

## **Exchange-traded funds and 2018 Turkish Sell off**

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### **Abstract:**

Exchange-traded funds (ETFs) became rather popular by both investors and issues as they provide broader investor access to many stocks across various industries with lower operational costs, while aiding risk management through diversification. Since global financial crisis, several mature market funds targeted emerging economy assets for better returns. Turkish equity market has a long past for high participation from global capital. Moreover the investment position of foreign investors have significantly longer maturity with less frequent operations. Thus, changes in foreign investors' portfolio preferences are not immediately reflected in this market. With the introduction of ETFs another type of equity market based foreign investor instrument is monitored. The fundamentals of the country that a given ETF is following are critical. Economic and financial stability is claimed to play a major role in the performance of an ETF. This study analysis the performance and other metrics of a major ETF with regards to global risk appetite indicators and fundamental Turkish market indicators, such as exchange rate and interest rate, as well as credit default swap (CDS) spread.

**Keywords:** ETFs, Country Risk, Volatility

**JEL Codes:** F3, G12, G15