capital outflow and corporate restructuring. The global economies are expected to continue to sustain themselves in the short-term, as the effect of stimulus programs is yet to bear fruit and tax cuts are working their way through the system in 2010. Due to the strong position of liquidity in the market, large corporations now have access to capital in the corporate credit markets.

8.4.INDONESIA CAPITAL MARKET

The Republic of Indonesia is an archipelago of over 18,110 islands of which 6,000 are inhabited. After China, India and U.S., it is the fourth most populated country in the world with around 230 million people. It is also home to largest Muslim populations in the world. Jakarta is the capital city of Indonesia, Malaysia, East Timor and Papua New Guinea are its closest neighbours.

Indonesia became independent after World War Two, following Dutch colonialism for three and a half centuries. Periods of swift economic change, corruption, nat,onal disaster and democratization process is a pillar of its economic strenght. However, poverty is the bigest challange to the Indonesia’s economy. Around 53 percent of habitants earn less than $ 2 U.S. a day. Indonesia lacks infrastructure development, except Jakarta and Bali.

Indonesia is a member of the G-20 major economies. It features a develoing market economy with strong influence from the government. Over 164 state-owned enterprices

are run by the government. The prices of many basic products, such as rice, electricity and fuel are administered by the government.

Indonesia is a lower middle-income economies coming under the East Asia and Pacific region as to the classification made by the World Bank on the basis of income and region for the year 2006.

The Government of the country has a dominant role on economy. Since the year2004 the country's economy has been experiencing more than 5 percent of annual growth rate. The government from time to time has stepped forwars to remove the regulatory barriers on the country's economy. Presently Indonesia is a member country of the World Trade Organization (WTO), Organization of Petroleum Exporting Countries (OPEC) and Association of Southeast Nations (ASEAN).

Major agricultural products of the country are tobacco, coffee, rica, rubber, palm oil, tea and sugarcane. Important industries are cement, chemicals, fertilizerz, petroleum and tourism. The country prossesses huge deposits of nickel, copper, gold and bauxite.

Domestic consumption is one of the major diriving forces behind the country's economic growth. The economic growth slowed considerably during 2007-08. However, like India and China, Indonesia recorded higher growth during the global financial crisis, compared to the other G20 members.

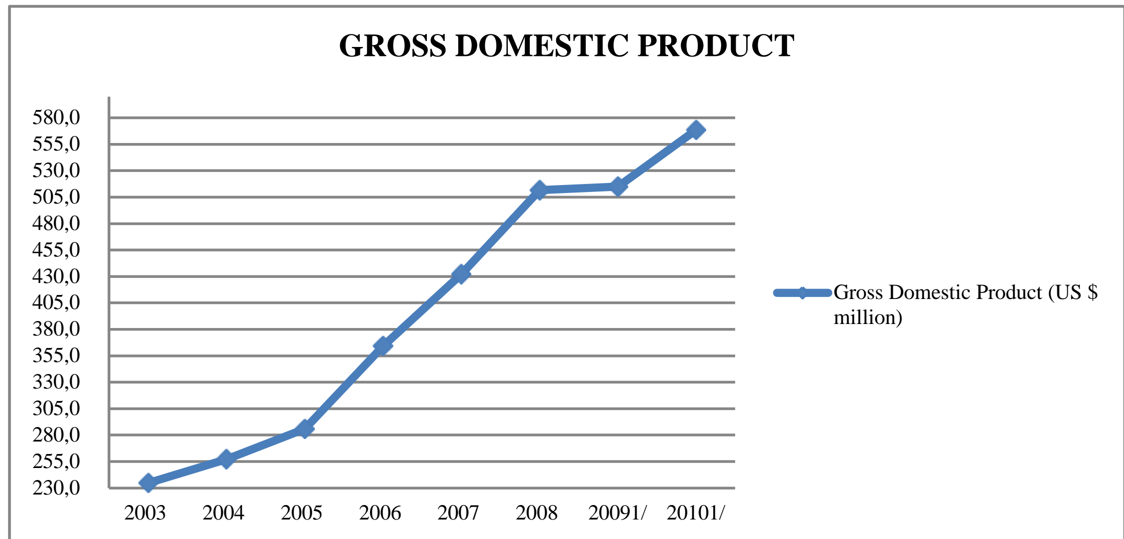

Figure 8.12.: Indonesia Gross Domestic Product

Source: Indonesia's Gross Domestic Product Datas, July 2010, http://www.economywatch.com, Economy, Investments and Finance Reportswww.economywatch.com . All figures are in $ U.S. billion

Note: 20091 and 20101/ IMF's estimate

Indonesia's official real growth rates and compositions by sectors are as following; 4.4 percent (2009), 6.1 percent (2008), 6.3 percent (2007) and Agriculture: 14.4 percent, Industry: 47.7 percent, Services: 38.5 percent and Literacy: 92 percent.

Indonesia's economy has weathered a global economic downturn twice (1997 – 98 – 2008). The economic vastly relies on agriculture, manufacturing and social services sectors for growth. Due to several natural disasters, political and social disturbances and terrorist activities, the economy has been through significant changes in the last few deades. These also led to less development employment opportunities, forcing a big chunk of the population to find employment in neighbouring nations, especially Malaysia, (Economy, Investments and Finance Report 2010).

Indonesia Stock Exchange (IDX) or in Indonesian Bursa Efek Indonesia (BEI) is a stock exchange based in Jakarta, Indonesia. It was previously known as Jakarta Stock Exchange (JSX) before its name changed in 2007 after merging with Surabaya Stock

Exchange (SSX). As of 28th June 2010, the Indonesia Stock Exchange had 341 listed companies with a combined market capitalization of $269.9 billion.

Originally opened in 1912 under the Dutch colonial government, it was re-opened in 1977 after several closures during World War I and World War II. After being reopened in 1977, the exchange was under the management of the newly created Capital Market Supervisory Agency (Badan Pengawas Pasar Modal, or Bapepam), which answered to the Ministry of Finance. Trading activity and market capitalization grew alongside the development of Indonesia's financial markets and private sector - highlighted by a major bull run in 1990. On July 13, 1992, the exchange was privatized under the ownership of Jakarta Exchange Inc. As a result, the functions of Bapepam changed to become the Capital Market Supervisory Agency. On March 22, 1995 JSX launched the Jakarta Automated Trading System (JATS). In September 2007, Jakarta Stock Exchange and Surabaya Stock Exchange merged and named Indonesian Stock Exchange by Indonesian Minister of Finance. The current location of the Indonesian Stock Exchange is located in the IDX building in the Sudirman Central Business District, South Jakarta, near the current site of the Pacific Place Jakarta.

Two of the primary stock market indices used to measure and report value changes in representative stock groupings are the Jakarta Composite Index and the Jakarta Islamic Index (JII). The JII was established in 2002 to act as a benchmark in measuring market activities based on Sharia (Islamic law). Currently, there are approximately 30 corporate stocks listed on the JII. The FTSE/ASEAN Indices were launched by the five ASEAN exchanges (Singapore Exchange, Bursa Malaysia, The Stock Exchange of Thailand, Jakarta Stock Exchange, and The Philippine Stock Exchange) and global index provider FTSE on September 21, 2005. The indices, covering the five ASEAN markets, are designed using international standards, free float adjusted, and based on the Industry Classification Benchmark (ICB). The indices comprise FTSE/ASEAN Benchmark Index and FTSE/ASEAN 40 tradable index. The FTSE/ASEAN 40 index is calculated on a real-time basis from 9:00 a.m. and the closing index is calculated at 6:00 p.m. (Singapore time). The FTSE/ASEAN benchmark index is calculated on end-of-day basis.

Besides Jakarta Composite Index and JII, IDX also has 4 more types of index, namely Individual Index, Sector Stock Price Index, LQ 45 Index, Main Board and Development Board Indices

Figure 8.13.: Indonesia Trading Volume

Source: Indonesia's Trading Volume Datas, July 2010, http://www.economywatch.com, Economy, Investments and Finance Reports

Note: 2010/01-06: Between January and June

The biggest economy of South East Asia, Indonesia smoothly escaped the brunt of the 2008 global recessions. Its diverse industrial portfolio contributes the major share of the country's gross domestic product at 47.1 percent Indonesia's industry sectors provide employment to 18.6 percent of the total workforce of the country. Some of the major industries of Indonesia include petroleum and natural gas, textilesi apparel, footweat, mining, cement, chemical fertilizers, plywood, rubber, food and tourism. However, the lack of development in the health industry and in transportation, along with corruption, is the biggest obstacle to the country's economic growth.

The graphs below shows the breakup of the ninety-five million strong wokforce into the three major sectors of Indonesia's economic structure:

The major economic sectors of Indonesia are as follows;

Primary Sector: While being the biggest employment sector of the country, agriculture incluedes three types of farming. These include smallholder farming, irrigated rica terraces and smallholder cash cropping. Some of the major produce of Indonesia includes rice, tea, coffee, cocoa, spices, rubber, copra, peanuts, eggs, pork, poultry and palm oil. Some crops are cultivated mainly due to even distribution of rainfall and consistent monsoon climate in Indonesia. The country is the fourth largest producers of rice and coffee in the world. It exported 271,000 tons of coffee in 2007. The sector contributed 14.4 percent to the country's gross domestic products in 2009. Indonesia's agricultural sector can be categorized into food crops, non-food crops, horiculture, animal products, fish products and forest products.

Secondary Sector: The manufacturing sector of Indonesia contributes 27.9 percent to the counrty's gross domestic growth. The industrial production rate in the country stood at 2 percent as of 2009. The textile and apparel manufacturing industry of Indonesia ranks 14th in the world. In 2008, the value added by textiles and clothing manufacturing dropped to 1.2 percent. Industry was hard hit by the global recession of the late 2000s. Around one hundered fifty-five textile production companies went bankrupt in 2009 due to an increase in the cost of production and enormous inflow of cheap stuff from China.

Tertiary Sector: With 38.5 percent contribution to the country's gross domestic groth, the sector remains a pillar of Indonesia's economy. Tourism is among the biggest economy boosters in Indonesia. The value of the country's banking system stood at $ 220 billion as of 2008. The growing IT services sector was impacted to some extent by the global economic downturn in the last 2000s. However, there are expectations of about 155 compound annual growth rate durig the period of 2010-2014. The country's hospitality industry is a big booster of the economy. According to the Tourism and Culture Ministry, there were 493,799 tourists visits in September 2009 alone, despite recession. Tourism contributes 3 percent to the gross domestic product of the country. The tourism growth plan for 2010 aims at seven million foreign tourists. However, tihs

is much lower than that of its tiny neighbour Singapore, which was visited by 9.5 million people in 2009.

Fourth Sector: According to the statistics provided by tne energy and mines ministry, investment in the country's mining sector increased from U.S. 4 1.2 billion in 2007 to U.S. $ 1.6 billion in 2008. The fall in commodity prices in 2009, due to the global economic downturn,resulted in several major mining companies putting their investment plans on hold. However, the mining industry is expected to reach U.S. $ 123 billion by 2014 with yearly growth of 10 percent – 11 percent from 2010 onwards. Increase in international interst can be seen in the Indonesian coal sector, after the significant number of deals that took place in the last quarter of 2009.

8.5.BRAZIL CAPITAL MARKET

Brazil were occupied by Portuguese sailors at 16th century and has remained under Portuguese colony until 19th century. The country has declared its independence in 1822 and became a republic in 1889.

The Army became the contury's management with military corp in 1964 and staied in power for twenty years. The primary goal of military power was reduce the inflation and economic liberalism. The foreign trade balance deteriorated due to oil crisis in 1970s. In the face of increasing foreign debt with the IMF stabilization program was initiated in 1979.

Significants improvements by years are as follow;

i. Democracy was introduced in 1985.
ii. The Government has declared moratorium on foreign debt in 1987.
iii. Cruzeido, the currency of the Brazil, has changed to Real, which due to United States dollar, with Real Plan in 1994. The inflation expectations has decreased and high inflation, which is continue for long period, has reduced wtih the Real Plan. However, overvalued currencyhas caused the increasing to current account decifit in this process.

iv. The extensive capital was carried out due to increasing of insecurity to devolping countries with1997 Russian Crisis, in 1998. In addition, the government has took up a loan, 41.5 billion dollar, with the new program supported by IMF. The Central Bank f Brazil has stopped the indexing of Real to United States dollar and has moved the floating exchange rate regime.

v. The country has break paid its debt to IMF in 2005.Brazil has became the biggest tenth economy in the world with 5.4 percent growth and 1.3 trillion gross domestic product (GDP) in 2007.

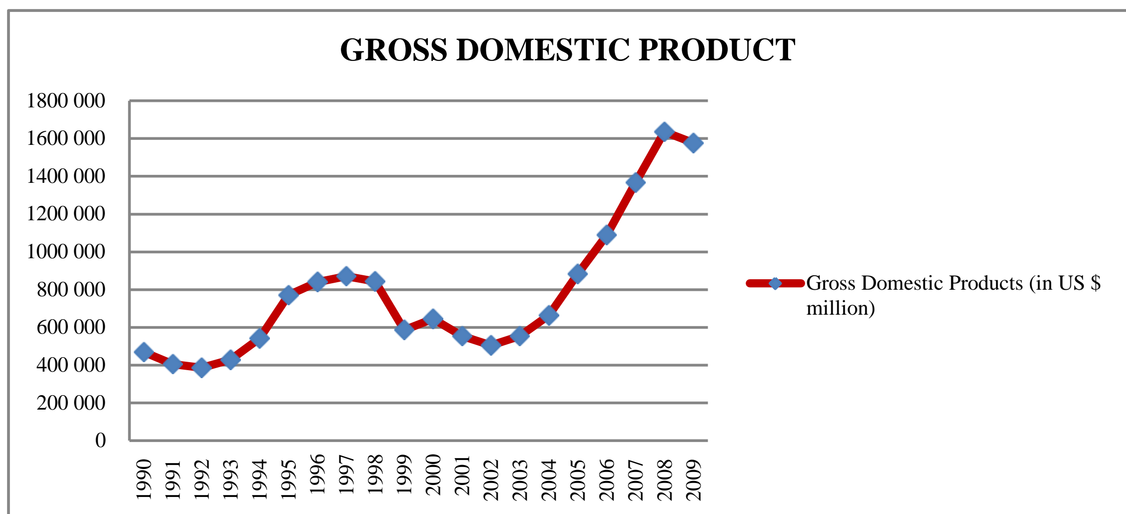

Figure 8.14.: Brazil Gross Domestic Product

Source:Brazil Gross Domestic Product Datas, July 2010,http://www.bcb.gov.br , Banco Central do Brazil

When we examine the other aspects of the country; its surface is almost 8.5 billion square kilometer and population is 189 billion. Brazil was landed on equador line, has twenty six province and Brasilia is the capital city. Sao Paulo is the economical centre and the other importent city is the Rio de Janerio. The official language is Portuguese.

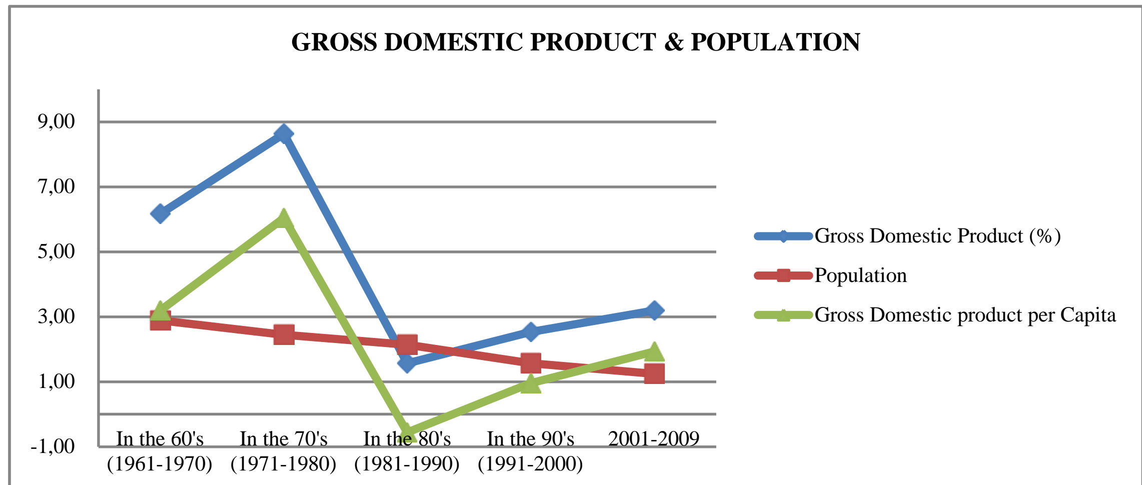

Figure 8.15: Brazil Gross Domestic Product & Population

Source: Brazil Gross Domestic Product and Population Datas, July 2010, http://www.bcb.gov.br , Banco Central do Brazil

With the Army became the contury's management with military corp in 1964, reforms had been made at all sectors. International Money Council and Banco Central do Brazil were established in the same year.The International Monet Council's basic duty is to abstract finance and capital markets, to form general principles and to control of Banco Central do Brazil(BCB) and Commissao de Valores Mobiliarios (CVM) . Banco Central do Brazil's basis duty is to continue the price stability and to regulate the financial system. Commissao de Valores Mobiliarios is liable to regulate the stock exchanges and retention companies which stores the exchance products. Its other duties are to control and regulate the publicly held company.

The National Investment Banks Union was established in 1967. After 1990, brokerage houses and banks, which operating in capital markets,became members.

The first stock exchange was established at Rio de Janerio in 1845. Sao Paulo Stock Exchange (BVSP) was established as the name of Bolsa Livre, in 1890. BVSP was closed one year later after its establishment. In 1895, the bourse was reopened as the

name of Sao Paulo Government Fund Exchange. Sao Paulo Merchantile Exchange was established in 1917 and commodities were traded in this stock market.

Sao Paulo Stock Exchange and the other stock exchanges were in the nature of public institutions. The bourse were brought in to the current structure as the name of Bolsa Official de Valores de Sao Paulo (BVSP) in 1965.

Brazil Derivatives Exchange was established in 1986 and its name has changed to Bolsa de Mercadorias & Futuros (BMF) after the merging with Sao Paulo Merchantile Exchange. Five stock exchange closed in 2000 and three local stock exchange closed in 2002 due to general corruption on country economy and capital markets.

In 2002, there was two bourse; Bolsa Official de Valores de Sao Paulo (BVSP) and Bolsa de Mercadorias & Futuros (BMF). BVSP and BMF has merged and named as BM&FBVSP in 2008. It is the most important Brazilian institution to intermediate equity market transaction and the only securities,commodities and futures exchange in Brazil. BM&FBOVESPA further acts as a driver for the Brazilian capital markets.

Figure 8.16.: Brazil Trading Volume

Source: Trading Volumes on Emeging Markets, July 2010, http://www.world-exchanges.org, World Federation of Exchanges

Note: 2010/01-06: Between January and June

The company develops, implements and provides the system for the trading of equities, derivatives, fixed income securities, federal government securities, financial derivatives, spor foreign exchange and agriculturel commodities. It has a settlement bank and four clearinghouses for the registiration, clearing and settlement of transaction carried out on itr trading system. It also acts as a central, securities depositary and licence software and stock indices. The company further manages social investments with focus on developing the communities with which it interacts.

There are some indices; BM&FBOVESPA Index (IBOVESPA), Brazil Index (IbrX), Brazil Index 50 (IbrX 50), Valor BM&FBOVESPA Index (IVBX-2), Special Corporate Governance Stock Index (IGC), Electric Power Index (IEE),

Telecommunication Sector Index (ITEL), Industrial Sector Index (INDX), Special Tag Along Stock Index (ITAG) and Corporate Sustainability Index (ISE).The following are the market size;

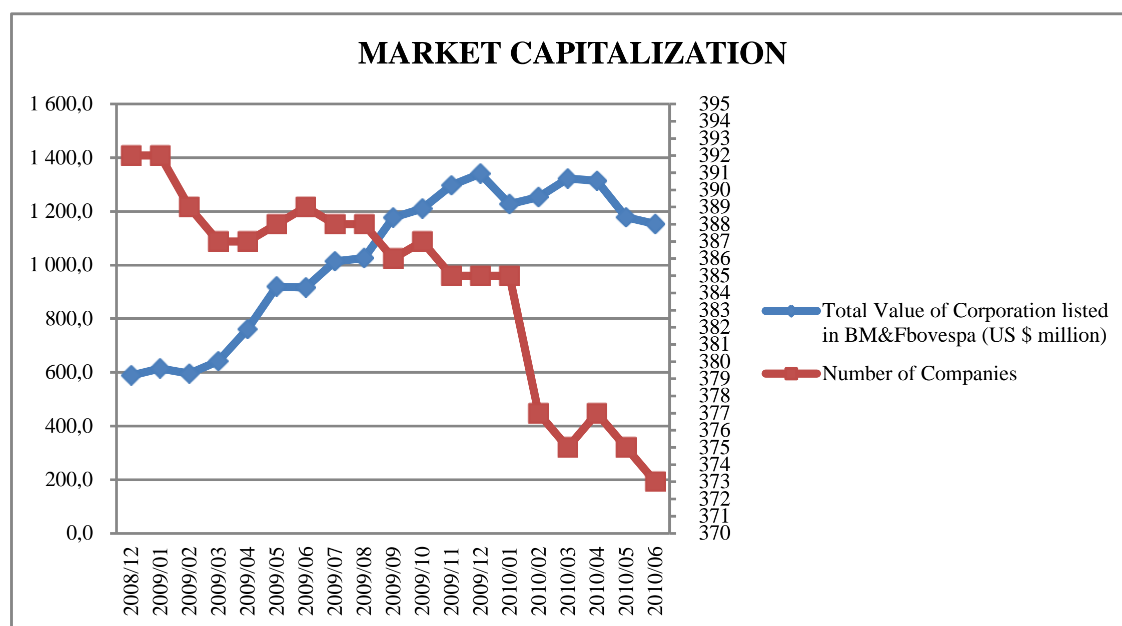

Figure 8.17.:Brazil Market Capitalization

Source: Brazil Market Capitalization Datas, 18/August/2010, http://www.bcb.gov.br , Banco Central do Brazil

Table 8.9.: Brazil Market Capitalization

Companies	June/2010
Total Ibovespa's Companies	888,038,847.00
Total IBX's Companies	960,821,969.03
Total 373 Companies	1,153,445,410.98

Source: Market Datas, July 2010,http://www.bmfbovespa.com.br, Sao Paulo Stock Exchange and Brezilian Mercantile Futures Exchange

The following are some market statistics; the market capitilazation of equity and equity derivatives is USD 1.2 trillion, number of trades (daily average) are 325.6 thousands, daily average traded value is USD 2.5 billion and listed companies 432. Daily average of traded contracts is 1,651,016. Corporate debt and securitization capitalization is USD

126.32 billion. Domestic daily average traded value of government bonds is USD 15.6 billion.

8.6.RUSSIA CAPITAL MARKET

Russia is the largest country in the world. Country, which are entitled to equal the federal representation, but the autonomy, differing in their structure consists of 86 units. These units, 21 republics, 48 provinces, seven regions, 1 autonomous provinces, autonomous regions and 7 are two federal cities (Moscow and St. Petersburg).142 million population of 74 million has been included in the labor force. That 11 percent of the labor force in agriculture, industry 29 percent and 60 percent are employed in the service sector.

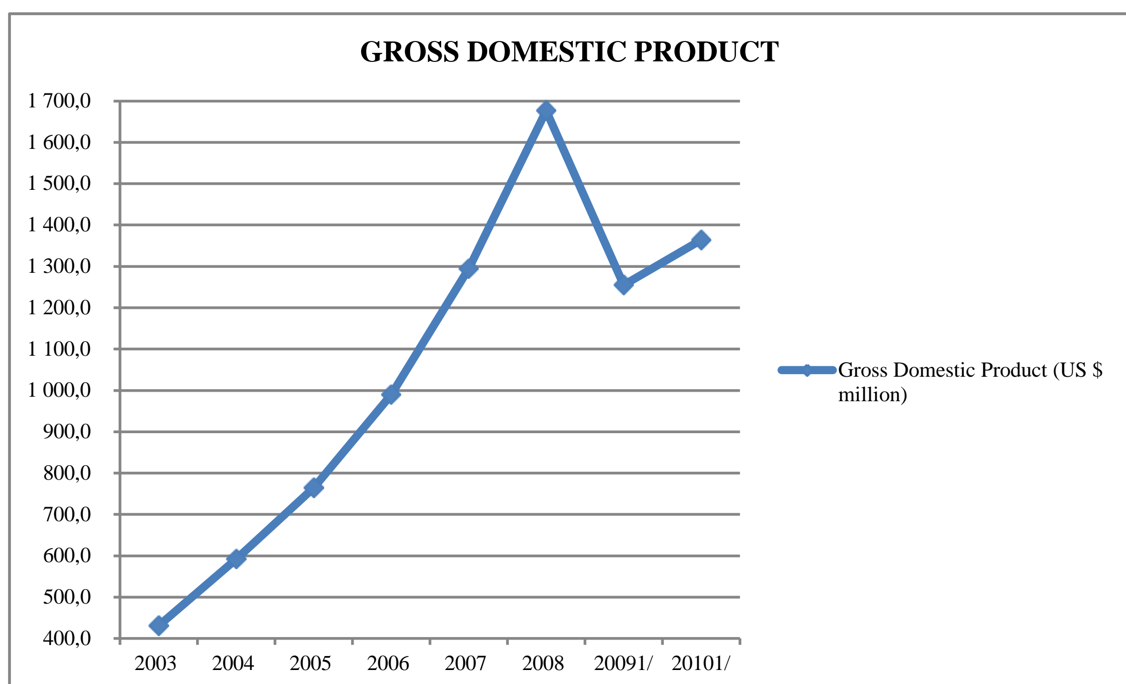

Figure 8.18.: Russian Gross Domestic Product

Source:World Economic Outlook Database- Oct 2009, July 2010, http://www.imf.org/external/pubs/ft/weo/2009/02/weodata/index.aspx, International Monetary Fund (IMF) and IBGENote: 20091 and 20101/ IMF's estimate

The foundations of the privatization programme is the first step for the creation of capital markets with the collapse of the Soviet bloc in 1991.Approximately 240,000 enterprises's privatization eas completed with the programming until the middle of 1991 and 1995.

In the first stage of voucher privatization model was adopted. Privatization of large and medium-sized enterprises that are available 10 000 rubles ($ 63) worth of coupons, Russian citizens have been distributed free of charge. With this method the right of citizens to participate in the privatization program has been.

The second stage, in the last quarter of 1996, the remaining blocks to the sale of state enterprises has been completed.

Towards the end of 1997 provided the economic stability, inflation is under control, the successful privatizationprogram and other economic infrastructure was interrupted with Asia Financial Crisis in 1998.

The conditions, following as, has caused the feel strongly that the effects of the crisis;

i. Over valued ruble,
ii. Weak regulating and supervision factors in the banking sector,
iii. Treasury bills which are issued date from 1993,
iv. Domestic borrowing instruments which majority of foreign owned.

The hot money has introduced the country before the crisis. The most obvious example of this structure, before the Russian crisis Trading System (RTS) stock exchange transactions in U.S. dollars over 95 percent, is made from off-shore bank accounts. When it comes to the end of 1998, this place has gone to the moratorium on developments of the Russian Federation.

After the moratorium on Russian markets faced other significant developments have between 11 September 2001 attacks. In 2003 the oil giant Yukos'un president's arrest led to a 23 percent decline.

Since the mid-2006 to reduce the risk in international markets such as Turkey, Russia has also positively affected.

Ministiry of Finance is oversees the insuarance companies, The Central Bank of Russia oversees the credid companies and banks and Federal Financial Market Serves oversees the capital markets.

There are two national stock exchange; Moscow Interbank Currency Exchange (MI-Cex) and Russian Trading System (RTS). In addition there are foreign currency exchanges which scattered various regions, such as St. Petersburg Stock Exchange (SPCEX).

In 1993, the MICEX and the local bourses were founded Russian Currency Exchange Association. With this process, local government bonds across the region has begun to execute transactions. Over time, the local stock exchanges MICEX Holding to 7 were included. These bourses are as following; Samara, Yekaterinburg, N.Novogrod, St.Petersburg, Vladivostok, Rostov-on Don and Novosibirsk.

MICEX Stock Exchange was founded in 1997 and incorporated in 2003 and in 2004 gained the status of stock exchanges (Mavor 1925). Shares,private companies and local bonds are traded in the market.

The MICEX Stock Exchange, Russia's leading stock exchange, is a member of the MICEX Group. Its proportion on the Russian on-exchange share market is over 80 percent (about 60 percent, taking into account the OTC segment). The MICEX Stock Exchange is the largest stock exchange in the CIS, Eastern and Central Europe. It is among the world's top 30 stock exchanges, and its proportion in the volume of on-exchange trading in Russian assets, including depositary receipts for shares in Russian companies, is about 70 percent. The MICEX Stock Exchange is the center of the formation of liquidity for Russian securities and the main market for international investments in shares and bonds of Russian companies.

MICEX Index is a capital-weighted price index of the 30 major and most liquid Russian stocks traded at the MICEX Stock Exchange (MICEX SE), calculated in real time (dividend income is excluded in the index calculation).

The family of theMICEX SE’s stock market indices includes a number of sectoral indices;

(MICEX,O&G, MICEX PWR, MICEX TLC, MICEX M&M, MICEX MNF,MICEX_FNL, MICEX CGS, MICEX CHM) and,

Capitalization indices;

(MICEX LC, MICEX MC, MICEX SC).

The indicators of the bond market are the index of municipal bonds,

MICEX_MBI, and the index of corporate bonds, MICEX_CBI.

MICEX Index is one of the oldest Russian stock indices which has been calculated since September 22, 1997 (the initial value of the index is 100 points). MICEX Index is the main index of MICEX SE which tracks the Russian equity market and serves as underling for derivatives and structured products. MICEX Index is the leading indicator of the Russian securities market, which covers nearly 80 percent of the market capitalization of the Russian equity market.

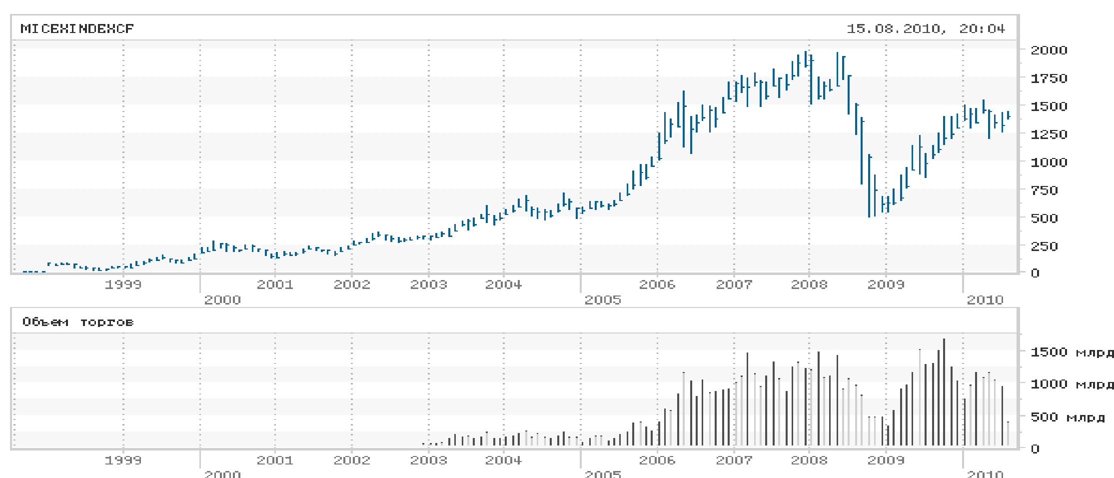

Figure 8.19: MICEX Index

Source: MICEX Indices, July 2010, http//:www.micex.com, Moscow Interbank Currency Exchange

Stock and Bond Market are kept within the companies like Lukoil, Mosenergo, Rostelecom... Forthy hundred banks and financial institutions are intermediaries in the process.

Gazprom's shares at the beginning of 2006, has been quoted to MICEX Stock Exchange.

In 2009, the total volume of trading on the MICEX Stock Exchange amounted to 41 trillion rubles (1,304 billion USD). Trading in shares (including repos) accounted for 26 trillion rubles (836 billion USD). In 2009, the volume of secondary trading in securities increased by 11 percent over the previous year and reached 17 trillion rubles (556 billion USD). The MICEX Stock Exchange organizes daily trading in securities of 1300 about 700 Russian issuers, including shares in more than 230 companies. Among these are such major issuers as Sberbank, Gazprom, Rostelecom, LUKoil, Rosneft, Norilsk Nickel, VTB Bank, Surgutneftegaz, Tatneft, RusHydro and others with a total capitalization of about 20 trillion rubles (about 750 billion USD).

Participants in trading on the MICEX Stock Exchange are more than 650 organizations – professional participants in the securities market. Their clients are about 700 thousand investors, both legal entities and individuals. Individual investors account for 53 percent in the total volume of trading in shares. Trading on the Exchange is held electronically on the basis of an up-to-date trading system connected to regional exchanges and remote terminals.

The MICEX Group Futures Market is a unified market of derivative financial instruments organized in the framework of the MICEX Group and is one of the leading organized derivative financial instrument markets in Russia.

In accordance with current legislation, the requirements of regulating authorities, and special business features, the MICEX Group Futures Market is divided into 3 main segments:

Derivative instruments market for securities and stock indices (stock derivatives market), part of the MICEX Stock Exchange CJSC(MICEX SE);

Derivative instruments market for other financial assets, part of the MICEX CJSC Futures Market (Standard Contracts) Section;

Derivative instruments market for mercantile assets, part of the National Mercantile Exchange CJSC (NME CJSC).

The MICEX CJSC Futures Market Section circulates:

Settlement futures contracts for foreign currency rates: for US dollars, euro, and euro to US dollar rate;

Settlement futures contracts for short-term interest rates: for MosIBOR accumulated 1—day interest rates and MosPrime Rate 3-day interest rates;

Settlement futures contracts for the accumulated price of 1—day LCDA (Limited Counter Deliveries Agreement) USD_TODTOM transactions are planned to be introduced.

The MICEX SE Futures Market circulates:

Settlement futures for the MICEX Index;

Delivery futures for ordinary shares of Gazprom OJSC and Sberegatelny Bank RF OJSC;

Delivery futures for ordinary shares of Lukoil NK OJSC, delivery futures for ordinary shares of Norilskiy Nikel GMK OJSC, Vneshtorgbank OJSC and Rosneft NK OJSC are planned to be introduced;

Delivery futures contracts for long- and middle-term federal bonds are planned to be introduced.

The NME CJSC Futures Market circulates:

Delivery futures contracts for Class 3, 4 and 5 wheat under EXW — delivery region elevator conditions;

Delivery futures contracts for wheat under FOB Port of Novorossiysk conditions.

National Mercantile Exchange (NAMEX) was established in July 2002. NAMEX's primary objective is organizing the exchange-based commodities market (spot commodities, derivatives) in Russia.

Trading in the following commodity groups:

i. electric power;
ii. energy carriers (oil and oil products, gas and gas condensate, coal);
iii. ferrous metals;
iv. non-ferrous metals and alloys;
v. construction materials;
vi. timber and forest industry products;
vii. grain, legumes and industrial crops;
viii. agricultural products;
ix. pharmaceuticals;
x. water biological resources;
xi. chemicals;
xii. standard contracts.

Since 2002, NAMEX has taken part in preparing, organizing, and holding exchange trading on the implementation of government procurement and commodity interventions to regulate the market of agricultural products, raw materials and food in the Russian Federation. NAMEX is the authorized exchange of the Ministry of agriculture of Russia.

In April 2008 NAMEX launched deliverable futures trading of 3 and 4 class wheat (milling wheat) on the EXW terms (elevators of the South Federal District of Russia) and FOB terms (port Novorossiysk).

In December 2008 NAMEX also launched deliverable futures trading of 5 class wheat (feed wheat) on the EXW terms (elevators of the South Federal District of Russia).

Established in 1995, as the first regulated stock market in Russia, RTS Stock Exchange now trades the full range of financial instruments from cash equities to commodity futures.

The RTS Index first calculated on September 1, 1995, has since become the main benchmark for the Russian securities industry and is based on the Exchange's 50 most liquid and capitalized shares.

Today's RTS product line includes:

i. RTS Standard, a new front-rank equity market for the most liquid Russian securities characterized by absence of 100 percent asset depositing, standard T+4 settlement in roubles, use of CCP technology, consolidated cash position on RTS Standard and on FORTS, RTS derivatives section and portfolio-style approach to margining spot and derivatives markets positions.
ii. RTS Classica, the only trading platform in Russia that allows for settlement in both rubles and foreign currency. RTS Classica is equally accessible to both Russian and foreign investors. The standard settlement cycle is T+4 DVP. There are no requirements to deposit securities and cash before a trade. Over 500 securities are trading on this market.
iii. RTS T+0 Market, securities trading for retail investors with full preliminary deposit of assets and ruble settlement.
iv. RTS Board, the quote-driven market for unlisted stocks and bonds.
v. FORTS, futures and options market with ruble settlement. Trading since 2001. Today, 47 contracts are offered (34 futures and 13 options) on shares of Russian companies, bonds, short term interest rates, currency, RTS Indices, oil, oil products, metals and sugar. The most active contract is futures on the RTS Index.

Table 8.10.: RTS Market in Comparison

Features	RTS markets in comparison RTS Standard	RTS Classica	OTC Market	FORTS
Instruments	liquid stocks of Russian issuers	stocks, bonds, investment funds, mortgage participation certificates and RDRs	stocks and bonds, investment funds, foreign securities	futures and options
Trading model	continuous double auction	trades are executed based on non-anonymous quotes and in a continuous double auction available for liquid stocks	trades are made based on indicative quotes	continuous double auction
Deposit requirements	partial depositing of assets	no 100% advance depositing of assets,		
partial advance depositing of assets in case of CCP trades	no 100% advance depositing of assets	Initial Margin requirement		
Settlement	DVP on T+4	DVP on T+4, free delivery (advance payment, advance delivery) on up to T+30	DVP, free delivery (advance payment, advance delivery) on up to T+30	settlement and delivery are effected upon maturity of the contracts
Quoted in	RUB	USD	USD	RUB, USD, basic points
Settlement currency	RUB	USD, RUB	USD, RUB	RUB
Market operator	RTS Stock Exchange	RTS Stock Exchange	–	RTS Stock Exchange
Clearing Center	RTS Clearing Center	RTS Clearing Center, in case of DVP - Depository Clearing Company	not available	RTS Clearing Center
Central Counterparty	RTS Clearing Center	RTS Clearing Center (available for liquid stocks only)	not available	RTS Clearing Center
Cash settlement account	RTS Settlement Chamber	any bank in case of free delivery;		
for DVP settlement – J.P. Morgan Chase Bank, Citibank (NY) or RTS Settlement Chamber	any bank in case of free delivery;			
for DVP settlement – J.P. Morgan Chase Bank, Citibank (NY) or RTS Settlement Chamber	RTS Settlement Chamber			
Registration of title	Depository Clearing Company; National Depository Center (for Gazprom shares only)	any depository or register; in case of DVP - Depository Clearing Company	any depository or register	Depository Clearing Company; National Depository Center (for Gazprom shares only)

Source: RTS Market in Comparison, July 2010, http//:www.rtu.ru, Russian Trading System

8.7.MEXICO CAPITAL MARKET

Mexico is a federal constitutional republic in North America, bordered by the United States on the north and by Belize and Guatemala on the south east. The south and west is flanked by the Pacific Ocean and the Gulf of Mexico on the east. Mexico’s has an estimated population of one hundred-one million and its economy is the 13th largest in nominal gross domestic product terms ($ 1.143 trillion in 2009) and the 11th largest by Purchasing Power Parity (PPP $ 1.563 trillion in 2009). Furthermore, Mexico’s economy is part of North American Free Trade Agreement (NAFTA), a trilateral trade bloc in the region comprising of the U.S., Canada and Mexico.

Mexico has benefited from the NAFTA; being a free market economy, it has increased its trade with the U.S. and Canada threefold. Furthermore, over 90 percent of their trade falls under twelve free trade agreements spanning more than forthy countries worldwide.

Mexico City is one of the most important economic hubs in Latin America. The city proper (Federal District) produces 21.8 percent of the country's gross domestic product. According to a study conducted byPriceWaterhouseCoopers, Mexico City had a GDP of $315 billion in 2005, ranking as the eighth richest city in the world after the greater areas of Tokyo, New York, Los Angeles, Chicago, Paris, London and Osaka/Kobe, and the richest in Latin America.Making Mexico City alone the 30th largest economy in the world. Mexico City is the greatest contributor to the country's industrial GDP (15.8 percent) and also the greatest contributor to the country's GDP in the service sector (25.3 percent). Due to the limited non-urbanized space at the south—most of which is protected through environmental laws the contribution of the Federal District in agriculture is the smallest of all federal entities in the country. Mexico City has one of the world's fastest-growing economies outside China and its GDP is set to double by 2020(Martinéz 2002).

As measured by the overall GDP of the entire metropolitan area, Mexico City is the richest city in the country and Latin America. In the 2009 UNDP-MHDI Human Development Report Mexico City had an index of 0.937 identical to that of Republic of

Korea. Thie level of household expenditure in Mexico City is close to that of an average household in Germany or Japan. Households in the capital have fewer members, with 3.7 average members compared to the national average of 4.0.

The GDP per capita of the metropolitan area is $25,258 identical to countries such as South Korea. The top twenty-five percent of GDP per capita holders in the city had a mean disposable income of US $98,517 in 2007. The extremely high spending power of Mexico City inhabitants, makes the city attractive for luxury goods companies. The growth of luxury stores established in Mexico City has been impressive since 2003, especially those dealing in luxury cars, high technology, designer clothes and expensive jewellery.

The economic reforms of President Carlos Salinas de Gortari had a tremendous effect on the city, as a number of businesses, including banks, were privatized. He also signed the North American Free Trade Agreement(NAFTA). This led to the decentralization and a shift in Mexico City's economic base, from manufacturing to services, as many factories moved to the State of Mexico and to the northern border. The government also encouraged this with tax incentives and new environmental regulations for manufacturing within the Federal District.

The Mexican gross domestic product grew at an average rate of 5.1 percent during 1995-2002. The recent economic recession and more specifically, the downslide in the U.S. markets impacted this growth in a negative way. The annual average growth for the gross domestic product in 2005 dipped to 3-4.1 percent.

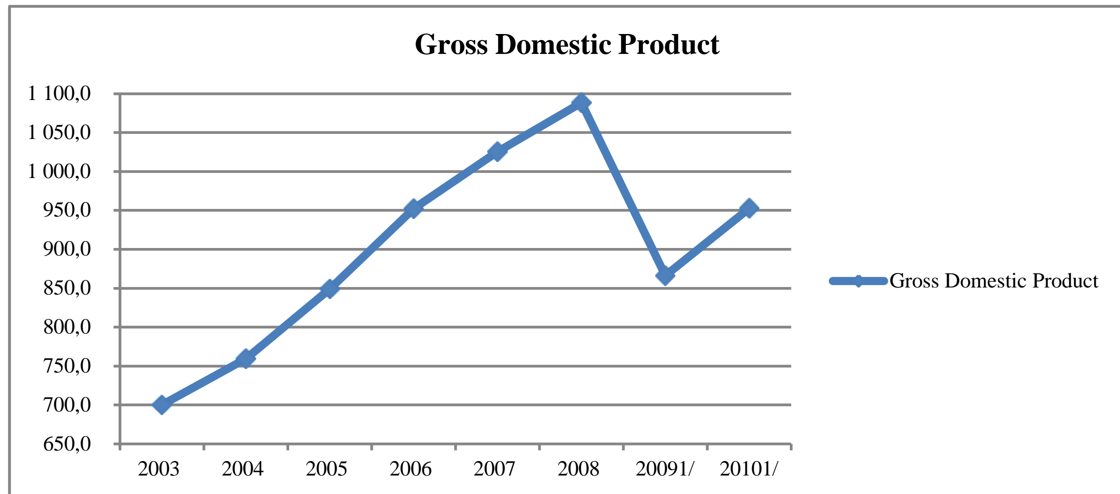

Figure 8.20.:Mexico Gross Domestic Product

Source:World Economic Outlook Database- October 2009, July 2010, http://www.imf.org/external/pubs/ft/weo/2009/02/weodata/index.aspx, International Monetary Fund (IMF) and IBGE

Note: 20091 nad 20101/ IMF's estimate

In 2009, economic profile for Mexico took a turn for the worse. Widespread disease in the form of a flu outbreak added to the failing economy in 2009. Policy stimulus proved inadequate against the background of limited fiscal stimulus ans monetary relaxation. From an all time low rate of annual inflation of 3.35 in 2005, this rate has only recently displayed signs of reducing from 6.4 percent in 2008 to 5.4 percent. These fluctuations are largely caused by the economy of Mexico's close association with U.S. business and trade.

For the year 2010, the growth figures pertaining to the Mexican economy indicate signs of a recovery. The Mexican Finance Ministry has increased the growth figures from 3 percent to 3.9 percent. This upswing was result of significant improvement in Mexico's exports, automobile production, manufacturing and incrased imports of consumer goods.

Employment is also on the rise alongside an increase in foreign and domestic demand, despite a deep divide in economic distribution, where 32 percent of the top earners take in 55 percent of the country's total income.

Mexico's main industries are tobacco, chemicals, iron and steel, textiles, automobiles, consumer durabşes and tourism. Its close proximity to the U.S. also makes it a strategic location for the development of mexican industry sectors such as manufactturing, aerospace and automobile. These sectors look poised for growth in 2010. Roughly 90 percent of the revenue generated from exports is earned from various Mexican industry sectors.

By 2000, agriculture in Mexico contributed as less as 5 percent to the country's gross domestic product. Mexico's main agricultural products are; Con, Rica, Cotton, Coffee, Fruit, Beef, Poultry, Dairy products, Wheat and Soybeans.

In 2009, Mexico exported goods worth $ 4.7 billion to the U.S. alone. Free trade has led to more competition in the country. Globalization has brought to light several issues pertaining to small scale production, inadequate infrastructure, absence of credit, communal land ownership.

Manufacturing has steadily grown despite the ups ans downs of economic tide, as evident in the 1994 Peso devaluation crisis, the 2001 Latin America downturn and recently, the late 2000s American economic recession. On averge, manufacturing incrased 2.3 percent in the 1980s, 3.9 percent during 1988-98.

Companies from United States started setting up in Mexico because it has the rwa materials, besides, low dut,es under Mexico's free trade agreements which make manufacturing in Mexico an attractive proposition. Manufacturers have also graduated from simple assembly to research and development of components. It aslo makes an excellent option to China for foreign firms looking for less expensive markets than their own.

Automobile manufacturing is one the growing sectors in Mexican economy. Mexico is the biggest exporter of cars to the U.S. G.M,Ford, Chrysler have been operating out of

Mexico since 1930s. Furtheri Volswagen, Nissan, BMW, Honda, Toyota and Mercedes Benz have also set up base in Mexico.

Automobiles are the second largest export category from Mexico, so is the aerospace indusrty. In the aerospace industry, most of players are foreign firms such as MD Helicopters and Bombardier. Between 2005 and 2010, the number of aerospace companies in Mexico went up from 61 to 93.

The secondary sector is Maquiladoras. The re-export indusrty is an interesting development. Some three thousands odd factories situated next to th U.S. border (call maquiladoras) assemble goods that are brought in from the U.S. under contract and there are exported back to the U.S. duty free. The closest competitor Mexico has in this field is China, in terms of lower costs. In spite of the fluactations, U.S. companies are expected to invest over $ 2.5 billion in Mexico in 2010, generating 30 percent more jobs locally. Roughly, one hundred new maquiladoras spanning automobile, aeronautics, electronics, metal and mechanical works asn alternative energiesi are slated to begin to production in 2010. This will help the Mexican economy to recover the 118 thousand jobs that is lost during the economis recession.

Mexico also has the largest Latin American service sector but there are some difficulties that need to be tackled in this sector. Tourism fell by 17.2 percent in 2009, transportation and stroage by 10.4 percent. The recession too, saw demand for goods drop and unemployment soar. While the 2010 growth forecasts for the Mexican economy is back on track up from 3 percent to 3.9 percent, this increase is based on the increasde in foreign and domestic demand.

Mexico is special in terms of its relations in the international scenario. Presently it is a member of the world's largest economic area NAFTA and has a free trade agreement with the European Union. It has FTAs with some 30 countries, including some countries of Cebtral and South America.

Mexico was the first Latin American Country recognizing India better. Jawaharlal Nehru sent his sister Vijayalakshmi Pandit as India's fist ambassador to Mexico.

The Prime Minister Rajiv Gandhi had visited to Mexico in the late 1980s, was joint activism on the disarmament front. Ind,a's nuclear tests in May 1998, hovewer; generated some political distance from Mexico., which swears by nuclear disarment. Equally significant have been the differences on UN Security Council expansion.

As two major emerging economic powers and inheritors of a strong diplomatic tradition, India and Mexico are now well on the way to doing a lot more together on the world stage.

As per latest Mexico economic review national economy has depreciated at a rate of 2.41 percent in December 2008 compared December 2007.

According to Mexico economic reviews by national statistics agencies volume of economic production in December 2008 has been 3.42 percent less compared to November that year.

Recent economic review of Mexico has revealted that experts of Mexican goods and services to United States of America have gone down to a significant extent. Consumers in USA have stopped buying goods from Mexico such as cars and televisions...

It has also been confirmed by fresh economic review in Mexico that in December 2008 amount of industrial production has gone down at rate of 5.9 percent when compared to December 2007. (This statistic takes into account production in oil and gas industry and manufacturing sector of Mexican economy)

Latest economic review at Mexico reveals that various manufacturing industries in Mexico have been feeling afferects of global financial downturn to maximum extent. This sector has had to do away with jobs of a number workers and outlook of consumers towards this industry has been really negative of late. On December 2008 service sector of Mexican economy depreciated at a rate of 1.8 percent.

Agricultural sector is a comparatively smaller setor of Mexican economy. New Mexic economic review has revealed that it has appreciated at a rate of 15.8 percent. As a per latest Mexico economic review on February 25th 2009 peso has depreciatef to a significant degree. This is a ominous sign for Mexican economy.

Noted economist and financial analysts, after their Mexico economic review, have said that Mexico's economy is suffering grievously as a result of economic turbulances in USA. Its stock markets are being affected as well. This is because USA purchases 80 percent of all goods and services exported by Mexico. This global financial catastrophe kicked off in August 2008 and since then peso has lost 33.3 percent of its worth with respect to United States dollars.

Figure 8.21.:Mexico Trading Volume

Source: Trading Volumes on Emeging Markets, July 2010, http://www.world-exchanges.org, World Federation of Exchanges

Note: 2010/01-06: Between January and June

8.8.ARGENTINA CAPITAL MARKET

Argentina is the second largest country in South America and is constituted of federation of twenty three provinces and autonomous city, Buenos Aires. Argentina is bound by Atlantic Ocean to the east and the Andes Mountain range to the west. The country is bordered by Paraguay and Boliva to the northeast and Chile to the west and south. Argentina's population as of 2009 is more than forty million.

Prior to the 1880s, Argentina was a relatively isolated backwater, dependent on the wool, leather and hide industry for both the greater part of its foreign exchange and the generation of domestic income and profits. The Argentine economy began to experience swift growth after 1875 through the export of livestock and grain commodities, however,[1] as well as through British and French investment, marking the beginning of a significant era of economic expansion.

During its most vigorous period, from 1880 to 1905, this expansion resulted in a 7.5-fold growth in GDP, averaging about 8 percent annually. One important measure of development, GDP per capita, rose from 35 percent of the United States average to about 80 percent during that period. Growth then slowed considerably, though throughout the period from 1890 to 1939, the country's per capita income was similar to that of France, Germany and Canada (although income in Argentina remained considerably less evenly distributed).

Since becoming a nation in 1816, Argentina, being the eighth largest country in the world by area, has held an advantage in this factor of production. The rural economy was almost entirely devoted to subsistence farming in the early nineteenth century and above all, livestock raising, which spread quickly in Argentina's mild climate.

Moreover, during periods of falling prices for their products ranchers were able to maintain positive returns, proving their resilience in a volatile market. Over the next few decades, cattle and sheep ranchers became the most influential men in Argentina, as their exports became the unstable young country's nearly sole source of foreign exchange.

Argentina's economic structure has undergone massive changes since the 2001-2002 Tango Crisis and the 2008-2009 economic recession. From late 2002 up to 2006, the Argentinean economy enjoyed robust growth till things fell apart in 2008. Argentina's fiscal policy in 2009 was dominated by the government to meet its external debt payments. The president, Cristina Fernandez de Kirchner, nationalized the country's private pension industry and raised $29 billion. The stock exchange in Buenos Aires fell to a five year low in reaction to this move. However, the country had lined up an extensive roadmap to repay its debts as it had more than $12 billion worth of bonds

maturing in 2009. According to the 2009 budget, the country had a fiscal surplus of 3.3 percent of its GDP, following a surplus of 3.15 percent during the previous year.

Like immigration, foreign investment played a central role in Argentina's economic development. Prior to World War I, it could be said that Argentina's capital investment was foreign capital investment and immigrants as well as foreign investment flocked to Argentina.

The United Kingdom contributed more direct investment into Argentina during this period than all other sources combined, as it did for many other Latin American states in that era. Large-scale British investment began around 1875 and by 1890, British nationals held a cumulative 180 million pounds Sterling (over US$800 million) in direct investments. Argentina had become, by then, the leading destination for British investment in the world. Though most of these funds found their way into productive activities such as rail transport, port development, mortgage banking and public services, fully a third was channelled into Argentine government bonds.

Immigrants themselves became a source of capital formation, as in the case of the Bembergs, who opened Argentina's largest brewery, Quilmes, in 1888.

The boom in foreign capital during the 1880s was able to cover, by some estimates, a current account deficit of 30 percent of GDP. It also financed a dual currency system: gold pesos, for use mainly in foreign trade and financial markets, and paper pesos worth roughly half the former's value, for use as monetary base. Lured by high rates of return, underwriters such as the influential Barings Bank made Argentine and Uruguayan bonds the darlings of London speculators during the 1880s. These instruments began to lose value towards 1890, however, and before most investors could unload them, the pyramid scheme Barings built up collapsed. So serious were these losses (some involving the most prominent British families), only intervention by the Bank of England averted a financial collapse.

A view, c.1890, of the National Mortgage Bank, which contributed to the early development of Argentina's large middle class.

The crisis led to President Carlos Pellegrini's introduction of the first currency board in Argentina, which helped stabilize the currency, and maintain the Investment and thus the economy soon recovered; by 1914, Argentina's public external debt stood at US$784 million in (mostly) 41/2 percent bonds, with a further US$3.217 billion in foreign direct investment. Argentina stood out among Latin American states in terms of foreign direct investment received during this era; nearly half of all British direct investment worldwide had, by then, been plowed into the Argentine economy.

The relatively sudden modernization in the Argentine economy in the generation until 1914 was achieved through investment from and exports to Europe. Dependent upon beef jerky and hides until the advent of refrigerated shipping in 1876, exports diversified into chilled beef and mutton, to cereals and eventually to some processed goods like flour, lard, canned luncheon meat and linseed oil. These were sent off to Europe, where rising living standards created a booming market for imported foodstuffs and other raw materials. In return, Great Britain, France and Germany invested in the development of Argentina, particularly in sectors that were oriented toward exports (such as Argentina's railways, still the most extensive in Latin America).

Retiro railway station, c.1920, a landmark from the era of British investment in Argentina.

The most important aspect of foreign investment was its share in Argentina's capital stock relative to the size of domestic contributions. Argentine development, the railways and meat-packing industry in particular, would have been severely limited without these investments. Domestic credit was scarce and start-up costs were often beyond the reach of local investors. Argentina's agricultural sector itself, however, developed into an export powerhouse that alone brought in nearly a billion dollars a year by the late 1920s with virtually no foreign investment and comparatively little domestic credit; in all, foreign investment accounted for one third of the nation's capital stock (buildings and equipment) by 1900, and nearly half by 1913.Scene in downtown Buenos Aires, c.1925.

While many Argentines saw the foreign exchange their booming export sector brought in as central to the development of a national market, export volumes themselves did not outstrip the economy as a whole. Exports averaged 15–20 percent of GDP during

the era between 1870 and 1913 (far less a proportion than, say, Cuba). Growing domestic activity accounted for most of the era's economic growth itself, though the country's financial stability still remained deeply dependent on foreign investment and international economic sentiment.

Foreign investment and the commodity market can be extremely volatile. Because Argentina's economy relied so heavily on foreign credit and a demand for its agricultural products, it was particularly susceptible to these periods of volatility, which brought about severe repercussions for the country's economic growth. Foreign investment for Argentina, then, was a double-edged sword. While it contributed to the long period of growth between the late 19th and early 20th centuries, foreign investment dried up during World War I. Because national markets had not yet matured, the domestic economy was unprepared to make up for losses incurred by the international market shock and the economy, which had grown by an average of about 6 percent until 1913, shrank by 10 percent in 1914 and remained in low gear during the war.

The 2009 budget further estimates the inflation to be about 8 percent in 2010 and reiterates the need for more macroeconomic stability. Argentina's entrepreneurial sector, however, continues to show innovation and the ability to succeed in trying times. Google chose Buenos Aires as its Latin American headquarters because of the strength of Argentina's software industry. As of 200, the country has been attempting a fiscal stimulus through public funded projects due to the absence of external credit.

Between 2003 and 2008, Argentine government increased public expenditure by more than 15 percent. Though the government is expected to implement Keynesian counter-cyclical policies, lack of proper funding is preventing from doing so. According to experts, Argentina can avoid a default on its mounting debts if it improves its fiscal policies, negotiates wage guidelines with unions, and reduces its public expenditure. In addition, Argentina must depreciate the peso further and work with the IMF to form an agenda to implement a strong fiscal policy.

Going forward, Argentina desperately needs fiscal improvement in 2010. Although the severity of the slowdown was not as bad as in the US or Europe, experts feel that continuing on the current path would lead to a decline in investments in the country and

render it unable to bounce back strongly from the crisis. With the mid-term elections stated to be held in 2010, there is a need to improve the fiscal position after the elections.

Argentina is a member of G20. Argentina's economyrest on the availability of rich natural resources, an export-oriented agricultural sector and a highly diversified industrial sector. Argentina's gross domestic product grew by an average 9 percent after 2002, for five years following the worst economic and political crisis in the country's history.

However, the recession of 2008-2009 took a toll on the Argentina economy and the economic growth of 2002-2007 decelerated heavily as government policies held back exports. The governemnt nationalized private pension funds in Q4 2008, but the move had a negative impact on private investment spending. Gross domestic product growth fell to 0.5 percent in 2009.

Figure 8.22.:Argentina Trading Volume

Source: Trading Volumes on Emeging Markets, July 2010, http://www.world-exchanges.org, World Federation of Exchanges

Note: 2010/01-06: Between January and June

Argentina's gross domestic product was $558 billion, according to the 2009 estimated. The 2009 GDP was up mfrom $ 572.3 billion in 2008 and $ 545 billion in 2007. The gross domestic product offical exchange rate was $ 301.3 billion in 2009. While and gross domestic product growth rate fell to -2.5 percent in 2009, it was at 5 percent and 7.5 percent in 2008 and 2007, respectively, mirroring the adverse effects of the global recession. The gross domestic product per capital was $ 13,800 in 2009. Argentina's agriculture, industry and services sector contirbuted 8.5 percent, 32.5 percent and 59.3 percent, respectively, to the nation's gross domestic product, according to the 2009 estimates.

Argentina's urban labor force stood at 16.38 percent million in 2009. The agriculture, industry and services sectors empolyed 1 percent, 23 percent and 76 percent, respectively of the total workforce in 2008. The unemployment rate in 2009 was recorded at 9.6 percent, up from the 2008 figures, when the rate was 7.785 percent. About 13.9 percent of the population lived below the poverty line, according to the official government estimates.

The Argentina economy in the late 1990s was in an unstable condition and growth was hampered by rising debt ind inflation. To counter this problem, then government deployment deployed measured in the form of increased Argentina trade and exports. However, inflation rated are still high and are and impediment to th country's overall economic development.

Argentina's trade surplus, as of May 2009, rose 139 percent from the 2008 levels to $ 2.48 billion due to a sharp drop in imports, in the wake of the economic meltdown. The overall exports dropped by 18 percent in May 2009 to $ 5.14 billion, while imports fell by 49 percent to $ 2.66 billion. The export slump was attributed to lower prices of grains of oilseeds. While the volume increased 6 percent, export prices fell by 13 percent. The imports plunged 39 percent in volume and 16 percent of value. Purchases of foreign made and capital goods shrank in May 2009. The trade surplus in the fisrst five months of 2009 was $ 8.33 billion, up by 63 percent from $ 5.12 billion in the first five moths of 2008.

In January 2010, Argentina's trade surplus reached $ 1.22 billion. While exports rose 19 percent to $4.42 billion in the month due to rising industrial manufacturing sales, imports rose by 16 percent at $3.21 billion.

Argentina's electricity exports were 2.628 billion kWh in 2007 and imports were 10.28 billion kWh in the same period. The oil exports accounted for 314,400 b/d in 2007 and imports accounted for 52,290 b/d. Argentina's oil reserves were 2.616 billion b/d, according to January estimates The naturaş gas reserves of the nation stood at 441.7 billion cu m according to the January estimates. In 2008, the natural gas exports were 890 cu m and th natural gas imports were 1.3 billion cu m in the same period.

The overlall exports in Argentina for 2009 were $ 58.87 billion in 2009, down from $ 70.02 billion in 2008. Argentina's primary exports commodities include soybeans, oil petroleum, wheat, corn and automobiles. The nation's main exports partners are Brazil, China, the US, Chile and the Netherlands.

Argentian's overall imports in 2009 were $ 37.61 billion, down from $ 54.56 billion in 2008. The nation's primary import commodities include machinery, petroleum and gas, plastics and organic chemicals. Argentina's most traded resources are fertile plains of the pampas, lead, zinc, tin, copper, iron ore, manganese, petroleum, uranium. Its main import partners are Brazil, China, Germany and the U.S.

Argentina is a leading exporter of agricultural products and is the world's 3rd largest soy exporter. The manufacturing exports have been boosted by car exports to Brazil.

Argentina's industries rest primarily on the agricultural, industrial and services sectors. The agricultural sector is the mainstay of the Argentina economy and a majority of foreign exchange is obtained from this sector. Argentina'S industry sector are the key contributors to the nation's gross domestic product. In addition, this sector is the largest sector of the country and employs a large percentage of the workforce. The services sector is another major contributor to the nation's gross domestic product.

Argentina's retail sales are projected to grow to $ 214 billion in 2013 from $ 191 billion in 2008. The effots of the government to rebuild credit had a positive impact on

consumer confidence and helped boost retail saled. Banks and retial houses have increased the issuing of consumer credit and have established more flexible payment options to boost expenditure.

Tourism also plays an important part in booting Argentina's retail sales. In 2008, tourists spent more than $ 3.3. billion, up by 8 percent from the previous year. Howeveri due to global economic recession, tourists spents spent less than 25 percent in March 2009, as compared to March 2008.

Sales in the retail sub-sectos, such as the food and beverage industries, are expected to reach $ 58.24 billion by 2013 up from + 39.32 billion in 2008. OTC pharmaceutical sales are predicted to reach $ 530 million by 2013. Consumer electronic sales are expected to grow by 44 percent to $ 5.51 billion by 2013 from $ 3.82 billion in 2008. Automobile sales, however, are expected to decline by 4 percent during the five year period to $ 6.56 billion from $ 6.81 billion.

The Argentina biodiesel industry has produced more than 100,000 tons of biodiesel in August 2009, after a poductive and profitable July 2009. Argentina is the fifth largest producer of biodiesel in the world, after Brazil. Argentina biodiesel production reached more than 1.2 million tons in 2009 and contributed 10 percentof the total world supply.

Despite signs of a recovery, the Argentinean automotive industry ended 2009 with a decline from the 2008 levels. According to Argentinean National Automaker's Federation, auto makers sold in 2008. Auto exports also registeder a fall of 8 percent as compared to compared to the 2008 levels due to a shorthfall in production by 14.1 percent. Volswagen led market terms of number of sales, followed by General Motors and Ford. The 2010 outlook projects vehicle production of 640,000 units.

Otto Energy, a major independet Austrial oil and gas company has decided to formalize its thirty two percent farm aggrement with Oromin Exploraiton, which is a big company of Argentina oil and gas indusrty. It had previously examined Cuyana

Basin in July 2008 and had declared that tihs area would have recovable resources amounting to almost 131.6 barrels.

This new deal of oil and gas industry in Argentina is regarding Santa Rosa field at Cuyana Basin in Argentina. Drilling is supposed to start by first siz month of 2009. In a new development for oil and gas industriy of aArgentina Antrim Energy, a leading production and exploration company based in Canada, which is expected to start production in Tierrra del Fuego concessin which is located in south of Argentina.

RepsolYPF, a major Spanish and Argentina oil and gas company is bringing jacj-up Ocean Scepter in order to drill a rig in San Jorge basin of Argentina. This would be start of an exploraiton program that has been awaited for a significant amount of time.

Oil and gas industry at Argentina has been affected badly by political crisis in Bolivia. So far deductions is amount of gas exports have been, more or less, negligible but if this crisis but if this crisis goes on for a longer time it would have serious impact on gas export scenerio of Argentina.

Three biggest oil companies of Soth Africa (Enarsa, YPF and Enap Sipetrol) are going to pump $ 150 million in Argentina oil and gas industry. This money would be invested for offshore exploration activities in southern parts of Argentina.

Petrobras Energia, which is subsidiary of Petrobras, a state controlled oil and gas company of Brazil, in Argentina has declared that it would put in $ 500 million. This money would be invested in developing hydrocarbon resources at Santa Cruz province in Argentina.

In 2008 production of Argentina oil and gas industry decreased by 1.8 percent. It was seventh condecutive year whan oil production had gone down. During this year production level achieved by Argentina oil and gas industry was 230 million barrels. There was a drop in production of natural gas in 2008 as well. In 2007, it was 1.79 billion cubic feet and it came down to 1.77 billion cubic feet in 2008.

As per an ECLAC report, Argentina was the receipt of the third biggest amount of FDI inflow amoung the Latin American and the Caribbean nations in 1997. The first and second places in this regard were held by Brazil and Mexico respectively.

Argentina's foreign direct investment flow recorded a substantial increment in 1990 to 1996 time period. The annual average for this period stood at US $ 2.8 billion. This was four times greater that the comparable figure for the 1980s.

In 1996 the FDI net inflow into Argentina climbed to U.S. $ 4.2 billion. Compared to 1990 this was a yearly average growth of 15.2 percent. As per estimated by Argentina authoities, the value of FDI assets between 1990 and 1996 stood at around U.S. $ 23.6 billion.

Some factors contributed to rapid increase in FDI inflows into Argentina in the 1990s. They are stated below.

i. Mercosur membership,
ii. Macroeconomic stability,
iii. Arapid re-entry into international capital markets facilitated by proper policies on conversion of foreign debt into capital,
iv. Special incentive sheme for foreign investment,
v. Incentives for the automotive sector.

In 1990, Argentina's FDI inflow accounted for 22 percent of Latin America'S foreign investment inflow. The figure subsequently hovered at around 9.8 percent to 13.9 percent in the following 6 to 7 years. Notwithstanding the large absolute value, Argentina'S share in Latin America's FDI flow declined in the later half of the 1990s. This may be accounted to certain factors, which are stated below.

Completion of the first round of privatization for Argentinean public companies,

A host of transnational companies were interested to operate in Mercosur market but Argentina faced stiff copmetition from Brazil in luring there investment companies,

The advancement of alternative options of external financing in Argentina as per reports from UNCTAD, FDI inflows to the Latin American region and the Caribbean nations increased by 44 percent in 2004. The figure stood at U.S. $68 billion. This increase in FDI flow for the region was registered after a four year sequel of decline. These figures were released by UNCTAD in its "World Investment Report 2005:Transnational

Corporation and the International of R&D". The report observed that, the biggest increment in FDI inflows in this region were accounted for by nations with MERCOSUR membership or associate membership.

Argentina leads the pack with a 125 percent increase. Brazil and Chile followed suit with 79 percent and 73 percent increase respectively.

2004 was a watershed year regarding policy in the Latin American nations. The policy changes primarily revolved round the participation of private investment in an economy's natural resource sector. This sector normally attracts huge inflows from foreign business firms.

The massive upsurge in commodity prices led some Latin American governments to go in for a modification of their prevalent tax regimes. Some concerned legislations were also changed. The idea behind these government regulations was to secure the lion'S share of the rent accuring from the natural resources sector for the state.

There kind of developments were observed in countries like Argentina, Vnezuela, Chile and Peru. These policy measures discouraged FDI inflow to some extent. So the gpvernments of the concerned countries made some other policy changes with an eye to attract foreign investments. They formulated newly devised investment promotion regimes in countries like Argentina and Brazil targeted at attracted investments for industrial activities.

Galloping inflation in 2007 threatened to derail Argentina'S road to economic recovery. Risisng pricies leaf to apprehensions of a decline in net profit on goods for export. FDI figures for Argentina were already on the decline from 2006.

Average yearly rate of growth of FDI in Argentina was 11.2 percent in the fisrt quarter of the year 2006. It was lower than the comparable 26 percent growth it recorded in the time period from 2002 to 2006. From January 2007 to March 2007, it declined by 56.1 percent and stood at 624 million dollars. This contraction was due to effect of a 374 million dollrs worth of negative reinvested earnings.

Argentina and China signed a deal for Beijing to invest $10 billion in the South American nation's railways during a visit by the Argentine president to Beijing, but there was no sign of progress in a dispute over soy imports. The agreements announced during the visit by President Cristina Fernandez earlier May/2010 come as Beijing expands its role in Latin America through investments in oil and other industries and closer financial ties with the region's governments.

The railway deals include a $2.5 billion project to upgrade the rail system of Argentina's capital, Buenos Aires. China is promoting exports of railway equipment and is trying to develop its own high-speed rail technology.

A Chinese railway official said in March/2010 that state-owned companies are building high-speed lines in Venezuela and Turkey. There was no sign of progress in a dispute over China's ban on imports of Argentine soy, a key export for Fernandez's nation. The Chinese government played down the ban, calling it a normal trade dispute.The soy dispute is the most pressing issue for Fernandez, who was on the first trip to China by an Argentine president since 2004.

Others deals announced during the visit earlier May/2010 included a memorandum of cooperation state-owned China Petroleum & Chemical Corp., also known as Sinopec, and state-owned Energia Argentina SA, or Enersa. News reports say BP might sell its 60 percent share to state-owned China National Offshore Oil Corp., which owns 20 percent of Pan American and wants to expand abroad.

Argentine exports of soy oil to China totaled $1.4 billion last year, accounting for a sizable chunk of two-way trade that strongly favored Beijing.

China imposed the soy ban 2010 April 1, after saying it found shipments containing excessive levels of hexane, a potentially cancerous chemical used in soy processing. The restrictions also came after Argentina last year imposed antidumping measures on some Chinese goods.China has denied the soy ban is a retaliatory measure, while Argentina has said its soy products are not contaminated.

Argentina has a rich agricultural sector, which is one of the primary exports. In addition, this country's industrial sector is extremely diversified. Up until 2002, the country experienced a horrific economic and political crisis, lasting five years but after that time, the Gross Domestic Product or GDP grew by 9 percent. Unfortunately, the world financial crisis hit Argentina hard in 2008 and 2009, which led to the government pulling back on the amount of exports. To help boost the economy, the government also nationalized private pension funds but instead of helping, it affected spending for private investments, causing the Gross Domestic Product to fall to 0.5 percent. Then into 2009, the GDP for Argentina was up to $558 billion in US dollars, an improvement from the prior year of $572 billion in 2008. Although the GDP took another downward spiral in mid-2009 to negative 2.5 percent, thanks to the agricultural, industry, and services sectors it rose again to 8.5 percent.

In looking at the Argentina GDP (Gross Domestic Product, Current Prices, US Dollar), after 2002 the country experienced some growth, which was quite impressive considering Argentina had just gone through five years of the worst economic and political crisis in history. Although things were moving in a positive direction, the global financial crisis hit Argentina hard in 2008 and 2009, which virtually stopped GDP growth and slow exportation dramatically. To show how this affected the economy, GDP numbers for 2008 hit at $328.56 billion in US dollars and from that time to the end of 2009, a decline of 5.63 percent occurred, closing 2009 out at $310.065 billion. With this, Argentina was at number 40 for world rankings. Using various forms of data, forecasters believe that 2010 will see an increase around 10.99 percent, which would put the GDP at $344.14 billion at the end of the year. Forecasters are also predicting that year-end 2015 will show numbers of $404.29 billion in US dollars.

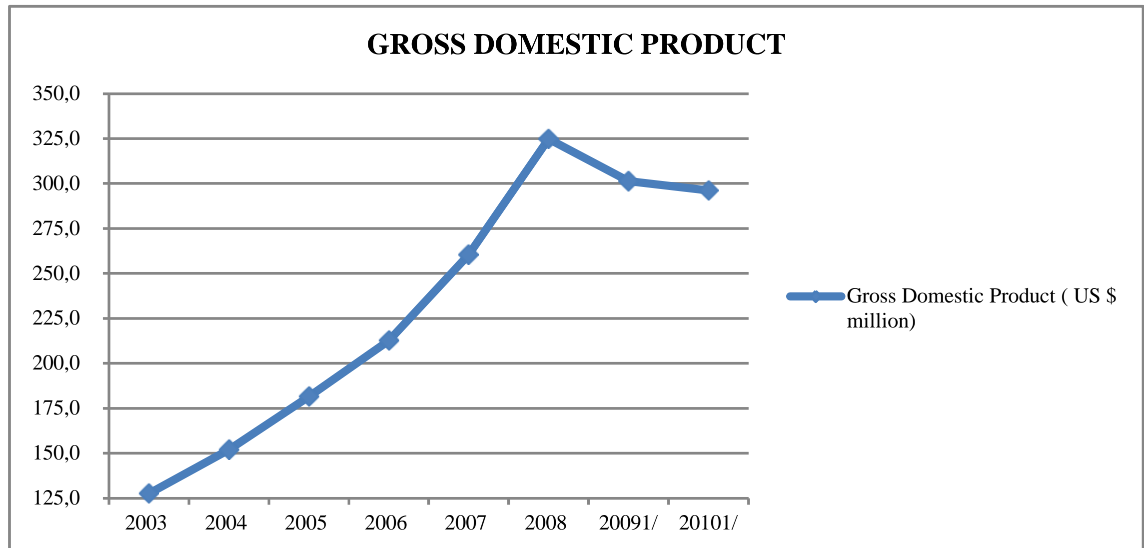

Figure 8.23.:Argentina Gross Domestic Product

Source: Argentina Gross Domestic Product, July 2010, http://www.world-exchanges.org, World Federation of Exchanges

Note: 20091 and 20101/ IMF's estimate

In 1999, following the 1998 international crisis, GDP fell by 3 percent and Argentina entered into a recession. President Fernando de la Rúa, who took office in December 1999 following the 10-year administration of Carlos Menem, sponsored tax increases and spending cuts to reduce the deficit, which had ballooned to 2.5 percent of GDP. The new government also arranged a new US$7.4 billion stand-by facility with the International Monetary Fund (IMF) for contingency purposes – almost three times the size of the previous arrangement. The new government passed laws intended to change the country's labour code, and attempted to address the precarious financial situation of several highly indebted provinces.

The issue of Argentina's massive public debt and chronic budget deficits increased market uncertainty, despite a loan guarantee arranged between the Argentine government and the IMF in January 2001. Pres. de la Rúa's March appointment of Domingo Cavallo to the Economy Ministry and a debt swap arranged by Cavallo was

interpreted as panic, however, and capital flight increased. Argentine debt, held mostly in bonds, was massively sold short and the government found itself unable to borrow or meet debt payments. The crisis exploded in December after the corralito (an almost complete freezing of bank deposits) caused widespread protests. Following the December 2001 riots, President de la Rúa resigned.

February 2002: Depositors protest against frozen accounts for fear they might lose value, or worse.

On December 23, 2001, interim president Adolfo Rodríguez Saá declared a short-lived debt moratorium. After a few days, Argentina officially defaulted on $132 billion of its debt, mostly the securitized bonds.

In January 2002, the convertibility plan that pegged the Argentine peso to the U.S. dollar on a one-to-one basis was scrapped, after nearly 11 years. The peso was floated and suffered a swift and sharp devaluation (losing about 70 percent of its value in four months), which in turn triggered a 40 percent surge in consumer prices.

In 2002, Argentina's GDP sunk by 11 percent; GDP fell to its 1993 level and on a per capita basis, to that of 1968. Income poverty in Argentina grew from an already high 35.4 percent in October 2001 to a peak of 54.3 percent in October 2002; the poverty rate in 2007 returned to levels prevailing in the 1990s and has declined (albeit more slowly) to around 18 percent, since then. Unemployment, having exceeded 20 percent in 2002, has also lessened; it has averaged around 8 percent since 2007.

A measure of financial stability returned after April 2002, and the first sector to recover was manufacturing, where most industries, save food processing (the largest), were operating at below half of capacity. One of the early contributors to this was the recovered factory movement, whereby laid-off workers took over numerous shuttered manufacturers, notably Zanon Ceramics in Neuquén and Brukman Textiles in Buenos Aires, as well as well-known names outside industry, such as Buenos Aires' Hotel Bauen. These arrangements employed around 15,000 workers by 2004, a small but inspiring contribution to the nation's economy.

The debt restructuring process was long and complex. Argentina offered a steep discount on its obligations (approximately 70 percent) and finally settled the matter with over 76 percent of its defaulted creditors (the default did not include the IMF, which has continued to be paid on time).

In December 2005, Kirchner decided to liquidate the Argentine debt to the IMF in a single payment, without refinancing, for a total of $9.8 billion. The payment was partly financed by Venezuela, who bought Argentine bonds for US$1.6 billion.

In 2006, Argentina reentered international debt markets selling US$500 million of its Bonar V five year dollar denominated bonds, with a yield of 8.36 percent, mostly to foreign banks and Moody's boosted Argentina's debt rating to B from B-. However, the reliance of Argentina on Venezuela for a large portion of its financing needs has not been well received in Wall Street circles. On July 18, 2006 Goldman Sachs Emerging Markets Research noted: "Instead of trying to restore its credibility with the broad capital markets, the government keeps on relying on Venezuela as its main credit supplier" (as quoted in the Wall Street Journal on July 28, 2006). The total amount of Argentina's debt held by Venezuela is estimated at around US$6 billion, as of mid-2008.

Continuing her husband's policy of debt cancellation, President Cristina Kirchner announced the initiation of the repayment of Argentina's US$6.7 billion debt to Paris Club creditors in September 2008, and in April 2010, Economy Minister Amado Boudou prepared a debt swap package for the holders of over US$18 billion in bonds who did not participate in the 2005 Argentine debt restructuring prepared by a Economy Minister Roberto Lavagna. These holdouts include numerous vulture funds which had eschewed the 2005 offer, and had instead resorted to the courts in a bid for higher returns on their defaulted bonds. These disputes had led to a number of liens against central bank accounts in New York and, indirectly, to reduced Argentine access to international credit markets.

President Néstor Kirchner savors the moment in a reopened cookie factory, 2004.The Argentine economy has been growing again with surprising strength: 9 percent annual growth, sustained for five consecutive years (2003 through 2007). This stability was initially due to a surge in trade surpluses (over all previous historical records) and the

sustained growth has been led by an over three-fold jump in business investment since the 2002 low. Private sector employers have, since then, created over 3 million jobs and recovered median pay to over US$800 a month (about US$1,600, in purchasing power parity terms), a level closer to Argentina's historical average. This has boosted local consumption by two-thirds in real terms, though foreign investment has increased only modestly.

The Kirchners have also addressed deficiencies among certain public services privatized during the 1990s, revoking licences granted to private interests at the time; among these, some of the most notable have been: the national postal service (2003), the San Martín Railway line (2004), the water utility serving the Province of Buenos Aires (2006) and Aerolíneas Argentinas (2009). Private pension funds, which were first licenced in 1994, suffered large losses during the 1998-2002 crisis and by 2008, the state subsidized 77 percent of the funds' beneficiaries, including 40 percent whose annuities could not cover minimum monthly pensions; of the funds' 9.5 million affiliates, nearly 6 million had stopped making contributions. The 2008 financial crisis exacerbated the problem and on 20 October, Pres. Cristina Kirchner announced plans for the nationalization of the funds' investments of nearly US$30 billion, while leaving contributors the freedom to invest in private pension funds, which the central bank plans to purchase a minority stake in. The plan's congressional passage a month later was accompanied by a package of incentives designed to make credit more accessible and to stimulate slowing domestic growth, as well as expanded export and loan subsidies and a US$32 billion public works program for 2009-2010 (a record). The program has helped stave off recession, though the effects of the international crisis have had a serious impact on the local economy. Following six years of the fastest, sustained economic growth since the 1880s, GDP slid by 1.5 percent from July 2008 to July 2009, and domestic, private sector demand fell by around 4 percent. Sharp increases in public spending in the first half of 2009 and an incipient recovery in the second half of the year resulted in growth of 0.9 percent for 2009 as a whole, though a spike in inflation rates in early 2010 may have dampened growth appreciably.

Benefiting from an undervalued local currency that allowed industry to produce goods with competitive prices in the international market, exports soared from US$26 billion

in 2002 to US$70 billion in 2008, though a drought and weaker international demand caused exports to fall by 20 percent.Manufacturing in Argentina has also recovered quickly from the 2002 crisis. Led by higher domestic demand, manufacturing in general has grown by over 80 percent since 2002 and some long-suffering industries, such as textiles, furniture, machinery, construction materials and publishing have more than doubled their output. Motor vehicle output, in particular, has jumped from a depressed 159,000 units in 2002 to a record 597,000 units in 2008 (auto sales have risen even more); amid the nation's relatively mild recession, output eased to 513,000 units in 2009. While local home values remain well below international prices, the nation's real estate market has also remained strong.

The Argentina population according to the most recent numbers is just over 40 million. Of those, the country's urban labor force is estimated at 16.38 million with most people working in agriculture, industry, and services sectors. By 2009, the Argentina unemployment rate was reported at 9.6 percent, which was an increase over 2008's rate of 7.875 percent. Today, close to 14 percent of the country's population lives below the poverty line. However, by March 2010, the level of unemployment had dropped slightly to 8.3 percent. Keep in mind that unemployment is defined as individuals not even looking for employment, people in institutions, and those who are actively serving in the military. Therefore, unemployment may be somewhat lower. With auto production growing, farm exports increasing, and consumer spending rising, Argentina's government believes the numbers will continue to improve.

Another area that forecasters watch closely is the Argentina inflation rate. Looking at 2008, this rate was at 8.59 percent and from that time to the end of 2009, a reduction of 26.97 percent was seen, which put 2009 numbers at 6.27 percent. Because of this change, the world ranking for Argentina specific to inflation was number 52. Now, for 2010, experts are predicting the year will end at 10.12 percent, an increase of 61.34 percent from 2009. Then for 2015, the numbers are expected to change only slightly, closing at 9.7 percent.

The Argentina current account balance for 2008 was reported at $4.99 billion in US dollars but with an increase of 73.47 percent, 2009 closed out at $8.651 billion. At that

time, the country was in the number 22 position for world rankings. Numbers being predicted by forecasters for 2010 and 2015 are $9.52 billion and $5.712 billion in US dollars respectively.

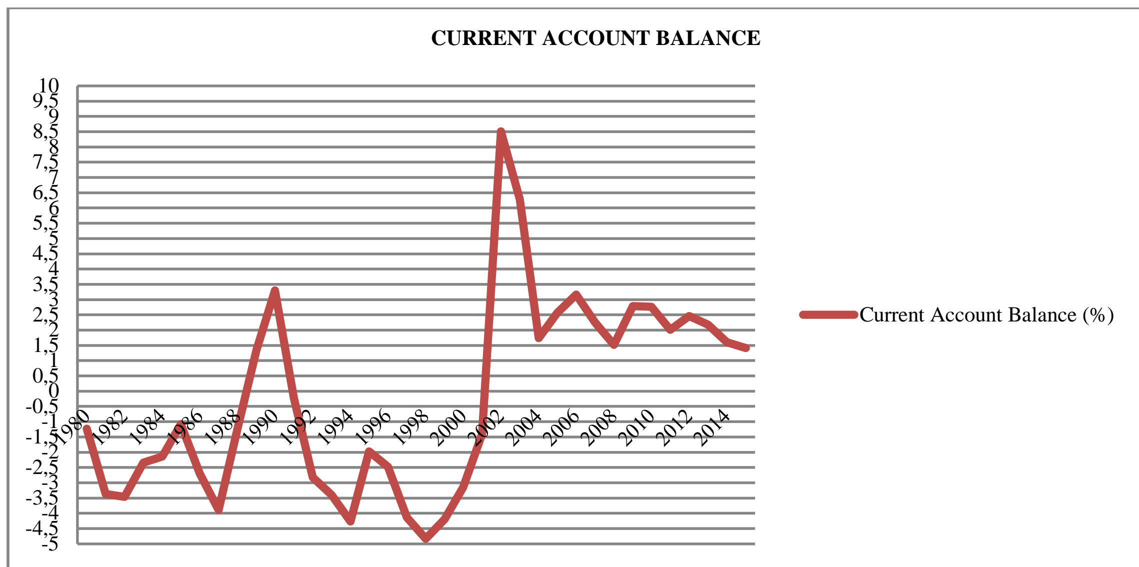

Figure 8.24.: Argentina Current Account Balance

Source: Trading Volumes on Emeging Markets, July 2010, http://www.world-exchanges.org, World Federation of Exchanges

Note: 2010,2012 and 2014 datas are WFE's estimates.

8.9.SOUTH AFRICA CAPITAL MARKET

The Portuguese sailors was came to south coast of Africa in 15th century After the discovery of Cape of Good Hope, many Europeans began to migrate to South Africa and the migration has became faster with discovery of sources of diamond and gold. In 1902, The Republic of South Africa has establihed by apartheid regime.Apartheid regime has ended with the winnig of Nelson Mandela led African National Congress in 1994.

South Africa Republic is accepted the most advanced country, with its national sours, advanced finance and telecomunication technologies, in the continent.

The country has three capital city. Pretoria is the administirative capital city and one million people has live. The second capital city is the Cape Town and there ara many public ınstitutions and national assembly. Bloemfontein is the juridical capital city.

South Africa has two assembly; National Council of State which is in the nature of senate and National Assembly.

The country has natural rich resources and advanced mining sector. South Africa is the most significant platinum, diomand and cromium producer in the world. In addition, the country has substantial coal, iron, zinc and uranium reserves.

After the aparteid regime had stopped, the country has adopted principle an improvement program which its purpose to balance employment and income distribution also to ensure stability. Inflation and budget decifit has been brougt under control and infrastructure works has ben strengthened with the improvement program which has been implemented in 1996.

The Country's economic growth is about 5-6 percent. Gross national product is USD 273 billion in 2007. 16 percent of industrial output, 7 percent of minning, 63 percent and 3 percent of agriculture of service sector of gross national product. 35 percent of workforce is from agriculture althoug the agriculture is 3 percent in gross national product.

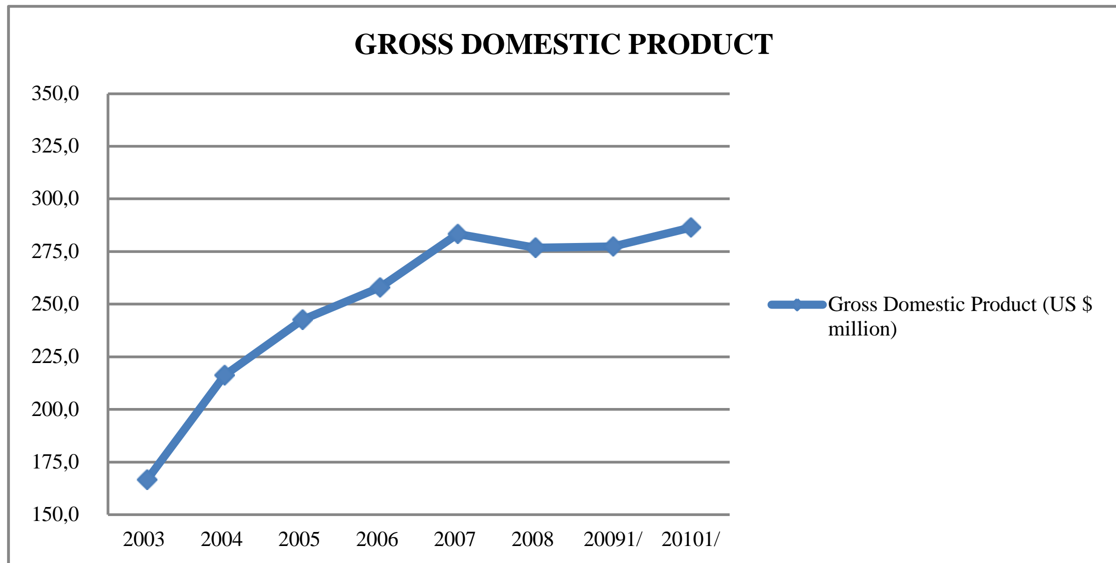

Figure 8.25.: South Africa Gross Domestic Product

Source: South Africa Gross DomesticProduct Datas, July 2010, http://www.world-exchanges.org, World Federation of ExchangesNote: 20091 and 20101/ IMF's estimate.

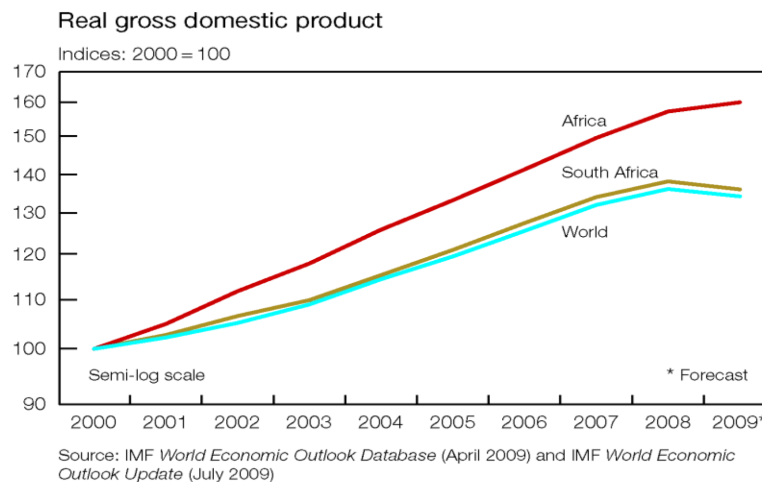

Figure 8.26.: South Africa-Africa-World Real Gross Domestic Product

Source:IMF World Economic Outlook Database, July 2010, http://www.imf.org , Internationla Monetary Fund

Note: 2009* is IMF's estimate.

Unemployment is the biggest problem in the country and it is about 25 percent –30 percent.

According to experts, the Reserve Bank of South Africa is expected to target the rate of inflation between 3 percent and 6 percent. Contrary to the expectations of the labor unions, the country's monetary policies have been conservative, and largely aimed at preventing misallocation of resources, which a middle income country like South Africa can ill afford.

If the inflation is not managed properly in the country, it will depreciate the currency and increase the taxable components in an income. On the demand side, inflation contributes to the rise in poverty rates and reduces the spending power of consumers. In the global imports space, any firm, economy or business will import goods from other emerging nations since South Africa has higher inflation rates than its emerging counterparts. Such a situation will badly hurt South Africa's regional competitiveness.

South Africa's budget balance swing from a surplus of 1 percent of DP in 2007-08 to 7.3 percent in the space of two years. The increase in spending has helped mitigate the reduction in demand during the economic recession. The South African Finance Minister, however, announced a lower budget deficit of 6.2 percent of GDP through March 2011.

The public debt is also expected to rise from 23 percent of the GDP in 2008-09 to 40 percent of the GDP in 2013, and will only stabilize in 2015. The projections are lower than that for other countries, where the debt-GDP ratios typically exceed 70 percent. The medium-term outlook for South Africa remains positive with lower levels of deficit and debt, and the nation is poised for a strong economic rebound.

South Africa unveiled its new industrial policy in February 2010 to specifically target capital goods, transportation equipment and metal fabrication, aiming to boost manufacturing capacity and increase employment. South African government officials are hoping that this new industrial policy will add more than 500,000 jobs in the sectors badly hurt by the recession of 2008-09. The economy of South Africa has a two tiered economy; one rivaling other developed countries and the other with only the most basic

infrastructure. It is therefore a productive and industrialised economy that exhibits many characteristics associated with developing countries, including a division of labour between formal and informal sectors and an uneven distribution of wealth and income.The following chart illustrates SouthAfrica's industrial production growth rate during 2003-2009, and the forecast rate for 2010. All data are in percentages.

South Africa's natural beauty, magnificent outdoor life, good climate and cultural diversity have made the country an ideal destination for foreign tourists. International travel to South Africa has increased manifold since the ban on apartheid policies in the early 1990s. This sector is also a major contributor to the GDP. Whether it is business tourism, cultural tourism, eco-tourism, paleo tourism, adventure tourism or sports tourism, South Africa has something for everyone.

South Africa's sports tourism sector has blossomed in recent times. Due to numerous sporting tournaments like the 1995 Rugby World Cup, the 2003 Cricket World Cup, the Women's World Cup of Golf 2005-2008, the inaugural World Twenty20 Cricket Championships in 2007, and the A1GP World Cup of Motorsport, held in Durban in 2006, 2007 and 2008, this sub-sector has emerged at the forefront of the tourism industry. Now the country is gearing up for millions of tourists for the FIFA World Cup in June and July 2010.

The South African economy is expected to grow 2.3 percent in 2010, well below the expected rate of 3.9 percent. The country's monetary and fiscal policies are contributing to keep it on a steady course of recovery. After South Africa's Finance Minister announced budget deficits and ignored demands to scrap inflation targeting, the Rand (ZAR) rallied to its strongest in recent times. According to Bloomberg, the Rand appreciated by as much as 1.4 percent to R7.5678 to the US dollar. This proved to be good news for investors and the markets. The budget is expected to reduce unemployment and poverty, and make South Africa an attractive destination for foreign investors.

The mining industry in South Africa is a pillar of the nation's industrial structure. It is the fifth largest contributor to the GDP. This industry is the country's largest employer, and the industry's expertise is globally recognized. However, due to the global

recession, the mining industry experienced a series of disastrous events, such as a fall in commodity prices and consumer demand. This led to production cuts and cutbacks on major projects.

Mining production fell alarmingly in 2009 after the highs of January 2005. Mineral sales dropped 30 percent between October 2008 and October 2009. The increased levels of production, however, between October 2009 and November 2009 are hopefully a sign for more optimism in this sector. The turnaround for this industry has been attributed to a gradual rise in oil and commodity prices worldwide, weakening of the US dollar, and the resurgence of the Chinese economy.

Table 8.11.: South Africa GDP by Sectors

	REAL GROSS DOMESTIC PRODUCT				
	2007	**2008**			**2009**
Sectors	**Year**	**1st half**	**2nd half**	**Year**	**1st half**
Primary Sector	0.8	-2.1	7.5	0.9	-11.8
Agriculture	2.9	20.4	23.9	18.8	-2.3
Mining	0	11	-0.2	-6.5	-16.8
Secondary Sector	6.1	5.8	-3.5	2.9	-12.7
Manufacturing	4.5	5.4	-7.4	1.2	-19.4
Electricity, gas and water	3	-3.6	0.3	-12	-5
Construction	17.1	13.6	12.4	13.9	13.1
Tertiary Sector	5.4	3.4	1.9	3.5	-0.1
Commerce	5.2	1.5	-4.5	0.5	-2.4
Transport and communication	5.6	3.7	3.8	4	-0.7
Financial and other services	6.8	4.1	3.2	5	-1
Non-agricultural Sector	5.2	3.1	0.4	2.8	-4.2
Total	5.1	3.5	0.9	3.1	-4.5

Percentage change at a seosonally adjusted annualised rates

Source: Annual Report2008-2009, July 2010, www.reservebank.co.za , South African Reserve Bank

The outlook in 2010 for this sector will hinge on the growth of global demand of minerals in China and other emerging markets. It will also depend on the slow recovery of the US and European economies, as these regions are South Africa's major export partners.

In 19th century, several mining and finance company has started establishing new companies. Johannesburg Exchange & Chamber Company has established by English businessmen in 1886 and the company has changed to Johannesburg Securities Exchange (JSE) in 1887.

South Africa has became a full member to World Federation of Exchange in 1963. The krugerrands (money which made by golden) has started to trade at exchage in 1979.

The Bond Market Association has established with the purpose that to regule the bond market in 1989 and its name has changed to Bond Exchange of South Africa in 1996.

South Africa Futures Exchange (SAFEX) and Safex Clearing Company has established led by twenty one banks and brokerage houses in 1988. In 1995, Safex Agricultural Derivative Division has skip to operation.

In 2001, Johannesburg Securities Exchange & Chamber Company has brought the majority equity of South Africa Futures Exchange. Consequently, JSE has became a bourse which traded equity also derivatives at the same time.

There are two exchanges in South Africa. The one them is Johannesburg Securities Exchange and the other is South Africa Bond Market. The central regulator is Financial Services Board (FSB). Financial Services Board is established in 1990.

Johannesburg Securities Exchange has took its licence with the law dated 2004 and it is also oldest and biggest bourse in the South Africa. The bourse has opened in 2005 and renamed as JSE LTD. Previously, equities of JSE Ltd had traded on the over the counter market but then, from June 2006, himself was quoted and has started to trade AT Johannesburg Security Exchange.

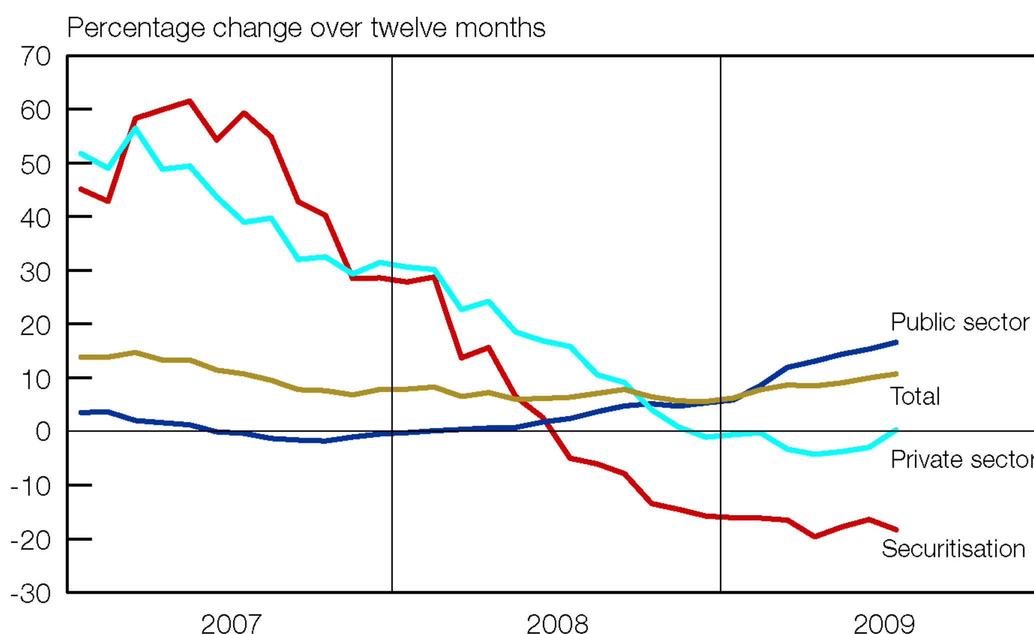

Figure 8.27.: South Africa Listed Bonds in Issue

Source: Annual Report 2008-2009, July 2010, www.reservebank.co.za , South African Reserve Bank

There are four kind of markets at the Johannesburg Securities Board.

i. Equity Market includes equities, bourse investment funds and convertible bonds.
ii. Safex-Agric Market includes futures and options based on agricultural goods.
iii. Safex-ED Market includes futures and options includes based on equities.
iv. Yield-X Market includes interest and derivatives based on interests.

If a company wants to be a member of JSE, it have to have 10 percent equity of the company and the owner has to be the resident of South Africa.

There are two market at the Equity Market names are Main Market and Alternative Exchange Market (AltX).Previously, Small and Medium Size Enterprice (SME) was traded on Development Capital Market (DCM) and Venture Capital Market (VCM). These markets was closed due to opening of Alternative Exchange Market in 2004 and quoted companies has tranfered to Main and Alternative Exchange Market. 422 Company has quoted to Main asd Alternative Market, and total market capitalization is USD 828 billion at the end of 2007.

Johannesburg Security Exchange had calculated indeces until 2002 and then, the indeces has started to calculate by Financial Times and Financial Times Stock Exchange (FTSE) which belongs to London Stock Exchange.

Indeces areas following; FTSE/JSE All Africa Index Series, FTSE/JSE AltX Idex, FTSE/JSE SA Resources Index, FTSE/JSE Divident Index, FTSE/JSE RAFI All – Share Index, FTSE/JSE RAFI 40 Index. FTSE/JSE Preference Share Index.

FTSE – JSE Africa Main Indeces includes indeces which equities sized small, medium and big and lined up their liqudation and market values. In addition, an index is also in this group although its weight is under 1 percent according to their market values. FTSE Group and JSE Limited have launched the

FTSE/JSE Preference Index, a market capitalization weighted index consisting of non-conertible, non-redeemable floating rate preference shares. Presefrance shares are defined as shares bearing a fixed annual rate of dividend with a prior right over all oridnary shares in the distiribution of dividends from annual profits and a prior claim to repayment of capital on a winding – up of the copmany. The shares are held like bonds.

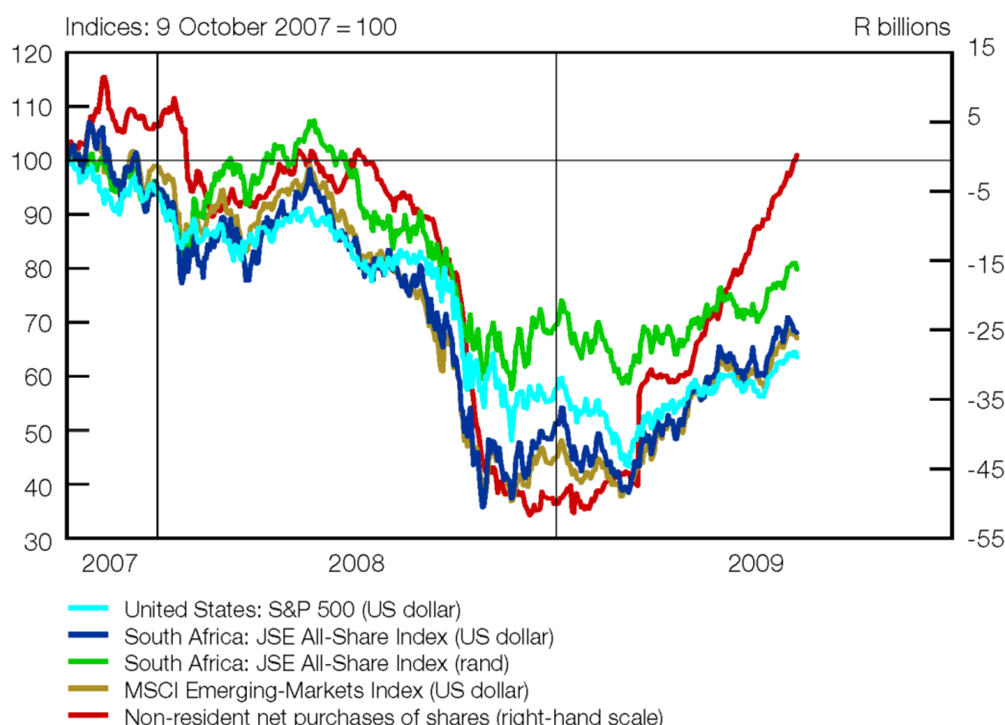

Figure 8.28.: South Africa JSE Indeces

Source: Annual Report 2008-2009, July 2010, www.reservebank.co.za , South African Reserve Bank

The board system has stopped with Johannesburg Equities Trading System (JET) and trading has started at electronic media in 1996. Johannesburg Equities System has enhanced Securities Exchange News Service (SENS) with the purpose to issue the newest information about the market in 1997.

The first futures had made by a private bank in 1987 and one year later South African Futures Exchange (SAFEX) and Safex Clearing Company (SAFCOM) has established. In 1990, Safex get derivatives licence. JSE has bought to Safex in 2001 and futures contacts has started to trade on Safex Equity Derivative (ED) and Safex Agricultural Product Derivative – Agric. Yield-X was formed that spot and derivative contracts has been trading together in 2005.

Trading volume is increasing every year in Safex Equity Derivative Market. Futures contracts is based on indeces, equities, gold, divident or some selected securities. There are nine futures contracts based on ındex. They are the most traded ones and also approximately 92 percent of total volume is realized on this futures contracts.

In 1995, Safex – Agric Futures Market was built for adding agricultural products to capital market in 1995. First contracts was based on corn but then, sunflower and soybean has traded. Contracts which based on corn is the most traded ones with 70 percent volume. Wheat contracts is the second most traded contracts with 25 percent volume.

Options which based on futures was started to trade on this market with odd lot since 1998.

Pyhsical clearing is possible on Safex. The operations are made on Safcom.

Johannesburg Securitiy Exchange establihed Yield – X Market for improvement of derivative interest contracts which based on interest rates in 2005.

Ten financial products is traded on Yield – X, swaps, forwards,futures and options which based on bonds, swaps and foreign exchanges. Products details are as following;

i. j – Rands are futures contracts which based on dollar,
ii. j – Futures are based on bonds,
iii. j – Bonds are spot and futures transactions which based on bonds,
iv. j – Carries are repos transactions,
v. j – FRAs are forward transactions,
vi. j – Govi are futures and options which based on bond index,
vii. j – Notes are futures which based on swaps,
viii. j – Opitions are based on futures,
ix. j – Rods are swaps which depends on Rand Overnight Deposit Interest Rate (RODI) with one, three, six, nine and twelve months interest rates,
x. j – Swaps are swaps looks like synthetic bonds.

Bond Marker Association (BMA) has established to regulate bond market in 1989 and after that, the country has issued private bonds and treasury has issued new bond types too in 1992.

Bond Exchange of South Africa (BESA) has took ith licence with the new law came into effect in 1996. Bonds and derivatives depends on bonds are traded on BESA and all operaitions are moved to Bond Automated Trading System (BATS) in 2000. Fixed income securities at the BESA are as following; discounted bonds, bonds which have fixed or variable interests, bonds which based on inflation, bonds which based on selected ındex, bonds which related credits, strip bonds, secured debts.

The regulator association is Financial Services Association and responsible from security market, retirement funds and insuarnace companies. South Africa Central Bank is the regulator for credit establihments and banks.

At present, there is two bourse; Johannesburg Securities Exchange and Bond Ecchange of South Africa. Securities, investment funds, fixed income securities and derivatives are traded on Johannesburg Securities Exchang and fixed income securities and derivatives are traded on Bond Exchange of South Africa.

Johannesburg Security Exchange is the biggest bourse at the country and also at the continent. The bourse is the 19th on the world classification which made by market capitalization in 2007.

8.10.POLAND CAPITAL MARKET

Poland is located in Central Europe and it borders the Baltic Sea, the Czech Republic, Slovakia, Germany and Lithuania. With a total area spanning 312,679 square kilometres (120,726 sq m), Poland is the 69th largest country in the world and the 9th largest in Europe.

Poland is the only country in the European Union (EU) to have registered 1.2 percent economic growth in 2009. The country’s gross domestic product per head rose from 50 percent to 56 percent of the EU average in 2009, making it a record jump.

Today, Poland is Europe’s sixth-biggest economy and is considered to have one of the fastest growing economies in Central Europe, with an annual growth rate of more than 6.0 percent before the 2008 recession.

Poland economic structure has undergone a strict and much needed overhauling since 1990. Although the country’s gross domestic product growth has consistently been healthy, its gross domestic product per capital is still much below the average of the EU, which Poland joined in 2004 but the gross domestic product per capital figure matches that of the three Baltic states (Population at Emerging Countries 2010).

Poland economic structure has been focused on the privatization of small and medium state-owned companies and the liberalization of laws for establishing new firms. Services still lead the way when it comes to adding to the gross domestic product (GDP). Here is how the break up looks like:

i. Agriculture: 4.6 percent
ii. Industry: 28.1 percent
iii. Services: 67.3 percent(as of 2009 estimates)

Agriculture sector is primarily run privately and accounts for 5 percent of the GDP and occupies more than 17.4 percent of the workforce. Self-sufficiency in food products is a commendable achievement of Poland. The country has an abundance of crops such as potatoes, sugar beets, rye and wheat. Poland is also relatively rich in natural resources, primarily coal, sulfur, copper, silver, lead and zinc. The sector also involved in food and beverage processing, shipbuilding and the manufacture of machinery, iron and steel products, chemicals, glass and textiles. Structural problems, surplus labor, inefficient small farms, and lack of investments affect this sector. Although slow progress has been made in the restructuring and privatization of sub-sectors such as coal, foreign investments in energy and steel in the recent past have improved the scenario.

Industry sector was earlier state controlled and privatized in the early 1990s. Before the World War II, coal, textile, chemical, machinery, iron, and steel sectors made up Poland's industrial base. However, the base now has expanded to include fertilizers,

petrochemicals, machine tools, electrical machinery, electronics, cars and shipbuilding. Industry employed roughly 29 percent of the labor force as of 2009.

Ever since joining the EU, Poland is a part of the global tourism market. It is the 17th most visited country by foreign tourists in 2008, and tourism contributes significantly to the country's overall economy. The most popular cities are Warsaw, Kraków, Wrocław, Poznań and Lublin.

Poland's economic performance will have challenges to tackle such as incompetent commercial court system, inflexible labor code, rising demands to fund health care, education, and the state pension system.

Poland reoriented its trade when the ruble-based COMECON trading bloc collapsed in 1991. By 1996, the country had strengthened its trade ties with EU members and its 70 percent of the trade was conducted with these countries. Poland’s leading trading partner is its neighbor Germany. Before joining the EU in May 2004, Poland was conducting trade using the Central European Free Trade Agreement (CEFTA), which included Hungary, Slovakia, the Czech Republic and Slovenia.

The recession marred the high trade amount that Poland managed in 2008 at $49.41 billion. In 2009, the exports fell by about $10 billion to $38.1 billion. Following are the products that feature prominently in Poland exports:

i. Machinery and equipment
ii. Textiles and footwear
iii. Metals and metal products
iv. Machinery and equipment
v. Minerals and fuels
vi. Chemicals
vii. Agricultural products

The major export partners as of 2008 are Germany, Italy, France, Turkey, Hungary and Bulgaria.

As far as imports are concerned, the trends show a decrease. This is a positive sign that has helped Poland reduce the trade deficit in 2009. The import volume fell from $76.17 billion in 2008 to $49.2 billion in 2009.

Most of Poland's imports are capital goods required for manufacturing purposes and industrial retooling. Since the imports are not for direct consumer consumption, trade deficit should be regarded as positive.

The main products that are imported are:

i. Machinery and equipment
ii. Fuels and minerals
iii. Chemicals
iv. Textile and products
v. Metals
vi. Agricultural products

The main import partners for Poland as of 2008 are Germany, Italy, Hungary, Russia, France, Turkey, Austria, Kazakhstan and China.

Opportunities for trade and investment in Poland continue to exist across all sectors. The American Chamber of Commerce in Poland, which was founded in 1991 with seven members, has more than 300 members now.

More US and other foreign companies have started doing business with Poland because of the country’s EU membership, immense economic growth potential, an extensive domestic market and a highly stable political system.

Poland has pursued a policy of economic liberalisation since 1990 and today stands out as a success story among transition economies. In 2008, Gross Domestic Product (GDP) grew an estimated 5.3 per cent, based on rising private consumption, a jump in corporate investment, and European Union (EU) investment in flows.

Gross Domestic Product (GDP) per capita is still much under the European Union (EU) average, but is similar to that of the three Baltic states. Since 2004, European Union

(EU) membership and access to European Union (EU) structural investment have provided a serious boost to its economy. unemployment is falling rapidly, though at approximately 9.7 per cent in 2008, it remains above the European Union (EU) average.

In 2008 inflation rates reached 4.3 per cent, more than the upper limit of the national Bank of Poland's target range, but has been falling due to global economic slump. Poland's economic performance could improve further if the nationaddresses some of the remaining deficiencies in its business environment.

An inefficient commercial court system, a rigid workforce code, bureaucratic red tape, and persistent minor corruption (including cronyism and nepotism) keep the private sector from performing up to its full potential. Rising demands to fund health care, education, and the state pension system present a problem to the Polish Government's effort to hold the consolidated public sector budget deficit under 3.0 percent of Gross Domestic Product (GDP), a target which was achieved in 2007-08. The PO/PSL coalition government which came to power in November 2007 plans to further reduction of the budget deficit with the aim of eventually adopting the euro by 2012.

The new government has also announced its intention to enact business-friendly reform, reduction of public sector spending growth, reduced taxation, and accelerate privatisation. The government, however, has moved slower than hoped on serious reform. Pension and health-care bills passed through the legislature, but the legislature failed to overturn a Presidential veto.

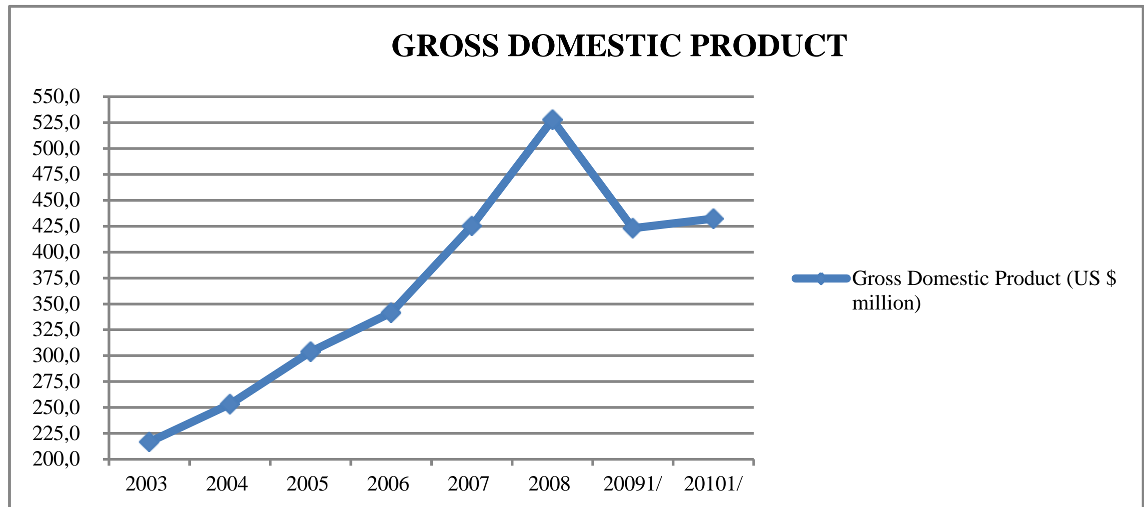

Figure 8.29: Poland Gross Domestic Product

Source:World Economic Outlook Database- October 2009, July 2010, http://www.imf.org/external/pubs/ft/weo/2009/02/weodata/index.aspx, International Monetary Fund (IMF) and IBGE

Note: 20091 and 20101/ IMS's estimate.

Since 1990, Poland has been seeking economic liberalization. Today, the country has achieved its goal, now being considered a transition economy. Due to an increase of private consumption, investment inflows with the European Union, and a boost of corporate investments, the Gross Domestic Product saw an increase of 5.3 percent in 2008. Although the GDP is still average with the country being under the European Union since 2004, this membership has provided structural investment that helped boost the economy. Even though Poland's economy has experienced many positive things, government officials expect the performance could improve further. If this country can get some of the remaining deficiencies specific to the business environment under control, things could be much better. However, some of the challenges Poland is still addressing include bureaucratic red tape, some minor but persistent corruption, a rigid workforce code, and a commercial court system that is inefficient. With an announcement being made that business-friendly reform is on the way, as well as reduced taxes and lower public sector spending, people are optimistic.

Poland is currently the sixth largest economy in Europe. In addition, this country's economy known for being one of the fastest growing in the Central part of Europe seeing a growth rate of 6 percent and more prior to the global financial crisis of 2008. Regarding the Poland GDP (Gross Domestic Product, Current Prices, US Dollars), the experts look at the GDP in national currency, as well as projections for the exchange rate. Based on these values, the GDP for 2008 was at $528.32 billion in US dollars. From that time to the end of 2009, a reduction of 18.57 percent was experienced, placing the 2009 GDP at $430.197 billion. At that time, Poland was rated at number 21 around the world. Then by 2010, predictions are that the GDP will be around $479.03 billion but with a significant change, 2015 should hit $635.452 billion (US currency).

Figure 8.30.:Poland Trading Volume

Source: Poland Trading Volume Datas, July 2010, http://www.economywatch.com, Economy, Investments and Finance Reports

Note: 2010/01-06: Between January and June

Another important part of the country's economy is unemployment. Today, the Poland unemployment rate is at 9.7 percent and while high, it is starting to come down. Since

the country's officials have been pushing hard for liberalization of the economy and has already been able to move away from a centrally planned economy to one that is mainly a capitalistic market, good things are happening. For the Poland population, the last report numbers show that some 38 million people live in this country and of those, close to 17 million hold jobs in the agriculture, industry, and services sector.

The Poland inflation rate is also carefully monitored by forecasters so they have a good idea of what the future holds. To determine inflation, an index of 2000=100 for average consumer prices is used. For the 2008 numbers, Poland reported 4.22 percent and then with a moderate reduction of 18.13 percent, 2009 closed at 3.451 percent. This placed the country worldwide at number 85. As for future forecasts, experts believe that the 2010 inflation rate will be at 2.33 percent whereas 2015 willbe virtually the same at 2.5 percent.

With the Poland current account balance, all transactions are used with the exception of those with capital and financial items. The 2008 numbers for current account balance were minus $26.91 billion in US dollars. Over the next 24 months, a decline of 73.69 percent occurred, which left 2009 at a negative $7.08 billion. With this new reported number, Poland was ranked worldwide at number 165. Then regarding the 2010 and 2015 forecasts, experts speculate numbers will close at minus $13.35 billion and minus $18.598 billion in US dollars, respectively.

8.11.SOUTH KOREA CAPITAL MARKET

South Korea is an export-driven economy on the Korean Peninsula. It was once unified with North Korea, but after a war in the 50s the countries have been divided. South Korea is a major economic power in the world, with strong manufacturing, finance, and service industries.

South Korea enjoys a high standard of living and quality of life. It is also one of the most scientifically and mathematically literate nations in the world. However, it has suffered a painful economic crisis of 1997, and is currently under strain from the 2008-2009 economic turmoil.

It is worth noting, however, that the 1997 Asian Financial Crisis led to widespread financial reforms which led to Korea being able to maintain growth, while others in Asia could not.

The official currency of South Korea is the won. It is one of the major Asian currencies, along with the Hong Kong dollar, the Singapore dollar, and the Japanese yen.

The word "won" comes from a mix of the Chinese yuan and the Japanese yen. The won has been South Korea's currency from 1902 and 1910 until the Japenese invasion and replacement by the yen.

The won was finally reintroduced again after World War II. Initially, 15 won made up one US dollar, but since then it has been devalued considerably. After the Korean war, it took 6,000 won to equal one US dollar, only six years after its introduction. Then, in 1962, a second South Korean won was introduced. It, too, was pegged to the US dollar, but this time at a rate of 125 won to 1 US dollar.

It has been devalued numerous times until 1980 when it reached 580 to 1. Then, the pegging was abandoned, and it became a free-floating currency.

The Korean won is produced by the Bank of Korea. This is the only body that has the right to produce the Korean currency. The actual printing is done at

KOMSCO.KOMSCO is the Korea Minting and Security Printing Corporation. KOMSCO is located in Daejeon.

The economic structure of the South Korean Economy was more planned in the past. Presently the economy has followed towards a market system.

Country's economy is largely dependent upon the fuel exports. Both services sector as well as industrial sector is important in the economy. Services constitute a larger share in the Gross Domestic Product in the country followed by industrial sector.

Major agricultural products in the country are vegetables, fruit, chickens, milk, egg, and fish. Important industries in the country are chemicals, steel, textiles, food processing and shipbuilding.

Driven by aggressive manufacturing oriented towards exports, South Korea economy rose to become the world's eighth biggest exporter of goods. Clearly considered an advanced economy by international bodies such as the IMF, CIA and World Bank, South Korea's economic profile has won a string of plaudits, including:

i. World's 8th largest exporter: Ahead of the UK, Russia and Canada.
ii. World's Trading Partner: 3rd largest trader with China and Japan, 7th with the US and 8th with the EU.
iii. World's largest shipbuilder: including world's largest shipyard run by Hyundai Heavy Industries.
iv. World's 5th largest automobile manufacturer: including world's largest automobile assembly plant (Hyundai Motors).
v. Asia's largest oil exporter.
vi. World's highest internet connectivity or access with one of the fastest networks as well.
vii. World's largest manufacturer of screen displays (LCD, CRT, Plasma, etc).
viii. World's fastest increase in patents registered.
ix. World's largest electronics manufacturing firm: Samsung Electronics.
x. World's second largest steel maker: POSCO
xi. World's largest producer of computer memory chips.

South Korea is an export-driven economy on the Korean Peninsula. It was once unified with North Korea, but after a war in the 50s the countries have been divided. South Korea is a major economic power in the world, with strong manufacturing, finance, and service industries.

South Korea enjoys a high standard of living and quality of life. It is also one of the most scientifically and mathematically literate nations in the world. However, it has

suffered a painful economic crisis of 1997, and is currently under strain from the 2008-2009 economic turmoil.

It is worth noting, however, that the 1997 Asian Financial Crisis led to widespread financial reforms which led to Korea being able to maintain growth, while others in Asia could not.

A South Korea economic stimulus was announced by national government on 3rd of November, 2008 fiscal. Its aggregate value was 14 trillion won or $11 billion. This economic stimulus package has assumed importance in wake of worst impending financial crisis in 10 years. Such a situation was faced by South Korea in previous decade, when they had to be bailed out by International Monetary Fund.

As per reports, amount of public expenditures of South Korean government would go up by 11 trillion won in coming financial year. Rest of this package, which comes down to 3 trillion won, is supposed to be utilized for tax related benefits for its populace.

Two weeks prior to this particular economic stimulus package announcement, national government of South Korea had pledged another package, whose aggregate worth was 5 trillion won. It was supposed to provide support to construction industry. Its area of focus was to be on purchase of lands. A package, worth 130 billion dollars, had also met with approval from National Assembly in last phase of October. That South Korea economic stimulus package was meant to lend stability to financial sector of its nation through provision of credit guarantees. This package also looked to provide new capital that addressed liquidity crunch in export and banking sectors.

At present South Korea is facing economic hardships as an inevitable result of global financial recession of financial year 2008. Kang Man Soo, finance minister of South Korea, does not foresee a bright economic future for this country with predictions of 3 percent rate of economic growth in financial year 2008. There have been warnings of more economic slowdowns if present conditions continue to persist.

What is worrying for South Korean economy is that predictions of economic growth are going down every time a new forecast is made. During October 2008, Kang had forecast

that there could be an overall growth rate of 4 percent for economy of South Korea in that financial year. This has been another addition in a long series of deductions in expected rates of growth for economy of South Korea in 2008 fiscal.

4 trillion won out of South Korean economic stimulus package has been earmarked for infrastructural projects that include roads, universities, schools and hospitals. There are other intended beneficiaries like small business enterprises, fishermen, medium business organizations, and families with low income.

South Korea is the most wired country in the world with the highest broadband internet access in the world, the 13th largest economy in the world, the 4th largest economy in Asia, one of the world's top 10 exporters, a "high-income economy" according to the World Bank, an "advanced economy" according to the CIA and IMF, in the trillion-dollar club of global economies.

A strong export-driven economic strategy contributing 39.4 percent to the GDP, South Korea’s industry sectors export semiconductors, wireless telecom equipment, motor vehicles, computers, steel, petrochemicals and ships. Initially, manufacturing was the most emphasized sector of the South Korean industry, however, following the late 1980s downturn in exports and foreign orders made the government make structural changes to help other sectors such as agriculture, services and technology.

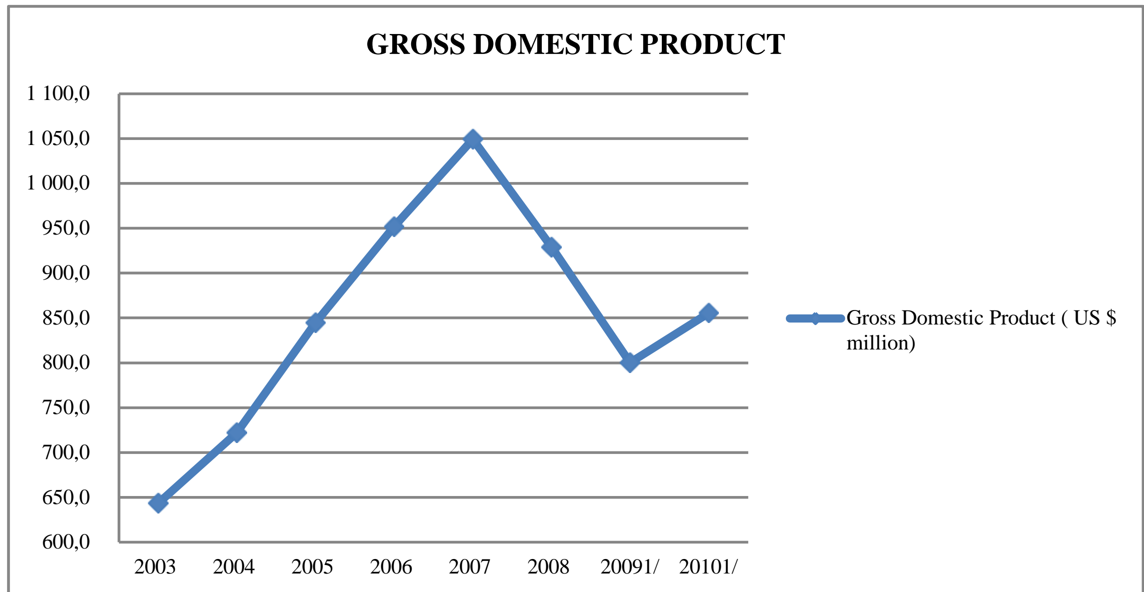

Figure 8.31.: South Korea Gross Domestic Product

Source:World Economic Outlook Database- October 2009, July 2010, http://www.imf.org/external/pubs/ft/weo/2009/02/weodata/index.aspx, International Monetary Fund (IMF) and IBGE

Note: 20091 and 20101/ IMF's estimate

South Korea's largest industries are electronics, automobile production, telecommunication, and shipbuilding. Let's examine each of these in detail:

A dominant manufacturer of television screens and displays such as OLED, LCD, plasma screens and CRTs, South Korean brands such as Samsung and LG are rated with the best in the world. South Korean industrial conglomerates (also known as 'chaebols') are the biggest manufacturers of semiconductors in the world.

9.COUNTRY COMPARISON WITH EACH OTHER

Emerging economies are smaller than the developed countries - but they are growing faster and opening up, leading to greater investment opportunities than ever before. With India growing in recent years at around 7 percent a year, China at 9 percent and the Western world at 2-3 percent before the recession, it seems likely that, barring disaster, China will have a bigger economy than the USA well before 2040. By then, India will have an economy the size of Germany, Britain and France combined with Brazil, Mexico and Russia also having an economy bigger than any European country.

Gross Domestic Product (GDP) is an economic indicator that measures the value of all goods and services produced by the economy within its boundaries and is the nation's broadest gauge of economic health. GDP is divided among personal consumption, investment, net exports, and government spending (Duval and De la Maisonneve 2010).GDP is often a measure of the state of the economy.

There are two methods of GDP calculation: nominal GDP attempts to compare countries using current exchange rates to give an assessment of their clout within the global market. Purchasing Power Parity or PPP GDP, on the other hand, tries to take into account that one dollar can buy more in some countries and less in others. It is a better gauge of the internal size of each market.

In the nominal GDP method, we can see that the developed world leads the pack, but that China has already broken into this exclusive club.

When we look at PPP GDP, China, India, Brazil and Russia are all within the top 10.Here is the Gross Domestic Product based on Purchasing-Power-Parity (PPP) valuation of country GDP:

Table 9.1. :GDP based on PPP valuation of country GDP

Country	2005	2006	2007	2008	2009	2010	2011
United States	12,638.375	13,398.925	14,077.650	14,441.425	14,266.201	14,704.207	15,326.881
China	5,314.372	6,124.360	7,119.439	7,926.498	8,734.705	9,668.891	10,761.448
Japan	3,872.844	4,080.552	4,295.500	4,356.318	4,186.696	4,321.941	4,487.921
India	2,357.795	2,673.591	3,007.896	3,297.838	3,528.614	3,812.597	4,148.429
Germany	2,512.094	2,676.300	2,822.211	2,918.474	2,806.987	2,859.474	2,942.936
United Kingdom	1,932.659	2,052.541	2,165.345	2,228.001	2,163.525	2,216.580	2,304.260
Russia	1,697.957	1,888.266	2,099.663	2,264.608	2,126.390	2,192.048	2,290.038
France	1,868.847	1,976.335	2,078.867	2,130.126	2,112.323	2,163.977	2,233.375
Brazil	1,584.603	1,701.162	1,849.082	1,984.450	2,002.044	2,103.057	2,208.067
Italy	1,633.676	1,721.235	1,798.208	1,817.527	1,750.903	1,781.946	1,820.829
Mexico	1,298.277	1,409.299	1,497.923	1,550.541	1,459.109	1,529.699	1,627.469
Korea	1,096.741	1,191.112	1,287.775	1,344.535	1,352.023	1,421.459	1,516.772
Indonesia	705,162	768,185	839,79	909,729	960,776	1,021.822	1,088.228
Turkey	747,326	824,864	888,095	915,212	869,068	915,002	965,185
Poland	517,957	568,134	624,055	668,551	685,594	711,313	750,258
Argentina	419,568	469,913	525,196	572,668	566,922	584,223	607,385
South Africa	398,756	433,655	468,812	493,49	490,307	506,458	533,283

Source:**World Economic Outlook Database- Oct 2010, October 2010, http://www.imf.org/external/pubs/ft/weo/2009/02/weodata/index.aspx, International Monetary Fund (IMF) and IBGE**

All numbers in U.S. Dollars.

2011 datas are estimated by IMF

World GDP, also known as world gross domestic product or GWP - gross world product, calculated on a nominal basis, was estimated at $65.61 trillion in 2009 by the CIA World Factbook.

In 2007, according to the International Monetary Fund, the US GDP was $14 trillion. Since rising from the ashes of World War II, Japan has become the second largest world economy, with a GDP of $4.2 trillion.Germany is Europe's largest economy and the third largest in the world, with an annual gross domestic product of $2.8 trillion at the same time.

China is now the second largest economy with $ 9.6 trillion after the United States of America. If current growth rates continue, China will become the largest economy in the world somewhere between 2025 and 2030. The United States will be pushed down to second spot. At that time, three out of the four largest economies in the world will be Asian - China, India and Japan.

Just outside the top 10, Russia has made significant economic progress in the recent years after the Soviet Union was divided into several countries. In 2007, Russian GDP stood at $2 trillion. India is close behind at $1.1 trillion. In 2010, Russian GDP of $ 2.1 trillion and Indian GDP of $ 2.9 trillion.

South Korea is staking its claim to importance by becoming the world's 12th biggest economy, and the fourth biggest in Asia, with a GDP $1.2 trillion in 2007. In 2010, South Korean GDP has recorded a very small portion decrease due to world financial crisis in 2008.

Boosted by the North American Free Trade Agreement (NAFTA), Mexico has been powering forward with its GDP reach $1.6 billion in 2010. The gross domestic product of Turkey stood at $888 billion in 2007 but it has seen in increasing trend and GDP is $965 billion in 2010. Turkey seems to capture the pre-crisis level earlier in 2011.

Nominal Gross Domestic Product trends of emerging countries is seen clearly the table below;

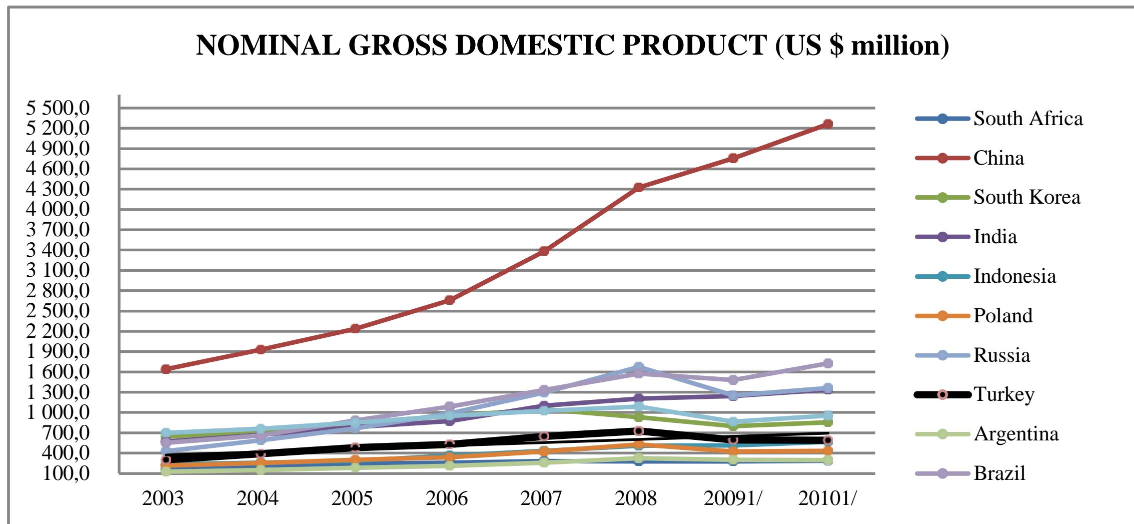

Figure 9.1.: Nominal Gross Domestic Product for Emerging Countries

Source:World Economic Outlook Database- Oct 2009, July 2010, http://www.imf.org/external/pubs/ft/weo/2009/02/weodata/index.aspx, International Monetary Fund (IMF) and IBGE

1/ :IMF's estimate

Indian, Russian and Brazilian trends are look like very similar as of their acts. All emerging countries is effected by 2007 – 2008 world financial crisis except China. China has a sustainable gross domestic product according to other countries. Turkey's trend is look like similar with Poland and Argentina.

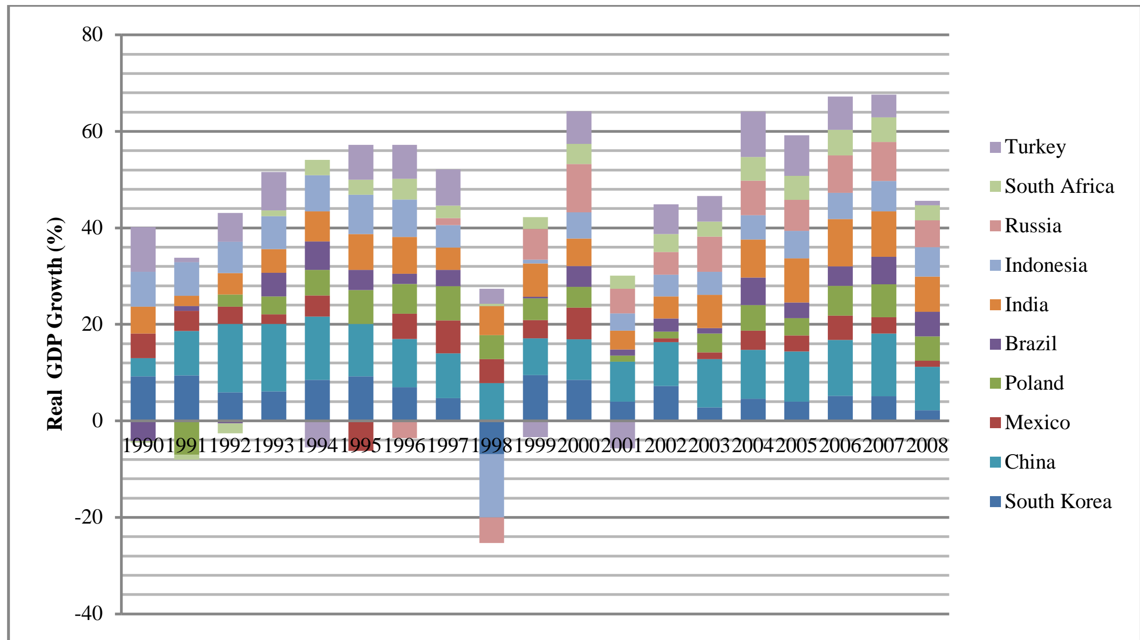

Figure 9.2. : Real GDP Growth of Emerging Countries

Source:Real GDP Growth, on access 10 September 2010,

http://stats.oecd.org/index.aspx?querytype=view&queryname=86OECD Stats

Change of real GDP growth percentage shown us the development of countries at crisis times. In this figure shown us how clearly affected emerging countries by crisis.

The decrease in Turkey's gross domestic product growth is clearly seen when we looking to the year 1994, 1999, 2001, 2008. With the exception of crisis, datas shown us Turkey's real gross domestic product growth is in an increase trend.

In these years, China is seems the least affected by crisis according to the other emerging countries and India has followed China in a similar way. In addition, Mexico is seems to reacting similar to Turkey.

When Indian real GDP growth dats shown us the country is in a rapidly increasing trend. There is no datas about real gross domestic product growth datas before 1996 for Russia but, datas, after 1996, shown us the Real GDP is increasing.

A sectoral analysis of country GDP allows us to understand the paradigm shift now occurring within most world economies. Growth patterns generally show a shift from agriculture to manufacturing and ultimately to the services sector.

The following table shows the percentage of GDP contributed by each sector in the top ten economies of the world:

Table 9.2. : Percentage of GDP for Top Ten Economies in 2009

Country	Contribution of Services Sector in GDP (estimated for 2007)	Contribution of Industrial Sector in GDP	Contribution of Agricultural Sector in GDP
United States of America	78.5%	20.6%	0.9%
China	39.5%	49.5%	11%
Japan	73.3%	25.2%	1.5%
India	55%	28.4%	16.6%
German y	69.5%	26.9%	0.9%
United Kingdom	75.5%	23.6%	0.9%
Russia	56.3%	39.1%	4.6%
France	77.3%	20.7%	2%
Brazil	64%	30.8%	5.1%
Italy	69.3%	32%	5%

Source:World Economic Outlook Database- Oct 2009, July 2010, http://www.imf.org/external/pubs/ft/weo/2009/02/weodata/index.aspx, International Monetary Fund (IMF) and IBGE

In 2009, Brazil, Russia and India are increased their trends at the servis sector. China is increased its trend mostly at industry and service sector.

The growth rate of these economies is also an important factor, and is directly related to the overall development of a specific economy. Group of Seven Countries such as the

United States, France, Italy and the United Kingdom all typically have smaller growth rates - usually in the region of about 2 percent per annum.

Could not be reached the selected datas for Turkey but, the most important sector is the manufacturing sector. Automotive sector is at the first rank and followed by textile (Taysad Monthly Sectoral Research October 2010).

By contrast, emerging economies such as India and China have growth rates of around 8 percent to 11 percent, while the new emerging economies may experience even more blistering growth rates. Developed countries have already reached a saturation point, and thus expand less than emerging economies, where possibilities and opportunities are ripe, investors are ready to take risks, and consumers are demanding more goods and services than ever before.

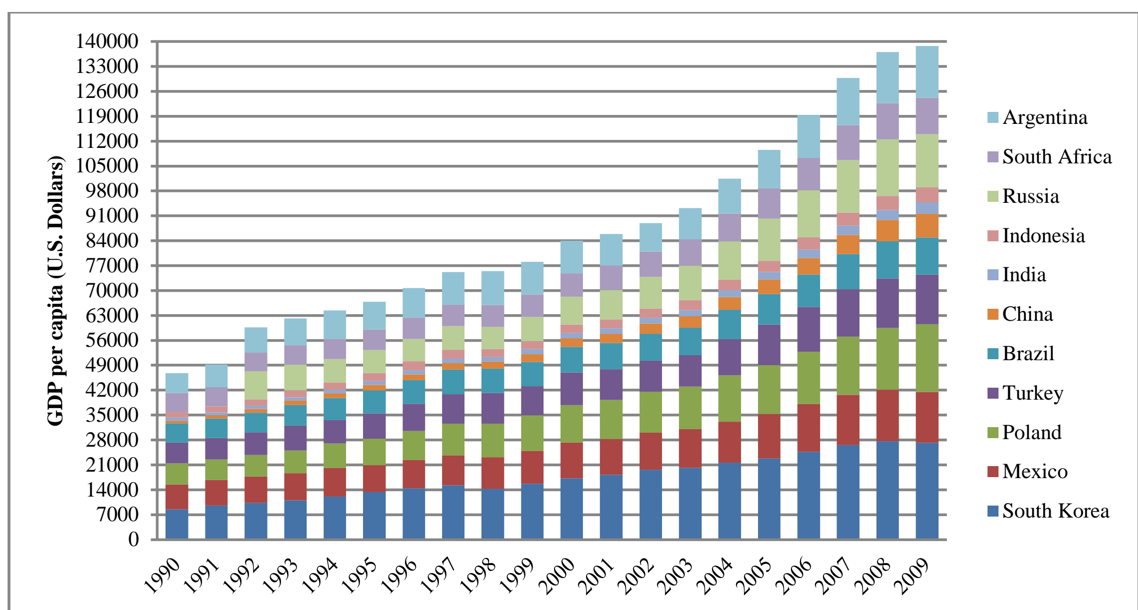

Figure 9.3 : GDP per capita at Emerging Countries

Source: GDP per capita,2009, on access 10 September 2010, http://www.imf.org

The most striking countries are China and India in the figure. China and India's gross domestic product per capita growthes are comperatively lower than the other emerging countries, althoug China and India are being in the four countries with highest gross domestic product at the world in 2009. Argentina, Brazil, Poland and Turkey are shown similar trends at change of GDP per capita as the years.

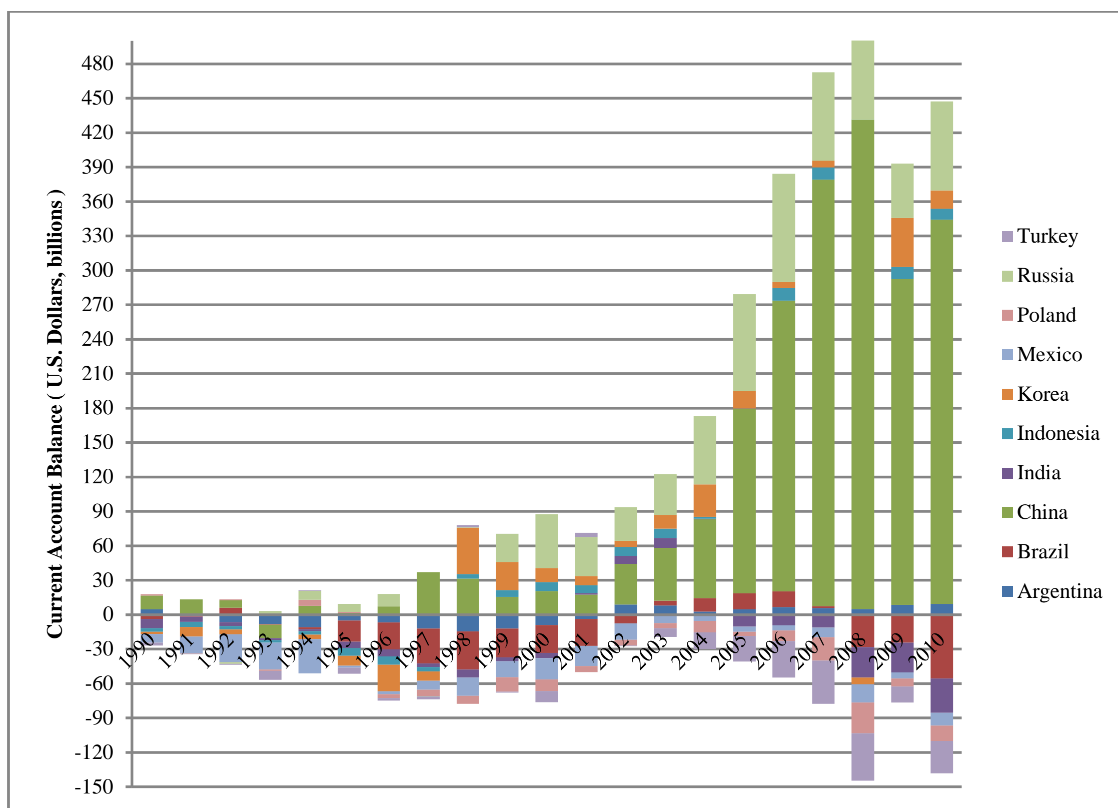

Figure 9.4 : Current Account Balance at Emerging Countries

Source:Current Account Balance, on access 10 September 2010, http://www.imf.org

***2010 datas are estimated by IMF.**

The most striking countries are China and Russia in the figure. Their current account balance are wathed continously positive as the years hovewer, the other emerging countries are shown similar trends. China is seems to be the only country not affected by the crisis 2008.

Turkey, Brazil, Poland and Mexico's trends are acting smilar in the figure.

The bigger emerging countries, China, India and probably Brazil, have achieved very substantial growth and reductions in poverty levels based largely on an expansion of their domestic market and domestic savings. Domestic consumption and investment growth have spilled over into growing import demand for commodities.For many commodities, China is now the biggest source of incremental demand in world markets.

The impact of the rapid growth of these economies, especially China and India, has pushed up demand faster than supply resulting in the oil and wider commodity price shock of 2007/08. Rapid export growth, especially for China, has also supplied the world with cheap manufactured goods, helping to create a non-inflationary environment which made it possible for the US, the UK and other Western countries to grow rapidly, without triggering overt inflation, over the last decade.

While cheap goods created the conditions for low inflation and low short-term interest rates, the vast accumulation of mainly Chinese foreign exchange earnings manifested itself in the purchase of US government bonds, keeping down long-term interest rates, further fuelling the recent boom that experienced.

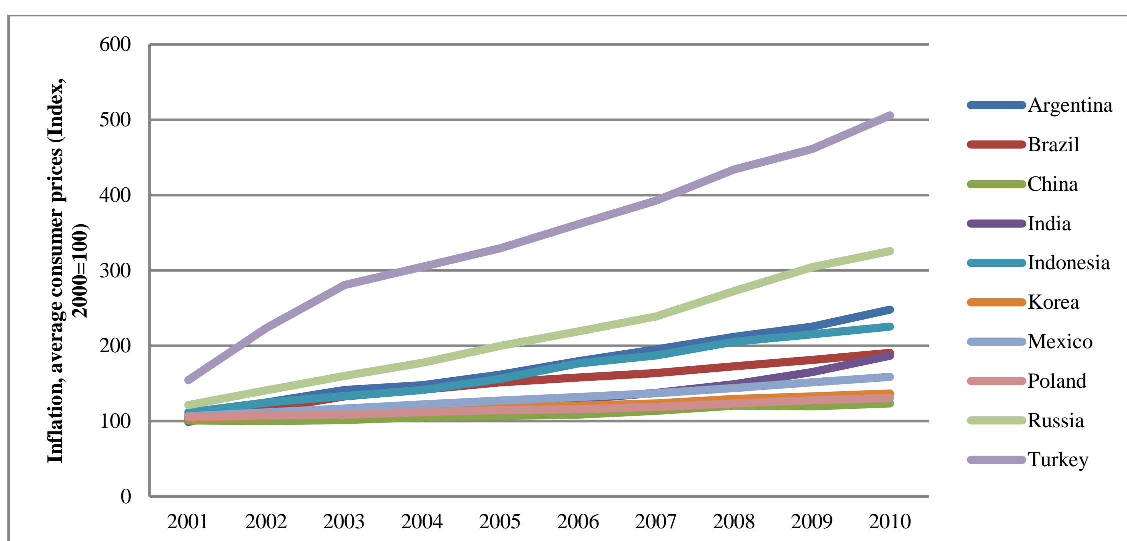

Figure 9.5 : Inflation,Average Consumer Prices

Source:Inflation,Average Consumer Prices, on access 10 September 2010, http://www.imf.org

***2010 datas are estimated by IMF.**

In the table above, the inflation is increased in all countries and it is seen to increase more rapidly in India than the others.

In historical terms, this pattern of capital flow was unusual. Normally the most developed economies have had a surplus of savings over investment and exported

capital to the developing world. Now the reverse has been happening, at least in relation to China on the one hand, and the US/UK on the other.

The available liquidity and cheap capital provided the fuel for a credit boom and the massive expansion of financial markets, and drove up asset prices, especially in housing to unsustainable levels hence, the crisis. The simple point is that, as with commodity markets, the big emerging economies already have a major impact on the world economy.

Energy consumption is accepted as an indicator of developments of countries. World marketed energy consumption is projected to rise by 44 percent from 2006 to 2030. Total energy demand in the non-OECD countries increases by 73 percent, compared with an increase of 15 in the OECD countries.

World energy consumptions are as follow;

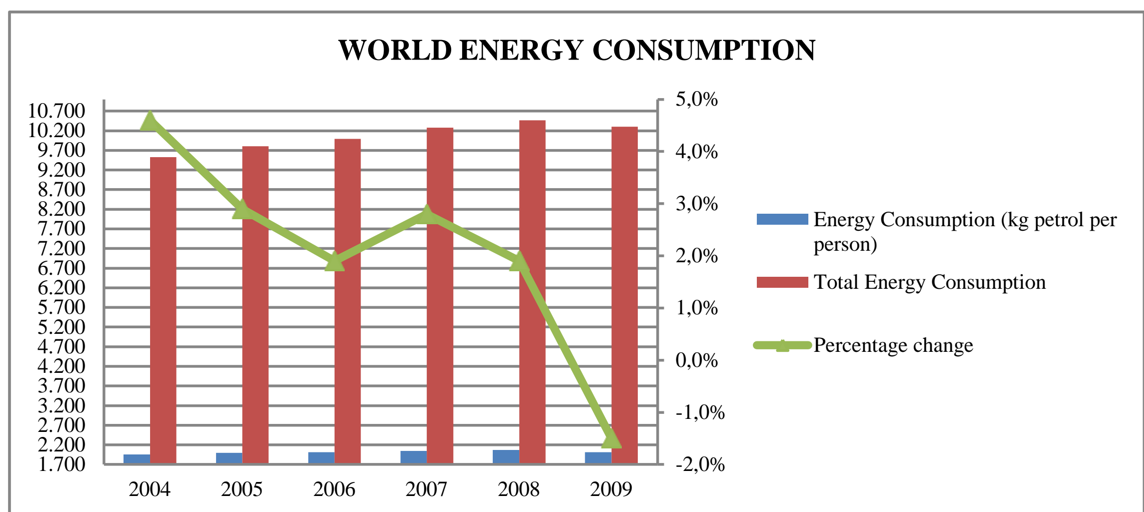

Figure 9.6: World Energy Consumptions

Source: World Energy Consumption, August 2010, http//:www.eiu.com , Economist Intelligence Unit

In general, the growth in OECD countries, where electricity markets are well established and consuming patterns are mature, is slower than in the non-OECD countries, where a large amount of potential demand remains unsatisfied.

As a result, most of the growth in renewable energy use in the OECD countries is expected for other sources, led by wind and biomass. In the non-OECD nations, hydropower is the predominant source of renewable energy growth, with mid- to large-scale hydroelectric plants expected to be completed in China, India, Brazil, and a number of nations in Southeast Asia, including Vietnam and Laos. Wind-powered electricity generation also is expected to grow significantly in the non-OECD countries, including substantial additions of wind electricity to the grid in China.

Turkey is second after China in highest growth electricity markets and ranks 7th in terms of consumption-Approximately 7 percent expected annual demand growth going forward for the next decade.

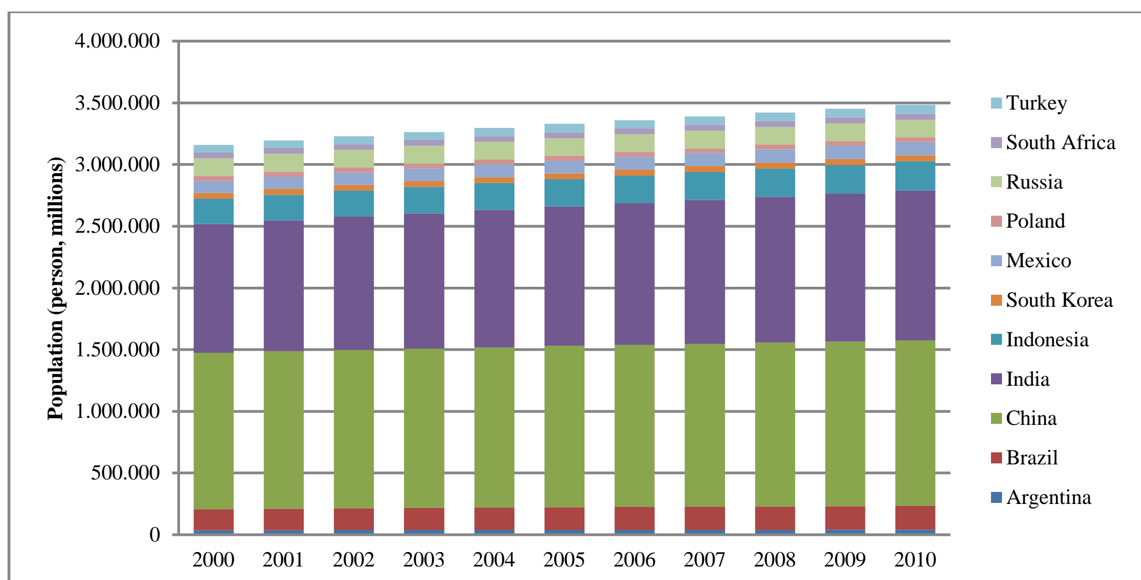

Figure 9.7 :Population at Emerging Countries

Source:Population at Emerging Countries, on access 10 September 2010, http://www.imf.org

***2010 datas are estimated by IMF.**

As shown in the chart above, China and India are the most populous countries in the emerging countries and the world (Population at Emerging Countries, 2010). Turkey, Mexico, South Korea, South Africa and Poland are acting similat in this figure too.

When examining the overall of the emerging country's economies; Market Capitalization of GDP percentage is an important indicator. Market Capitalizatin is also known as "Market Value". Market Capitalization is the share price times the number of shares outstanding. Listed domestic companies are the domestically incorporated companies listed on the country's stock exchanges at the end of the year. Listed companies does not include investment companies, mutual funds, or other collective investment vehicles.

Market Capitalizations of GDP percentage of emerging countries are as follow;

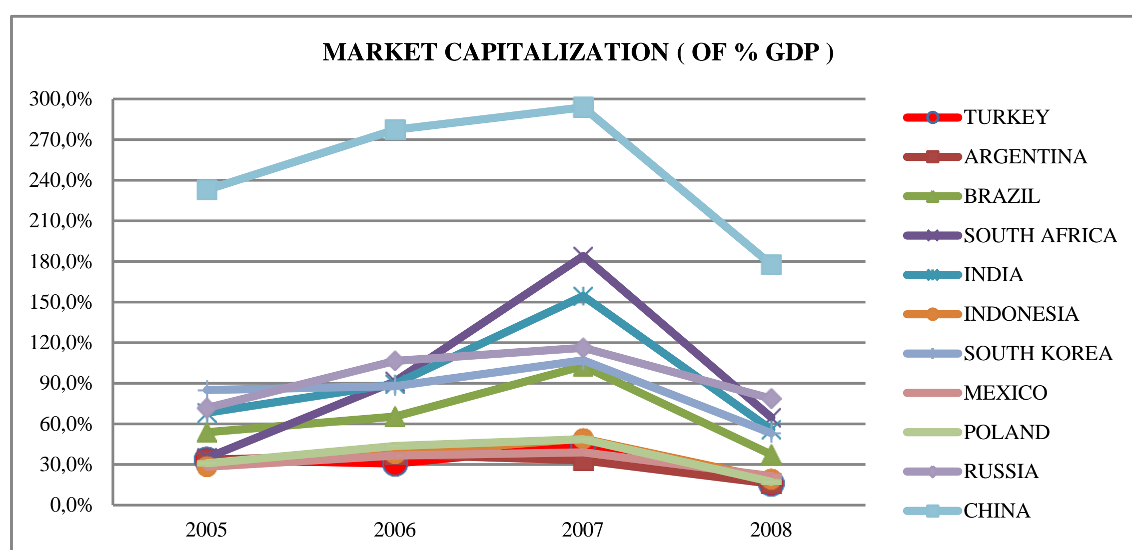

Figure 9.8 : Market Capitalization of GDP percentage for Emerging Countries

Source: World Market Capitalization (of Gross Domestic Product Percentage), July 2010, http://www.world-exchanges.org, World Federation of Exchanges

The countries can groupped as two types according to their market values.

Turkey, Arjantina, Poland and Mexico are in the fisrt group. Poland, Mexico and Arjantina's market value trends looks like Turkey's market value trend which are shown abow.

India, Indonesia,South Korea, South Africa and Brazil are in the second group and their market value trends look like each other.

However, China is remain apart from those two group with high market capitalization. South Africa and India are foolowing with theit market capitalization values to China.

Turnover ratio is the total value of shares traded during the period divided by the average market capitalization for the period.

Average market capitalization is calculated as the average of the end-of-period values for the current period and the previous period.

Turnover ratios of emerging countries are as follows;

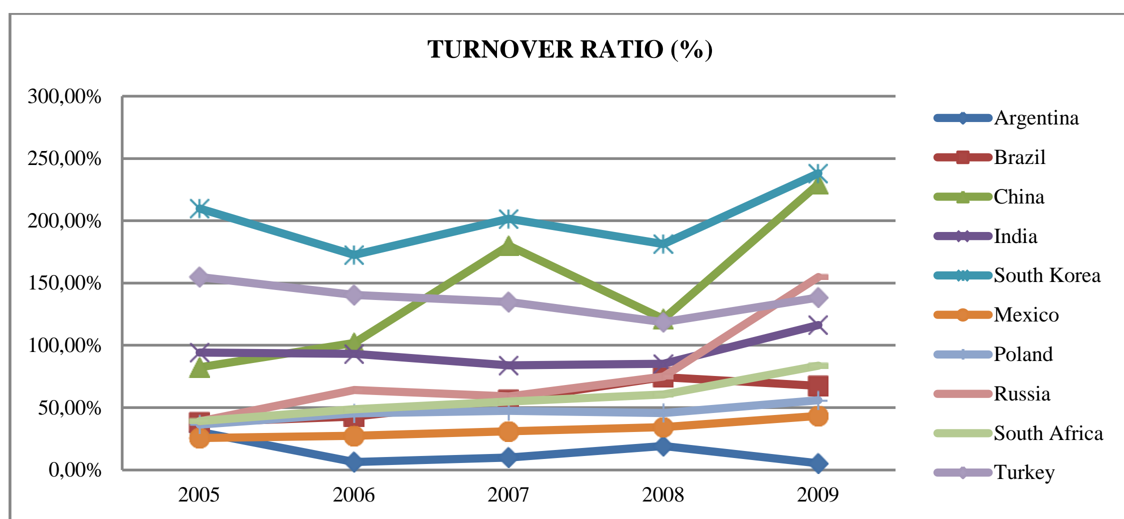

Figure 9.9:Turnover Ratios for Emerging Countries

Source: Turnover Ratio (percent),July 2010, http://www.world-exchanges.org, World Federation of Exchanges

This figure is shown that South Korea's turnover ratio's is a better level than China's turover ratio. The groups, which we mentioned abow, are not still current. Turkey's turover ratio is over than Poland, Mexico and Argentina.

S&P Global Equity Index is desined to measure performances of equities listed on their capital market. S&P Global Equity Index have established goals to assure that client and investor needs are met:

i. All clients will be able to continue to use the indices and combinations of indices they currently use without any interruption or breaks in the data

ii. All indices meet current investment analytical and reporting standards:

    i. Transparent and consistent inclusion criteria across all markets
    ii. All stocks are float adjusted
    iii. Foreign investment restrictions at the stock level in all markets
    iv. Complete Global Industry Classification Standard (GICS®) coverage
    v. All indices, including frontier, calculated daily
    vi. GCC markets calculated seven days a week
    vii. The range of indices and supporting data available to clients will increase

The figure is shown performances of equities, which belongs country, between 2000 – 2009 years. The effects of 2001 and 2008 crisis can seen clearly on equity performances.

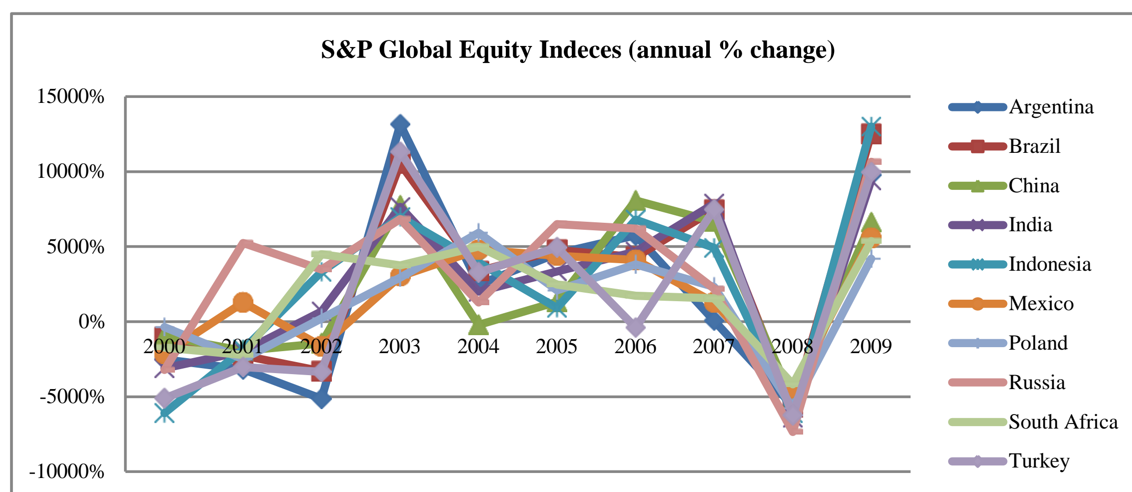

Figure 9.10 : S&P Global Equity Indeces

Source:S&P Global Equity Indeces, July 2010,http://databank.worldbank.org/ddp/home.do?Step=3&id=4, The World Bank

The "real interest rate" is approximately the nominal interest rate minus the inflation rate. It is the rate of interest an investor expects to receive after subtracting inflation. If there is a negative real interest rate, it means that the inflation rate is greater than the interest rate.

Inflation's effects on an economy are manifold and can be simultaneously positive and negative. Negative effects of inflation include a decrease in the real value of money and other monetary items over time; uncertainty about future inflation may discourage investment and saving, or may lead to reductions in investment of productive capital and increase savings in non-producing assets. This can reduce overall economic productivity rates, as the capital required to retool companies becomes more elusive or expensive.

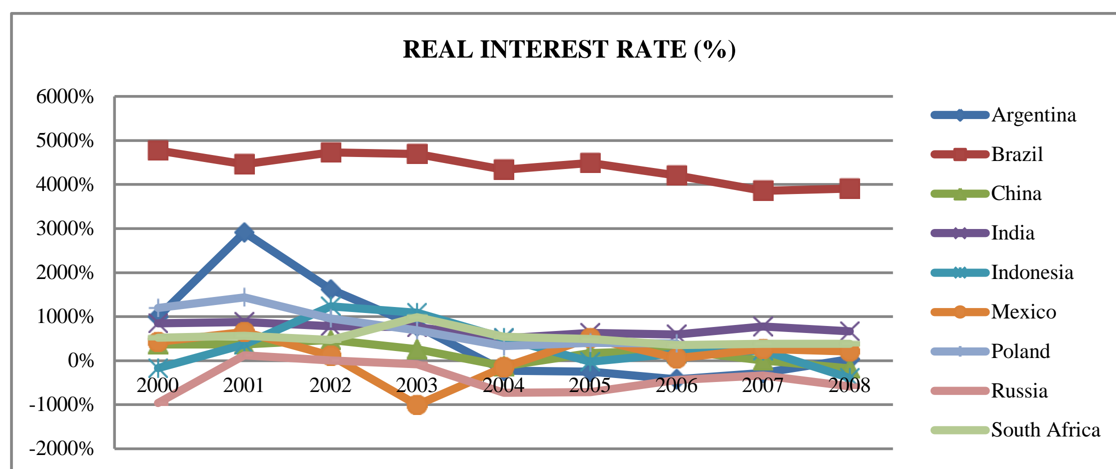

Figure 9.11: Real Interest Rates for Emerging Countries

Source: Real Interest Rate (percent), July 2010,http://databank.worldbank.org/ddp/home.do?Step=3&id=4, The World Bank

High inflation may lead to shortages of goods if consumers begin hoarding out of concern that prices will increase in the future. Positive effects include a mitigation of economic recessions and debt relief by reducing the real level of debt.

High rates of inflation and hyperinflation can be caused by an excessive growth of the money supply. Views on which factors determine low to moderate rates of inflation are more varied. Low or moderate inflation may be attributed to fluctuations in real demand for goods and services, or changes in available supplies such as during scarcities, as well as to growth in the money supply.

However, the consensus view is that a long sustained period of inflation is caused by money supply growing faster than the rate of economic growth. Today, most mainstream economists favor a low steady rate of inflation. Low (as opposed to zero or negative) inflation may reduce the severity of economic recessions by enabling the labor market to adjust more quickly in a downturn and reduce the risk that a liquidity trap prevents monetary policy from stabilizing the economy. The task of keeping the rate of inflation low and stable is usually given to monetary authorities.

Real Interest figure is shown the real interest rates and provides information about the level of inflation of emerging countries. The most striking country is Brazil in the figure.

10.DISCUSSION AND RESULT

Emerging country's and Turkish capital markets are analysed and tried to define Turkish capital market's strenghts, weaknesses and what can be done to improve the Turkish capital market.

In recent years, over 50 percent of the growth in world GDP has come from emerging markets. Datas are shown the emerging countries are going to grow up faster than the other developed countries until 2030s.

Emerging countries's sector shares are increasing at all the sector types in the world when they are compared with the developed countries.

Developed countries have already reached a saturation point, and thus expand less than emerging economies, where possibilities and opportunities are ripe, investors are ready to take risks, and consumers are demanding more goods and services than ever before.

The Republic of China and The United States are constitute exceptions to general results. The graphs and datas are shown one more exception for China. China has carried out from the crisis almost not effected despite whole world is effected seriously since 2000.

If current growth rates continue, The Republic of China will become the largest economy in the world somewhere between 2025 and 2030 and India's the world's second largest by around 2045.

The United States will be pushed down to second spot.At that time, three out of the four largest economies in the world will be Asian - China, India and Japan.

In 2000, the list of the world's 500 largest companies by market capitalizaton included only three from India and none from China. In 2007, the figure was eight from India and eight from China. By 2025, there might be well over 100 companies from emerging economies in the list of the world's top 500.

Developments are shown significant aspects are given to the world economy by emerging countries.

Considering by Turkey, Turkish capital market has strong bourses, which can provide trading on organized market, to investors and international financial intermediaries.

Turkish capital market's indicatorshave priority at the emerging countries. In addition, Istanbul Stock Exchange has recognised as "International Bankable Market" by other economies.

With growth in double figures in the second quarter, the performance of the Turkish economy is once again drawing the attention of credit rating agencies. Turkey's credit rating is BB positive.

Turkey, the only country whose credit ratings have been upgraded twice during the global economic crisis, may soon have another rating upgrade by Standard & Poor's. Standard & Poor's announcement included a rating upgrade for Turkey in the next 12-24 months and a growth expectation of 8 percent in 2010.

Range of derivative products based on precious metals should be increased to reach the Istanbul Gold Exchange's relations with the financial markets. Moreover, the tax rules of capital market should rearranged to attracked the investors interests.

Prior to the recent global recession which hit all economies throughout the world, the Turkish economy sustained strong economic growth for twenty seven quarters consecutively, making it one of the fastest growing economies in Europe.

However, the global financial crisis has considerably challenged the macroeconomic and financial stability of many economies by adversely affecting financing facilities and external demand, thus causing a significant slowdown in all global economic activities.

While the financial markets in Turkey proved resilient to the crisis, the decrease in external demand and slowing international capital flows have had negative effects on the economy, thus causing a 4.7 percent economic contraction in 2009.

However, the perceived positive developments in the economy showed signs of a fast recovery beginning as early as the last quarter of 2009 with an impressive 6 percent economic growth rate, hence making Turkey one of the fastest recovering economies in the world.

The very recent economic performance of Turkey has paved the way for international organizations to regard Turkey as the fastest growing economy in Europe.

Turkish capital market also has a geographical advantage being able to establish contact with a wide wariety of stock exchange markets (Türkiye Sermaye Piyasası Sektör Raporu 2008). Turkey have the opportunity to develop new indicators indexes as a basis of creation of stock mutual funds. Meeting these exchanges in a single trading platform, will increase the international competitiveness of the Turkish Capital Markets.

REFERENCES

Books

De La Torre A. , 2010, Schmukler L. S. , *Emerging Capital Markets and Globalization: The Latin American Experience,* August 2010

Doç.Dr. Ünal T.,1990,*Dünyada ve Türkiye'de Menkul Kıymet Borsaları*, İstanbul Ticaret Odası Yayınları, Issue number:1990-33

Garten J.E., 1997, *The Big Emerging Markets and How They Will Change Our Lives*, The New York Times, Basicbooks 1997

Martinéz L. , 2002, Werner A. , *Capital Markets in Mexico: Recent Developments and Future Challanges,*Nowember 2002

Mavor J.,1925, *An Economic History of Russia*, J.M.Dent & Sons Limited, London, First published in 1914, Revised and corrected edition in 1925

OtherSources

Annual Report 2008-2009, on access 19 July 2010, www.reservebank.co.za , South African Reserve Bank

Argentina Gross Domestic Product, on acces 19 July 2010, http://www.world-exchanges.org, World Federation of Exchanges

Brazil Gross Domestic Product and Population Datas, on access 19 July 2010, http://www.bcb.gov.br , Banco Central do Brazil

Brazil Gross Domestic Product Datas, on access 19 July 2010, http://www.bcb.gov.br , Banco Central do Brazil

Brazil Market Capitalization Datas, on access 18/August/2010, http://www.bcb.gov.br , Banco Central do Brazil

CDS, on access 19 July 2010, http//:ww.cbonds.info , Bond Market Information

Country Lists, on access 10 September 2010, http://www.oecd.org/countrieslist/0,3351,en_33873108_33844430_1_1_1_1_1,00.html, OECD

Duval R. and De la Maisonneve C., *Long-Run GDP Growth Framework and Scenerios for the World Economy*, on access 26 June 2010, http://ideas.repec.org

Emerging Markets Monitor, on access 10 September 2010, http://www.emergingmarketsmonitor.com/file/8325/pdf-download.html

Equity and Bond Market,on access 26June 2010,

http://www.imkb.gov.tr/Markets/BondsandBillsMarket.aspx, İstanbul Menkul Kıymetler Borsası

Export and Import Datas, on access 19 July 2010,http://www.cbc.gov.tw, Central Bank of the Republic of China

*Foreign Diect Investment in Turkey by Countries,*on access 26June 2010,

http://evds.tcmb.gov.tr/cgi-bin/famecgi?cgi=$ozetweb&DIL=UK&ARAVERIGRUP=bie_ydydyul.db, CBRT Electronic Data Delivery System

*Foreign Trade Broad Economic Categorization,*on access 26 June 2010, http://evds.tcmb.gov.tr/cgi-bin/famecgi?cgi=$ozetweb&DIL=UK&ARAVERIGRUP=bie_dtbec.db, CBRT Electronic Data Delivery System

GDP per capita,2009, on access 10 September 2010, http://www.imf.org , IMF

Gross Domestic Product and Populations Datas, on access 19 July 2010,http://www.cbc.gov.tw, Central Bank of the Republic of China

IMF World Economic Outlook Database, April and July 2009, on access 14 August 2010, http://www.imf.org , International Monetary Fund

Indian National Gross Domestic Product, on access 19 July 2010, http://www.economywatch.com, Economy, Investments and Finance Reports.

Indian Trading Volume, on access 19 July 2010, http://www.economywatch.com, Economy, Investments and Finance Reports.

Indonesia's Employment Volume Datas, on access 19 July 2010, http://www.economywatch.com, Economy, Investments and Finance Reports

Indonesia's Gross Domestic Product Datas, on access 19 July 2010, http://www.economywatch.com, Economy, Investments and Finance Reports

Indonesia's Trading Volume Datas, on access 19 July 2010, http://www.economywatch.com, Economy, Investments and Finance Reports

Inflation,Average Consumer Prices, on access 10 September 2010, http://www.imf.org , IMF

Interest Rates, on access 10 September 2010, http://stats.oecd.org/index.aspx?querytype=view&queryname=86, OECD Stats

*Istanbul Gold Exchange Daily Volume,*on access 14 August 2010, http://evds.tcmb.gov.tr/cgi-bin/famecgi?cgi=$ozetweb&DIL=UK&ARAVERIGRUP=bie_mkbral.db, CBRT Electronic Data Delivery System

Istanbul Stock Exchange Daily Trading Volume, on access 14 August 2010, http://evds.tcmb.gov.tr/cgi-bin/famecgi, CBRT Electronic Data Delivery System

Market Datas, on access 19 July 2010, http://www.bmfbovespa.com.br, Sao Paulo Stock Exchange and Brezilian Mercantile Futures Exchange

MICEX Indices, on access 19 July 2010, http//:w ww.micex.com, Moscow Interbank Currency Exchange

Poland Trading Volume Datas, on access 19 July 2010, http://www.economywatch.com, Economy, Investments and Finance Reports, on access 10 September 2010, http://www.imf.org , IMF

Ratio of Exports to Meet Imports,on access 19 July 2010,http://www.cbc.gov.tw, Central Bank of the Republic of China

Real GDP Growth,2009, on access 10 September 2010, http://stats.oecd.org/index.aspx?querytype=view&queryname=86, OECD Stats

*Real Interest Rate (Percent),*on access 19 July 2010,http://databank.worldbank.org/ddp/home.do?Step=3&id=4, The World Bank

RTS Market in Comparison,on access 19July 2010, http//:www.rtu.ru, Russian Trading System

S&P Global Equity Indeces,on access 19July 2010,http://databank.worldbank.org/ddp/home.do?Step=3&id=4, The World Bank

Sermaye Piyasası ve Borsa Temel Bilgiler Kılavuzu, on access 10 July 2010, 20.Basım,İstanbul Menkul Kıymetler Borsası Yayınları, Nisan 2008

South Africa's Gross Domestic Product Datas,on access 19July 2010, http://www.economywatch.com, Economy, Investments and Finance Reports

*Taysad Monthly Sectoral ResearchOctober 2010,*on access 01/10/2010 , http://www.taysad.org.tr/www/tr/default.asp?x=sektorel&s=3, Association of Automotive Parts & Components Manufacturers

The Stock Market: A Look Back, on access 14 August 2010, http://www.investopedia.com/articles/basics/06/alookback.asp, Investopedia

Trading Volumes on Emeging Markets, on access 19 July 2010, http://www.world-exchanges.org, World Federation of Exchanges

*Treasury Bills Issued Abroad Owned byNon-Resident,*on access 26 June 2010, http://evds.tcmb.gov.tr/cgi-bin/famecgi?cgi=$ozetweb&DIL=UK&ARAVERIGRUP=bie_dtbec.db, CBRT Electronic Data Delivery System

Turkey Market Volume / Gross Domestic Product,on access 19July 2010, http://www.world-exchanges.org, World Federation of Exchanges

Turkey Trading Volume,on access 19July 2010, http://www.world-exchanges.org, World Federation of Exchanges

Turkstat, Treasury, Ministry of Finance, CBRT, SPO, FinansInvest,on access 14 August 2010

*Turnover Ratio (Percent),*on access 19July 2010, http://www.world-exchanges.org, World Federation of Exchanges

Türkiye Sermaye Piyasası Sektör Raporu, 10 July 2010, Türkiye Odalar ve Borsalar Birliği Türkiye Sermaye Piyasası Meclisi, TOBB Issue number: 2008 / 68

World Economic Outlook Database- October 2009,on access 19July 2010, http://www.imf.org/external/pubs/ft/weo/2009/02/weodata/index.aspx, International Monetary Fund (IMF) and IBGE

World Energy Consumption, on access 14 August 2010, http//:www.eiu.com, Economist Intelligence Unit

*World Market Capitalization of Percent Gross Domestic Product,*on access 19July 2010, http://www.world-exchanges.org, World Federation of Exchanges

CURRICULUM VITAE

Name,Surname: Meltem YILMAZ

Address: Atakent Mah. Defne Evleri B1-45 D10 Halkalı K.Çekmece İstanbul

Birth Place, Date: İstanbul , 1984

Foreign Language: English, French, German

Elementary Education: Mareşal Fevzi Çakmak Elementary School, 1998

Secondary School: Şehremini Super High School, 2001

University: Istanbul University, 2006

Graduate School: Bahçeşehir University, 2010

Institute Name: The Graduate School of Social Sciences

Programme Name: Capital Markets and Finance

Business Background : Finansbank A.Ş. – Sectoral Resarch – (2010,...)
Yapı Kredi Faktoring A.Ş. – Main Industry and Supplier Sales Section – (2007,2010)