

Clearstream Spotlight

Turkey: Supporting the Fixed Income Market



In December last year we brought you the news that the Turkish market had been making great strides in regaining its investment grade status ("Turkey – making the grade") and the contribution that Clearstream continues to make in supporting the market. Now, Standard & Poors has reflected this growing optimism by upgrading Turkey to one notch below investment grade.

Whilst a second investment-grade rating is still eagerly awaited by the market, we have noticed that this has not dampened interest in Turkey amongst our partners and customers. Following the positive news from the rating agency Fitch in November last year there has been increased issuance. Government bond issues have increased from 30 in March 2010 to 46 in March 2013 accompanied by consistently falling yields over the past year; during the same period the nascent listed corporate bond market has grown from zero to 11 issues reflecting the growing need for financing among Turkish businesses. The strengthening of the economy and a gradual rebalancing of the current account gives cautious cause for optimism that Turkey will secure a second investment grade rating. This view is echoed by a number of

local market experts such as Akil Ozcay, Head of Fixed Income at TEB and former General Director of Markets at the Central Bank of Turkey who indicates that,

"Sustainable stability is becoming the most important factor that global investors are seeking in potential investment destinations. Turkey has become an attractive centre for investment in that sense, due to major structural changes and strong fundamentals. The share of non-resident institutional investors in local debt increased from 8.6% in 2009 to 23.2 % at the end of 2012. We expect further expansion from new flows coming from investors following an upgrade to investment grade by a second rating agency."

At Clearstream we have noted the increased demand with interest as a growing number of central banks and broker dealers join the ranks of traditional custodians and investment banks in making use of our efficient link. As the only ICSD with an established link to Turkey, we are able to deliver the full breadth of domestic securities to international investors and provide domestic financial institutions the counterparty reach they require for their international portfolios.

A Different Class

Sukuk issuance is growing steadily across the globe and Turkey's ambition to cater for all types of investors, regards this development as a genuine opportunity to develop a new asset class. This initiative is supported by the Turkish Treasury which issued its first Sukuk for a value of \$1.5bn last year and which was supplemented by a "leasing certificate" in March this year. Given local appetite among both retail and institutional investors domestically as well as from the 6 Gulf States, further elements of the treasury's programme are likely to be taken up with equal enthusiasm.

Turkish Sukuks issued by the treasury share the same characteristics as their conventional counterparts and are eligible via Clearstream's existing link in the same way. Further issuance is expected and not only by the Turkish government; local corporates have been planning significant new issuance for some time and now with market conditions perceived as being more conducive, will be looking to go to market during the course of 2013.



More information

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