

**SENSE-MAKING AND STORYTELLING IN FINANCIAL  
MARKETS: THE CASE OF THE ISTANBUL STOCK  
EXCHANGE**

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## **Declaration**

I declare that this thesis is my own work, and has been composed solely by myself. No part of this work has been submitted for any other degree or professional qualification

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## ABSTRACT

In this thesis, I investigate sense-making processes in financial markets. My focus is on the role of narratives in these routine activities in digital market places or what Cetina and Preda (2007) describe as scopic market systems. I conceptualize narratives told by market professionals in these systems as another form of market device (Callon et al., 2007) which combines different modes of knowing and explanation to cope with flows of data/information and funds, and works to generate value from assets exposed to markets. From a sociological perspective, I argue that the substitution of social network-based information search and face-to-face exchange relationships in financial markets with flow-based and anonymised representations and exchange relationships do not undermine the importance of social networks in shaping sense-making and decision-making in financial markets. However to argue so, I broaden the concept of social network with the help of Bourdieu's (1997) notion of economic, social and cultural capital. I introduce the notions of field and meta-field of power, habitus, and position-taking by Bourdieu (1997, and Wacquant 1992) to my conceptual discussion of financial markets. In light of this, I describe financial markets as hierarchical and competitive structures inhabited by different groups of investors and intermediaries and shaped by competition and conflict among these groups. I argue that these groups' position in the field is conditioned by their economic, social, and cultural capital which are generated and sustained within and outwith the field.

Consequently, I suggest that these groups' sense-making and investment activities and their use of market devices including storytelling acts should exhibit distinctive modes in accordance with the specific positions they have voluntarily or involuntarily taken in the field. To substantiate these claims with narrative evidence, I present the case of the Istanbul Stock Exchange (ISE) in Turkey. Opened in 1985, the ISE provides an instrumental case to study the role of sense-making narratives as another form of market device in scopic market systems with a Bourdieusian sociological framework. As gathered from publicly available information and early pilot fieldwork in the ISE headquarters, the ISE as a field has been occupied by three dominant investor types since 1991. These are domestic retail (DRIs), domestic institutional (DIIs), and foreign institutional investors (FIIs). These three groups have a dominant weight in either trading volume or share ownership in the ISE. Drawing on my (participatory) observations between 2008 and 2009 in an asset management company and four brokerage houses which served DRIs and/or DIIs and FIIs, I present evidence on how distinct combinations of economic, social and cultural capitals among these dominant investor-intermediary groups shape their sense-making activities and consequent sense-making stories in the ISE.



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## ACRYNOMS

ACMIT	Association of Capital Markets Intermediary Institutions of Turkey
AMC	Asset Management Company (Pseudo-named)
BOVESPA	Brazilian Stock Exchange in Sao Paulo
CBOE	Chicago Board of Options Exchange Trade
CBOT	Chicago Board of Trade
CFA	Chartered Financial Analyst
CRT	Cathode Ray Tube
DAX	German Stock Index of 30 companies quoted in the Frankfurt Stock Exchange
DII	Domestic Institutional Investor
DOW	Dow Jones Industrial Average of 30 large companies quoted in various US markets
DRI	Domestic Retail Investor
EFG	European Financial Group
ERBS	Exchange rate based stabilisation
EU	European Union
FED	Federal Reserve Bank
FII	Foreign Institutional Investor
FTSE	Financial Times Stock Exchange
IMF	International Monetary Fund
IPO	Initial Public Offering
ISE	Istanbul Stock Exchange
IRS	Institutional Sales and Research Department
JDP	Justice and Development Party
LIBOR	London Interbank Offered Rate
LIFFE	London International Financial Futures and Options Exchange
MBA	Master of Business Administration
NYSE	New York Stock Exchange
OTC	Over the Counter
SDR	Special Drawing Rights
UEFA	Union of European Football Associations
VIP	Very Important Person
VOB	Turkish Derivatives Exchange



## CHAPTER 1 INTRODUCTION

It is 19 February 2008 and it is the first day of my field observation in a brokerage house in Istanbul. I am sitting next to the strategist G and investment advisor S. There are six computer screens on our table, four of them are powered by local data vendors and two of them by the global data vendor Bloomberg. These scopic screens constitute the ultimate market device where events and actions in a plethora of markets and geographies including the ISE are temporalised and turned into streams of data/information flows and reflected through the scopic market screen to remotely operating market actors like G and S (Cetina and Preda, 2007). Both G and S are watching their scopic screens with intensity and preparedness to react to these flows according to their high frequency trading and high net worth clients' sense-making and investment activities. I, on the other hand, am observing G, S and other investment advisors with intensity and preparedness. My material devices for recording *in situ* events and conversations are my notebook and pen. All of a sudden, another investment advisor G1, who is sharing a larger table that accommodates three more investment advisor and two scopic screens for each, shouts:

G1: 'What's the deal behind Germany?'

The strategist has a glance at his screens and says 'it is profit realisation'

S to G1 in a tongue-in-cheek tone: 'does everything have to happen for a reason?'

G1 'then the guy [his client] is asking on the phone and I have nothing to say!'

Despite the relatively unlimited representational capacity of scopic market screens in capturing data/information flows, there was something missing in this universally used market device. The scopic market screen did not explain "the deal behind Germany". Yes, it showed on a real time basis the changes in the value of the DAX in Germany but left it there. Nor did it explain why three market actors in Istanbul had to worry about the DAX index in Germany. The strategist had to attribute causal agency, motive and unity to otherwise anonymous investors in the DAX to help G1 reach an explanation about "the deal behind Germany". I was told later on by G1 that his client had scopic screens in his home office too, which attested to the fact that the client also wanted to go beyond mere visual perception. S, despite his initial tongue-in-cheek reaction to G1's wish to move beyond visual perception, later told similar short sense-making stories to his client on the telephone line about the global and local market indexes. Towards the end of my first observation day and after 33 pages of observational material and 31 additional stories by the residents on the trading floor, I got the initial impression that telling stories before scopic market screens was a common way of dealing with uncertainty about the past, present and future of markets as represented

on the scopic market screens. However, the ISE was a complex market in terms of dominant investor types and intermediaries that represented them. The question that needed further exploration for the case of the ISE was what routine and stable role *in situ* storytelling would have in the ISE's scenes of different investor and intermediation types. The question that needed a further concomitant conceptual exploration was why on earth market actors would tell stories before scopic market screens which was a very sophisticated market device that characterized what Mackenzie (2004:556) described as the domain of finance that was increasingly 'scientized' and 'technologized'.

In this thesis, I try to answer these two questions by exploring the role of storytelling in sense-making and decision making activities in financial markets in general and in the ISE in particular. I do so by relying on the existing sociological literature on financial markets with a focus on the notions of scopic market system (Cetina and Preda, 2007) and market device (Callon et al., 2007). Both notions capture the dominant modes of cognitive and decision-making activities in today's digitized, automated and globally connected financial market places. It is argued that scopic market screens encourage a feeling based explanation of the past, present and future which are also manifest in storytelling acts. This is contrasted with a cognitive mode that is based on routine and stable calculation models based on the abstraction of events and actions into numerical signifiers (Cetina and Preda, 2007). Market devices, on the other hand, are conceptualized as doing the latter (Callon et al., 2007). They do so moving events and actions within and outwith the market into a calculable space by framing what is calculable and relevant. This refers to a form of 'disembedding' or 'economisation' of complex entities and abstracting the so called economic aspects into alpha-numerical signifiers in a routine and stable manner (Callon et al., 2007: 2-4).

In this thesis, the narrative mode of knowledge and explanation, which informs storytelling acts before scopic market screens, is therefore conceptualized as an anti-market device that re-embeds the calculated entities such as trading and investment acts into the social, political and cultural contexts where they are located. This re-embedding is argued to help market actors cope with uncertainty about the past, present and future that is inherent in scopic market systems. From a socio-linguistic perspective, this re-embedding as a cognitive activity is expected to be influenced by market actors' material, cultural and social resources and dispositions in the field of financial market practice (Bourdieu and Wacquant, 1992). This is also in line with the sociological literature on financial markets which points to the empirical evidence on the existence of multiple local rationalities of sense-making and

decision making (Abolafia 1998, Smith 1998).

Methodologically, the thesis relies on a mix of data collection and analysis methods: (1) (participant) observation in four intermediary and one buy-side organisations in Istanbul to understand the nature of cognitive activities and collect *in situ* oral sense-making stories (multi-site ethnography ensuring sociological sampling); (2) interviews with market actors and regulators in Istanbul and London (ensuring triangulation of observational findings); and (3) generation of basic descriptive statistics on different aspects of the collected oral sense-making stories to be able to demonstrate the effects of different dispositions and capital resources market actors have on story outcomes. These data collection and analysis activities have led to the generation of a 1,261 strong story dataset. From this dataset, detailed descriptive statistics are generated about each story's causal structure, its use of private and public information, frequency of human and non-human protagonists in the story dataset, and each story's temporal orientation. The discussion of the descriptive statistics is made in accordance with the observational, interview-based, secondary literature-based insights into the ISE and its intermediary and investors types since its opening in 1985.

Chapter 2 reviews the sociological literature on the role of narratives and combines this with a detailed discussion of Bourdieu's essential concepts in order to substantiate the arguments presented above. Chapter 3 substantiates the methodology of the thesis in a reflective account about the choice of topic, case study, data collection methods and the effects of the researcher's social, cultural, and material sources on these research processes. It also introduces an operationalised definition of sense-making narrative, which informs the identification and quantification of narratives and their semiotic structures in the evidence chapters. Chapter 4 provides an account of the formation and evolution of the ISE field and its dominant investor and intermediary types since the ISE's opening in 1985. This account also demonstrates the evolution of the scopic market screens since 1994 when they were first introduced to the ISE. Chapter 5 is a brief discussion on the organisational and individual market actors directly observed in the study. This discussion focuses on the material, cultural, and social resources of these actors and their dispositions, and how they are positioned alongside other organisational and individual actors in the ISE field in accordance with these resources and dispositions. Chapter 6 to Chapter 11 are empirical discussions of each observation site, which demonstrates the narrative outcomes of *in situ* sense-making activities in different pockets of intermediation and investor types in the ISE. The concluding chapter provides a brief comparative discussion of the field sites and highlights similarities

and differences among them with regards to sense-making narratives and ties them back to the arguments presented here in the Introduction and in Chapter 2.



## CHAPTER 2 LITERATURE REVIEW

I begin this chapter by reviewing the sociology literature on markets with a focus on two concepts. The first is the scopic market systems which conceptually capture the dominant modality of digital and automated representation and exchange mechanisms in today's financial markets. The second is the market device (Callon et al., 2007) which indirectly explains the sociological and technical foundations of scopic market systems as a 'deterministic' and 'operational' market device that hosts a multitude of analytical and observational market devices. This discussion establishes the conceptual explanation for the role of narratives as another market device that is actually working against one of the two essential functions of market devices, namely to abstract, to take away things and 'move [them] into a formal calculative space' (Callon et al., 2007: 4). The abstraction act that storytelling achieves before scopic market screens is explained from a generation of knowledge and explanation perspective in reference to the literature on human cognition. The literature on human cognition points to the foundational aim of storytelling acts, namely attributing cause, intention, and blame to actions and events. This cognitive act construes not only humans but also objects and abstract entities as 'self-propelled', 'independent and self-motivated' subjects, and it often glosses over the 'ontological and causal structure of the most social processes' (Tilly 1999:264). On the other hand, sociological literature on financial markets points to local rationalities or different cognitive schemata across different types of market actors, including professional investors.

If there are different types of rationalities in financial markets, then what should one expect about the use of the scopic market screen as the market device from the perspective of storytelling acts? Would some types of market actors never resort to storytelling because the scopic market screens and other market devices provide them a market experience of calculable, explainable, and predictable phenomena? If all types of market actors resort to storytelling, then would their stories be similar to each other in their semiotic (meaning) structure? Callon et al. (2007) provide a conceptual answer to this by arguing that introduction of market devices should not be seen as leading to 'the bifurcation of agency', namely social, material, and cultural dispositions of market actors on the one side, and market devices as stable technical constructs on the other. Nor do market devices lead to 'homogeneous systems' in the form of 'the object, the subject, the language' (Callon et al., 2007:2). Instead, market devices are seen to possess multiple capacities, or 'fixtures or furnishings' that help market actors to reconstitute market objectivity and their subjectivity

(Callon et al., 2007:3). This refers to the involvement of human agency in not just the design and production of a market device or the market itself, but also the way it is used by market actors in enacting their subjective preferences for objects of exchange, such as company shares and government bonds.

From a storytelling perspective before the scopic market screens, one can therefore expect different modes of storytelling acts among different types of market actors with different dispositions and occupying different positions in a market. To conceptually trace the origins and current manifestations of these dispositions of market actors to think, speak, act, and use market devices in distinctive ways, I introduce Bourdieu's sociological theory (1977; and Wacquant, 1992) on formation of subjective preferences in a given field of practice for production, consumption and exchange of ideas and objects. Although Beckert (2009) calls for application of Bourdieu's notions of economic and cultural capital to an exploration of the formation of value and subjective preferences in exchange of objects in markets, this has not been applied to the financial markets. I argue that the application of Bourdieu's sociological framework to exploration of creation of value and subjective preferences in financial markets should also include social capital and be extended to the evolution of a market in question from the emergence and use of market devices including storytelling as an anti-market device. Only by this, can one reach a sociological understanding of the role of narratives in financial markets and different semiotic or meaning outcomes generated in storytelling acts.

### **Financial Markets and Scopic Market Systems as a Market Device**

Cetina (2006) argues that financial markets, especially the secondary financial markets, such as organized exchanges and OTC markets where issued securities representing rights and obligations for investors/creditors and debtors are exchanged, cannot be solely conceptualized for mechanisms for bringing together buyers and sellers of a product for consumption as it is in consumer markets. In fact, primary financial markets are more akin to consumer markets in the sense that there are initially non-alternating roles of buyers and sellers of credits, rights and obligations (Abolafia, 2006). Moreover, debtors and rights issuers can consume funds that are collected from creditors outside the market place for various purposes such as physical investments. On the other hand, the driving logic behind the economic activity in secondary financial markets is discovering the existing market value of these rights and obligations and finding opportunities for investment and speculation by means of making sense of the exchange value and concomitant exchange of securities

(Cetina, 2006: 555). In that sense, secondary financial markets have an alternating role structure of buyers and sellers (Abolafia, 2006). Moreover, there often emerges a tenuous link between the security and its underlying referent (Cetina and Preda, 2005:4), the latter being a company's actual production performance, a country's macroeconomic performance, or a spot security underlying a derivative product, so on and so forth. Speculation and investment activities and aggregate market dynamics might therefore lead to emergence of exchange values which are often detached from underlying referents.

In financial markets, one recent trend seems to shape the modality of value discovery and exchange of securities, namely computerisation of the market (Cetina and Brugger, 2002; Zaloom, 2006; Mackenzie, 2009a). Cetina (2006) and Cetina and Preda (2007) introduce the idea of scopic systems to study this recent phenomenon. Scopic systems refer to 'electronic and informational mechanisms of observing and contextualizing market reality and of back-projecting this reality onto the computer screens of globally operating traders and financial units (Cetina, 2006:555). Cetina (2006: 555) makes an important distinction here as to where the market is among network-based markets and scopic markets with reference to reflexivity of actors and the market interface. The essence of the reflexive mechanism of projection is that there is a constant feedback loop between the images reflected on the screen and actors' reactions to them. This is contrasted with network-based markets in which coordination in information and data gathering, processing and decision making are made via 'the pipes that link the network nodes' (Cetina and Preda, 2007: 116).

The notion of scopic systems and the flow markets as proposed by Cetina and Preda (2007:129) therefore provide three important postulates regarding the computerized financial markets and sense-making and meaning making activities in them. Firstly, the notion of flow refers to a non-metaphorical type of reality that is different from our spatial and temporal experience of daily events. Although most of the events and actions that are projected onto the market screen happen in specific geographies (in executive boardrooms, in war theatres and on trading floors of financial institutions), their presentation on the market screen is stream-like and temporalised as narratives and numerical signifiers representing these events are projected onto the screen at a specific point in time, followed by another.

Secondly, Cetina and Preda (2007: 131) argue that this type of flow reality shapes the coping mechanism of the market actors with the market. The foundational mechanism is the continuous observation of the screen (market) with 'intensity and preparedness'. Intensity

refers to an actor-screen based physicality in which market actors orient their utmost attention to the flow on the screen with a certain physical posture and full allocation of the relevant senses and cognitive capacities to the screen (see Zaloom, 2006 for an account of this in the case of remotely accessed LIFFE). Therefore, market actors do not just observe, which is 'seen as a distanced and distantiating activity... intensity points in the opposite direction' (Cetina and Preda, 2007: 132). Preparedness on the other hand refers to a related physical and mental state that allows traders to promptly react to the flow on the screen in the form of trading activity. Cetina and Preda (2007:132) make another important point about preparedness, namely the mode of reaction, calculation and decision making. This mode, inspired by research on currency markets and traders (see Cetina and Brugger, 2002), is similar to 'Mead's model of a conversation of gestures than to models of deliberation and calculation' ... 'a form of following and anticipating the flow, grounded more in a structure of feeling than in modes of calculation' (Cetina and Preda, 2007:132).

Thirdly, Cetina and Preda (2007: 132) postulate that there are institutionalised formats that integrate sense-making and trading responses into scopic market systems in a sequential flow format. These include conversation channels, order matching systems with algorithms and rules that determine trading sequences. Other components of the scopic system such as tools for archiving and retrieval of information/data perform this in a sequential manner too. Cetina and Preda therefore add that market actors' observation and trading activities also follow individualised sequential moves around the components of the (market) screen: 'Sequencing, then, is the main mechanism that turns a spatial networkscape into a temporal world' (Cetina and Preda, 2007: 132).

The scopic market system therefore provides the highest level of abstraction regarding a given market and its calculative, discursive, geographical and temporal components. This form of abstraction turns market and its constituent parts that include market events and actions into narratives, numerical signifiers such price data or other value metrics, charts and other tools to further analyze these quantified flows. These tools help market actors to make sense numerically and discursively, to calculate and predict trajectories of market events and actions, and to attach values to the exchangeable products. In this respect, scopic market systems can be seen as a platform market device which hosts other market devices.

Market devices are 'material and discursive assemblages that [not only] intervenes in the construction' (Callon et al., 2007:2) but also in the reproduction of digitized market activity.

In that respect, assemblages include machines, theoretical and calculative tools that manage risks and assist valuation activities and price discovery, and humans' cognitive and physical capacities which are increased by the use of these artefacts. Callon et al. (2007:2) explain what makes a material device market device in reference to material devices' involvement with reconfiguration of market activity and the market itself. In this vein, some market devices become more deterministic in the operation of a market such as the introduction of the stock ticker to the NYSE trading floor (Preda 2006, cited in Callon et al., 2007). Development of this technology was in fact encouraged by a high status group in the NYSE, namely Regular Board members, who wanted to consolidate the legitimacy of their status with a monopoly over authoritative price data *vis-à-vis* the Open Board members who formed a large, noisy and rather chaotic and untrustworthy crowd (Preda 2006:765). The introduction of the real time prices in the floor and in brokerage house offices also contributed to the transformation of chart analysis as an observational and analytical market device into a more minute and accurate visualisation and prediction device. This transformation also modified the persona of the stock market analyst. The ticker tapes' and chart analysis' potential to achieve abstractions about a plethora of events and actions within and outwith the market in the form of prices led to emergence of specific 'metaphorical baggage and discursive modes' in the use of charts by stock market analysts such as ' 'points of resistance', 'double bottoms', 'tops' and 'shoulders''(Preda, 2006:770).

As can be seen above, the introduction of a market device has not only material and cognitive but also political and cultural motivations and consequences. In this sense, Callon et al. (2007:3) introduce the notion of 'economisation' and 'economic agencements' to further clarify the process of a material device attaining market device status. Economisation refers to 'a historical, contingent and disputable' process that 'render things, behaviours, and processes economic' (Callon et al., 2007: 3). Callon et al. argue that the substance of "economic" is open to debate but in the liberal market economies, economic has come to be understood as formation of market mechanisms for value discovery and exchange for goods and services, not to mention provision of rules and regulations that legitimize and stabilize these processes. In this respect, market devices are economic agencements, namely compounds of human and non-human agencies, which have a transformative capacity on market structures (Preda, 2006: 755). The first function of market devices or economic agencement refers to transformative or intervention acts on market structures at important historical junctures such as the invention and introduction of the stock ticker to the NYSE or the application of an academic valuation model, namely Black-Scholes, for valuation of cash

settled derivatives traded in the CBOE, which lent legitimacy to the practice in the eyes of regulators (Mackenzie and Millo, 2003). The second and related function refers to the aforementioned process of abstraction of events and actions and moving them into the calculative space, namely making them measurable, comparable and calculable, and disentangling them from non-calculable aspects (Preda, 2006: 755).

Although such a representational mode relying on metrics that represent abstractions may sound antithetical to narrative mode of explanation, there is still scope for conversation, narrative and feeling-based coping mechanisms in scopic market systems in making sense of the flows and anticipating their future trajectory (Cetina and Preda, 2007). This is mainly because the level of abstraction reached on scopic market screens such as price or aggregate trading and settlement data or what Sassen (2005:57) calls simple datum comes with the problem of detachment of intentions and motives of anonymous human actors from price and trading acts and ultimately that of market actors from the objects of exchange. Therefore, simple datum as routine and stable product of the market device, namely the scopic market screen, does not solve the problem of reducing uncertainty about the past, present and future. As Cetina and Preda (2007:130) acknowledge it about the scopic market systems: ‘despite the fact that market and realms that surround it are always present on the screen, markets are ill-defined with respect to the direction they will take at the next moment and in the less immediate future’. In a context like this, market actors need to generate what Sassen (2005:57) calls ‘higher datum’. Higher datum refers to outcomes of sense-making work by market actors that provide ex-post, current and ex-ante explanations that are not necessarily available on scopic screens of digitized markets. Higher datum may explain why things happen as they happen, and what they imply for returns on existing and prospective trading and investment activity.

As market devices used by market actors, forecast models, calculative frames and formulas, charts, and so on generate a higher datum about returns or price movements expected from investments. Some of these devices may have assumptions about uncertainty from the risk perspective, namely calculable and a priori probabilities such as Capital Asset Pricing Model or Black-Scholes Options pricing theory that are based on the neoclassical axioms about human rationality (Mackenzie and Millo, 2003). Others may work according to subjective probabilities and calculative frames as generated by individuals and organisations (Beckert and Dequech, 2006: 583) as in the case of subjective analyst assumptions or frames

and their consequences on model-based calculations on companies' economic performances (Zuckerman, 1999; Beunza and Garud, 2007). Some sense-making and meaning making activity on the other hand may wittingly or unwittingly work on the premise of Knightean uncertainty or ambiguity which points to a future that cannot be predicted in a Bayesian manner due to lack of necessary information to calculate probabilities, and that of fundamental uncertainty which is a concomitant lack of knowledge about predetermined outcomes (Dequech, 2000, cited in Beckert and Dequech, 2006:583). Sense-making narratives can be seen as an anti-market device from the perspective of abstract and calculative space created by market devices and the scopic market system. Although sense-making narratives mix narrative and referential or paradigmatic discourses in reducing uncertainty of the past, present and future (Polkinghorne, 1988:51), they do so by attributing agency, motive, and blame to human and non-human actors in explaining the abstractions observed on the scopic market screens, such as price, trading volume and so on. In that sense, they attach meanings on abstractions or disembedding acts that market devices achieve in a routine, stable and orderly manner such as discovery of exchange price, recording of trading activities, and representation of events and actions within and outwith the market on an almost real-time basis in the form of alpha-numerical figures and simple news stories.<sup>1</sup> In the following section, I draw on the literature on modes of knowledge and explanation to further explain the nature of sense-making narratives as an anti-market device.

### **Sense-making Narratives as an Anti-Market Device**

The literature on knowing and explanation among human beings (Bruner, 1986; Polkinghorne, 1988; Tilly 1999; 2006) explain different methods by which we make sense of what goes around us and generate knowledge about these, namely narrative and logico-mathematical modes. The narrative mode refers to making sense of our experiences in causal and temporal continuums by attaching significance and meaning to single events and actions according to their contribution to the overall outcome that we try to explain. In linguistics, story refers to what individuals experience and narrative to its discursive representation (Schiffrin et al., 2001; Toolan, 1988; Johnstone, 2001; Fransozi, 1998). By discursive representation, narrative goes beyond raw experience. It becomes an edited work, an ordering beyond pure chronology (Czarniawska, 2004). It generates meanings about a set of

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<sup>1</sup> Price and trading volume data despite being uncertain in regards to their future trajectory are presented in real-time in financial markets. One can also add to these real-time representations the data/information releases that are announced to be made at a particular time of the day. On the other hand some unexpected events and actions outwith the market are often represented with a delay on scopic screens.

singular events and actions and ties them together to an overall meaning. In this respect, narrative is an oral or written discourse beyond a sentence (Gabriel, 2008:78) that represents 'a perceived sequence of non-randomly connected events' by a storyteller (Toolan, 1988:7).

The logico-mathematical or deductive mode, on the other hand, achieves explanation in reference to categorical or universal rules and laws by demonstrating an event as an instance of the former. In that sense, the randomness issue is solved, not by connecting events and actions together to explain an observed situation, but by referring to what is previously known about this situation as a manifestation of a universal phenomenon. Although both modes of knowledge and explanation are complementary to each other in generating explanatory discourses (Polkinghorne, 1988:57; DiMaggio, 1997:269), the narrative mode has more flexibility in achieving explanation under informational uncertainties, especially if a universal knowledge about all probable events and actions with their causes and effects are not known in advance. The causal framework or what linguistics calls a plot in each instance of narrative mode of explanation is not necessarily the most accurate from a deducto-logical or scientific perspective that is applicable to all circumstances. However, actors often opt for such a 'best possible explanation' 'abductive... nonmonotonic' option instead of not achieving a sense-making outcome at all (Lundberg, 2000:694). In this vein, sense-making narratives and meanings they create are open to modifications, refutations and abandonment by arrival or discovery of new information and/or going through new experiences.

How then would sense-making stories look like in scopic market systems? Sense-making stories are narratives that plot events and actions as represented in textual and numerical symbols on scopic market screens in order to come up with larger meanings and reach a verisimilitude about what actually goes on in financial markets (Bruner, 1986). Despite being open to modifications, creation of larger meanings, no matter how inconsequential or insignificant these meanings may be on storytellers' and/or audiences' market actions, provide a higher datum that is not readily available on the scopic screen. Larger meanings are concerned with finding connections between various symbols, figures and discourses on the scopic screens that represent abstraction of a multitude of market events and actions, which lend themselves to an explanation of the past and present that is not readily available on scopic screens. Finding or imposing connections between events and actions is possible by creating novel ways of bringing them together in order to reduce fundamental uncertainty (Weick, 1995), or by imposing available schemata based on referential (logico-mathematical) and/or narrative modes of knowing and expressions on those events and actions



(Polkinghorne, 1988:31).

Sense-making stories as changing reactions to flow of information/data on scopic screens are ultimately interested in human action in markets beyond sensory descriptions. Otherwise market events, like any other social event, would be uninterpretable and/or left uninterpreted (Macintyre, 1981, cited in Czarniawska, 2004:3). Therefore, events are usually re-enacted as outcomes of intentional actions in sense-making stories. Proxy data such as price and the attribution of different qualities to otherwise anonymous actors help infuse meanings into sensory descriptions of the scopic screens, and make them the purposeful actions of otherwise anonymous investors in digitized markets (Gabriel, 2000:35-8). The use of rhetorical tropes also help turn abstract and concrete things, such as oil price, carry trade, earthquake and so on and forth, into 'actants' that can achieve or undergo acts like human beings without a fixed character (Czarniawska, 2004:80). Therefore, sense-making story is an outcome of social cognition which seeks interpretation beyond 'simple sensory inputs coming into contact with memory', and to achieve 'apperception', namely putting something more meaningful and broader on sensory perception (Klein et al., 2006b: 90) in order to reduce uncertainty and act more effectively (Bless et al., 2004:9).

Literature on sense-making points to the importance of mental schemata in creating a framework for interpretation of data (Klein et al., 2006a, b; Weick, 1995; Sanner, 1997; Bless et al., 2004). These schemata are the stored memory of personal knowledge based on experiences, learning and beliefs and so on. Sense-making stories also work on this principle of mental schemata. They invoke stored knowledge about the markets in their emplotment. Therefore, a sense-making story is not a fantasy or fiction-based narrative. It takes into account social and cultural conventions of the realm of meaning (Salmon and Reissman, 2008:77-8), as well as principles of our organic world (Polkinghorne, 1998:178). As Klein et al. (2006b) put it, schemata are build on narrative and theoretical knowledge but they can be revised in the face of new information and data. Therefore, sense-making stories are open to such scrutiny by their creators. Another important factor in ensuring that sense-making stories are not fiction-based is the audience effect. Even the stories that are told to oneself are under the scrutiny of one's accumulated knowledge unless one is suffering from a mental disorder. Otherwise, concerns about credibility, believability, effectiveness and reputation are firmly in place whilst one tells his/her sense-making story before the scopic market screen and/or to his/her clients and colleagues.

Sense-making stories are also told under time constraints due to scopic market systems' sequential architecture and its capacity to instantaneously and contemporaneously represent a plethora of market events and actions. Therefore, time constraints can be consequential on story contents when one tries to check the relevancy of information/data flows on his/her existing and prospective investments. Literature on social cognition attest to the effects of time constraints as well as humans' capacity to process information in cognitive activities (Bless et al., 2004). The consequence of these limitations is patterns or habits of sense-making to reduce cognitive load on sense-makers. These cognitive schemata classifies raw information/data, decide what is relevant and what is not for one's particular circumstances and goals. Although knowledge schemata are open to modification (Klein et.al., 2006b), social cognition literature observe several habitual processing patterns in cognition. The first pattern of social thinking is consistency searching which involves ignoring new information or interpreting current situation by imposing an existing schema. The second pattern takes the form of a 'naïve scientist' who tries to gather all relevant information and come up with an unbiased account. The third pattern is 'cognitive miser'. This is similar to naïve scientist but time constraints and informational load lead to use of short cuts and over simplifications that stem from existing cognitive schemata (Bless et al., 2004:9).

From a plot-making perspective, these patterns may explain how story tellers provide 'transition sequence' (Klein et.al., 2006b) which refers to imposing logic and coherence on selected events and actions in creation of a higher datum. In sense-making stories in financial markets, these logics can be classified as cause-effect and correlation among screen figures and narratives, and similarity between the past experience and what the present looks like. The effectiveness of these logics in making sense of market outcomes are assisted by visual confirmations on scopic screens and/or personal and vernacular knowledge and experience about the market and its actors in question. Another possible transition sequence is randomness which implies a failure to impose a more coherent plot onto a set of events and actions as observed on scopic screens. Although these logics provide retrospective explanations, they can also predict how future trajectories of relevant events and actions will be like, by drawing on the existing cognitive schemata about these logics. By that, sense-making stories become narratives about past and present occurrences as they unfold with a view to predicting their future trajectory.

To substantiate these points about narrative sense-making as a market device, I present two examples from scopic market systems. The first is about the generation of analyst reports and

the second one is about *in situ* sense-making activities of market actors before their scopic screens. In predicting the future price of a share that is unknown, market actors resort to calculation of the share's fundamental value: 'the net present value of its future cash flows, discounted using (investors) risks characteristics' (Shleifer, 2000: 2). Such a calculation is present in analysts' reports on companies (Fogarty and Rogers, 2005; Beunza and Garud, 2007; Ortiz, 2009). It constitutes the numerical conclusion of analysts' qualitative judgements about a company's future cash flow performance based on its past and present revenues and costs. This calculation is an essential part of any analyst report that makes long-term predictions for share value of a company. The prediction is translated in to a target share price and a call for trading action, such as "buy", "hold" or "sell". The analyst reports combine the qualitative assumptions of analysts and paradigmatic calculations of a valuation method such as Discounted Cash Flow. The models inform what type of judgements an analyst has to make. The calculations of the model, on the other hand, are affected by the qualitative judgements. Thus, analyst reports provide technical narratives of combined explanation and knowing logics, and they are akin to scientific reports that predict the future.

Making sense of the present flooded with information/data on scopic market screens is a more mundane and a bigger challenge for market actors when it is compared with the fundamental valuation activity by analysts. The mainstream finance theory as popularized by Fama (1970) assumes that all publicly available information is quickly reflected in prices (see Schuster, 2006 for review). Market actors do the actual constant work of incorporating information into prices by bidding them up or down according to their judgement as to whether particular information is good or bad with regard to associated securities. In *in situ* sense-making situations, the uncertainty is concerned with not only making the judgement of whether certain information is good or bad for a given security, but also judging whether that information can actually affect the price of a given security and hence pondering on the intentions of anonymous market actors. A higher datum, such as analyst reports or more generally what Smith (1998) calls 'fundamental view' about a company which is generated thanks to the categorical or theoretical knowledge a market actor possesses, can answer such a question. However, the actual market practice may bring forth idiosyncratic and market specific sense-making activity in finding the answer, namely what Smith (1998) calls 'insider view'. The latter refers to vernacular knowledge about market dynamics not reducible to the fundamental value of a company. To give an example, if the price of Garanti Bank share, which is the leading financial sector company in the ISE with a very significant weight in the ISE 100 index, is going up without any news related to the company or

banking sector in general, market actors may have to find a meaningful data/information on or off the screen to explain this price movement instead of dismissing it as a meaningless trading activity in the first place. Continuous observation of a scopic market screen with intensity and preparedness and finding explanatory connections between events and actions may, in the long run, provide stable sense-making frames that process a large part of information/data flows on the screen and link them to each other in routinised and stable ways. In this respect, a seemingly meaningless trading activity can make sense, even with a view about its future trajectory.

Another important part of *in situ* sense-making activity, which is related to vernacular market knowledge, is to contemplate about investor behaviour that may trigger such price events or how market events may affect investor behaviour (Keynes, 1936; Davis, 2006). However these events are also hard to subject to metrological analysis because data about investor identity are usually anonymised on trading platforms (Davis, 2006). Moreover, any meaningful information about investor motivation behind a specific buy or sell activity or investor emotion in the face of market events is practically impossible to provide given the possible costs of collecting them and loss of trading advantage by revealing such motivations. Therefore, the most meaningful data to make such considerations about investor motivation and emotion is price and aggregate trading volume data as disclosed on scopic platforms and classified by intermediary organisations or institutional investors. However, this limitation is compensated by narrative imagination. What is meant by narrative imagination is making the otherwise anonymous investor figure an agent with motive and emotions by looking at changes in price and trading volume data as well as taking into consideration news stories and on-going themes about a share, a market or an economy. The investor figure with motives and emotions can therefore become a cause behind price and trading movements. Equally this anonymous investor figure can become susceptible to market and price events and can be turned into an effect in a cause-effect plot of a narrative

Once market actors start to generate knowledge about the past, present and future of events and actions in a market place, this knowledge not only shapes their subjective preferences or actual price or return predictions they attach to a certain security in a market place but also becomes part of the general body of subjective knowledge they hold about the market in question. For instance, analysts' reports generate subjective preference for a share as justified by narrative and paradigmatic modes of explanation that lead to an exact numerical prediction about a share price. However an analyst report also draws from and adds on the

existing knowledge about that company, its sector in the real economy and the larger economic, political and social *milieus* where they are located. Similarly, an *in situ* sense-making story not only provides an instant explanation about the current state of the market and often makes a prediction about its future trajectory, but also draws from the general knowledge about the market and adds onto it. Although an analyst report and an *in situ* story work on different premises of calculation and prediction, both essentially draw from and add onto the existing knowledge about different components of a market and the larger *milieus* where this market is located.

This thesis aims to explore not only the actual process knowledge generation in *in situ* sense-making narratives but also the existence of different subjectivities and their origins among market actors in a market place that may account for the differences in knowledge generation. In Appendix 1, I provide a description of a typical scopic screen that can be found in different brokerage houses and buy-side organisations in the ISE. This description gives a conceptual picture about how narrative mode of knowledge and explanation becomes a prominent anti-market device in sense-making before scopic screens in the ISE in conjunction with the use of market devices integrated to the screens. These market devices include analysis tools that make use of the past and present data/information flows by turning them into observable alpha-numerical figures and metrics about a plethora of index moving factors such as anonymous investors' intentions, a security's metric relationship to the index value and so on and so forth. These alpha-numerical figures are then made more meaningful with the help of narrative imagination and/or vernacular knowledge.

In the following, I tie the above conceptual discussion to the question of formation of subjective preferences in financial markets. Formation of subjective preferences for objects of exchange or attachment of value to them is identified as a market coordination problem by Beckert (2009). Beckert (2009) argues that this problem is not wholly solved by the availability of a set of market devices which provides a calculative embeddedness to market actors. Nor do those solutions to macro coordination problems, namely competition (a fair and transparent exchange without any monopoly or oligopoly) and cooperation (fulfilment of obligations in an exchange), which are based on the social, cultural and institutional embeddedness of market actors as well as the introduction of deterministic market devices, help us wholly understand the formation of subjective preferences on the part of market actors. Consequently, although market actors do not constantly aim to attain a better rationality and calculative power to solve these two macro coordination problems under a

fundamental uncertainty situation, they are still faced with the task of generating higher datum about the state of markets and their existing and prospective investment activities. This is essential in being able to attach a value to objects of exchange and sustain a subjectively coherent preference set to justify one's market activities.

### **How to understand individual solutions to value as the third coordination problem**

Beckert (2009) reminds us of the importance of market devices that assist market actors in reaching standardisation and calculability of values attached to an object of exchange. These market devices often help market actors reach cognitive anchoring or cognitive reference point such as price or a comparable ratio across similar objects of exchange (Beckert, 2009: 254). Moreover, the technical and regulatory arrangements in a market endow a security with certain properties, for instance the increments by which its prices change in a given exchange, or what rights and obligations it endows to its owner, and so on and so forth. These may also have a bearing on the subjective perceptions of value held by diverse market actors. While price discovery mechanisms in markets constantly bring together these subjective perceptions of anonymous actors and help reach constant but fluid equilibriums in market prices, this does not wholly explain how market actors reach the underlying subjective perceptions or numerical or discursive predictions on the exchange value of a security in the form of a target price or on the general direction of numerical or discursive value that they attach to a security or an index. Beckert (2009: 253) therefore encourages us to see the value problem also as a problem of 'constitution of actors' preferences' and he highlights the need to theorize on this to be able to understand how market actors socially construct knowledge about the state of value attached to objects that are subject to exchange and how market actors create demand for these objects and facilitate exchange (256). Formation of value is therefore not just a matter of having stable price discovery and exchange systems and valuation methods, all of which act in the capacity of a deterministic or analytical market device, but also about the construction of individualized and vernacular knowledge by market actors about objects of exchange, which subsequently informs the subjective dynamics in price formation and exchange of securities.

In the case of financial markets, Smith (1999), Abolafia (1996; 1998), and Beunza and Stark (2005) demonstrate different but occasionally overlapping cultures of sense-making, investment, and brokerage activities on Wall Street on the part of amateur and professional investors, traders and brokers. Zaloom (2006) provides similar insights from the CBOT and

the LIFFE where futures and options traders of respective markets have different cognitive and investment practices due to each market's microstructure and its unique historical evolution. Siu (2008) explores the changing cognitive, social and political embeddedness of Chinese market actors in different commodity futures markets in China. In these and other ethnographic accounts of financial markets, one thing is common, namely local rationalities of observation, sense-making and decision-making with stable scripts created by market actors to be able to cope with uncertainty and ambiguity peculiar to their environments (Abolafia, 1998:74). These scripts can be seen as part of the vernacular knowledge that markets actors possess and have faith in, as accurately reflecting how the market functions with its different types of actors, intermediaries and regulators and how it interacts with other *milieus* such as other markets, economy and politics. In this respect local rationalities are bound by not only the features of environments where market actors operate but also the perceptions held by those market actors about these features. This hints at a probable existence of different "realities" attached to a single phenomenon such as a market by different actors with different modes of material, cultural and social existence in the market environment.

Beckert (2009) therefore highlights the importance of the material and cultural capital of market actors as well as their habitus (dispositions to act and think in particular ways), as theorised by Bourdieu (2005 cited in Beckert, 2009: 256), as the foundations of market actors' vernacular knowledge. These foundations also inform the formation of market actors' subjective preferences and the process of attachment of particular values to objects of exchange in question by these actors. These foundational material and cultural resources therefore have the potential to inform how market actors use the scopic market screens and other market devices including narrative mode of knowledge and explanation as described above, and in Appendix 1. Besides this, one should also incorporate Bourdieu's (1997: 51) notion of social capital, defined as 'the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintances and recognition, or in other words, to membership in a group'. If one broadens the notion of social capital into membership in a type or group of investors in a market place with distinctive combinations of cultural and economic capital, then it is possible to trace the origins, operations, and outcomes of different capital resources and habituses or dispositions that investor types have and utilize in their knowledge generation and sense-making activities.

## **Sources of positionality: economic, social and cultural capitals**

Local rationality as discussed above is the main outcome of positionality or what Bourdieu and Wacquant (1992) call position-taking acts in a market. The positionality is similar to the notion of bounded rationality (Simon, 1955) in that it rejects the idea of a unitary actor who is able to assimilate all relevant information once it is public and pursue his/her interest until an optimal solution is reached irrespective of social circumstances he/she finds himself in. The bounded rationality assumes that human beings are limited in their capacity to seek and process information, thus they satisfy rather than optimize (see Baker, 1984 for an example of bounded rationality in a futures exchange). From a sociological perspective, whether markets are efficient or not and whether the market actors satisfice or optimize are rather secondary considerations. More important consideration is the effects of the institutionalized role structures in a financial market on individual or organized social action. These institutional role structures refer to routine and stabilized action roles, norms and beliefs within a field of practice that have developed over time and they are not subject to sudden changes and reversals (Abolafia, 1998; Smelser, 1963). The role, norm and belief structures in a given field of practice are not reducible to formal rules and regulations that partly or wholly describe and enact them. They are also informed by historical and on-going practices in the field by different types of actors who order their meaning world in which they practice according to tacit, explicit, informal and formal knowledge references that constitute their culture.

Positionality stems from material, social, and intellectual resources one has at his/her disposal in an institutionalized setting such as an organized equity market. These resources can be understood in reference to Bourdieu's forms of capital, namely economic, cultural and social (Bourdieu, 1997; Wacquant, 2002), and his notions of habitus and field (Bourdieu and Wacquant, 1992). Bourdieu defines capital as 'accumulated labour...in objectified or embodied forms' which can be appropriated by people on 'a private, i.e. exclusive basis' which 'enables them to appropriate social energy in the form of reified or living labour' (1997:46). Therefore, the notion of capital is associated with control or power over labour activity which can be appropriated in an objectified (artefacts, assets) or embodied form (acquiring knowledge and using it). According to Swartz (1997: 78) the notion of social energy or 'energy of social physics' is used because Bourdieu argues that there are different forms of control (read capitals) over labour which co-exist and are convertible to each other and 'no one form is more fundamental than the others or can be treated independently of the others' (Bourdieu, 1991: 122 cited in Swartz, 1997: 78).



This proposition sounds rather antithetical to notion of participation in financial markets as an investor, which, as a minimum requirement, is dependent on possession of money or assets as objects of economic capital that are convertible to each other in market exchange. To this point, Bourdieu (1997) responds by two things. First, he points to the importance of different forms of capital by stating that they constitute ‘the principle underlying the immanent regularities of the social world’ (46). This means that different types of capital, as a form of power or resource that is convertible into other forms of control, make the social world a non-random place and subject to reproducing itself in accordance with the distributions of capital types and their consequences among the members of this social world. Secondly Bourdieu argues that although economic capital is at the root of other types of capital, the conversation does not take place as easy as buying a bag of fruit from a grocer or shares in a digital market place (1997:53-4).

To better understand this argument, it is necessary to define cultural and social capital. Bourdieu calls cultural capital in its broadest sense as ‘informational capital’ (1992:119) that can be found in three states, embodied, objectified, and institutionalized. In all these forms, cultural capital denotes possession of knowledge about doing particular things in particular ways and/or knowing things in particular ways. From Bourdieu’s (1997:48-50) discussion of these states, it can be seen that the possession of knowledge in one’s mind and use of it through body reflexive practices, such as eating, speaking, using objects, or investing in shares constitutes the embodied state of cultural capital. In the embodied form, the appropriation of accumulated labour actually refers to one’s own time and investment in learning and practicing a certain activity. In some activities, the mode of appropriation seems to be dictated by one’s immediate environment such as family and closer *milieus* and the process of socialisation from the early years of one’s life. The validity and valour of this form of capital is dependent on its successful (re)demonstration of particular competences under particular circumstances.

In other activities, the mode of appropriation may take place through learning and experience outside family or close *milieus*. The institutionalized state of cultural capital refers to the process of learning provided by academic or professional bodies and the institutional recognition by these bodies granted through examinations of one’s competencies in a specific set of knowledge and practice. This acquisition process actually severs the links between embodied histories within and outside academia or professional practice and the

ownership of certain competencies as recognized by the granting institutions. In between these states, there is the objectified state. This state is concerned with cultural goods for use, consumption, and exchange such as paintings, media and instruments. The appropriation of these objects can be achieved by economic capital yet this does not ensure appropriation of knowledge/information that allows its owner to appreciate or use the cultural goods according to its 'specific purpose (defined by the cultural capital, of scientific or technical type, incorporated in them)' (Bourdieu, 1997:50).

The social capital on the other hand is defined by Bourdieu (1997:51) as 'the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintances and recognition-or in other words, to membership in a group'. The significance of social capital is that these networks or memberships in groups provide members 'credit' or resources that can be converted into material or symbolic gains such as status. Bourdieu argues that social capital that is convertible into different form of gains necessitates both initial institutionalisation of relationship and subsequent relationship work in the form of exchange of both material and symbolic things. This exchange which Bourdieu calls 'sociability' therefore not only ensures the (re)affirmation of recognition but also draws the boundaries of group membership.

### **Symbolic capital as disguised form of economic capital**

All in all, the point Bourdieu makes about different forms of capital is that they are resources of power or forms of control which can be converted into each other. He also adds that both cultural and social capital are 'disguised forms' of economic capital and this conversation from economic to cultural and social capital takes the form of 'more or less great effort of transformation which is needed to produce the type of power effective in the field in question'(1997:54). I shall discuss the notion of field alongside habitus below but the notion of disguised forms of economic capital should be discussed further. Because both cultural and social capital seem to be disassociated from notion of appropriation of accumulated labour in the form of time, energy, and economic resources dedicated to learning and practicing and doing relationship work, there is a tendency to perceive the fruits of cultural and social capital as 'symbolic capital' which is 'unrecognized as capital and recognized as legitimate competences, as authority exerting an effect of (mis)recognition' (Bourdieu, 1997:49). Bourdieu and Wacquant (1992:119) state that symbolic capital's roots are embedded in these types of capital and it takes the form of symbolic capital when dominant perceptions about it 'misrecognize the arbitrariness of its possession and accumulation'. This

means that a new understanding is attached to a set of acts which cognitively disassociate them from arbitrary pursuit of economic, cultural and social interests. According to Bourdieu (1990, cited in Swartz, 1997:91-2) charitable acts or acts that serve the interest of the less powerful by the more powerful lead to a form of 'advance' or 'credit' or 'recognition' and 'legitimacy' given by the former to the latter.

### **Field and Habitus: concretizing the forms of capital in a game**

Bourdieu and Wacquant (1992:98) state that in order to accurately determine the existence and detailed properties of the above discussed types of capital social scientist should focus on the boundaries and properties of the field. They define field as a 'configuration of objective relations between positions'. Positions refer to 'objectively defined' institutional roles 'occupants, agents or institutions' take on according to their 'present and potential situation in the structure of the distribution of species of power (or capital)'. Bourdieu and Wacquant remind us that possession of these species of power for occupants mean differential access modalities 'to the specific profits that are at stake in the field' (1992:97). They use the analogy of game to explain the competitive and conflictive nature of the field. The difference between a field and a game is that the former exhibit 'rules and regularities that are not explicit and codified' (1992: 98). For participants in the field game, the stakes are the result of competition and the worthwhile nature of participating in the game and they are accepted without questioning. Bourdieu and Wacquant (1992:98) call this 'collusion' between participants which allow them to compete in the game. They use the metaphor of 'trump cards' to refer to different types of capital that participants possess and use in the game in their pursuit of stakes. They add that the competition is not just for the stakes but also about the trump cards and when they can be effectively converted into other sources of control and how they can be lessened in their effectiveness. When applied to the notion of market, Bourdieu's concept of field is tantamount to what Swartz (1997:120) calls a 'force field, wherein the distribution of capital in the market reflects a hierarchical set of power relations among the competing individuals, groups and organisations.' Swartz (1997:120) adds that 'field is a more inclusive concept than market; as a spatial metaphor it suggests rank and hierarchy as well as exchange relationships between buyers and sellers'.

Habitus as proposed by Bourdieu (as explained in Thompson, 1992) is 'a set of dispositions which incline actors to act and react in certain ways' (12). Thompson (1992:12-3) explains the features of dispositions which characterise one's habitus. Dispositions are closely related to one's process of socialisation from the early childhood but formal educational and

professional practice experiences can be seen as part of this learning process. As Thompson (1992:13) puts it, 'habitus tends to generate practices and perceptions, works, and appreciations, which concur with the conditions of existence of which the habitus is itself the product'. This allows us to go beyond one's early socialisation and think about the habitus that is acquired during professional and amateur practice in a given field. Dispositions are 'structured' as they reflect one's particular *milieus* in upbringing, education and professional practice (read cultural capital). Dispositions are 'durable' and embodied. They are 'not readily amenable to conscious reflection and modification' (Thomson, 1992: 13). Finally, dispositions are 'generative and transposable' meaning that people bring their embodied cultural capital into other fields of practice and this may inform their practices in a given field (Thomson, 1992: 13). The most important implication of the concepts of dispositions and habitus from a sense-making perspective is summarized by Wacquant (2002: 552). As he puts it, Bourdieu's sociological framework approaches the study of the field from a 'double objectivity of the social' perspective, namely 'distribution of material sources and positions' and 'embodied classifications through which agents symbolically construct and subjectively experience the world'. The second objectivity points to different cognitive activities and schemata in relation to field relations, reified and/or living labour, and embodied practices in the field, which are ultimately shaped by one's material sources and positions which constitute the first objectivity.

To recap the concepts of types of capital, habitus and field before attempting to apply them to the sense-making activities in the ISE field, Bourdieu encourages us to see the notion of capital as a multifarious form of control over reified or living labour. The existence of different types of capital and their unequal distribution among social actors form the structure of the field which is hierarchical (Bourdieu and Wacquant, 1992:198). As a consequence of these differences, Bourdieu points to varying subjective realities symbolically constructed and subjectively lived by actors with different dispositions and positions in the field. The notion of symbolic capital is also a product of this symbolically constructed reality which grants legitimacy to arbitrarily acquired resources by more powerful social actors in the field. The structure of the field also determines what types of capital can be utilized and converted into what other types in pursuit of stakes. In this vein, relationships in a field among different groups are not just for access to stakes of the game. They are also concerned with changing the rules and codes of engagement or structure of the field. This is because the structure reflects the unequal distribution of different forms of capital and reinforces them.

This final point brings us to the boundaries of the field and its relations with other fields. According to Bourdieu and Wacquant (1992:102-5), one essential concept to consider when researching about fields is their historicity in relation to the above mentioned dynamics. This intimates that the boundaries of fields are dynamic and subject to change as the stakes in the game involve not only profits (accumulation) but also the question of who can participate in the game and under what conditions. Another point is that in understanding the historicity of a field, one should try to map out 'the position of the given field *vis-à-vis* the field of power' (104). The notion of field of power should not be taken as limited to political field which comprises national assemblies, governments, etc. This is actually a 'meta-field that operates as an organizing principle of differentiation and struggle throughout all fields' (Swartz, 1997:136). In this sense, one can incorporate multiple fields and their interactions in an analysis of the competition or struggle for short-term stakes and over the structure of the field in question. And the final component to explore in order to make sense of the dynamics of a field is 'the habitus of agents', namely the dispositions of different groups in the field and the trajectory of these dispositions in relation to social and economic conditions in which they started their formation and continue reproduction. Bourdieu and Wacquant (1992:99) use the term 'position-taking' to refer to the outcome of this investigation, namely determining what strategy and game an actor plays in a field given his/her capital resources.

### **In lieu of Conclusion: Applying Bourdieu to cognition in scopic financial markets**

A reappraisal of the literature on financial markets discussed in the chapter with Bourdieu's theoretical framework can allow us to see financial markets as fields of competition and conflict over stakes that are associated with not just returns on exchangeable securities but also norms and patterns of engagement between competitors in the field. These norms and patterns stem from not just a range of formal rules and regulations but also capital sources and dispositions of individual and organisational market actors. The determining feature of financial market as a field of exchange relationships for pursuit of financial returns is that it is a hierarchical social structure populated with individual and organisational actors that possess different combinations of economic, social, and cultural resources and concomitant extra-field and intra-field dispositions and position-taking acts. The ongoing competition and conflict in the field over short-term stakes such as returns on investment and speculation activities, and structural stakes such as norms and rules of competition, and the field's symbiosis with the meta-field, subject investors and intermediary and regulatory

organisations to voluntary or forced change in their cognition, investment and/or intermediation activities. Differences among combinations of capitals and consequent field-specific dispositions mean that one can expect different cognitive activities and investment modes among different types of investors and those intermediaries which exclusively serve them.

In this thesis, the empirical focus is on the second type of objectivity in the field, namely sense-making narratives as cognitive products or anti-market devices shaped by the first type of objectivity, namely market actors' resources at their disposal and their dispositions and positions in the ISE field. The thesis therefore explores the sense-making narratives not only from a semiotic but also socio-linguistic perspective. The former perspective specifically looks at how meanings are created within narratives whereas the latter perspective concentrates on how social structure of the field, material, cultural and social resources, and dispositions of actors affect the generation and use of narratives and creation of meanings. The thesis postulates that material, cultural, and social resources market actors have generated in or brought to the ISE field would manifest themselves in specific cognitive and investment activities and emergence and use of distinctive cognitive schemata during *in situ* sense-making activities. These differences in dispositions and certain positions occupied in the ISE field by different types of investors and their intermediaries would also lead to generation and use in distinctive ways of certain market devices that assist cognitive activities such as the scopic market screen itself with its integrated market devices as explained in Appendix 1, the *in situ* sense-making narratives as the anti-market device, and research analyst reports on companies and macro economic and political themes. More specifically, manifestations of these differences in *in situ* sense-making narratives can be measured not only in number of *in situ* narratives told before scopic screens but also according to sense-making narratives' semiotic structure. The latter is constituted of narratives' plot structures, their attribution of cause, credit, and blame to certain events and actions in explaining the outcomes observed on scopic screens, types of data/information used in sense-making narratives, and so on. By capturing these stories and analyzing them according to these semiotic features, one can demonstrate material, social and cultural sources of double objectivity at work in sustaining distinctive sense-making and investment activities in financial markets. In the following chapter, I turn to the methodology of the thesis to substantiate how this two-pronged exploration is achieved in the thesis. The Methodology chapter also makes a brief introduction to the historical development of the ISE as a scopic financial market and as a field since 1985 from the perspective of dominant

investor and intermediary types. This brief introduction helps justify the selection of observation sites. Chapter 4 substantiates the brief introduction by reviewing the field's history between 1985 and 2009.





## **CHAPTER 3 METHODOLOGY: ETHNOGRAPHY OF THE ISE**

This chapter contextualizes the findings of this dissertation in relation to selection of the ISE and the specific field sites, access issues and field relations with informants, and data collection and analysis methods. In the following sections, I firstly provide a rather formal conceptual discussion of key concepts that, to a large extent, informed what I experienced in the field. These key concepts, such as ethnography, and the epistemological and ontological background to this particular methodology had informed many of the practical decisions I had to make before and once I was in the field. From a theory and method perspective, a generalist but improving understanding of some theoretical notions such as social and organisational identities, and sociological perspectives on information, cognition and interpretation in digitized financial markets, and the literature on narrative mode of knowledge and explanation helped me refine my data collection methods whilst I was in the field. However, Bourdieu's theoretical framework had been a post-field work addition to the second order explanations of the sense-making and decision-making scenes found in the ISE. The section titled 'The Study' provides a relatively formal account of the trajectory of this PhD research. The Appendix 2 complements this by a conceptual discussion on embodiment and reflectivity of researcher in ethnographic studies, the nature of ethnographic writing, the issue of ethics in social science research, and credibility tests on ethnographic studies such as validity, reliability and objectivity and tying them to a more informal version of 'the Study'. The Appendix 2 therefore recounts the practical and empirical outcomes of my involvement in this study as a researcher with multiple identities, specific insecurities and feelings. The honesty with which this complementary story is told should be seen as a reflective recognition of the effects of being who I had been in the last four and a half years on my overall field research experience as well as the ultimate output for the formal degree requirement, namely the PhD thesis.

### **Ethnography**

Ethnography as a social science concept refers to not only a data collection method but also a style of writing in regards to presentation of research findings (Bryman, 2008). Ethnography aims to immerse into the meaning and practice world of groups of people found in different realms and social institutions by means of focussed investigation of a small number of cases. This is an inductive and iterative exploration process without any formulation of hypotheses and their testing, attempts to manipulate research settings, or immediately imposing pre-set

analytical categories on collected data (Atkinson and Hammersley, 1995:248). Moreover, because an ethnographer can be in the field only for a limited period of time, it is important to go beyond what is immediately available/observable to the researcher in order to contextualize findings historically and make sense of them holistically and sociologically. Therefore, multiple methods of data collection are used such as (participant) observation, informal discussions and interviews with informants about the past and present, and review of primary and secondary literature on the history and present state of field sites as well as the relevant academic literature (Fetterman, 2008:288-9).

Like all other social science research endeavours, ethnography starts with a research question no matter how general or vague it may be and this question is revised with back and forth movements as the research progresses by means of being in the field and in constant dialogue with informants (O'Reilly, 2005)<sup>2</sup>. The latter is one of the foundational data collection principles of ethnographic research as field data is constructed by natural actions of informants and researcher's discussions (co-construction) with informants about their activities with a view to understand meanings of these actions without any normative or conceptual stance on the spot (Berg, 2001:139). Only by this data collection protocol, can researchers access to 'emic' or native explanations which can later on be turned into 'etic' reflections of researcher on the fieldwork findings as informed by existing or newly constructed analytical concepts for the phenomenon under investigation (Fetterman, 2008:289).

In the case of sociological and qualitative research on financial markets, ethnography or (non)participant observation is acknowledged as a more advantageous method of investigation and data collection than standard interviews for topics that concentrate on cognition and decision making in financial markets (Preda, 2007a:520). For instance Cetina and Brugger (2002:916) who studied *in situ* sense-making and trading activities of global currency traders argue that ethnographic method goes beyond the formality and co-construction of knowledge in interviews between interviewer and interviewee and allows researchers to generate 'richer materials' and 'refined analysis' of what actually goes on in financial markets. Accessing natural settings and observing informants over a certain period of time allow researchers to collect naturally occurring data such as conversations and narratives of informants (Preda, 2007). Although it might be expected that cognition in

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<sup>2</sup> One should add the dialogue between researcher and his/her academic superiors/supervisors. Although PhD is rather an independent study, it is moulded by the dialogue between student and his/her academic colleagues and superiors. See Appendix 2 for my experience of this.

financial markets can be performed silently as per thinking (Preda, 2009: 681), the ethnographic sites observed in this study, i.e. one asset management company and four brokerage houses, are conducive to thinking aloud and distributed cognition (see for instance, Beunza and Stark, 2005).

## **Ontology and Epistemology**

This dissertation ontologically and epistemologically leans towards a reformed understanding of naturalism or what is usually labelled as ‘interpretivism’ or ‘constructivism’. The term interpretivism can be understood as an umbrella term that contains several sociological schools of thought such as symbolic interactionism or phenomenology or as a general philosophical approach to social inquiry (Atkinson and Hammersley, 2007:7; DeCrop, 2004: 157-8). Interpretivist philosophy encourages researchers to perceive social reality and action as products of meaning construction and interpretation by individuals and social groups and hence as ‘socially constructed, multiple, holistic and contextual’ (DeCrop, 2004:157). Social action is therefore something to be understood rather than demonstrated to be part of causal relationships or manifestations of universal laws (Atkinson and Hammersley, 2007). Adopting the naturalistic paradigm to understanding and investigation of social life necessitates a double understanding for research that consists of the following. Firstly, if social action is oriented according to meanings attached to events and actions of oneself and others, this meaning creation and invoking process should be one aspect of inquiry into social action. Secondly, researcher should immerse into naturalistic settings of the observed with minimum obstruction and manipulation of settings and social actions in order to be able to observe, if possible participate, and record naturally occurring interaction via field notes or other recording techniques. This allows the researcher to progressively learn the meaning world of the observed from his/her experiences, observations and captured data as well as his/her dialogue with informants about topics under investigation (Schwand, 1994:123). On the other hand, the notions of embodiment and reflexivity help the researcher to acknowledge his/her effect on the research on data collection and research findings. Once these effects are integrated to this double understanding of the field from observations and discussions, a third aspect of the nature of an interpretive inquiry follows, namely the fashioning of the field and field experiences by the researcher into ‘thick descriptions’ (Geertz, 1973). These refer to second order explanations which are beyond rich but mere descriptions of field events or purely autobiographic accounts of researcher’s fieldwork experience called ‘auto ethnography’ (Bryman, 2008:16-7).

## **Theoretical Frameworks and Methods**

In the above ontological and epistemological stances I take, conducting ethnographic study should not be understood as an end in itself, limited to immersion into practice and meaning world of a group of people with ‘convenience sampling’ or access by chance, devoid of any methodological and theoretical guidance and vigour for theory-building (Bryman, 2008; Saumare and Given, 2008). It should aim to contextualize the ethnographic findings in relation to the coordinates of the field sites and informants within the *milieus* where these are found (Mills, 1959). This should be done firstly to attain what Gold (1997) calls ‘sociological sampling’ in ethnography, namely finding a number of sites and informants who have potential to exhibit and reflect on various emergent themes related to the phenomenon investigated. This increases the external validity or transferability of ethnographic findings in specific field sites when other similar sites of social action are considered (Bryman, 2008:33). Secondly, sociological sampling should help contextualize the field sites and research findings in relation to general theoretical/sociological concepts discussed in the literature review. By incorporating these sociological/theoretical concepts into the on-going inductive and iterative process of ethnographic immersion and interpretation, the researcher starts to ground his/her findings into broader second order explanations coming from the literature as well as his/her contribution and/or critique to the former in light of the ethnographic findings. This grounding helps research attain theoretical/purposive sampling (Palys, 2008; Bryman, 2008: 415) to ease the process of attaining thick, second order explanations that are meaningful in relation to variety of meanings and practices in the field as well as to existing concepts and theories on the phenomenon.

## **The Study**

Although formally started as an investigation into the relationship between sense-making and decision-making into financial markets and real-time TV broadcasts, the investigation for this PhD study had turned into the role of narrative mode of knowledge and explanation in sense-making and decision making before scopic market screens in the major hubs of sense-making and decision-making in financial markets, namely intermediaries serving retail and institutional investors. As explained in Appendix 2, the original case study proposed for the original research question was the ISE equity market and the CNBC-e TV channel. Starting with the pilot fieldwork in the ISE headquarters in July 2007 and subsequent academic

discussions, it gradually became apparent that real-time TV broadcasts played a secondary and less customizable role compared with scopic market screens. Therefore I was advised by my supervisors and 1<sup>st</sup> year PhD review board members to focus on the user side, namely market professional and investors. Another preliminary finding during the pilot fieldwork was the existence of different investor types such as retail and institutional investors in the ISE as well as corresponding divisions in the brokerage sector. This was another topic advised by the 1<sup>st</sup> year board to be further investigated and addressed methodologically. The notion of narrative sense-making and explanation was explored and gradually integrated into the data collection and analysis framework after the 1<sup>st</sup> year board as one board member, Prof. Richard Taffler recommended me to look into myth-making activities of traders in their attempts to explain what was going on in financial markets.

### **The CMB Advance Licence Exam**

To increase my chances for access to brokerage houses and to gain familiarity with theoretical, vernacular, and formal aspects of being a market professional, I decided to take the CMB advance licence examination in the January 2008 diet before setting out in the field. This turned out to be a not very useful thing from the perspective of increasing my access prospects as brokerage houses did not seem to be very interested in ‘interns’ or ‘researchers’ not to mention an enthusiastic researcher with an advanced licence which allows a university graduate to start his/her career in one of the more skilled career tracks such as investment advisor or fund manager. Although I failed to get the licence after two attempts and passing only seven modules out of eight, this made no difference in regards to my access. From a learning process, I think I got a generalist understanding of macro economy in theory and in Turkey as well as valuation methods for different securities in general and how these might manifest themselves in market actors’ cognition and decision making activities in the field. Yet like many of my learning processes for exams, I gradually forgot most of the things I learned for the exam. This was also the case because the study material hardly contained any vernacular knowledge about the state of the brokerage industry as well as investor types. Nor was there anything about how data screens fed by data vendors should be used in relation to technical and interpretative aspects. These three topics constituted the main thread of investigation in understanding the role of narrative mode of knowledge and explanation in cognition and decision-making. Therefore, it became apparent that *in situ* observations were necessary to immerse myself into these practices in brokerage houses to explore cognition and decision-making and role of narratives in these processes.

## Access

Once an access to a brokerage house, which was tentatively arranged during the pilot fieldwork in the ISE, faltered in January 2008 due to the resignation of my contact from the house, I ventured to secure access to a brokerage house myself. My main strategy of selecting a target house was based on checking publicly available information about 100 plus brokerage houses from their websites and ISE trading volume statistics. Both signalled clues about their level of trading activity and possible types of clients served in brokerage houses and also whether any of them formally accepted interns. Another strategy for access was looking for any type of network relationship I had that I could mobilize to secure access. Yet this search was shaped by my awareness about the necessity to observe brokerage services for both retail and institutional investors either within a large one-stop-shop brokerage house that served different types of investors or in multiple houses with varying success in service to different types of investors. Although I managed to find several senior network leads to start the access process, these leads were from either successful mid-size one-stop shop houses (House B- in top 30 in trading volume in 2007) or foreigners-only house with a very significant trading volume (in the top 10 in 2007). Despite the network relationships I discovered I was in, negotiation for access proved to be very slow for House B and failed for the foreigners-only house after a month-long email and telephone exchanges. In the end with the help of my family's relationship networks I started my field work in House A which was a DRI only house in the bracket of top 30-40 brokerage houses in terms of trading volume in 2007. This was three weeks before access to House B was finally secured. House A's core client group, which I had the chance to observe indirectly and directly, turned out to be high risk appetite and very short-termist investors who were interested in the VOB as well as volatile and/or rather thinly traded shares in the ISE equity market. It seemed like the House A's management was more focussed on providing a seamless execution and, to a smaller extent, good research service to this core client group who seemed to have strong convictions about their methods of investment.

In House B, I had the chance to observe a DRI group which was larger in numbers and more dependent on what their investment advisors told them. The organisational culture of House B's domestic sales team was rather restraining and more oriented towards fundamental value approach that was complemented with chart analysis and interpretation of data/fund flows on scopic screens. In House B, I could not access the IRS department for *in situ* observations. Yet, sharing the same skyscraper floor with this department, the sister AMC provided me the chance to observe Turkish fund managers *in situ*. This was a good case of convenience

sampling/access as I did not attempt to observe any one of the 22 remaining asset management companies in Turkey beyond this mid-size company which had around 110 million USD under its management. Instead, I interviewed three fund managers and a chief executive officer from two leading and one mid-size asset management companies in Turkey. I shall later explain why this convenience sampling would not undermine the transferability of my observations in the AMC to other similar DIIs with bigger assets under management.

During my stay in the AMC, I continued my search for houses that served FIIs. This bore fruit with access to House C as intern proper who would help the head of research and the analyst in their IRS department and learn by practice. House C, from their website and ISE statistics, seemed like an independent broker serving foreigners only with significant success in relation to trading volume. However, House C turned out to be quite a useful field site, without a prior planning or awareness on the part of me, to learn more about the DRI scene in relation to high net-worth and high risk-taking figures, also known as domestic speculators. Before House C, I had tentatively heard about this figure of investor in House B from more senior staff but they always argued that this investor figure had long gone and left only the memory of their glory days in the 1990s. However, in House C, there was a concentration of dealers who have had very close relationships with this investor figure. I could not observe domestic sales team directly in House C due to my 'intern' status and the tasks and learning processes that came with that status in the IRS department. However I had to chance to explore the domestic sales team's meaning and practice world via long informal discussions and several interviews. Moreover, I attended their regular morning meetings and observed how they collectively made sense of or disagreed about different aspects of the markets they followed.

After I finished in House C, there were still gaps in the data collected with reference to dynamics in a larger IRS department as House C seemed to be stronger in trade execution rather than idea creation for FIIs. Although I tried to fill that gap by conducting interviews with IRS professionals from top performing houses including local branches of global investment banks, I was aware that *in situ* observation and learning would provide unique insights that could not be gained via interviews. Therefore I continued my search for a suitable house and finally managed to access House D, a one-stop-shop brokerage house for retail and institutional investors. House D was in the top 10 in terms of trading volume in 2007-8-9 in the ISE. During my stay in House D, I had the chance to observe the domestic sales desk for two-weeks and after that I spent three weeks in IRS department as non-

participant observer. My stay in house D was possible almost a year after I finished in House B. Although not a strategic decision I made, visiting the general field a year after the longer field stay in 2008 allowed me to check continuities and changes in cognitive and decision-making activities in retail and institutional investor scenes.

### **Sociological Sampling**

As explained in detail in Appendix 2, selection of these four brokerage houses and the AMC was based on practical issues with access as much as it was based on with a concern for sociological sampling. In this study, sampling was thought of along the lines of organisational coordinates of brokerage houses and types of investors they might be serving. This was a necessary decision as the ISE has around 90 intermediary organisations. Although my targets for access were initially based on rudimentary statistics and publicity materials and motivated by finding an easy access by top-down contact (as in House A), these decisions turned out to be rather well-made in relation to investor numbers and size of equity portfolios held by investor types as learned from my informants and crossed-checked by annual reports provided by the ACMIT on the state of Turkish financial markets, brokerage industry, and investor numbers, preferences and activities. Table I provides a summary of these figures since 1999 which include average aggregate portfolio holding periods and investment return performances according to investor types and investment products.



**TABLE I**  
**Trading Volume and Portfolio Size According to Investor Types**

<i>Investor Type</i>	<i>Percentage of market value of shares owned in USD (%)</i>				<i>Percentage of trading-volume made (%)</i>				<i>Average duration of holding portfolio unchanged (days)</i>		<i>Average annual returns made (% in USD)</i>			<i>Average real annual returns made after tax (% in TL)</i>	
	<i>DR</i>	<i>DI</i>	<i>FR</i>	<i>FI</i>	<i>DR</i>	<i>DI</i>	<i>FR</i>	<i>FI</i>	<i>DRI</i>	<i>FRI</i>	<i>DRI</i>	<i>FRI</i>	<i>ISE100</i>	<i>Dep.</i>	<i>Bond</i>
2009	19.7	13	0.4	66.9	68	17.8	0.3	13.9	28	322	123	90	101	14.4	4.9
2008	17.5	15	0.3	67.2	57.4	16.2	0.3	26.1	37	231	-58	-59	-63	7.1	6
2007	15.5	12.3	0.2	72	61.4	14.8	0.3	23.5	35	275	72	61	72	10.9	8
2006	20.9	14.1	0.2	64.8	65.5	15	0.4	19.1	34	280	12	-2	-6	9.8	5.7
2005	22.4	12.8	0.3	64.5	64.6	15.6	0.3	19.5	30	204	72	48	59	13.3	10.2
2004a	32.2	12.3	0.4	53.7	71.7	15.3	1	12	26	207	62	44	40	15.8	14.6
2003a	37.9	10.1	0.5	50.2	75.5	16.7	0.4	7.5	23	213	101	97	111	22.5	28.8
2002ad	44.6	11.1	0.4	42.4	77.5	12.6	0.6	9.4	27	242	-24	-39	-34	24.5	-9
2001bd	50.5		49.5	80.8	11.7	0.3	7.2	33	292	-41	-29	-32	-24	46	
2000ab	53.7		44.33	78.9	12	1.4	7.8	28	250	-21	-49	-50	5.8	0	
1999abc	37.6		62.3	81.1	9.7	0.4	8.8	22	283	208	224	239	15	13	

Source: ACMIT annual capital markets reports 2002-2009, the explanation of calculation methodology for holding period and annual returns can be accessed in English at the ACMIT's website ([www.tspakb.org.tr/eng](http://www.tspakb.org.tr/eng)).

- a- Market value of shares for each investor type will not add up to 100 % due to unidentified accounts.
- b- There is no breakdown of figures according to investor type.
- c- For 1999 to 2002 returns on Deposit and Bond annual returns, the table on ACMIT (2003:39) is used. This table charts the real average return of 100 TL invested in different securities between 1990 and 2002
- d- These volumes for 2001 are as of 5 April 2002 and for 2002 as of 31 January 2003.

Abbreviations: DR-domestic retail; DI-domestic Institutional; FR-foreign retail; FI-foreign institutional; DRI-domestic retail and institutional; FRI-foreign retail and institutional; Dep-deposit account returns-1 year maturity; Bond-1 year maturity bond returns

## DRI Scene

According to the ACMIT, at the end of 2009, there were 89 brokerage houses operating in the ISE as sole intermediaries for equity and futures markets.<sup>3</sup> All these houses were headquartered in Istanbul. These houses served just around 990,000 DRIs who had just over 1.1 million open accounts. Of these 990,000 DRIs, over 310,000 of them resided in Istanbul and owned 60.5 % of the total value of shares held by DRIs in Turkey (ACMIT, 2010). Therefore, Istanbul and its brokerage houses as the field research sites could be seen as the core of domestic retail investment and brokerage activity in the Turkish equity market. Table II summarizes the organisational coordinates of the houses in relation to annual trading

<sup>3</sup> All the statistical data used about investor numbers and trading activities come from the ACMIT Annual Capital Markets reports unless otherwise stated.

volume (average of 2008 and 2009), branch network, and active DRI numbers. In Chapter 5, further details about each house's ownership structure and its material, cultural and social resources as an organisation are given with a view to locating them in distinctive intermediation pockets in the ISE.

**Table-II: Organisational Coordinates of House A, B, C, D**

<i>House Names and observation periods</i>	<i>Annual trading volume (in billion TL and as % of total annual volume of the ISE -814 billion TL/ and approximate rank in 89 houses)</i>	<i>Branch network</i>	<i>Domestic Retail investor numbers</i>
House D May-June 2009	28 billion TL / 3.5 percent / 6 <sup>th</sup>	27 branches in parent bank premises throughout Turkey	~10000 active accounts out of 40000 accounts
House C June-August 2008	13 billion TL / 1.6 percent/ 21 <sup>st</sup>	None	~1000 active accounts
House B April 2008	12billion TL/ 1.5 percent / 25 <sup>th</sup>	4 branches plus Istanbul head branch	~2500 active accounts
House A February-March 2008	8.3 billion TL /1.1 percent/ 31 <sup>st</sup>	19 branches in parent bank premises throughout Turkey	~2200 active accounts out of ~22000 accounts

As can be seen in Table II, the selected field sites cover almost 8 percent of the annual trading volume in the ISE between 2008 and 2009. However, the total number of active accounts in all four houses is around 15,000 and constitutes only 1.4 % of total number of DRI accounts.<sup>4</sup> This is not a surprising figure for the domestic sales and marketing managers of the houses I observed as they were well aware of the existing DRI profile in the ISE in terms of funds dedicated to equity investment and trading frequency. According to the ACMIT (2010), this profile points to approximately 175,000 DRIs, a mere 0.25 percent of the country's population, who own between one million TL and 10,000 TL worth of shares in their brokerage house accounts. On top of this figure, only 1,888 investors have more than a million TL worth of shares in their accounts.

All four brokerage houses tapped into this small group of DRIs most of which resided in Istanbul. This group have also constituted around 10 % to 15 % of all DRI numbers in the post 2002 period but have held more than 95 % of the total value of equity portfolio held by the DRIs. Therefore, in each field site, there was an opportunity to indirectly observe this

<sup>4</sup> Active accounts can be defined as accounts with funds or equity in it with a reasonable turnover rate to generate commission fees for brokerage houses. These are accounts of investors who are worth attending to by dealers, and who show a willingness to take risks and trade.

core DRI profile which had generated the significant bulk of trading volume and portfolio ownership by the DRIs in recent years. In House A, the VIP dealing room was observed over a three week period where five dealers served around 50 investor between them most of whom were based in Istanbul and dedicated several hundred thousand TL to several million TL to their accounts in House A to trade in the VOB and the ISE. Then for a week, between three to five DRIs were directly observed in a branch whilst they were day trading in the equity market. This group of investors were not as wealthy and/or trading volume generating as the VIP room clients but they seemed to be involved with domestic speculation networks as well as very wealthy but low frequency trading investors who were clients of other brokerage houses.

In House B, a two week observation was made in the headquarters in which nine dealers served around 650 clients from Istanbul each of whom had equity accounts ranging from a minimum of 75,000 TL to 20 million TL. The client profile in House B was different from that of House A in the sense that House B restrained most of its clients from taking higher risks by day-trading or short-selling in the equity market or encouraging them to trade in the VOB. In House C, the domestic sales team's morning strategy meetings were attended to observe and record pre-market trading sense-making activity among dealers some of whom also worked as day-traders in the ISE. In House D, a week was spent in observing the headquarter-based dealers who served high frequency and/or large equity fund holding investors from Istanbul. These observations provide the evidence for local rationalities and routine sense-making and investment activity for the core DRIs.<sup>5</sup>

## **FII Scene**

As shall be discussed in the next chapter, the post 2001 period has witnessed an explosion in the number of FIIs investing in the ISE. This has also transformed the relationship between IRS teams and FIIs dramatically. From a numerical perspective, the ACMIT annual reports between 2002 and 2009 point to 200 % increase in FII account numbers and 600 % increase in active accounts among this type of investor/organisation. This translates into current FII

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<sup>5</sup> In the evidence chapters, dealers in House A, B, and D shall be called investment advisors. Investment advisory is different from dealing as the latter gives the right to brokerage houses to give investment advice to clients rather than sole order execution. There are 57 brokerage houses out of 103 existing and 89 active brokerage houses with the advisory licence (only 6 of them are held by no-branch, discount brokers). House C does not have this particular advisory licence. Discount brokers usually attract high frequency investors and do not feel the need to expand their client base via branches and investment advisory. Data on intermediation licences are taken from the CMB website, available at <http://www.spk.gov.tr/apps/afd/mevcutyetkiler.aspx?tur=banka&submenuheader=-1>

number of 2,053 mutual fund products and 956 banks, asset managers, brokerage houses and other corporations that are domiciled abroad. The 956 FIIs are served by around 39 IRS departments, up from 29 in 2002. However, these figures of FIIs and IRS departments do not tally up with what my informants from these departments had to say about the nature of the competition in their organisational field and their client numbers. According to them, there are around 20 IRS departments vying to get a greater share of this FII pie. Among my interviewees only two heads of IRS departments mentioned a client number around 200 to 300 out of which 10 % to 20 % were consistently most active. These managers presided over their departments in the two biggest one-stop-shop brokerage houses in the ISE in terms of trading volume and investor numbers in the last three years.<sup>6</sup> Otherwise, House D had the largest IRS team that I managed to observe. Although not as big as those of the above two houses, House D had a portfolio of approximately 150 FIIs and a similar picture of 10 % to 20 % most consistently active clients. Moreover, I was told by my IRS informants that those most consistently active FII would hardly work with a specific IRS department only.<sup>7</sup> This was especially the case after local IRS teams started to attack the burgeoning FII market in the post-2001 period instead of serving only global investment banks that worked as global brokers for the Turkish market. There was therefore an overlap of most active to less active FIIs in respective portfolios of top performing IRS teams including House D. In this respect, House B did not fare as well as House D in terms of client portfolio and trading volumes. The head of institutional sales in House B stated that they had around 100 existing and prospective clients 60 % of which hardly sent any orders or wanted to hear what his team had to say about trading opportunities (Interview, 17 April 2008). It was House C which had the smallest client portfolio of around 40 clients. Yet it was observed that most of the orders to House C were coming from a core 15 clients most of which were global or regional brokers that were also served by the top IRS departments in the ISE. These clients apparently had long-term relationship with the two veteran sales traders who moved to the House C in May 2008 from the Istanbul branch of a global investment bank.

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<sup>6</sup> IRS departments are often unsuccessful in reaching each and every 959 FIIs investing in Turkey. These FIIs often use global investment banks in their access to Turkey. Therefore reaching an FII client number of 100 to 300 can be seen as reaching a larger figure of mutual funds than a mere 100 to 300 but not totally covering the whole FII universe.

<sup>7</sup> This was also confirmed by my informants from global asset managers as well as global brokers in London.

## Trading volume breakdown according to DRI and FII in House B, C and D

In relation to trading volumes, there is no publicly available break down of the houses' trading volume according to investor types. Although an aggregate breakdown of trading volume by investor types is provided by the ACMIT reports and is presented in Table I above, my informants in House B and D gave me round up figures of 40 % to 45 % of their aggregate volume in each house. In the case of House C, I had no such lead from the sales traders or head of the house but a slightly lesser ratio could be expected for 2008. This is because after the sales traders started in the house in 2008, House C made a leap of almost 40 % in their trading volume compared with 2007, a year which was apparently not very promising in relation to FII trading volume. All in all, these approximate trading volume figures for 2008 and 2009 mean that the directly observed field sites (House C and D) generated on average around 10 % of the total volume generated by the FIIs in the ISE. House B probably generated around 2.5 % to 3 % of the average annual volume by the FIIs in the same period but I was not allowed to observe their *in situ* activities. Otherwise my interviewees and their departments in the rest of the local IRS in the so called top 20 IRS departments covered more than 50 % of the average volumes in these years.<sup>8</sup> As for the direct observation of FIIs *in situ*, I could not manage to do that for the reasons I explained in Appendix 2. However I managed to conduct interviews or have informal discussions with FIIs based in Istanbul and London.

Before moving on the DIIs and where the AMC fit into the DII scene, it should be stated here that the actual DRI trading volume generated by the all four houses are around 5 % of the overall trading volume in the ISE when the FIIs' volume are deducted. Yet the DRI profiles in these four houses correspond to what can be described as the core DRI profile in the ISE that contribute to trading volumes with meaningful share and cash funds and/or a knack for a relatively high frequency trading with the help of loan facilities provided by brokerage houses. A significant amount of daily and annual trading volume by the core DRIs was in fact generated by domestic speculators and day-traders (professional or home/office based). The origins and routine trading activities of these DRI figures mentioned here shall be substantiated in the next chapter.

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<sup>8</sup> These figures are rounded up from company reports and interview material. It has to be repeated here that trading volume generated for foreigners is a sensitive topic in this over-brokered market not only because of competition among the IRS teams but also the dynamics between domestic speculators and IRS departments.

## The DII Scene

The biggest reason for limiting my *in situ* observations to one asset management company and then four interviews with fund managers in other companies was that by the time of observation the asset management industry in Turkey continued to be very conservative thanks to the CMB rules and regulations on asset management. But more importantly, the lack of interest on the part of Turkish retail savers in equity-based funds continued unabated. The limitation by CMB regulations shall be explained in greater detail in Chapter 9. For now the following figures explain the lack of interest among the Turkish retail savers in equity market and equity-based fund products. To begin with, the ACMIT figures since 2000 show that investment in equity market was consistently at the bottom of household saving preferences in Turkey. Although the figures in household saving preferences between 2004 and 2009, as gathered by the ACMIT (2009; 2010) from the State Planning Organisation, show an increasing stock of household and institutional savings allocated to equity assets in this period, this can be explained by the rising asset prices and expanding economy in this period. Moreover, the share of equity investments via direct purchase of shares or equity-based mutual funds in saving preferences hardly constituted more than 15 % of the overall saving stocks in Turkey in this period. The contribution of the equity-based mutual fund products was no more than 7 % of the overall savings stock owned by DRIs and DIIs in Turkey.

In fact, in the post 2000/1 period the share of equity-based mutual funds in the overall mutual fund portfolio size have shrunk relatively and had hardly managed to go over 5 % mark (ACMIT, 2002: 40 and 2010:74). These equity-based funds had reached an approximately 190,000 investors who owned only 14 % of the all available units in these fund products.<sup>9</sup> Although the private pension system in Turkey had been in place since 2003 and despite the significant progress it had made in terms of investor numbers, the private pension companies' investment in the ISE equity market had never gone over 10 % of their assets under management (Emeklilik Gozetim Merkezi 2010:53-4). The AMC with around 110 million USD under management therefore seemed like a microcosm of much larger banked-owned asset management companies. Like the AMC, these asset management

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<sup>9</sup> The data is compiled from the following URL by using figures for 31/12/2009 [http://www.fonbul.com/yat\\_tercih.asp?TT=1&DT=0](http://www.fonbul.com/yat_tercih.asp?TT=1&DT=0) . Fonbul is the data portal for investment funds. It is provided by Finnet, a specialized data provider on company and sector balance sheets for most of the research departments in the brokerage house sector.

companies managed their own and pension funds' fund products. After the observations in the AMC and the interviews, it became obvious that irrespective of the size of assets under their management, the asset management companies in Turkey, due to the sector-wide regulations and the general lack of interest from Turkish retail savers in equity-based mutual funds, had relatively marginal equity exposures, and were similar to each other in their routine sense-making and investment activities as well as the fund products they offered and managed for Turkish retail savers. In Chapter 4, I provide a discussion of possible reasons behind this general lack of interest in the ISE equity market and professional asset management on the part of Turkish retail savers.

### **Taking Field notes: limitations**

During my stay in each field, my main method of recording field events and informal discussions was using a notebook and a pen. This was in line with most modern ethnographic practices (Spradley, 1979; Emerson et al., 1995; Atkinson and Hammersley, 1995). Note taking was useful in two respects. Firstly, it allowed me to describe field sites and field events which could not be achieved by filming and/or voice recording only. Although the latter method is much superior in accuracy of details, it needs to be accompanied by apperception, namely subjective meanings attached to signals perceived. Although my aim was to keep a record of everything happening in the room via note-taking without any bias or normative judgement, one aspect of this note-taking was to incrementally integrate my informants' and my subjective interpretations of field events into their written descriptions. This act of reaching apperception would be easier to do via note-taking rather than tape recording or video recording signals only which might have necessitated lengthy re-runs of recorded data, transcription, and detached interpretation/apperception off the field site. Despite this preference for notes, I made the utmost effort to take contemporaneous notes when it came to conversations among my informants as well as their narratives to their clients.

The second benefit of contemporaneous note-taking was that I did not need to sit down and try to transcribe or re-watch over five hours of trading material over 47 full-days of non-participant observation in Houses A, B, and D and 26 days of participant observation in House C, not to mention dealing with getting permission to use a significantly obtrusive recording technology, and other logistical and technical decisions regarding where to put the digital recorders, buying tapes, and so on. Once a trading/observation day was over, it was much easier to go through an average of 20 to 40 pages of daily notes and filling the gaps

and adding comments, and then trying to write my diary at home if I had any energy left. A more socially situated and embodied set of reasons behind my decision not to use digital recording technologies are explained in the Appendix 2. Due to these reasons, the collected *in situ* data are confined to field notes detailing site events, providing almost-verbatim transcripts of conversations that could be heard, and descriptions of my screen observations and field settings, and events and conversations that I witnessed or took part when I was away from my desk and my note-taking gear. In note-taking, it was possible to reach a great level of approximation to verbatim conversations because most of the *in situ* sense-making stories were terse and formed of maximum three to five sentences. This made them easy to write down almost contemporaneously.

All these factors mean that the basic statistical descriptors about stories presented in this thesis should not be taken as 100 % accurate numerical portrayal of all the things said in the room.<sup>10</sup> At times I could not hear/record what was discussed, especially when more than one informant talked to their clients or if they were far away from where I was. Sometimes I had to go to the lavatory or take a break and freshen up. At other times I was at the desk of an informant talking to her/him and did not have the chance to put down conversations among others in the room. However, the numerical values assigned to the plot categories as well as sources of information categories are the direct result of the narrative analysis of my story dataset and hence reflect my unambiguous analytical judgement about where they should belong to. The reasoning beyond these classifications is explained in the ‘Narrative Analysis’ section.

### **Triangulation and Interviews**

One of the reasons why (participant) observers in ethnographic studies conduct formal interviews or informal discussions is to ensure triangulation in data collection process (Denzin 2006). Triangulation is done to collect different types of data such as observational, interview, written/documentary as well as using the correspondent methods to collect them. One of the aims of triangulation is ensuring validity of findings by one specific method such as observation by squaring them with findings from another method such as informal discussions or unstructured interviews (Atkinson and Hammersley, 2007:182-3). This can be

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<sup>10</sup> The numerisation of these narratives was actually recommended by Prof. Taffler after a presentation of my topic in a Behavioural Finance Conference in Cass Business School, London in December 2009. He told me that a numerical perspective on stories would put things into perspective in relation to frequency of stories, their temporal orientation, and so on.



done with the observed informants as I did through my informal discussions at their desks or via quick questions at lunch time or after trading hours to ensure the validity of my interpretations and learn more about different aspects of their activities which was not immediately available through observation. I also ventured into other departments that I did not observe *in situ* and had informal discussion with managers and junior staff there to get their perspective on my general topics of investigation. This helped me to square my observational findings in one department with interview data in another department. In inter-organisational settings conducting interviews were necessary to ensure applicability of findings in the field sites to other hubs of similar activities such as IRS departments, DIIs, domestic sales teams and domestic speculators in the ISE. On top of this, I also interviewed regulators, and FII managers and traders in Istanbul and London. In total, I managed to interview 53 market professionals from these organisations. Most of my early interviews with market professionals started with relatively unstructured interview guides as they aimed at exploration on various topics that were not accessible via secondary literature. However as I increased my knowledge about the field, my interview guide became more semi-structured to able to square the existing observational and interview findings with new ones and to fill in the gaps in my data. As might be noticed in the following chapters, I do not refer to each and every interview I conducted during the study. As most of these interviews aimed at triangulation, I incorporate the general common themes from these interviews into my discussion of different topics and I often quote from certain interviews which dramatically capture these general themes. From a technical perspective, all interviews were tape-recorded unless the interviewee did not agree for that or I was in one of the observation sites and did not use my digital recorder for reasons explained in the Appendix 2. In cases where voice-recording was not permitted, I used an interview notebook to write down what was asked and answered. A strategy of jotting down the interviewee's words contemporaneously and then filling up the gaps right after the interview was used in such instances. It was also observed that informants would speak at a pace that made my note-taking more manageable.<sup>11</sup>

## **Narrative Analysis and Operationalising Sense-making Story**

The theoretical postulates on the narrative mode of knowledge and explanation in

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<sup>11</sup> Non-taped interviews and informal discussions outwith the five observation sites are indicated with an asterisk. None of the informal discussions/interviews with informants resident in the observation sites were taped-recorded with the exception of all the interviews and some informal discussions in House D.

organisational sense-making in financial markets, which are discussed in the literature review, inform the narrative analysis adopted in the thesis. More specifically, I introduce an operationalised definition of sense-making story for the thesis to be able measure their semiotic and socio-linguistic aspects in each field site. Sense-making stories are verbal discourses with more than one sentence that are produced by market actors who use the logics of cause-effect, correlation, similarity, and randomness (random or chronological sequencing with a view to express unease) to connect screen-visible events and actions or proxies that they believe to represent these, in order to come up with a higher datum or interpretation beyond simple sensory description. These stories can be about explaining the past and present state of the market (and its investment related components) and/or predicting its future trajectory. Sense-making stories may also use contra-logics which refer to underlying cognitive schemata's failure and express unease on the part of storyteller. A last type of plotting logic is called observation which is derived from the notion of proto-story (Gabriel 2000). Proto story, despite having more than two sentences has a rudimentary plot which is short of delivering a definitive explanation of the past and present, and/or making a future prediction.

The reason why I look at oral narratives only in the thesis is that each field site observed exhibits different features in reference to written sense-making stories. For instance, in House A, the strategists uploads to the House A's website around 10 written sense-making comments a day, each around two to three sentence. Whereas in other houses, such a commentary is usually substituted with daily reports which summarize what happened a day before and what should be expected today. Therefore, identifying sense-making stories from the *in situ* oral reactions recorded during the field work provides uniformity across the field sites and promises more accuracy in providing an approximate numerical representation of stories collected as well as effects of the positionality of storytellers in the ISE field on these narrative reactions.

The logics of sequencing used in this thesis are derived from Boje's (2001:101) causality or stream analysis and adopted to what has been observed and learnt in the field. In this respect, all logics are derivatives of cause-effect logic, and most of them including cause-effect itself establish relationships between events and actions on the basis of outcomes being observed (Polkinghorne, 1988:21). This turns actors and non-human entities into actants (Czarniawska, 2004) which are capable of acting and being acted on. A complementary distinction is made between private and publicly available information. While publicly

available information refers to content available on scopic market screens, private information is knowledge gathered from social networks such as email groups, colleagues and friends, and so on. Last but not least, the temporal orientation of narratives are classified into past, present and future combinations. This demonstrates that narratives are not just *post hoc* explanations without any predictive content.

### **Why the ISE as the ethnographic case?**

Before turning to the history of the ISE since 1986, a couple of things should be said about the selection of the ISE as my ethnographic case study. To start with, case study is not a method of inquiry/data collection but a method of site selection (Stake, 1994; Flyvbjerg, 2006). In my exploration of the role of narratives in cognition in digitized financial markets with a semiotic and socio-linguistic perspective, another market setting could have been selected. Although explained in greater detail in the Appendix 2, in a nutshell my decision to study the ISE for this research topic was one of convenience. Being a native of the country and rather familiar with language and settings in general and a specific initial puzzle about financial markets I had noticed through the ISE in particular motivated me significantly in my decision to study the ISE. However from a theoretical and empirical perspective on the research topic, the ISE has proved to be an interesting organized equity market. This stems from the fact that a large portion of shares in the ISE are owned by FIIs whereas most of the trading volume is generated by DRIs. Because there is neither a market-maker nor any large financial institutions which engage in programme trading, DRIs fill the liquidity gap and trade in high quantities and high frequencies. In this respect, the ISE seems like an intrinsic case (Stake, 1994:237) of a very significant phenomenon of local retail investor activity which might have counterparts in other emerging markets such as Taiwan and South Korea where stock turnover rates show very significant rates and domestic retail investors seem to be generating the bulk of the trading volume (ACMIT, 2010; Chen, 2010). On the other hand, from exploration of the role of narratives in sense-making and decision-making before scopic market screens, the ISE is actually an instrumental case study (Stake, 1994:237) because it gives the researcher a chance to observe the use of scopic screens by market professional and investors alike, which could be achieved in another similar market setting. However, from a sociological perspective, it has hard to ignore the effects of the prevalent individual and organisational identities and resources as well as the history of the ISE on how prevalent cognitive schemata and their narrative outcomes are generated, sustained and modified. In the following chapters, these effects are explored in detail by using Bourdieu's theoretical framework.



## CHAPTER 4 THE HISTORY OF THE ISE SINCE 1985

In this chapter, I substantiate my short introduction to the ISE and the dominant investor and intermediary organisation types by tracing their historical evolution as well as the ISE's evolution as a field since its formal opening in December 1985. I do so by applying the theoretical concepts proposed by Bourdieu to the case of the ISE. This chapter also prepares the ground for the empirical discussion of the sense-making stories in the next five chapters for each field site. Because there is a dearth of literature on the ethnographic history of the ISE in the post-1985 period (Fertekligil 1993 and Kazgan, 1995 provide more formal histories), I mainly rely on six sources: very detailed journalistic accounts by Yildirim on the first decade of the ISE (1995; 1996), a memoir by a former brokerage house manager Cevikel (2002), the website of the ISE which contains the timeline of important events and some audio-visual material on the ISE's first decade, the interviews I conducted with ISE staff and employees of brokerage houses, the annual reports of the biggest brokerage house in Turkey in terms of equity and client base, IsYatirim, in 1999 and 2000 which give some numerical insights into the first decade of the ISE from the perspective of investor numbers and their investment activities, and last but not least formal studies on the ISE from micro-economics field that provide insights about the ISE's properties in terms of informational structure, investor profile, and index dynamics.<sup>12</sup> For macro economy and political history of Turkey in the first two and a half decades of the ISE, I use academic literature on Turkey. For the post-2001 crisis transformation in the ISE, I also rely on interviews I conducted with market professionals from various brokerage houses, asset management companies, and regulators, and on the ACMIT annual reports on Turkish financial markets and intermediation sector.

### Pre-1985 History

The ISE is the only organized securities market in Turkey and it is home to the primary and secondary Turkish and foreign equity markets, and the secondary Turkish government bond and bill markets. Re-opened in late 1985, the ISE has been an integral part of Turkey's re-integration to the global financial markets (Kazgan, 1995; Cizre and Yeldan, 2005). A stock exchange was formally founded in 1866 in the Galata business and trade district in Istanbul during the Ottoman Empire under the name of "Dersaadet Tahvilat Borsasi" which served as

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<sup>12</sup> Unfortunately, on the ISE, the CMB or the ACMIT websites, there is no publicly available statistics until 1997 about investor numbers, trading volumes and share ownership classified according to investor types. Therefore, I rely on secondary literature available for those statistics.

a primary and secondary market for the Ottoman government and corporate bonds, equities and foreign currency (Toprak, 2008). During the Republican Era, the stock market virtually became inoperational, a situation which began with the Great Depression and then further institutionalized by the successive governments' decision to centralize and nationalize economy planning and depress financial markets in the pre and post WWII era (Fertekliġil, 1993; Kazgan, 1995, Chambers, 2005). Despite government policy, there existed a legal framework for joint-stock companies and subsequent public offerings and issuance of corporate and saving bonds (Kazgan, 1995). This meant that there was room for the formation of an informal secondary market for those securities. This market operated in the 1960s and 1970s in the Galata district of Istanbul or in securities departments of major national banks such as IsBank which was a market maker in this limited secondary market (Yildirim, 1995, Kazgan, 1995; IsYatirim, 2000:13).

In line with the advent of deregulation and liberalisation currents in the global economy, in January 1980 the Turkish government decided to deregulate the economy and financial markets, and to shift to an export-led growth model (Kazgan, 2005). Unfortunately, the decision to lift the stranglehold on the money markets led to a so called "bankers crisis" in the early 1980s mostly in the form of Ponzi finance schemes encouraged by runaway banks and high street shops of so-called individual bankers. Both figures attempted to outflank mainstream banks in a race to offer the highest interest rates to retail savers. According to Denizer et al. (2000:7) the cost of bailing out those delinquent financiers was around 2.5 % of the GDP in 1982. After this disastrous experience, the state moved in to regulate the nascent financial markets by paving the way to the first ever independent regulatory board, the Capital Markets Board (CMB) and a dedicated code for Turkish capital markets. Moreover, plans were devised to reactivate the ISE to centralize all the OTC activity in equity and bond markets for more effective regulation, and more importantly for encouraging retail savers to participate in what was hoped to be an open and outward looking Turkish economy by becoming shareholders in Turkish companies.

Yet, this process was not fast and smooth. The first decade of the ISE was plagued with problems of institutionalisation in trading, clearance and custody, data/information flows from and to the market place, regulation of brokerage houses, use of leverage in trading and short-selling, prevention of insider trading and intervention by politicians and government ministers in the working of the markets, investor rights and protection as shareholders and clients of intermediaries, prevention of manipulation and group trading and so on (Yildirim,

1995: 362-8; 1996; Muradoglu, 2000). The institutional wrangling among the CMB, the ISE and state ministers responsible for the capital markets over these and other matters meant that there were occasional crises in the market which resulted in brokerage house bankruptcies, extreme volatility in stock prices and loss of investor capital due to fraud and manipulation (Yildirim, 1996:159-251; Muradoglu, 2000).<sup>13</sup> In sum, the re-opening of the ISE was made without taking into full consideration all possible issues and loopholes in the existing legal framework. Issues and loopholes were to be fixed after significant incidences in a make-shift manner.

### **1986-1994: The Cagaloglu and Karakoy Years**

From its inception of trading on 3 January, 1986 until the move to its new trading floor in Karakoy, the ISE operated in a 50 square meter room in an office in the Cagaloglu district rented from IsBank. There were 36 intermediary organisations present on the ISE floor which apparently was designed like a classroom. The representatives of these intermediaries would sit down at desks and the bourse manager would conduct the auction from his table with the help of his assistants (Yildirim, 1995:17). On the other hand, investors were allowed to watch the session directly in the trading room or in a separate room called the “listening room” where they would listen to the trading session via a speaker connected to the microphone on the order matching table of the bourse experts (Yildirim, 1995:20, 28).<sup>14</sup> According to the description by Muharrem Karsli, the first head of the ISE, the trading day would start with a blind opening-price session (confidential limit and price orders put in a box by brokers for determination of the opening price and matching of orders by the bourse expert on order/price proportion basis). This was to be followed by continuous auctions for each share. Because everything had to be done manually by the bourse experts, there were virtually two price formed every day, the opening price and the closing price, and most of the daily volume would be recorded with the opening price (Yildirim, 1995:52-4). A broker member who was present in that room remembers sitting at desks as if they were in a classroom and buzzing an electric bell at their desk to call the floor official who would

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<sup>13</sup> Muradoglu (2000) notes that in the earlier years of the exchange the ISE officials could hold stocks of companies quoted in the ISE without any scrutiny of whether this constituted a conflict of interest. On the other hand, Yildirim (1995) demonstrates that some senior ISE officials did not show any restraint in having direct relationships with prominent investors, company owners and brokers.

<sup>14</sup> Yildirim notes that the listening room in Cagaloglu did not have any formal status as a trading floor. Despite this, an informal market emerged there with real-time prices 10% below or above the official floor prices. This room was shut in September 1987 once this informal market became widely discussed in the national media, especially after the first biggest crash of the market in August 1987. However, this did not prevent a congregation of investors and informal brokers outside the stock market building during and after the trading hours (Yildirim, 1995, Cevikel, 2002).

collect his order paper and take it to the order matching desk to be matched with other orders (Interview, 22 June 2009). The most important consequences of this manual and very slow matching system were the lack of liquidity during market hours, low market trading volume compared to shares in circulation (1.23 % on average-Yildirim, 1995:22) and sprouting of a street market outside the exchange floor.

To solve these problems, boost liquidity and accommodate for the soaring demand from investors, in November 1987, the “tahta” – board system (multiple price-continuous auction based on price and time priority) adapted from Jordan Stock Exchange was introduced to the ISE’s new trading floor in Karakoy, which was a few minutes away from Galata on foot (Yildirim, 1995: 50-4). In this system, floor brokers would get orders from company headquarters via phone or directly from investors observing the trading floor from visitor’s section during the two-hour trading session between 10:00 am and 12:00 pm, and then write buy/sell orders on a whiteboard in designated columns and match them according to order-matching regulations set by the ISE. This process was overseen by the ISE officials for enforcement of rules by means of standing near the whiteboards and constantly observing what floor brokers were doing (Interview, assistant general manager Surveillance, ISE 27 June 2007). Thanks to the change in the trading system, the ISE consolidated nominal trading volume in TL increased 213 % in 1988. In 1989, this increase was 734 %. The number of annual contracts also showed a 220 % increase in 1989 (no statistics for 1986 and 1987). Between 1990 and 1994, the annual trading volume in USD increased by 396 % and the number of contracts had expanded by 655 %.<sup>15</sup> Although the number of floated companies had increased from 76 in 1989 to 176 in 1994, the change in the order matching system and trading floor had dramatically increased the trading volumes and the general public’s interest in the ISE equity market.

### **Major actors in the formation years**

In the first five years of the ISE, the existing actors in the field were those intermediary organisations active in the OTC market, namely securities departments of large banks scattered around Istanbul, and independent stock brokers working in Galata. These actors traded the shares of a few public companies. The state was a significant force in the market as it owned a few companies which were open to the public and traded in these shares via its

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<sup>15</sup> The annual nominal trading volume in TL denotes a 6510 % increase probably due to the devaluation in 1994 as there is an approximately 300 % increase between 1993 and 1994. All figures are from the ISE database available at <http://www.ise.org/data/stocksData.aspx>



Public Corporations Authority. There were also private-sector companies which, alongside the state-owned companies, became the quoted companies in the opening of the ISE in 1986. On the investor front, most DRIs in the pre-ISE years seemed to own shares for investment purposes not for speculation as there was no liquid and organized market that would allow them to engage in short-term speculation. Share ownership was like house ownership in Turkey. One would buy shares as a form of long-term investment, either because they were an employee of the issuing company or had learnt to use shares as an investment/saving vehicle in their close *milieus* or thanks to publicity campaigns that encouraged public participation in the IPOs of holdings in the 1970s (Yildirim, 1995; Cevikel, 2002).<sup>16</sup> There were initially no institutional investors in the ISE such as pension funds or asset management companies from Turkey or abroad. These were to enter the market in the early 1990s and some insurance companies started investing in the ISE as it offered better returns than other asset classes (Muradoglu, 2000: 367). Moreover, up until 1991, there was no free currency exchange market or an institutional arrangement to repatriate profits outside Turkey, which virtually prevented any meaningful FII entry to the market (Yildirim, 1995).

On the intermediation front, the division between securities department of national banks and those independent stock brokers from Vakifhan, a business mall in Galata, meant two different modalities of access for DRIs. On the one hand, an investor could get the intermediation services from a national bank where there would be a standard service of investment advice, execution, custody and borrowing. The downside of this mode of access was that this relatively reliable service came at a cost, higher commission fees and probably less personalised service due to large number of clients the house would have. On the other hand, investors could opt for the services of independent stock brokers who would give a faster and cheaper service to their clients.<sup>17</sup> Yet this often meant extra risks such as custody,

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<sup>16</sup> Muradoglu (1989 as cited in Muradoglu 2000:367) conducted a survey to capture the dominant DRI profile in the ISE in the late 1980s. Her findings pointed to a middle-aged male university graduate who earned way over the GDP per capita and held a diversified stock portfolio. Muradoglu argued that this profile pointed to the dominance of 'upper classes' in the retail investor universe. Yildirim (1995:79) summarizes a survey conducted by the ISE in January 1988 among those investors who came to the ISE building to trade. Among them, university graduates were more than 50 % and 34 % of them were those who held shares before the ISE's opening in 1986. More interestingly, more than 55% of the respondents believed that at least a six month holding period of shares were needed to generate meaningful returns from equity investment! Muradoglu (2000:367) refers to another survey of investor profile conducted by the ISE in 1994. From the graphs she presents, it could be seen that this particular investor profile continued its dominance between 1989 and 1994 albeit with a more balanced asset allocation and less exposure to the equity market.

<sup>17</sup> The fixed commission rates were introduced towards the middle of 1990s. Interestingly, it was the non-bank owned discount brokers which lobbied the CMB for a minimum commission rule. Even after the introduction of fixed commission rates, it was not unknown that brokerage houses were using

misleading investment advice and execution, and so on. Despite these differences, it should be remembered that equity investment in an organized market was a novel thing not only for investors but also for many of the financial intermediaries in Turkey. Today's staples for analysis such as use of charts, fundamental analysis for companies' future performances, or even simple analysis of balance sheets were things that were rather novel and had to be introduced into the intermediation practice by individuals who had exposure to these tools abroad as students and/or practitioners of finance (Interview, chief strategist House B, 12 May 2008; Interview\*, head of the IRS in a local broker 13 June 2008). Moreover, as Muradoglu (2000: 365) chronicles, it was only at the end of 1989 that publishing of interim financial reports became compulsory for the quoted companies. On the other hand, IPOs and quotation of companies' shares in the ISE were not subject to any formal principles until 1990. The lack of timely and comprehensive information about companies also meant that insider trading was easy for company officials and investors, but harder to detect by the regulators. This was exacerbated by the fact that it was only in 1990 that legislation was passed against insider trading (Muradoglu, 2000: 365).<sup>18</sup>

### **Trading in the streets**

Despite these problems related to quality of intermediation, valuation and exchange services, the interest in the equity market was very high due to amazing returns recorded in the market mainly due to supply-demand imbalances in shares (Interview, head of domestic sales House D 4 September 2008). Moreover, what was happening in the ISE was publicised on a daily basis via journalists on the trading floor from a designated area, which fuelled the interest of the general public in the ISE. Consequently, the board system began to be inadequate. The designated investor area on the exchange floor could only hold 500 investors. As a result, many investors were left out of the exchange floor and became disgruntled with their brokers and the ISE staff (Yildirim 1995:188; Cevikel, 2002:70). As a solution, investors yet again started to spill over to a street market that was formed near the Karakoy floor. Unfortunately, this informal street market proved to be rather detrimental to the unsuspecting and uninformed investors. Self-made brokers in the street market with their stalls, briefcases and

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rebates to allure investors These rebates were formalized in 2002 and then in 2006, an unregulated commission fee market was re-introduced in the face of free-riding brokerage houses which broke the rebate rules (Interview head of domestic sales House D 4 September 2008; Asst. general manager ACMIT 15 June 2009). Currently, the bulk of the brokerage house incomes come from trading commission fees (around 70 %- ACMIT 2003 and subsequent annual reports).

<sup>18</sup>From Yildirim's (1995) account between 1989 and 1992, it seems that legislation on insider trading, alongside other market events such as short selling, was discussed as part of a new capital markets code. It was only in 1992 that this code was promulgated.

calculators as their market devices would tout the shares they were able to sell and were willing to buy. The incentive for these street brokers was to buy shares much cheaper than the market price that was formed a few meters away on the trading floor and do the opposite when they would sell to investors (Informal discussion, a former street trader, now dealer in House C 11 August 2008). Collusion between formal brokers and street brokers were not unknown in the form of last minute price hikes in the floor. These artificial prices would then be used to justify higher street prices (Yildirim, 1995:188).

Worst of all for unsuspecting investors were the existence of scammers and tricksters in the street market who would sell forged or stolen shares, spread false rumours, fail to include dividend coupons in transaction prices and swindle investors' money with no formal record of what was being bought and sold. However, there were several advantages to using the street market. First of all, settlement was made on the spot so no one had to wait a couple of days for physical delivery of shares or money. For more informed investors, there was scope for price negotiations as there was live telephone connection between the floor and the street. Thirdly, in the street market, small quantities could be traded without any discrimination by brokerage houses due to favouring larger client orders in the floor. The automation of trading starting from 1993 and the move to the new stock market compound in Istinye on the outskirts of Istanbul in 1995 put an end to the street market. (Cevikel, 2002:66-8).

As for the investor section on the trading floor, after a bomb scare in late January 1990 outside the exchange, the ISE executive board permanently banned investors from the floor (Yildirim, 1995:118). This decision helped the street market and led to opening of trading session rooms in brokerage house headquarters and branches. In fact, the ISE's trading floor was not designed to hold more than 500 people but it was swamped with more than 1000 people who consisted of most privileged investors, brokers, and bourse officials (Yildirim, 1995:118). The working conditions in the floor were really poor. The floor was converted from two adjacent offices in a business mall reaching approximately 600 square meters. Because there were many people in the floor, the daily work experience was chaotic, dusty, smelly and noisy (Interview, assistant general manager, Surveillance, ISE 27 June 2007)

### **Flls entering the ISE**

In August 1989, the law on full convertibility for Turkish currency was promulgated (Chambers, 2005:152). Before the full convertibility, the liberalisation of investment by foreigners in Turkish shares were rather restrictive and confined to the idea of letting

foreigners buy privatised state company shares in a closed-end mutual fund that would be issued by the government. This, starting from 1987, led to the gradual liberalisation of the law that protected Turkish currency and regulated investment in Turkish equities by foreigners. It was only in February 1990, that the currency and investment law was fully liberalized and foreign investors could freely buy and sell securities in the ISE and take profits back to their countries as they pleased (Yildirim, 1996:65-6). Despite the slow pace of deregulation, the interest of FIIs bore fruit in the ISE. Between 1989 and 1992, the net foreign equity ownership as the percentage of free float market capitalisation in the ISE had risen from approximately 5 % (17 million USD) to 20 % (359 million USD), which then rose to 35 % (1.98 billion USD) in 1995 (Yildirim, 1996: 68). In October 1993, the US Securities and Exchange Commission recognized the ISE as a ‘designated offshore securities market’. In May 1995, the Japanese Securities Dealer Association recognized the ISE ‘as an appropriate foreign investment market’ for Japanese investors (<http://www.ise.org/AboutUs/History.aspx>).

Yildirim (1996:69) argues that the foreigners in this period took a long-term investment view and did not feature significantly in the ISE’s annual trading volume. He backs up this claim by presenting the trading and ownership figures for 1995. The foreign investors, most being institutional ones, accounted for only 6.94 % of the total trading volume ‘despite holding 50 % of the total share stock’ in 1995 (Yildirim, 1996: 219). Yildirim (1995:70), based on the Takasbank (Clearing House) data, states that the foreigners in the same year had owned a third of the stock market in value. There was therefore a pattern that was emerging for the FIIs’ trading and investment activities in the ISE in the second half of the first decade of the ISE. This continued to be observed in the latter half of the 1990s but with an increased momentum. For instance, the annual trading data in 1997 and 1998 show that the FIIs recorded an average of 8 % contribution to the annual trading volume in the ISE.<sup>19</sup> On the other hand, the FIIs’ ownership in total value of stocks was approximately around 40% in 1996 and 1997, and 44 % in 1998. These figures pointed to an increasing ownership and trading volume in the ISE by the FIIs. This was to continue in the first decade of the new millennium with a much stronger momentum as was demonstrated in Table I.

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<sup>19</sup>FII trading volume and portfolio value figures are retrieved from Finnet 2000, a financial data portal run by Finnet, a major data vendor company in Turkey. The total transaction volumes and total market capitalisation figures are retrieved from the ISE <http://www.ise.org/Data/Consolidated.aspx> . For 1995, Yildirim (1996:70) gives a 24 % free float rate for the ISE as a whole. The above calculations for FIIs ownership percentages in 1996, 1997 and 1998 are made assuming that free float rate in the ISE had been around 25 % between 1996 and 1998.

On the intermediation front, the FIIs were served by a select few local brokerage houses. This was mainly because, as a burgeoning field, the ISE lacked the necessary cultural capital, namely language skills and knowledge about different aspects of international equity investment practices. A veteran of the field who started his career back in 1992 in an IRS department recalls how they were incrementally introduced to this body of knowledge by those Turks who left their finance related careers in North American and European countries and came back to Turkey and helped in the foundation of local brokerage houses that could serve FIIs (Interview\*, 13 June 2008).<sup>20</sup> This was like a crash course in the fundamentals of serving FIIs. Moreover, budding finance professionals started to acquire MBAs and other finance-related university degrees in Turkey and abroad. Despite the increase in their institutionalized cultural capital, the institutional arrangements for information/data flows from quoted companies and about the Turkish economy were not timely and comprehensive enough for these budding market professionals to be able to reach the quality and breadth of analysis that could be achieved abroad (Muradoglu, 2000:385). Moreover the state of the Turkish economy and politics which I shall touch on later in the chapter were not the most conducive one for a stable investment environment. One former senior research analyst, now a hedge fund manager in an Istanbul office, reminisces about the 1990s and the repercussion of these exogenous effects on their research activities in the following way:

I started in 1995 and for six years [until the post-2001 crisis] we were going through the motions when we published research reports about companies; company balance sheets meant nothing, there was no IFRS [international financial reporting standards], investing was not based on information...we always had high inflation and high political risk. After 2003, the Turkish market matured, those negatives have been reversed, the market stopped being a Mickey Mouse market, now it is a market that moves with fundamentals and it is liquid, of course this is thanks to the Turkish lira having stopped being a naff currency (Interview\*, 23 June 2009).

In a context like this, with one or two exceptions, the burgeoning IRS department activities in the ISE field were confined to execution services for global investment banks acting as brokers (henceforth global brokers) (Interview\*, head of research, local broker 8 August 2008). The IRS departments struggled to reach what is called “end-clients” in IRS parlance, namely the asset management companies or pension funds, and had to be local brokers of global brokers, and serve their sales and trading teams based in major financial hubs such as London and provide them data/information flows which were not readily and publicly available. The exception to this was a local broker called Global Yatirim which managed to

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<sup>20</sup> A similar situation was the case in the formation of the ISE. Yildirim (1995) gives detailed profiles of the founding members of the ISE and the CMB most of whom had some form of exposure to financial markets abroad as either students of finance or practitioners of finance or both.

form an IRS team who were educated and worked abroad in finance, reached end-clients, and went into head-on competition with global brokers with no expenses spared (Informal discussion with two former sales traders from Global, Af from House C, 18 July 2008; T from House D 18 May 2009).<sup>21</sup> Global Yatirim managed to serve more than 150 foreign institutional clients including global brokers in the 1990s (Yildirim, 1996:199; Global Yatirim, 1998). After the 2001 crisis in Turkey, the subsequent forceful re-entry of FIIs to the ISE with much larger numbers and global brokers' increasing presence in Istanbul offices, this rather peripheral role for IRS departments had reversed and it had undermined Global Yatirim's leading role in the IRS field. As the sales trader, Br<sup>22</sup> from House C recalls, the post 2001 crisis period was a period of a dramatic transformation in their field:

Everything has changed since the late 1990s. Before that, they did not know Turkey, they were like "where is Turkey by the way?" When we used to go to London to visit clients, they would not even spare five minutes for us. But after the European Union and the JDP stories, in the last five years, everything has changed significantly, now we are being selective with whom to work. (Interview\*, 29 July, 2008).

### **The automation of the ISE**

The board system was fully digitized on 18 November 1994 under the name "ELIT" after a year of gradual digitization (Yildirim, 1995:297). The same year also ushered in the afternoon session between 14:00 and 16:00 pm. The gradual digitization paved way to the 'near real-time basis' broadcast of price and index data on teletext and telephone subscription services (Yildirim, 1996: 248). Before this, the transmission of data from the ISE to the outside world was done rather manually. The lack of remote access and proper real-time data broadcast outwith the ISE meant that the floor was the market. One had to be there to be in the market. One of the traders serving FIIs in a large one-stop shop brokerage house remembers his experience as a research analyst in brokerage house headquarters in the early 1990s: 'there was one large CRT monitor for Reuters. Everybody was around it but it was like two news stories, two price quotes a day. There was no proper real time flow' (Interview\*, 2 June 2008).

Despite the necessity and advantages of being in the floor, there was an excessive amount of manual work in the board system such as physical jostling among brokers and the ISE surveillance team to log and match orders and enforce the exchange rules; and logging of trade data to brokerage houses' and the ISE's trading books. This manual labour meant

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<sup>21</sup> 'Af', 'T' are pseudo-abbreviations for the names of these figures. I use such abbreviations as these figures feature extensively in the evidence chapters.

<sup>22</sup> Same above.

excessive physical and emotional strain among the floor workers and back-office staff. Besides, as discussed before, the floor was not designed as a stock exchange floor. It was cramped and dusty and was open to frequent commotions after significantly large orders (Interview, assistant general manager, Surveillance, ISE 27 June 2007). Although the trading happened only for two hours in the morning, the floor brokers and bourse officials had to stay there sometimes until 18:00 pm to settle trades and do the routine paper work (Cevikel 2002: 92).

### **The abuse of clients and the road to automation**

The manual nature of the whole trading system coupled with loopholes in custody regulations meant that brokerage houses could abuse clients' accounts and orders depending on the prevailing market condition:

Back in those days, it was so hard for an investor to relay an order during a trading session. If you manage to do so, your order would not be registered in any system and if the market turns into your favour your stocks were often given to a more privileged customer and they would buy your shares at a higher price. The ELIT system abolished all those games with investors (Informal discussion\*, assistant general manager Stock Market Department ISE, 11 September 2008).

An investment advisor-cum-trader in the House A branch, who started his career as a day trader in one of the worst offending brokerage houses remembers those days:

The respected houses, they would sign an agreement or keep paperwork between client and the house for all transactions but in most of the houses that paperwork were either missing or meant nothing. There was a CMB code but it was useless because there was no proper regulation and enforcement to keep paperwork, very few documents were around as a proof of what was going on. The CMB had no idea of something called a trading book, also loans to clients were given without any risk assessment...before the ELIT system, brokers were sultans, collusions and price manipulations were widespread (Informal discussion, 5 March 2008).

Yildirim (1996:185-9, 227) lists a catalogue of abuses by brokerage houses on client funds and orders such as pooling client orders, unsolicited 'fund management', use of client funds for collateral and quoting transaction prices to the disadvantage of clients. Most of these abuses were made easier by the fact that brokerage houses also acted as the custodians for clients' shares without any legal requirement for client-based documentation. This issue was solved permanently in March 1995 when the Takasbank started custody services on a client-account basis. Interestingly, the FIIs had never used custody services of local brokerage houses. Instead they relied on international custodian banks in Turkey such as Citibank or the Ottoman Bank. This ensured that FIIs would remain unscathed during these few wilderness

years in the ISE (Yildirim, 1996).

All these negative factors made digitization of the trading and settlement system an imperative. Nevertheless, not all brokerage houses were very eager to support this. Both of the ISE managers I quoted above were involved in the design of the ELIT system and both argued that the design team had encountered resistance from many brokerage houses because brokerage houses did not want to give up their privileges in the board system which consisted of a lack of real-time surveillance, being able to physically capture the market in the floor, and all the other unruly ways that were made possible by the manual board system.

The resistance was not surprising when one also considers the explosion in the number of brokerage houses in Turkey from several dozens of independent brokers and securities departments of large national banks. Although there was a frenzied rush by DRIs to the ISE since its opening and this made it only natural that there would be more brokerage houses opening, in 1991 the existing brokerage houses successfully lobbied the CMB and the ISE and the state ministry to put a cap on the number of licences dished out to new brokers. Yildirim (1995: 191-2) gives the number of brokers when the cap on the licence came into effect: 100 independent brokers and commissioners and 54 banks having around 600 brokers in the floor. Yildirim argues that getting a licence by then was a quick short-cut for many new licensees to trade in the floor as well as abuse clients' money. After the cap, an informal brokerage licence market emerged by means of brokerage house take-overs as well as the selling of "gomlek"- or coloured vests worn by brokers, which gave budding day-traders access to the floor as a broker (Cevikel, 2002:136; Interview, day trader-broker in the floor, 19 July 2007)

Although the ELIT successfully digitised the trading system, the general manager of surveillance in the ISE (Informal discussion\*, 29 August 2008) remarks that the pressure by brokerage houses led to a digital replication of the old board system in respects related to availability of trading data/information on digitized screen which included the first five buy and sell orders registered with brokerage house names. The essence of this automated system from a trading perspective was being able to see and infer from the existing buy and sell orders the direction of the share price, and then trade accordingly. During the manual trading days of the ISE, there was a certain regularity in physical cues coming from brokers and written-figures on the boards about where the market would be heading. Brokerage houses wanted to enjoy these cues in digitized form. After all, the bulk of the daily trading



was made by DRIs and fundamental investment strategies linked to company performance or macro economy were confined to a small minority of institutional investors (Yildirim, 1995; 1996). However, the latter's actions in the market were closely followed by brokers of DRIs and the day-traders via observing physical cues coming from the institutional investors' floor brokers (Interview, assistant general manager Surveillance ISE, 27 June 2007).

In that respect, there were regularities about brokerage houses' activities in the floor, observation of which led to predictions about the direction of the market. Observation of outside world was made via telephone. Brokers were connected to other markets in Istanbul such as the street currency market in Tahtakale which had always been popular with retail currency investors in the deregulation era (Yildirim, 1995:148-9). In fact, the currency and gold dealers in Tahtakale and the Grand Bazaar had become important players in the ISE and channelled funds of retail savers all around Turkey into the stock market. For this purpose, there were direct telephone lines between currency and gold dealers and brokerage houses or even floor brokers (Yildirim, 1995:148). Changes in currency and gold prices in Tahtakale and share orders coming from currency/gold dealers in Tahtakale would therefore be closely followed as a gauge of where 'hot money' was heading (Interview, a retired floor broker, 25 June, 2007).

The digitization however did not mean redundancy for trading floors. The floor brokers were still the key actor in order execution and information gathering and distribution due to a lack of remote in-depth data/information screens (Informal discussion, former chief broker in the floor, House A 28 February 2008). One way of keeping investors up to date and encourage them to trade was setting up "session rooms" in brokerage houses premises. In these rooms, there would be TVs and telephone speakers and rudimentary data screens. Investors would listen to brokers' live commentary about the floor in Karakoy, and then from May, 1995 from two trading floors in Istinye, in the new high specification building of the ISE. Despite available assistance from budding chart analysts and investment advisors in imposing some sort of rationale on investing, not all brokerage houses could or in fact did want to provide restraint on DRIs who took unnecessary risks (Interview, chief strategist House B 12 May 2008). In fact, most of these session rooms were designed for important and high frequency trading investors. There would sometimes be disagreements between analysts and clients about 'better' stock choices (above interview). Therefore, these rooms were quite conducive to peer influence or herd behaviour among investors who traded on a daily basis and left significant commissions to their brokers (Yildirim, 1996:227-9, Informal discussion, former

chief floor broker House A).

Despite the digitization of the trading system in 1995, the ISE did not fully become a full-blown scopic market system for all the brokerage houses until 2002. It was in this year the remote access system called Ex-Api had become operational in all the brokerage houses. In the intervening years, there had been digitization of settlement and clearing-house systems as well as other markets in the ISE, which were gradually integrated to subscription-based data distribution screens.<sup>23</sup> This meant that a larger number of cues about the direction of the index that used to be found on the exchange floor or was not available at all in real-time, such as trading volume and custody figures classified by brokerage houses were now digitized and broadcasted in real-time on data/information platforms and stored in their databases. The digitization of price and volume related data as classified according to brokerage houses made the rudimentary data screens more sophisticated in their representation of data/information and fund flows as early as late 1996. With increasing digitization of different aspects of the market, brokerage houses demanded from the ISE's executive board to broaden the scope of the data/information broadcasts on these platforms. For instance, despite the protests from the managers from the departments involved in the design of the ELIT, eventually brokerage houses secured representation of five aggregate ask and bid orders or 'in-depth screen' on data/information platforms. This was seen as another case of the virtual replication of the board system that 'put everything on the table' (Informal discussion\*, general manager of Surveillance, ISE 29 August 2008).

After the remote access system started to work to full capacity, it was possible for the brokerage houses to significantly reduce their dependency on floor brokers for order execution. By 2008, the number of floor brokers went down from more than 1000 to less than 400 (Interview\*, a floor broker 19 July 2007). The current head of the ISE stated on 7 November 2008 that the floor generated around 15 % of the annual trading volume despite executing 5 % of the total number of orders (CNNTurk; 7 November 2008). This imbalance was partly due to the existence of some 100 to 150 day-trading brokers or "gomlekcis" in the floor some of whom entered the ISE in Karakoy in the early 1990s by buying brokerage house vests (Interview, day-trader broker in the floor, 19 July 2007). Their *modus operandi* in the ISE is explained in the following section.

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<sup>23</sup>Information is compiled from the CMB and the ISE's websites, and the Takasbank's annual reports in 1998 and 1999.

## Emergence of domestic speculators

Domestic speculator is a type of DRI who emerged in these early wilderness years of the ISE and entrenched their position in the field by means of developing skills in various trading strategies, generating economic capital by trading, using their social capital and doing relationship work, and worse, by manipulating share prices. The early domestic speculators were high net worth individuals who have had professional attachment to the ISE in the form of brokerage house ownership and/or senior managerial and dealing positions in brokerage houses. These professional figures were also in contact with DRIs who had a penchant for making a lot of money and taking a lot of risk within and outside the rules and regulations of the ISE and the CMB. These two types of domestic speculators, i.e. brokerage house-based and retail-based, had left their mark in the ISE in the 1990s and early 2000s via controlling large sums of money and shares, concerted trading moves to influence prices and index values and by the trading and share ownership bans handed over to them by the CMB. Most of these bans were handed in accordance with the CMB's definition of manipulation in its statute number 47. Number 47 covers manipulation attempts that rely on acquisition of insider information, dissemination of false information and creation of an artificial supply and demand in share that results in a 'perception of an active market' (CMB statute, 2008: 121). Interestingly, most of the ban decisions were made due to dissemination of false information and creation of an artificial supply and demand which could be achieved by the mastery of the trading system and having a large network of people by which one could pool more economic capital into trading operations and spread rumours to a larger group of people.

According to the informal discussion and interviews I had with former domestic speculators, and those dealers, brokers and domestic sales managers who worked for domestic speculators, one can make a further distinction between the brokerage house-based and retail-based domestic speculator figure in relation to their *modus operandi* in the ISE. To begin with, some brokerage house owners operated as market-makers by amassing large number of shares in large-capitalisation companies and kept the price of these shares under control by frequently buying and selling and providing a liquid market. This informal market making activity, especially determining the "right" price, was not just based on a whim. As explained to me by a former dealer of a well-known domestic speculator-cum-brokerage house owner, Mr Ilhami Suaydin, these speculators did not shy away from benefiting from research analysts' cultural capital. 'Initially it was the old valuation methods, those from the

initial years of the exchange. Then in Erciyes [the name of Mr Suaydin's brokerage house], they founded a research department. Those big DRIs, they will use CFAs if they need them. They are usually backed by professional researchers' (Interview, senior dealer-Is, House C 10 August 2008).

A second type of domestic speculator entered the ISE either as an ordinary retail investor or a dealer/broker and then had become a domestic speculator under the auspices of brokerage house owners and favourable loan and trading services provided to them. Some of these speculators who used to be dealers and brokers of the first type of domestic speculators became quite self-sufficient and moved independently. One example to this was Mr Ziya Sesel who actually worked as Mr Suaydin's broker (above interview) but then managed to become one of the most prolific domestic speculators in the ISE. According to one of his former brokers, Mr Sesel took intra-day trading positions in multiple liquid shares and acted like a scalper as described by Hussein (2005) and Zaloom (2005) by continuously buying and selling large quantities of shares from multiple brokerage houses and closing the day without any share exposure. The second activity Mr Sesel would pursue was taking longer-term positions in shares which had news-event related expectations (informal discussion\* with Mr Sesel's former broker, 20 August 2008). Another peculiar thing about Mr Sesel is that the emergence of the term 'moustached foreigner' is attributed to him as he is claimed to be the first DRI to create and use off-shore funds in the second half of the 1990s (*Star Gazete* 5 April 2009).<sup>24</sup> This aimed to evade the effects of the new taxation regime introduced in 1998 on bourse profits. The regime was unfavourable to DRIs with a 10 % withholding tax imposed on their bourse profits. This was not applied to FIIs (*Milliyet* 22 September 1998:9).<sup>25</sup>

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<sup>24</sup> The term moustached foreigner got inspiration from Turkish men's preference for wearing moustaches in contrast with the foreign men who did not. I think this was something that belonged to the 1990s as during my field I have not interviewed or observed any male informant with a moustache!

<sup>25</sup> The unequal taxation regime was finally revoked in November 2008 and all types of investors became exempt from any withholding tax. Before this decree, the former head of the CMB made a rather unsurprising remark on CNBC-e in a programme co-hosted by the veteran bourse journalist Yildirim (*Hurriyet*, 20 August 2008) and confirmed numerically what some figures in DRI circles told me. He basically said that the CMB reckoned the 70 % plus FII portfolio ownership in the ISE included around 30 % moustached foreigners in it, which virtually takes the FII and DRI ownership balance to almost 50/50! Around three weeks later, the head of the ISE, Mr Huseyin Erkan was asked his opinion about Mr Erol's revelation (*Sabah*, 9 September 2008). Although he did not comment on the figure given, he acknowledged that there was an unfair taxation system and this encouraged significant off-shore activity. Almost two years later after Mr Erol's remark, Mr Erkan made a statement during an international conference on Turkish Capital Markets about the OTC activity in Turkish equities in different global financial hubs, but especially in London. He stated that the trading volume in the OTC market amounted to 30 to 40 % of daily trading volume in the ISE and attributed

The domestic speculators who started their investment career as ordinary DRIs occasionally had little economic and/or cultural capital relevant to stock market activity when they entered the ISE field. However, they learned, invented and implemented various strategies for generating guaranteed revenues from their trading activities. These included controlling the price of thinly traded shares over a long period of time by using a large network of investors, spreading false rumours via anonymous columnists such as *Investor Ali* in popular investment magazines and so on (Interview, former broker of a domestic speculator, 18 June 2009).<sup>26</sup> Because they did not have any formal identity in the intermediation sector, these domestic speculators coming from retail investor backgrounds seemed to be more daring in their “investment activities”. The head of domestic sales in House C, M had worked in the sector for 18 years and served domestic speculators in various domestic-only brokerage houses (Interview, 4 August 2008). Like the former dealer of Mr Suaydin, the head of domestic sales makes a distinction between ‘manipulators’ and ‘speculators’. For them, speculation refers to provision of liquidity to the ISE by means of continuous buying and selling of shares, sometimes in a market-making manner, and respecting the territorial space of fellow speculators and not getting into direct and vicious competition with each other to deplete their competitors’ material resources. On the other hand, manipulation is made by those speculators whom M calls ‘problematic people’. It refers to rather malicious trading strategies mentioned before. The idea of manipulating share price by social networks referred to starting a move in a share based on a false rumour or creation of a specific investment theme related to a company, whether or not it was warranted, which would be preceded by collection of shares. Once these rumours were spread from small to larger networks of people, more investors would be allured by the increasing share price, and once the speculator decided to start selling, the price then would start a sharp slide. Those who

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this to the larger price ticks and high volatility in the ISE and lack of cancellation order (*HaberTurk*, 14 April, 2010). These reasons alongside the opportunism of DRIs and lack of closing session were highlighted as main micro-structural problems in the ISE by my informants in IRS departments, the head of the Turkish and Eastern European desk in a global broker in London (Email interview 5 November, 2009), and the head of the prime brokerage department in that same broker (informal discussion\*, Edinburgh Graduate Meeting, 23 October, 2009). By November 2010, all these problems were solved by introduction of smaller price ticks and order cancellations. However it is hard to say whether off-shore funds of moustached foreigners have returned to Turkey. At least the figures in Table 1 say the opposite.

<sup>26</sup> In Appendix 3, I discuss the case of *Investor Ali* which was a popular anonymous column in a bourse magazine that gave weekly tips about shares. Bilgin and Muradoglu (2002) looked at the case of these tips and their returns over a five year period between 1993 and 1998. They argued that this column’s share tips and the consequent excessive returns, which would be around 1500 % per annum for a ‘preferred investor’, could only be explained by a pre-tip collection of shares, alluring investors by the public announcement, and then subsequent dumping of shares.

joined these guided moves later would be hit hardest whereas those who joined early but could not resist the temptation to sell would regret seeing the share price going up by several hundred percent (above interview; Informal discussion\* with a former speculator, 24 July 2008).<sup>27</sup> In relatively thinly traded shares, territorial marking and fighting was another common sight unless an agreement was struck between two or more speculators on the trajectory of the manipulation in a share (Interview, former broker of a domestic speculator 18 June 2009; and the above informal discussion with the former speculator).

My informants on domestic speculators think that the number of domestic speculators which fitted into one or more of these types was more than 50 but less than 100 in the 1990s. The first type speculators were more respected in the ISE as they had formal responsibilities as brokerage house owners or managers, which balanced their opportunism in the field. Those who acted independently were more controversial because of their preference for more guaranteed returns from their “investments”. In addition to these figures, there were around a couple of hundred day trading brokers/dealers or what is called “gomlekci” in the ISE who acted in coordination with domestic speculators, either as their “yanci” – sidekicks, fulfilling trading tasks given to them by the speculator, or as momentum traders who followed the cues on the trading floor or on data/information platforms about what domestic speculators might be up to (Informal discussion, former dealer of a first type domestic speculator-U, House C 6 August 2008).<sup>28</sup> These three DRI figures whose aggregate numbers were not more than 300 would therefore significantly sway the direction of the ISE index or specific share prices by committing their resources and full-attention to daily or longer-term trading activity. The physical and symbolic cues they generated about their intentions on the trading floor and subsequently on computer screens were closely followed by ordinary DRIs and their dealers/brokers to benefit from price and volume dynamics created by domestic speculators and day-traders (Informal discussion, senior investment advisors, Sr and Ay, House B 8 April 2008).

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<sup>27</sup> This gentleman in his early 30s used to be a “yanci”-sidekick of a brokerage house owner-speculator. He is now working in House C as a dealer and the trader for House C’s portfolio management service. He is abbreviated as H in Chapter 10.

<sup>28</sup> Gomlek means shirt in Turkish, and gomlekci in the ISE parlance has its origins of the Karakoy floor era when, as mentioned before, brokers wore coloured vests to be easily identified by the surveillance staff and the investors who were in the floor in their designated era. Becoming a broker to day trade was “wearing the shirt” (Cevikel, 2002; Interview\*, chief floor broker, one-stop-shop house, 9 September, 2008)

## The reaction of DRIs and domestic speculators to the entry of FIIs

On the DRI front, the entry of FIIs as early as 1989 but in a more direct manner after 1991 was welcome news for the brokerage houses as this meant a new injection of capital to the ISE floor which was then turned into an opportunity to make profits by domestic speculators. When FIIs started to enter the ISE, the market was very volatile due to supply-demand imbalances (Yildirim, 1995). Moreover, the ISE index was sensitive to the macroeconomic and monetary variables as a more reliable and timely set of information, compared to limited microeconomic data (Muradoglu, 2000). Related to this, DRIs had a short-term investment horizon (Muradoglu and Metin, 1996). A type of investor, namely FIIs, who would take exposure to a set of shares for the long-term, and demand proper corporate governance and steady data/information flows from quoted companies, was therefore a positive novelty. This would bring some sort of fundamental rationality to the ISE.<sup>29</sup> Otherwise, as mentioned before, the entry of the foreigners did benefit very few local brokerage houses in terms of gaining clients and generating more commission fees due to the lack of required cultural capital to serve these institutional investors. Language skills in not just English but also the language of global finance was the lacking component in the cultural capital of a great majority of the brokerage houses in Turkey. Even among those few local brokers that were able to serve FIIs, only a handful could reach end-clients directly. The other houses with IRS departments seemed to be serving global brokers in trade execution and provision of contacts and necessary information/data from companies and the Turkish economy. On the other hand, those houses which could not serve global brokers and end-clients due to lack of cultural capital would take advantage of their newly formed relationships (social capital) with IRS personnel to front-run foreign tickets and further benefit from the existence of long-term buyers in the ISE (Informal discussion, sales trader-Af, House C 13 July 2008;

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<sup>29</sup> In a study on the stock market reactions to dividend announcements, Aydogan and Muradoglu (1998) look at such events in the ISE between 1988 and 1993. They divide the period, with 1990 as the watershed moment due to an approximately threefold increase in the annual trading volume in the ISE. Their conclusion is that before the regulators demanded companies to issue regular statements on the fundamentals of company performances, investors used proxy data, such as dividend announcements, as a signifier of “good fundamentals”. However in the post-1990 period, such ‘irrational’ positive reactions faded away, unlike the pre-1990 period. Aydogan and Muradoglu attribute this to the growing mix of investor types (including the entry of FIIs in the market), maturing of the ISE from the perspective of improving standards in information disclosure, and investors’ learning in the face of these improvements. However, in a subsequent study in 1999, both authors point to another interesting effect of the changing investor mix, namely the shifting of the event date for dividend announcements/stock splits to the actual implementation day from the announcement day. They attribute this to the increasing number of domestic retail investors in the market (Aydogan and Muradoglu, 1999 cited in Muradoglu, 2000). On a related study Yuce (1996 cited in Muradoglu, 2000) observed that after the entry of the FIIs one had to hold a more diversified stock portfolio in order to better capture the variance in the ISE index.

Informal discussion sales trader-Br, House C, 14 August 2008; and informal discussion\*, former broker of Mr Sesel, 20 August 2008).<sup>30</sup> Additionally, the entry of FIIs to the ISE meant that domestic speculators could try to pass themselves off as an FII by using brokerage houses that were thought to serve FIIs, a game which was aptly called “foreigners are buying” (Yildirim, 1995:200-1; former broker of Mr Sesel).

Despite these opportunistic acts that were at times detrimental to FIIs, DRIs actually lost a significant amount of market share to FIIs in terms of share ownership. As put by one of the brokerage house managers in the 1990s who now day trades in large-capitalisation shares with several million TL orders at once, the early 1990s was quite a conducive period for domestic speculators to entrench their dominance in the ISE. However, FIIs gradually carved out a position for themselves in the field at least in terms of share ownership:

Before the foreigners put their foot down here, you could do all sorts of tricks... it was mid 1990s and the foreign share ownership was around 30 %. DRIs were not very fond of banks and beverage companies, by then some of them were religious I guess, against the idea of usury and drinking alcohol [smiles]. It was the foreigners who took the undervalued large-capitalisations up after 1995. But before that, large-capitalisation shares you could buy and buy and buy and at some point others would realize and jump on the bandwagon, but now, you start buying and buying, but no one cares, they sell, now there is a competitor who is stronger than you. But even by then the aim was not market making, it was money making.

I shall explain the situation in “now” and who that competitor might be in the current era later in the chapter. For now it should be stated that the former manager captures something very important in this quote. That is domestic speculators were in the ISE to make money. The manager thus blurs the distinctions I have drawn above among the speculators. This blurring was despite the fact that some first type domestic speculators never got a CMB ban for manipulation attempts. All in all, domestic speculators’ and day-trading brokers’ activity was very much based on seizing short-term opportunities provided by observation and trading on the data/information and fund flows in the 1980s and 1990s. The domestic speculators were a close-knit group, which facilitated generation and dissemination of private information among them in addition to the publicly available data/information. Although they could benefit from a fundamental view, i.e. company activities and prospective returns, the domestic speculators’ commitment to the ISE as full-time market professionals and investors allowed them to develop knowledge and skills to spot and benefit

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<sup>30</sup> It should be stated there that several IRS personnel became well-known domestic speculators in the ISE thanks to rather unscrupulous execution services they gave to FIIs and their connections with other domestic speculators. However, the number of IRS-originated domestic speculators seems to be relatively low compared to DRI-related ones.



from different types of opportunities, such as the insider view as substantiated by Smith (1998). In the following I discuss how this peculiar disposition shaped ordinary DRI dispositions in the ISE.

### **DRIs appropriation of short-termist disposition**

DRIs had to go through a painful process of learning and acquiring dispositions peculiar to the ISE field. As mentioned in the beginning, several years before the opening of the ISE, Turkish retail savers were hit hard by the bankers crisis caused by Ponzi schemes. With the opening of the ISE, different types of risks were poised to affect them. Foremost among these was the lack of regulation in the brokerage sector. Although this led to occasional scandals in the sector, the general lack of knowledge on the part of virgin DRIs and the speculative and short-termist disposition of most local brokerage houses meant that DRIs were poised to take these dispositions onboard. If DRIs wanted to be informed of investment opportunities and the state of their existing investments, speculation and short-term betting seemed to be the most viable way of existence in the ISE because most domestic brokerage houses knew nothing but this. In fact, the more economic capital one had the more chances for that person to convert this into a speculative and short-termist cultural capital of investing. If he -chances were it was probably a male investor- managed to make a break through in this path; he would increase the economic capital at his disposal. Otherwise it was either a waiting game or worse losing every bit of assets that were exposed to the stock market. The introduction of equity funds and the entry of DIIs to the ISE towards the mid 1990s provided an opportunity for existing DRIs to get regulated and professional investment services with a long-term view. However this failed to transform the ISE's retail investor scene.

This failure was probably due to fact that a great number of DRIs were already immersed in the short-termist and speculative dispositions of their brokers and learnt from them how to make profits or wait until their losses were recuperated. In fact, when one reads Yildirim's (1995) recounting of major events in the ISE in the formation decade, one can see many references made to the general investor and public curiosity and discussion about what the ISE's index value would be in the coming days or months. These discussions were usually ignited by spectacular rallies or spectacular crashes in the ISE due to news events which was then followed by a general depression among DRIs and unfortunately some sad incidences such as suicides. Muradoglu (2000:365) provides a numerical insight into this volatility. Although the ISE 100 index generated a six-fold return in USD between 1986 and 1996, the

volatility pushed the index to 300% plus increases and 70% plus corrections in this period. More interestingly, not only the head of the ISE but also bureaucrats and state ministers got involved in the public discussions about the direction of the ISE index in the face of the volatility. It seems like they occasionally swayed the direction of the ISE index by their public statements and decisions to dump publicly owned shares onto the ISE without prior warning. The tone of the public debate in those formation years seemed to present the ISE and equity markets in general as *sui generis* entities that had a mind of their own rather than as a field with distinctive structures, characters and their dispositions. On top of these ISE-related peculiarities, there was a larger, more insidious and powerful factor behind the DRIs' appropriation of a short-termist disposition, namely the problems in the meta-field. Before substantiating them, I present a discussion on the effects of automation on dispositions of DRIs and FIIs.

### **Effects of automation on dispositions: more speculation and manipulation**

How did the automation and digitization of the market affect the dispositions of actors in the 1990s? The greatest effect must have been felt among floor brokers and day-traders in the floor as they lost the privileges that stemmed from being in the floor. Digitization also meant that floor brokers needed to learn to use keyboards instead of their bodies and board-markers to be successful in the market. However, it is questionable that this technological revolution changed anything in day-traders' and domestic speculators' general investment disposition in the market. In fact, considering that it was now possible to observe all the shares in the market with the stroke of a key rather than running around in the dusty and cramped trading floor in Karakoy, domestic speculators and their brokers, and day-traders in the floor could easily spread their sphere of influence over the whole market. Further digitization in custody services and broadcasting of custody figures over real-time data platforms also meant that social network relationships to gather private information about who was doing what in the market could now be backed or even double-checked on the remotely available data platforms. Last but not least, the introduction of data platforms also allowed speculators and day-traders to better follow markets abroad and find a justification for their trading activity in the ISE. However, it should be remembered that almost all my informants told me that the 1990s were not a decade of trading in the ISE on global market events on a daily or even minute basis. The latter is generally thought of as a phenomenon that had emerged in the post-2001 crisis period. In fact, the 1990s were more about controlling share trading by means of owning many shares and acting like a market maker; manipulating share prices over a certain time period; front-running FIIs' orders and moving the ISE index according to

topical news from Turkey and abroad.

In an environment like this DRIs did benefit from the digitization to the extent that they could now monitor the market themselves without relying on their intermediaries. They also started benefiting from more robust surveillance mechanisms and measures taken to prevent unscrupulous brokerage house activities. The digitization and computers becoming more affordable machines and connected to internet also meant that DRIs were now able to learn how to do simple analyses such as chart and/or fundamental analyses on their own. All these were great improvements when one remembers the usual raw deal DRIs got in the street market in Karakoy up to 1994 or by their brokerage houses in the manual trading era. Yet, as it shall be discussed later, the digital revolution did not lead to an explosion in DRIs' numbers.

On the FII front, automation and digitization meant that they could monitor the ISE afar thanks to broadcasting of real-time price and volume data. The second half of the 1990s also witnessed the entry of proprietary traders from London to the ISE. These traders would contribute to the trading volume in the ISE by short-term positions. Their trading activities would be observed by intermediaries of DRIs alongside those of domestic speculators. However, it should be noted that the share of FIIs trading had never gone over 10 % in the 1990s. Compared with the period between 2005 and 2008 during which proprietary traders were said to be quite active in the market by my IRS informants, the FIIs contributed to the approximately 22 % per annum to the ISE's annual trading volume. Moreover, the FII ownership of stocks in the ISE in the 1990s did not exhibit the spectacular increase of ownership by the FIIs in the new millennium. The latter had been possible by a new flow of end-clients who felt confident about the viability of Turkey as a promising emerging economy. However, as mentioned before, there was something particularly wrong about the ISE in the 1990s, not only from the FIIs' point of view but for all the investor types, namely the structure of the meta-field.

### **Bad Macroeconomic management in the 1990s and 2000/1**

Despite the revolutionary improvements in micro structure, transparency and investor rights, the ISE had continued to be a very volatile market since the beginning of trading in 1986. This volatility was in tune with the macroeconomic business cycles that the Turkish economy had gone through in the 1990s as well as the lack of timely and quality information/data on companies which encouraged investors to closely follow

macroeconomic and monetary data (Kasman and Kasman, 2003; Muradoglu, 2000). More importantly, despite the fact that the post-1980 era was supposed to be an era of liberalisation, deregulation and privatization in Turkey, the 1990s turned this era into a 'coupon pool capitalism' (Erturk, 2003). This meant that successive governments opted for populist and expansionist policies in the public sector instead of a retreating state.<sup>31</sup> The macroeconomic mismanagement of the 1990s and early 2000s had taken the shape of a high inflationary environment (on average 80 % during the 1990s) and excessive government presence in fixed-income markets to deal with budget deficits, current account imbalances and high inflationary environment (Erturk, 2003). Moreover, state-owned enterprises accounted for 60% of the industrial output in the country and the state was also a major actor in the stock market thanks to the Public Corporations Authority and its trading activities (Muradoglu, 2000:371; Yildirim, 1995).

Coupled with the capital accounts liberalisation in the early 1990s, the country's economy and the stock market had become more vulnerable to global macroeconomic business cycles as well, thanks to the presence of short-term capital flows into the Turkish fixed-income and equity markets (Alper and Onis, 2003). One important consequence of this exposure was occasionally the flight of capital in the face of unfavourable government policies towards the interests of global investors. The first such major capital flight happened in 1994 after the government decided to monetise the national debt, which was then followed by sovereign rating downgrades by credit rating agencies and the flight of portfolio investments (Alper and Yilmaz, 2004). Moreover, major financial crises elsewhere in the global finance system would show contagious effects on the ISE in the form of short-term capital flights and returns, and a concomitant volatility.<sup>32</sup> In less eventful times in world politics and economy, the Turkish economy and the ISE would suffer from the persistent high inflation and unstable political scene which were associated with half a dozen coalition governments in the 1990s. Muradoglu and Metin (1996) argue that the high inflationary environment, and the long-term uncertainty created by it, was one of the reasons behind the DRIs' short-

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<sup>31</sup> In the early 1990s, the governing party reduced the retirement age to 38 (female) and 40 (male) years for state employees!

<sup>32</sup> Chambers (2005:7-8) mentions the flight of portfolio capital from Turkey in 1997/8 due to the East Asian and Russian crises, yet she adds that as early as 1999, foreigners came back to the ISE equity market, buying back what they had sold. Muradoglu et al. (1999) register a 13 fold increase in volatility in the ISE compared to its pre-crisis period. A similar "exit and entry" strategy on the part of foreigners is reported by Yildirim (1996) in relation to the 1991 Gulf War and 1994 Turkish currency crisis. The 1994 currency and the 1997/8 East Asian and Russian financial crises in Turkey and irregularities in brokerage sector claimed 16 brokerage houses throughout the 1990s with several hundred millions of dollars of investor money either lost or partially compensated (Yildirim 1996, *Radikal* 5 August 2002).

termism. Muradoglu (2000), on the other hand, notes the effects of political events on the index volatility.<sup>33</sup>

Interestingly, in the face of these macroeconomic and microeconomic issues undermining the sustainability of the Turkish economy and the ISE, the leading figures of the Turkish capitalist class such as large family-owned holdings did not put any pressure on the government to reverse the populist policies and effectively deal with high inflation and budget and current account deficits in the 1990s. Although the coupon capitalism and a crowding-out state was inimical to the interest of non-finance capital, there were two peculiar factors about the Turkish capitalists which effectively undermined any possible attempt by them to lobby against the governments' populist policies. The first was the state-guided and protected development of the Turkish capitalist class since the establishment of the Turkish Republic in 1923 (see for instance Gulalp, 1993; Kazgan, 2005). Despite this guided development, the state was still the dominant force in the real economy (Muradoglu, 2000). The second was the fact that most holding companies had a large presence in banking and finance sectors and this meant that they could actually benefit from the crowding-out state in financial markets. They therefore continued to play the game of "borrowing cheaper from abroad and selling dearer to the state" until the music stopped. When the music stopped in February 2001, Turkey woke up to the aftermath of the worst financial and economic crisis in its short Republican history and some of these holding companies were actually bankrupted. Some of them had to be rescued by informal emergency loans given by the government (Interview, head of branches, House A 14 March 2008).

At a more specific level, many national companies which opened to the public via the ISE seemed to perceive the utility of the stock market as quick access to cash. They would then try to raise more cash via occasional rights issues but they would not give back to their investors as much, thanks to their dividend policies. The head of domestic sales in House D who had been in the field since 1986 remembers how easy it was for companies to raise cash

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<sup>33</sup> In another study Muradoglu et al. (1999) cast a similar light on how investors in the ISE might have adjusted their stock market investments by measuring economic and political risks according to the changes in monetary variables such as the USD/TL parity, interest rates, money supply and so on. Both of these studies analyse the dynamics of the ISE with models that used aggregate macroeconomic and stock market data that were not classified according to investor types. However, they demonstrate the effects of macroeconomic and political factors on the ISE's volatility and return dynamics, and show how DRIs might have adjusted their stock market strategies in the face of economic and political instability in Turkey as well as lack of timely and comprehensive information on companies. Both studies argue that this type of macroeconomic data use is endemic to emerging stock markets where timely and in-depth information about companies is limited.

in the ISE in the early years of the ISE thanks to the unprecedented demand for stock market investments from the DRIs (Interview, 4 September 2008):

In the early years, there were two motivations for the IPOs. One was that of those companies which needed cash. The other was that of those large holding companies which understood being in the ISE as a natural consequence of their national reputation. So the first group of companies actually went into the ISE with high free flotation rates of 80% or 90 %. Some of these companies were actually on the verge of bankruptcy. The solid companies which had the second motivation actually entered the ISE with ridiculous flotation rates, like 3 % or 5 %. These rates allowed many people to generate amazing returns due to supply-demand imbalances. Although now it has improved, both the number of quoted companies and free float rates in the ISE, there are still those companies with the first motivation and with very high flotation rates but dreadful financial performances.

According to a research report (Bizim Menkul Degerler, 2010) on rights issue and dividend policies of 193 ISE companies since the opening of the ISE, 95 of these companies have produced negative compound returns for investors after their quotation/IPO in the ISE.<sup>34</sup> On average this was 1.89 % loss per annum. Worse, these loss making companies have asked for almost half of the capital that was raised in the rights issues since 1986 but they have contributed only 20 % to all the dividends given to investors by the 193 companies. There are 20 companies which had received almost 10 % of all the capital raised via rights issue but they have never given any dividends back to investors. Worse, 18 of these companies have generated negative annual returns since their IPOs. Considering that the ISE 100 index has returned a 3.43 % annual compound rate since 1997, and the 98 dividend-paying companies have returned 4.58 % annual compound rate in the same period, 93 companies, few of which are large-capitalisation companies, have become loss-making traps for investors. Bizim Menkul Degerler's report (2010:10) concludes with the following verdict for the contemporary DRIs which could have easily resonated with DRIs and their dispositions in the 1990s:

We conclude that the investment environment for domestic retail investors is that of profit generation by betting on short-term price changes rather than becoming long-term share-holders. We are of the view that companies can win long-term investors only by giving a steady dividend and fair rights issue policies.

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<sup>34</sup> Bizim Menkul Degerler is owned by a conglomerate which also owns an Islamic Bank. There are more than 310 companies currently quoted in the ISE but the research looked at only 193 companies as right issue and/or dividend giving companies. On the other hand, large IRS departments in local brokers usually cover around 80 to 100 companies for their FII clients. This analyst-covered group of companies in the ISE represent *de facto* investable, organisationally sound companies and they constitute more than half of the total market capitalisation of the ISE.

## **The 2001 Financial Meltdown**

The 2001 crisis was yet another currency crisis but this time, it happened after the ‘spectacular’ failure of the IMF imposed ‘soft peg’ or the ERBS programme that started in late 1999. The IMF programme was designed to reduce the high inflation rates (around 80 % in 1990s) and the continuous budget deficits and implement structural adjustments in the economy and privatizations to put an end to the boom and bust decade of the 1990s (Akyurek, 2006; Capoglu, 2004; Akyuz and Boratav, 2003; Alper and Onis, 2003; Ertugrul and Selcuk, 2001). The 2001 crisis is seen as the worst and most significant in the Republican economic history due to major bank failures, extensive state intervention to save the national banking system and the unprecedented austerity and structural measures that followed (Dufour and Orhangazi, 2009; Cizre and Yeldan, 2005). Interestingly, the 1999 IMF program, which is seen by many as one of two main culprits of the 2001 crisis –the other being the government in bringing about the eventual collapse of the Turkish financial system in 2001 (Akyuz and Boratav, 2003; Capoglu, 2004; Akyurek, 2006) also led to a short-lived boom in imports, in the GDP and in the ISE index in the first half of the 2000. These developments were due to the fixed-currency rate and the government’s initial success in reducing interest rates on its bills and bonds. However, this was overshadowed by a widening current account deficit due to the explosion in imports (Capoglu, 2004:92).

At this juncture, Cizre and Yeldan (2005), and Alper and Onis (2003) point to the continued dependency of the government on short-term global speculative capital and the local private finance institutions in its management of the disinflationary and deficit-reduction programme. The fixed-exchange rate and the necessity of high levels of government borrowing meant that local banks could engage in interest rate arbitrage which consisted of short-term borrowing at lower rates from global markets and lending these funds at higher rates to the government (Defour and Orhangazi, 2009). Such a dependency on global portfolio capital meant that any doubts about the government’s capacity to sustain the stability programme would mean a flight of capital as experienced before elsewhere in the world in ERBS programmes (Capoglu, 2004: 84). In the end, the government’s loss of credibility due to its failure to convince global financial capital about its commitment to the ERBS programme and structural reforms led to the first flight of capital in November 2000 (Akyurek, 2006:21). This was followed by an intermittent IMF bailout (Ertugrul and Selcuk, 2001: 26). The eventual collapse of the pegged currency system came about in February

2001 after a second run on the reserves (Akyuz and Boratav, 2003:1556).<sup>35</sup>

### **The explosion of DRI interest in the ISE before the meltdown in 2000/1**

One of the consequence of these problems in the meta-field exacerbated by the shortcomings in the ISE's microstructure was the volatile DRI numbers. Yildirim (1995; 1996: 212) reported about falling number of active investors from one million to a quarter of a million after major crashes in the ISE such as 1991-2 Gulf Crisis, 1994 Mexico Peso Crisis and the subsequent Turkish debt crisis. On top of this, one can add the volatility and crashes in the ISE caused by 1997 Asian and 1998 Russian crises. There were rallies in the intervening years but it was only in 1999 and 2000 that there was an explosion in DRI numbers as, for the first time, Turkey seemed to harness the exorbitant inflation and interest rates of 80% to 90 % with the help of an IMF structural adjustment programme. Therefore, the 1990s were like a minefield for DRIs. Taking the wrong step, namely entering the market at a wrong time or worse with loans borrowed from a brokerage house meant a painful waiting process until "rescued" by those who could move the market (domestic speculators and FIIs).<sup>36</sup> Although the 2001 crisis wrecked the ISE, the 1990s wrought an insidious and a very lasting damage to the ISE, namely alienating the Turkish retail savers from the equity market despite the micro-revolutions that were taking place in the ISE. The 2000/1 crisis was a very sour topping on this very volatile dish.

What was the specific effect of the 2001 crisis on the ISE index performance and the DRIs? The crisis happened after several significant rallies in the ISE. The 1999 was a year of rebound after the Asian and Russian crises, which ended with a high note as the IMF's ERBS programme was finally signed in December. Consequently, there was a surge in DRI numbers and the interest in mutual funds that invested in the ISE equity market. This surge in the ISE was mainly due to the declining real interest rates and the search for higher yields on investments (IsYatirim, 1999: 8; 2000:14). This is understandable as the 112 A-type funds

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<sup>35</sup>The second run was infamously triggered by a cut-short National Security Council meeting on 19 February 2001. The Prime Minister Bulent Ecevit alleged that the President Ahmet Necdet Sezer, who was chairing the meeting, had thrown a constitution booklet at Ecevit's side of the table to clarify a disagreement over the State Supreme Audit Board's investigation into the Banking Regulation and Supervision Agency (established with the ERBS programme). On the same day, the ISE 100 index fell by 14 % and overnight rates jumped to 780 %. The run on the Central Bank of Turkey reserves amounted to an exit of 7.6 billion USD (*Yeni Safak*, 20 February 2007).

<sup>36</sup> It can be added here that domestic speculators were also capable of bringing fresh assets that belonged to others with the promise that there would be amazing returns. They usually delivered their promises but this also meant an upward rally followed by dumping of shares on other investors. It was then important to have the right place in the social capital of the protagonist to be able to enter and exit the board at the right time.



which by the CMB decree had to have at least 25 % exposure to the equity market fared quite well in 1999 with an average 228 % return.<sup>37</sup> The ISE all index started the year 2000 at 2.521 points and ended it at 14.197 points, recording a 337 % increase in the ISE All return index in 1999 in USD.<sup>38</sup> In 1999, there were 937,000 ‘open accounts’ in the Takasbank (1999:10) yet this number surged to 2 million at the end of December 2000 (Takasbank, 2000:6-7). Although these numbers do not just represent DRIs’ accounts, the number of DIIs’ and FIIs’ accounts in the Takasbank should not be more than 10,000. This is a very liberal estimate considering the number of banks, brokerage houses, and institutional investors operating in the Turkish financial markets. When it comes to the actual active DRIs’ numbers which is expected to be lower than the number of accounts registered with the Takasbank, the IsYatirim annual reports provide an insight. In 1999, IsYatirim claims that they had 218,000 active equity accounts which represented 37 % of the 590,000 active equity accounts in Turkey (IsYatirim, 1999:21). In 2000, the number surges up by more than 100 % and reaches 526,000 that represented 40 % of the all 1.3 million active equity market accounts across the intermediation sector (IsYatirim, 2000: 13).

In an economic environment where the interest rates were consistently declining and the equity market was rallying, Turkish retail savers turned their attention to the ISE. Capoglu (2004:94) also highlights the EU Helsinki Summit in December 1999 as another catalyst in the continuation of the ISE’s rally in the first half of the 2000. At this summit, the EU recognized Turkey’s candidacy to the full EU membership with a view to starting negotiations in the following years. Capoglu (2004) argues that this decision boosted the confidence of investors in the IMF backed programme due to the Maastricht budgetary discipline criteria being one of the stipulations for Turkey’s eventual accession to the EU. It is however questionable whether DRIs were really informed about stock market investment and/or macroeconomic and political developments with a long-term view as put forward by Capoglu (2004). The head of marketing department in the AMC reminisces about the ‘crazy’ days of 1999 and 2000 when there were long queues of investors in House B to fill in investment account forms and start benefiting from the rallying stock market after the slumps in the previous year. Yet, clerks and marketing advisers in House B would sometimes be surprised by the profiles of some investors who had no interest in the nooks and crannies of

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<sup>37</sup> The CMB monthly statistics for December 1999 is taken from <http://www.spk.gov.tr/indexcont.aspx?action=showpage&showmenu=yes&menuid=9&pid=0&subid=3&submenuheader=0>

<sup>38</sup> The ISE all index comprise of all shares traded in the ISE. The return index figure is given in USD for a more accurate picture of returns due to the inflation effect. The figures are from the ISE daily bulletins and monthly consolidated data available at <http://www.ise.org/Data/StocksData.aspx> .

equity investment apart from making quick and significant profits (Interview, 15 May, 2008). The naivety and motivation of those investors were to push them into a situation from which they would not recover for several years in the post-2001 period. The head of branches in House B argues that most of the virgin mutual fund investors developed an attraction to the ISE due to positive economic climate in 1999 and 2000. But they were badly hit by the crisis in 2000/2001 due to the decline in fund values and high management fees that they had to pay despite the dramatic losses in their investments (Interview, 1 September 2008).

### **Buy Favori but what does Favori do?**

The head of domestic sales in House D tells the following story that reflects the quick profit motivation of new investors in the ISE equity market as well:

In early 2000 in January and February, the index shot up from 7k to 20k. The coalition government was doing quite well. The minister of economy made the statement at the end of 1999 that the interest rates were to fall. Indeed the overnight rates fell from 35 % to 8 %, and newspapers were quick to announce, ‘the main target is the stock market, march, march!’ and people attacked the market like mad. I was at Xbank by then and orders were sometimes coming like this

*-I have 5 million TL, buy me shares’*

*-what shall we buy?’*

*-‘well, shares’*

*-‘well, there is only Favori which has not hit the ceiling [price]’*

*-‘then buy that, and by the way what is a ceiling and what does Favori do?’*

*-‘it is the 20 % cap on maximum price in a session, and it is a tourism company’*

Favori made its IPO with 1.5 lira and by then it was 10 lira...

The manager also mentioned the volatile market in the remainder of 2000, with a solid declining trend in the second half of the year which is line with Akyurek’s (2006) observation about the increasing doubts in the market about the sustainability of the IMF programme. According to the manager, other factors that contributed to the despair of ‘naïve investors’ were the second run on the reserves in February 2001 and the ensuing all out financial crisis in Turkey and the 9/11 attacks which shook the global markets including the ISE: ‘After all this, small shares had actually went back to their real values, Favori fell from 10 to 1.5 [TL]. We had the actual losses [of naïve investors] there; virgin investors fled the market after that, not to return’. It was not only companies like Favori which were on the verge of collapsing in the post-2001 crisis period.<sup>39</sup> In 2000, there were a record number of

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<sup>39</sup> In an announcement dated 22 October 2001, the ISE executive board warns the company about its outstanding debts with a view to reconsider its quotation in the ISE equity market (source [http://bigpara.ekolay.net/M3/haber\\_detay.asp?id=384687](http://bigpara.ekolay.net/M3/haber_detay.asp?id=384687) )

35 IPOs in the ISE, including the highly anticipated IPOs for industry leaders like Turkcell<sup>40</sup> and secondary public offerings for Tupras<sup>41</sup>. The reason why most of these IPOs were misguided was the rather anticipated collapse of the ERBS programme. Despite this, as most of the IPOs were set in motion long before the negative signals in the economy, they proceeded as planned. In total, the IPOs in 2000 raised 2.8 billion USD, and Turkcell alone raised 1.7 billion USD (ACMIT, 2002:38). However, in terms of returns for the general public, the Turkcell share price reached its initial offer price level again only at the end of 2004.

The head of institutional sales in House B (Interview, 17 April, 2008) remarks that high profile IPOs in 2000 like Turkcell had disappointed DRIs in the sense that those investors had anticipated great returns on a leading company like Turkcell. Without any stop-loss strategy or proper diversification,

all the negative events of 2000 and 2001, Yahoo bubble, dot.com bubble, our 2001 crisis, the constitution book throwing, and 9/11, the market fell so much, the domestics could do nothing but sit on their investment until it recuperated the losses. They were exposed to the stock market significantly and they could only close their positions in 2005. When such things happen, it is word of mouth that spreads the bad incidences such as those to prospective investors and making them stay away from the market.

The ISE All return index figures in USD attest to this dismal return picture for stock market investors. In the 1999 rally, the index reached 1,690 points. In 2000, this was halved to 847 points, followed by 589 and 405 points in 2001 and 2002. It was only in 2003, the index returned back to its 2000 levels with 852 points. In 2004, it came closer to its 1999 level with 1,200 points. In 2005, the index reached a record 2,013 points. In TL, this amounted to an almost 20,000 point surge from 27,989 points to 46,388 points between 2004 and 2005.

### **Board Closures in the post 2000/1 crisis**

Another factor that badly hit DRIs was the so called ‘board closures’ or de-listing of stocks from the ISE equity market. Between October 2000 and May 2004, there were 23 companies that were permanently de-listed from the market all due to financial hardships or total bankruptcy. Around half of the companies in this list were national banks, finance

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<sup>40</sup> Turkcell is the biggest mobile telecommunication company in Turkey. The IPO was made on 11 July 2000 both in the ISE and the New York Stock Exchange (NYSE). Turkcell is the only Turkish company to be quoted in the NYSE. Information is taken from [www.turkcell.com.tr](http://www.turkcell.com.tr)

<sup>41</sup> Tupras is Turkey’s biggest oil refinery. Information about the secondary public offering is taken from [www.tupras.com.tr](http://www.tupras.com.tr). Data about IPOs are from the ISE’s database.

corporations and large industrials (the ISE database). It was widely known within the finance industry that most of the remaining national banks, which today are the locomotive shares of the ISE such as Garanti Bank and IsBank (owner of the IsYatirim) were saved by the IMF bail-out and emergency assistance from the Treasury (Interview, head of branches, House A, 14 March, 2008). Although the scale of the 2001 crisis was unprecedented in the Turkish economic history, some scholars attribute the bankruptcies after the crisis to ‘crony capitalism’ (Koch and Chaudrey, 2001; see Cizre and Yeldan, 2005 for a critique and argument for ‘casino capitalism’ as the major culprit). Some of the de-listed companies above were owned by large conglomerates that used their political and economic clout in different sectors of the economy including the national media to run large financial institutions which eventually collapsed. From the perspective of investors, the bankruptcies and the badly timed IPOs meant that most of their investments turned out to be either ‘wallpaper’ or ‘something to sit on’ for a few years. The veteran chief floor broker in domestic sales for a leading one-stop shop brokerage house uses the term ‘normal domestic investor’ to refer to the those who were adversely affected by the 2000/1 crisis (Interview\*, 9 September 2008):

In the past, normal domestic investors would do 40 % of the trading volume. After 2000, these had disappeared as 50 shares turned into wallpaper. There has been no influx of new investors after them. The survivors were those who could do lots of volume with small capital, with a view to receiving commission rebates from brokerage houses and generate daily profits from trading.

### **The Bourse-wrecked: the domestic retail investor**

The term “borsazede” -bourse-wrecked refers to victims of fraud in intermediation sector, and to delisting of companies due to bankruptcy or financial difficulties. An article featured in the March 2008 issue of the magazine *Ekonomist* on bourse-wrecked puts forward a number of 52 companies delisted from the exchange over the two decades since the ISE’s opening. According to the ISE’s delisted company database, there are now seven delisted companies from the exchange that are allowed to be traded in an OTC market among brokerage houses. Additionally there are 10 other delisted companies shares which are not traded in any OTC market. Considering that none of the companies mentioned in the *Ekonomist* article plus the 10 delisted companies found in the ISE database are traded anywhere, there are 62 companies that had been permanently delisted from the exchange, ruling out any form of cash conversion for investors’ existing shares. Hence the ‘wallpaper’ metaphor of the chief floor broker now applies to 62 companies’ shares.

The number of companies delisted in the 1990s according to *Ekonomist* was 20, which attests to equally turbulent time for investor rights and losses in the 1990s. Only between 1998 and 2001, during a period of international and local financial boom and bust, there were 31 companies that were delisted from the ISE equity market. This affected 280,000 investor accounts (ACMIT, 2002:37). The total cost of these de-listings until March 2008 is estimated to be affecting 310,000 accounts with a total cost of approximately 700 million USD to investors who are mostly DRIs (*Ekonomist*, March, 2008).

Despite the bankruptcies in banking sector, the 2001 crisis did not hit the brokerage sector as hard as it did the banking sector. The brokerage house closures in 2001 were confined to 11 and only among the 49 brokerage houses owned by banks. On the other hand, the number of privately-owned brokerage houses went up from 74 in 2001 to 81 in 2002 (ACMIT, 2003:63). This relatively unscathed performance of the brokerage houses in the 2001 crisis is probably down to high profile brokerage house bankruptcies in the 1990s mentioned before. These failures were followed by the introduction of stricter regulations by the CMB on brokerage houses' equity requirements in 1999. In the 1990s, there were 16 such brokerage house bankruptcies, leaving 25,000 investors with frozen accounts which would be partially compensated by the newly founded Investor Protection Fund (*Radikal*, 5 August 2002). Most of these bankruptcies happened between 1994 and 1998. Other factors that led to brokerage house closures were continuous violation of the CMB and the ISE rules and fictitious book-keeping activities in the early 1990s to increase a brokerage house's equity leverage (Yildirim, 1995:230-8). The December 1999 amendment to the law of capital markets advised the financial intermediation organisations to set up a self-regulating association to deal with sectoral problems, ensure standardisation of intermediation operations and service quality to investors and boost the investor confidence in the Turkish financial markets (ACMIT, 2002). The Association of Capital Market Intermediary Institutions of Turkey started its activities in March 2001.

All in all, the 2000/1 Turkish financial crisis dealt a heavy blow to the DRIs. In the following three years, the stock market could not rebound back to its 1999/2000 levels from which many virgin investors joined the equity market. The average daily trading volume in the ISE had dramatically declined after the peak year of 2000 from around 800 million USD to around 300 million USD in 2001 and 2002. In 2003 and 2004, the average daily volume hit

400 million USD and 600 million USD respectively (ACMIT, 2005:47).<sup>42</sup> The declining daily trading volume is an important indicator as it is related to the presence of DRI activity in the market. Between 1999 and 2001, it was the DRIs who clocked approximately 80 % of the annual trading volume in the ISE. The DIIs and the FIIs on the other hand clocked on average 11 % and 8 % respectively. The remaining 1 % was made by foreign retail investors (ACMIT, 2002:54). As shown above in Table I, the share of DRIs in annual trading volume had declined by around 26 % between 2002 and 2008, which is an evidence of damage wrought by the 2000/1 crisis on DRIs and their declining interest in the equity market. In that respect, the changes in figures of active equity accounts and the DRIs' numbers in the post-2001 period support this estranged relationship between the DRIs and the equity market.

As mentioned before, the number of active equity investors in 2000 shot up by more than 100 % to 1.38 million investors (ACMIT, 2002:93). However, this number had fallen continuously since then and first saw 1.28 million at the beginning of 2001. It then fell to 1.032 million at the end of March, 2002, which was followed by a figure of 973,000 at the beginning of 2003 (ACMIT, 2003:118). A year later, in January 2004, the number fell by 70,000 to 900,000 (ACMIT, 2004: 124). Between 2004 and 2005, the numbers further declined to 887,000 (ACMIT, 2005:143). In this period, on average only around 2500 of these investors were DIIs and FIIs but these institutional investors managed to keep a continuous rise in their overall numbers from 2207 in 2002 to 2905 in 2005. Despite their minuscule contribution to the investor numbers, the institutional investors, especially the FIIs, were to increase their weight in share ownership in the post 2000/1 crisis, as is demonstrated in Table I.

### **The institutional losers and winners in the post 2000/1 crisis period**

Although DRIs suffered in this period, the aftermath of the financial crisis were not all very negative for FIIs and for those national enterprises who survived the crisis. The austerity measures imposed by the IMF and the World Bank were passed without any opposition in the parliament due to the severity of the crisis. The World Bank's very own Mr Kemal Dervis was summoned by the Turkish government to Ankara as the man in charge of economy (Akyurek, 2006:27). The free floating currencies and the strict application of the austerity

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<sup>42</sup> The annual volumes in TL also attest to the declining trend despite the fact that the currency was devalued more than 100 % in the post-2001 crisis (figures in new Lira). In 2000, it was 110 billion TL, which fell to 92 billion TL in 2001. This was followed by 105 billion TL in 2002 and 145 billion TL in 2003. It was in 2004 when the index broke its volume record in TL by 206 billion TL (Source, the ISE database).

programme and independence given to the Central Bank of Turkey to fight inflation meant that the Turkish economy could now get out of the high inflationary environment and start looking like a “structurally sound” economy in which investors grow a long-term interest. For instance, the private and public external debt levels in relation to GNP between 2001 and 2005 almost halved and came down to 47.5 % (Defour and Orhangazi, 2009: 206). The consumer price index in the post-2001 period registered a record fall from an average of 70 % between 1990 and 2002 to 18.4 % in 2003. It then fell to 7.7 % in 2005. Similarly the producer price index recorded a three-fold fall in the post-2001 period (Turkstat, 2010). The Turkish economy also registered record growth rates between 2002 and 2004 by an average 8 % (World Bank, 2006:3).

Beyond these very significant macroeconomic improvements, Kemal Dervis also accelerated the Turkish convergence with the EU by getting the national assembly to pass long-awaited reform packages for EU membership. But more importantly, with the support of his former employer and the IMF and taking advantage of the tattered state of opposition inside and outside the parliament, Kemal Dervis managed to put in motion a real era of deregulation, privatization and retreat of the state, a project that spectacularly failed in the 1990s. Interestingly, those capitalists who survived the crisis welcomed the great transformation in the meta-field. The fact that they survived the biggest economic and financial meltdown in the country’s history coupled with the abandonment of a crowding-out state meant that the economy field was to be gradually left to them with many opportunities.

The biggest losers in this great transformation were those failed banks and companies and their employees, the great majority of “virgin” DRIs and domestic asset management companies (DIIs) which alienated a large number of equity fund investors with their traditional quasi index-tracker funds and management fees. Another big loser in this great transformation was the three-party coalition government. In the November 2002 snap-elections, the coalition parties lost their elector support so dramatically that none of the parties apart from the far-right Nationalist Movement Party have managed to come back to the parliament so far. The Justice and Development Party (JDP) won a landslide victory in 2002 elections only several months after its foundation.<sup>43</sup> However, the JDP had surprisingly adopted the language of fiscal prudence, retreating state, and advancing private

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<sup>43</sup> This party was founded by a breakaway and reformist group from a so-called Islamist party which was for several years the co-ruling party in coalition governments in the 1990s. The former party was banned by the Constitutional Court in 1999 after it lost its seat in the government by a military coup by memorandum in 1997.

entrepreneurship as advised by the World Bank and the IMF, and pressed on with further reforms on this path and the path to EU membership. This was despite the fact that JDP's votes mostly came from disillusioned and/or destitute voters. The JDP's allegiance to the IMF and World Bank programme and the rhetoric of fiscal austerity and extensive privatisation kick-started the transformation of the Turkish state from a paternalist, large and cumbersome structure into a smaller but much more effective regulatory structure (Onis and Bakir, 2005).

Another catalyst for the post-2000/1 reforms was Turkey's full-membership candidacy in the EU. The Union's rules and regulations about 'fiscal soundness' enshrined in the Maastricht criteria, and the Copenhagen political and economic criteria for new members (Aydin and Keyman, 2004) have meant that Turkey as a candidate country was on the way to 'converge' financially, economically and politically with the developed nations of the EU as exemplified by the experiences of new members of the EU (World Bank, 2006). The material steps towards convergence by the Turkish government led to the start of official accession negotiations in early 2005, as decided in December 2004, two years after the December 2002 Copenhagen Summit, which advised the European Commission to monitor Turkey's progress with a view to recommending the Council to start negotiations.<sup>44</sup> The so called "EU peg" contributed significantly to the rebound in Turkish economy and financial markets.

In this improving macroeconomic and political context, even though the ISE All return index failed to return to their 1999/2000 record levels in TL and USD until 2003 and 2005 respectively<sup>45</sup>, thanks to the significantly disinflationary environment, the ISE proved to be a good investment venue relative to fixed income securities. The return figures presented in Table I for the ISE 100 and fixed-income investment vehicles show that the ISE equity market once again became a more attractive investment venue for those who persevered and kept their exposures to the equity market. Moreover, the real returns in all the three investment vehicles in Table I are in line with what Defour and Orhangazi (2009) argue about the post-2001 period, namely a period of very favourable conditions for international and domestic finance capital despite the decreasing cost of borrowing for the state. In 2003 and 2004, the net income outflow from portfolio investments of foreigners shot up to 1.2

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<sup>44</sup>The highlights of Turkey's 47 years of yet-to-be-finished accession journey into the EU can be found at <http://www.euractiv.com/en/enlargement/eu-turkey-relations/article-129678>

<sup>45</sup>In TL terms, in 1999 the index closed at 15,554 points. It was in 2003, the index hit 20,389 points. In the intervening period, the index saw 9,784 points in 2000, 14,577 points in 2001 and 11,482 points in 2002 (Source, the ISE return indices available at <http://www.ise.org/data/stocksData.aspx> ).



billion USD per year from 800 million USD in 2002 (Defour and Orhangazi, 2009: 111).

To sum up, those equity investors, retail or institutional, who had economic capital at their disposal and who decided to take higher risks by investing in the equity market have received significant returns in the post-crisis period. The prospect of the EU convergence has consolidated the role of institutional investors, especially FIIs in Turkey since 2004. It has also transformed the ISE field significantly. Table I in the Methodology chapter gives a summary of the numerical consequences of the post 2000/1 crisis in share ownership and trading behaviour according to investor types. In the following, I look at how this forceful re-entry of FIIs have transformed the social, cultural, and economic capital of IRS departments, DRIs and domestic speculators.

### **The transformation in the ISE field in the post-2001 period**

With the country on its track to fight inflation and the state retreating into a regulatory role, the wilderness journey of the ISE back to its 1999/2000 peak points was a slow, but rather unidirectional and foundational one. The concrete steps taken towards EU convergence and structural adjustment of the economy were not only welcomed in the ISE in the form of confidence in the market and less volatility but also noticed and appreciated by the global investment community with a new influx of end-clients and global intermediaries entering the ISE. The global investment banks started to buy up the almost defunct local brokers and had become competitors to their “loyal” local brokers. Coupled with the new demand for Turkish securities, there was a confidence boost for local IRS departments and they started to venture into end-client business. Now they had less to lose by becoming direct competitors to global brokers who had become locals in Istanbul’s top-end offices.

Some of the local IRS departments in independently owned brokerage houses were successfully converting their cultural capital into economic gains as they were snapped up by European investment banks. On the other hand, the existence of global brokers in Istanbul and lack of supply in IRS personnel meant that IRS personnel became sought after commodities in the labour market and their wages increased significantly in the post-crisis period. The expansion in IRS personnel’s social capital by means of new end-clients started to convert into higher economic capital for them. On the other hand, the increasing weight of the FIIs in the ISE and the entry of global intermediaries into the sector were welcomed by the local intermediaries who did not have to run IRS departments. This was because now some brokerage house owners could make money out of selling their intermediation licences.

## **A new type of rationality that is not reliant on domestic speculators**

On the domestic speculators and their brokers' front, the 2000/1 crisis is generally argued to have dented their power in the ISE coupled with the forceful re-entry of the FIIs. It is probably true that some of the names in the 1990s have lowered their profile in the ISE in the aftermath of the crisis. More importantly, with the entry of the FIIs and the structural transformation in the Turkish economy, it seemed like the figure of domestic speculator started to become discredited and lost its symbolic capital around the DRI circles and the media. It was easy to find quite interesting investigative journalism pieces from the late 1990s and first couple of years of the new millennium which somehow normalized domestic speculator figures' "necessary" function in the ISE due to their imposing presence not only in volume generation but also share ownership. However, the more recent news about these and newer figures of domestic speculator are about either alleged/charged manipulation cases or how the older figures had lost their power to the FIIs as confirmed by spectacular ownership ratios of FIIs hovering around 60% to 70 % since 2005. In a context like this, domestic speculator figure was no longer the reason why the market had moved or would move in a particular way. With the proliferation of simple data about global and local markets via business TV broadcasts, and with cheap or sometimes free access to in-depth market data, followers of the ISE, whether an investor or a commentator, could now see a different rationale at work in the movements of the ISE index. Narratives about the ISE told on a daily basis were now globally oriented in their plots as the existence of foreigners had become a sort of master narrative that dictated cause-effect or correlation relationships between global financial centres and the ISE without questioning the fact that the bulk of the volume in the ISE was still generated by the DRIs! A domestic sales manager from a domestics-only, bank-owned brokerage house remarked the following about this change (Interview\*, 1 September, 2008). As he explained to me, the manager's house, which had been in the top five trading volume during the field-work, served half a dozen domestic speculators who were capable of generating more than 10 billion TL per annum in trading volume.

10 years ago, the market would rally with İlhami [Suaydin], now the shopkeeper in Afyon [a small Anatolian city] asks about the future of Tom [DOW] Jones [we both laugh and he adds this really happened], then you hear in a village in Kars [an Eastern province bordering Iran and Armenia] 'what will the FED do' [this was a joke]. So, this is one of the reasons why the effect of speculators has declined is this data expansion phenomenon. Now people [average DRIs] look for a story, a

justification before they trade.<sup>46</sup>

Compare this with that of a senior female investment advisor from House B, Sr who told me that in the second half of the 1990s and in the beginning of the new millennium what they used to follow in the ISE were ‘day-traders from London [proprietary traders], foreign origin funds, and Ilhami, Ziya and Dundar [names of famous domestic speculators] making the boards, say making Tupras board’. Her colleague, Ay who is equally senior in House B added the following: ‘before it was about guessing which move belonged to which group, and it was easier to do so and take positions accordingly. Now it is mostly foreign-owned brokerage houses doing everything and it is hard to understand their intentions. Now you can’t predict the market’ (8 April 2008). Sr also explained to me during the same informal discussion how the scopic screens would be adjusted to accommodate for an increasing number of global indicators that were now broadcast on the data/information platforms:

The way we put these indexes on the screen is by experience. I remember one day when there was this unexpected, unexplained fall in the index here, an ex-colleague told us that it was the Shanghai index, which had slumped by 8 %, so from then on I keep that index on my screen’ [The second investment advisor added] you also call your friends from other houses and see what they say about it or you tell them if you know why, so it is easy in this market, the word spreads very quickly.

However this new schemata among DRIs which seem to exclude domestic speculator activity does not mean that domestic speculators are no longer in the market. When one considers the dominating share of the DRIs in annual trading volume but the relatively small number of core DRI numbers mentioned in Chapter 3, it would not be hard to imagine that the bulk of these volume figures are generated by high frequency trading investors. In fact, in all the houses except in House B, I indirectly observed the second type of domestic speculators in action. Although some of these would fall into the ‘problematic’ category using off-shore funds and controlling rather thinly traded middle-capitalisation and small-capitalisation shares, I was fortunate enough to observe one momentum trader in action at his home office, and interview another one over the phone. The first momentum trader is the informant I mentioned at the beginning of this chapter when I described the Cagaloglu years and the order-matching system there. This gentleman, now in his mid 40s after a successful career in brokerage house management, has become a momentum trader. He defined what he does in the ISE with the metaphor of being a “kabzimal”-middleman in the fruit and

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<sup>46</sup> The Tom Jones joke was made occasionally in the field sites. Both cities are rather marginal in relation to DRI numbers and equity investment exposures. For instance Kars has the smallest average portfolio per investor with only 5,600 TL (ACMIT 2010). Afyon probably fares better than Kars as House B has one of their four branches there!

vegetable wholesale market (22 June 2009):

I am like a middleman in the wholesale grocery market. I go to the market, pick things depending on supply and demand that is present, buy them cheap and sell them dear. My source of information is what I see before me [shows his double screen on his desk]. Every bit of information and news is included on this screen so all you have to care about is the cash flow. So there is no need to check somewhere else when you are very much concentrated on your positions in shares.

The middleman uses House D and several other brokerage houses to order execution, to get market intelligence about companies and to use house loan facilities. His trading strategy is to make quick entries and exits by buying and selling in liquid shares in the ISE 10 and the ISE 30 indices, and adjusting his timing in accordance with momentum in shares and the indexes such as the DAX in Germany and the DOW in the US (spot and futures) which a large majority of domestic investors believe are moving the ISE market. During the interview, the trader clocked 4.5 million TL trading volume by selling, buying and selling again in a large-capitalisation bank share in a span of 10 minutes from two houses. This trading activity constituted approximately 9 % of the bank's trading volume on that day. He traded in anticipation of several up tick moves but later explained to me that due to deterioration in the momentum in the US futures market, the local momentum reversed and made him close the position with an approximate 10,000 TL loss.

The other momentum trader calls himself a 'flow-trader' but his presence in the ISE as a DRI is much more significant than the middleman. The flow-trader can generate around 5 % of the annual ISE trading volume (Interview, 24 June 2009). This is possible by not only trading according to momentum in large-capitalisation shares but also generating that momentum by his significant economic and social capital in the IRS and FII scenes. The latter stretches to end-clients and global brokers based in London as well as the IRS departments with whom he closely works for trade execution. In that respect, he, alongside several other retail investor figures, is also very active in the OTC options and equity market for ISE shares in London. He acts as counterparty in large share options and block-trades (above interview; Interview, interbank broker, London, 21 February 2009). One peculiar thing about the flow-trader is that he alleges that he does not use off-shore funds unlike "moustached foreigners". Moreover, he makes sure that he is not involved with trading groups and controversial large-capitalisation and middle-capitalisation shares where many of my DRI and IRS informants believe company bosses collude with domestic speculators to control share prices.<sup>47</sup>

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<sup>47</sup> Some of my informants who were involved with the domestic speculator scene claimed that the flow-trader used to be a part of a larger trading group run by a prominent domestic speculator, and/or

During these two interviews I got the impression that both interviewees wanted to distance themselves from the historical and problematic speculator figures and their on-going practices in the ISE. According to my informants and some accounts in the national media, some of these old figures are said to have retired from the ISE and been replaced by new domestic speculator figures after the 2001 financial meltdown. On the other hand, contrary to the claims that some old figures have retired from the market, a senior female broker in House C, who has served a few domestic speculators in her 17 years career in various local brokerage houses, makes the following remark: ‘these speculators are still here because they know nothing but the market. If they have managed to succeed in something else, they still cannot help but return to the market’ (Informal discussion, 15 August, 2008). According to my informants and news and rumours on national media and popular bourse forums, the new figures excluding the large-capitalisation momentum traders seem to fall into the second type of domestic speculator category and even in the “problematic” sub-type category rather than generating and benefiting trading momentum in large-capitalisation shares.

All in all, it can be said that in the post 2001 period, the domestic speculator figure is still an important force in the ISE field by their volume generating and market moving capacities thanks to their economic, cultural and social capital that is apt for this role. However, due to the aforementioned new rationality based on the “globalised” ISE field, a great number of DRIs and their intermediaries do not actually try to follow what the enigmatic domestic speculator figure is up to. As shall be substantiated in the evidence chapters, during my indirect observation of the most privileged DRIs in all four houses, namely those investors with significant economic capital and who wanted to engage in relatively short-term trading, there was hardly any talk about domestic speculators among the dealers and such privileged investors. The discussions were centred on data/information flows from the global economy and markets as well as Turkish economy and politics. The exception to this was only observed in House A branch which was a den of what I call “abandoned DRIs” and “problematic” type domestic speculators.

What I mean by abandoned DRIs are those investors who have social capital in scenes where “problematic” domestic speculators are quite active. By doing relationship work via sharing tips and private information about intentions and exposures, these investors try to benefit

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how revenues for this group were generated by front-running and so on. There was polyphony of stories about this figure but one thing is for sure, he has a formidable presence in trading volume generation in the ISE.

from rather guided moves in shares. The reason for the term ‘abandoned’ is that in all the four brokerage houses I observed, and during the interviews with domestic sales managers from other brokerage houses, there was some sort of contempt towards this type of DRI by managers and dealers alike due to the fact that these investors had strong convictions about certain shares and the ISE itself as informed by their social and cultural capital valuable in abandoned DRI circles. This would generally lead to significant returns or losses which depended on where these investors would join the “game” orchestrated by domestic speculators.

From a brokerage house perspective, these were relatively dangerous games and would lead to being stuck in certain shares and diminishing commission fee returns for brokerage houses. After all, brokerage houses strived to protect economic capital of their DRIs to ensure that they generated sustainable commission fees from clients’ trading activity. It was important for the brokerage houses I observed and those domestic sales managers I interviewed to create, sustain, and apply a certain cognitive schema that was not based on whims of some enigmatic figures. A more sustainable and healthier schema would be based on a more routine and stable and easy-to-predict mechanism that was based on dynamics of global and national economies, markets, and politics. Scopic market screens had made this possible by representing a multitude of symbols and narratives about these elements and encouraging market actors to make sense of these in a narrative mode. Moreover, thanks to the popular demand for different sense-making products such as analyst reports and commentary about markets, economy and politics by market professionals, the distinction between simple datum and higher datum as made by Sassen (2005) seemed to be blurred in the ISE field. This blurring between the simple and higher data had also been possible by the nature of social capital in DRI scenes as well as the availability of dissemination technologies such as email and scopic markets screens.

### **Social capital and spread of higher datum and dispositions**

According to the annual ACMIT reports on the Turkish capital markets since 2002, the total number of brokerage house staff had never been more than 9,000 in the post 1999 period. Among them investment advisor, dealer, broker numbers were around 6,000. Considering that this group has served around 100,000 to 150,000 active DRIs in the same period, it is not hard to imagine how novel commentaries of professional observers and/or students of the markets and economy might spread very quickly among other market professionals and their

clients and then take on a role of describing “reality” among a large number of investors and thus shape their trading reactions. In this sense, social capital in the DRI scene among market professionals and investors were really conducive to spreading new dispositions, knowledge and objects. As an example for the latter, analyst reports are worth mentioning. These reports once published privately to clients of brokerage houses would start spreading via private email groups and personal networks and sometimes analysts or email senders would complain that they received their own (emailed) report in their e-mail inbox. Although reports would always be sent first to the most valued clients of IRS departments, these then would spread to the different pockets of the ISE not just by private email networks but also via internet portals and even the data platform, the Euroline.<sup>48</sup> At a lower intellectual labour level, it was noted during my observations that the daily market reports of most brokerage houses based on major global and then national news and their chart-based commentaries were passed by the data platforms through their news wires. These public and private dissemination activities for high-end and low-end higher datum actually reinforce the prevalent cognitive schemata in the field, especially among the DRIs. However as Bourdieu (1997) had reminded us ownership of economic or social capital does not ensure the ‘right’ usage of objects which are acquired by individuals. It is doubtful whether most of these IRS analyst reports would trigger trading action among DRIs and domestic speculators with a view to holding shares of a company for a few months until its share price reached its stated target. The average holding period statistics presented in Table I tell otherwise.

A similar situation of overlapping social capitals and easy access to simple and higher data applies to FIIs and IRS departments. As put to me by my informants in House B, C, and D and by interviewees from other IRS departments, global brokers and asset managers in Istanbul and London, end-clients and global brokers would work with multiple local brokers to be able to access the greatest breadth of public and private information and to spread their trading presence over multiple brokerage houses. The latter would ensure access to better execution and helps prevent having a high trading profile in the market at any given time. In this vein, it is hard to talk about an IRS-FII universe where the most active FIIs would not be served by the leading twenty or so IRS departments. However, this close-knit group does not mean that IRS departments could easily make their FII clients adopt a cognitive schema that

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<sup>48</sup> Some internet platforms have the full reports. Other public platforms give a very short executive summary with the recommendation. I did not have the chance to check what type of access is possible on the Euroline platform but this feature is advertised on their website as ‘foreign reports’ and the rationale for putting this feature on the platform is explained as ‘in a market which is 70 % owned by foreigners what can be more important than foreign reports and bulletins...an unprecedented service’ available at [http://www.platodata.com.tr/u\\_euroline\\_tumozellikler.asp](http://www.platodata.com.tr/u_euroline_tumozellikler.asp)

is conducive to short-term trading activity that would blend insider view as explained by Smith (1998) with data/information flows from abroad and Turkey. This is due to two factors as explained below.

Firstly, compared to their IRS colleagues, FIIs both individually and as organisations are equally, if not more, endowed in terms of cultural capital on global financial investment and trading. In that respect, there is not much that IRS personnel can transfer to an FII staff apart from specific objects such as analyst reports and market updates generated by research departments. These objects are designed to be used most effectively according to the institutionalized and career-based cultural capital of FIIs. Secondly, most FIIs invest in other countries alongside Turkey. This gives them a broader perspective on the state of multiple markets and economies as well as the institutionalized responsibility to keep a balanced and routine exposure to different markets. And tied to these factors is the preciousness of their time due to their punishing workload. Therefore, IRS departments are required to speak a much regimented language which is generally composed of comparative company performances within the ISE and across emerging and developed markets, events in the Turkish macro economy and politics that are blended with the global macro outlook, and, if it is about an order, the market colour, namely who is buying or selling how many shares via the house. As put by the head of IRS in House B ‘there is no bullshitting, jabbering or babbling in our job, it is right-to-the-point investment advice based on what our research team say and what our clients demand from us’ (Interview, 17 April 2008). As shall be discussed in the evidence chapters, most sales traders get their research analysts’ brief on a share or the Turkish economy and politics before contacting their clients to prevent any flops on the phone. Moreover, sales traders hardly contradict what their research analysts formally say on the Turkish companies, economy and politics.

It is without doubt that FIIs, with some exceptions as shall be discussed later, have a more categorically-informed and bureaucratized approach to investment compared to DRIs and their intermediaries. When coupled with their unquestionable dominance in share ownership in the ISE, at least according to the official statistics (but we must not forget the moustached foreigners), this leads to a widespread belittlement of domestic speculators and DRIs by my IRS informants. The belittlement usually focuses on the DRIs’ ostensible opportunism and penchant for short-term trading, which IRS personnel believe is futile and, worse, detrimental to DRIs’ economic capital and at times to the trading performance of IRS departments due to front-running attempts by day-traders. More specifically, IRS personnel



who do not have any contact with a domestic speculator figure rule out any sphere of domestic speculators' influence where FIIs have dominance in terms of share ownership and to some extent trading volume generation: 'In big index shares, the domestics cannot enter there, there the majority of shares belong to the foreigners, 90%, 95 %. If you try to get in there, you will become the grass on which giants wrestle' (Interview, head of institutional sales, House B, 17 April 2008). Compare this with what the flow trader has to say about IRS personnel who share the above view:

Trader: Those guys saying this in those IRS departments, either they don't know who I am or they don't know anything about the house they are working for. In Garanti Bank, today on average, I do half of the trading volume there

Tarim: (laughs) I see!

Trader: If not Garanti, then where, this is the most liquid share in the ISE, and I do 5 % of the whole ISE trading, and besides, all my trades are in the ISE 10, they are beyond liquid, mine is flow trading, I think having flow traders like me is an advantage for foreigners, because foreigners, they do one way ticket trades, and we by buying and selling make them move more freely, and that is also the case in the world [markets].

A more balanced view can actually be found among IRS personnel who are in contact with and sometimes serve domestic speculators mainly in order execution, and among those domestic sales managers who serve them in a comprehensive manner. The consensus view among these figures is that domestic speculators have a strong combination of economic, social, and cultural capital to be able to operate effectively as momentum traders in large-capitalisation shares and like informal market-makers in middle-capitalisation and small-capitalisation shares for a longer period of time. However when it comes to the movement of the ISE index, no one, but especially the ordinary DRIs who are active in the ISE field via brokerage houses' comprehensive services, seem to give any credit or thought to individual domestic speculator names and their whims.

### **The shifting symbolic capital and the stance of regulators on liquidity**

The above discussion about DRIs' and FIIs' and their respective intermediaries' perception about domestic speculators can be seen as a general manifestation of changing dynamics in attribution of symbolic capital in the ISE. As far as the DRIs and their intermediaries are concerned, new breeds of domestic speculators are effective in middle-capitalisation and small-capitalisation shares with a dozen or so exceptions that seemed to be venturing into large-capitalisation shares. For those abandoned DRIs that I observed directly or read about via online discussion platforms, domestic speculators who are effective in middle-capitalisation and small-capitalisation shares are like schizophrenics who are capable of

playing the angel and the villain in the market. The emphasis here is that these speculators have the ability to move the share price and make many abandoned DRIs happy or depressed depending on at which point the abandoned DRI joins the game. When it comes to large-capitalisation shares, the language of the dominated figures changes into one of an uncertainty and the unknown figure of “they” that might be holding the index, a specific share, buying or selling consistently and so on and so forth. “They” is a figure that may refer to speculators, hedge funds, pension funds, proprietary traders and company bosses. Because the volumes involved in large-capitalisation trade are so great (blocks of millions bought and sold in seconds), sometimes even the day-trading brokers seem not to be able to make sense of the game, let alone participate in it (as noted during House C morning meetings).

In this vein, the predictable and routine games of domestic speculators in the 1990s in large-capitalisation shares are a relic of the past. For the former dealer of Ilhami Suaydin, the loss of legitimate competence on the part of domestic speculators was possible because ‘the state decided that Turks could not manage this bourse business. It was that conviction that “the foreigners know better and they should control the market” which led to the cleansing of these people [speculators]. We have this mentality everywhere now after the crisis’. In general, it can be argued that in the new millennium the regulatory bodies such as the CMB and the ISE have increased their regulator clout in the ISE. One great example of this is the establishment of an intermediary organisations body, the ACMIT and the introduction of licence examinations to regulate individuals’ entry into the intermediation field. Although the ACMIT is an interest-seeking organisation on behalf of its members, it does have regulatory power over its individual members as well as employees in the sector.

Another good example of increasing regulatory clout is the increasing number of speedy bans handed to problematic domestic speculators who have made it a habit to create artificial price movements in relatively illiquid shares. On the other hand, these regulatory bodies seem to be more lenient towards domestic speculators who do not resort to very explicit price manipulation. In the summer of 2008 when I re-visited the ISE headquarters, I pressed a surveillance officer and the general manager of the Surveillance Department on whether they were lenient towards volume generating and speculating DRIs (Informal discussion\*, 29 August 2008). The impression I got from them was that they actually did not follow individuals’ trading activities. It was more about observing share trading and noticing abnormal volume and price movements and whether there is an unwarranted financial gain (the officer). The general manager of Surveillance added the following about the dilemma

the ISE faces:

There is a dilemma here in the ISE; you want to give the impression that the ISE is one of the most liquid markets among the Emerging Markets, maybe the third or the second. That is okay, but then you ask us to crack down on people who provide most of the trading volume that you boast of. This is a dilemma.

In fact this quotation refers to several facts. To begin with, the surveillance in the ISE is fragmented. The ISE and the CMB do not work in tandem. They have their respective surveillance teams and this may lead to ISE team's reports being ignored by the CMB which has the ultimate authority on starting a formal investigation. In fact it was only in January 2010, the CMB established its own real-time surveillance team in Istanbul to be more hands-on in manipulation cases and directly intervene during the trading session. This move comes 25 years after the establishment of the ISE (*Radikal*, 18 February 2010). The second fact is that there might be a higher political will over the bureaucrats of the ISE and CMB to make the ISE a liquid market and this would conflict with the aim of constant vigilance over what individual traders and organisations are up to. It is not unknown for the CMB and the ISE to warn brokerage houses and individual traders if they seem to be in breach of the rules and regulations before these regulators take a formal action against them.

The assistant general manager of the stock market department in the ISE (informal discussion\*, 11 September 2008) told me that, compared to the past, his department writes less number of reports on suspected manipulations. On the other hand, my informants in the surveillance department did refrain from giving a figure of report numbers which might reveal the fact that most of them were ignored by the CMB. When I met a disgruntled ISE staff from one of these departments back in December 2009 in London, he told me that it was the CMB which ignored many of the cases reported by the ISE. The assistant general manager of the stock market department said the following which captures the management strategy of the ISE, the CMB, and the ACMIT when it comes to solving these manipulation problems:

Banning these people or banning trading won't be the solution. The solution and our aim are to increase volume, depth and investor-base in the ISE so that these guys won't be as free as they used to be... with a bureaucratic mind things won't be solved, otherwise we would have to stop trading in the ISE long time before [smiles].

Despite the public image associated with domestic speculators, it can therefore be argued that in practical terms, the regulatory organisations accept the reality of domestic speculators but refrain from any statement/action that might imply attribution of any legitimate competence to domestic speculators such as establishing a formal market making mechanism

and invite brokerage houses and individual traders to bid for this role. The new head of the CMB stated that the amount of trading volume which was subject to manipulation cases were ‘only 1 or 2 % of the volume. But the perception is that it affects 60% or 70 % of the trading volume. But even this has created a mistrust of markets among the investor masses’ (*Sabah*, 3 June 2009 quoted in Tarim 2009, 5.35). This can be seen as an indirect admission that the CMB or the ISE do not see most of the domestic speculator activity as problematic as the bulk of the trading volume is generated by these figures.

### **Challenges to the new incumbent of the symbolic capital: Are foreigners crooks?**

The dominance of FIIs in share ownership and their direct presence in Istanbul in the form of Istanbul branches of global investment banks make the FIIs a not-so-distant investor type in the ISE. Their activities and intentions can be indirectly followed via scopic market screens’ variety of representation, classification and monitoring tools such as FII ownership ratio, ‘money entry-exit’, headline news about their analyst reports so on and so forth. It is also well-known in DRI circles, thanks to publicly available statistics compiled by the ACMIT and their popularisation by the national media with sensationalist stories, that FIIs are unlike them and foreigners are here for the long-run and they act on fundamentals of the Turkish economy and companies. Despite this perception, the very same scopic market screen tools, which are used to monitor FII activity, when combined with narrative imagination often lead to different interpretations of FII activity by DRIs and their intermediaries. Although proprietary trader and hedge fund trading activity often cause significant short-term changes in the ISE index as was frequently observed between 2006 and 2008 until the Lehman Brother’s collapse and the global financial meltdown,<sup>49</sup> the challenges by DRIs and local media pundits to the new incumbent of the symbolic capital has a more sinister side about the FIIs’ activity, that they manipulate the market by insider information and swaying the price of shares at the expense of DRIs (Tarim, 2009 and Tarim, 2011a look at specific accusations as such). Any seemingly untoward event that seems to be associated with FIIs as observed before scopic screens and/or learnt from the media has therefore a great potential to stir strong anti-foreigner emotions among DRIs and their intermediaries. This is mixed with a nationalist sentiment that the Turkish establishment in all realms of politics including the

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<sup>49</sup> These activities involved a dozen very well-known proprietary traders and hedge fund managers from London who would move large-capitalisation shares and hence the ISE 100 index. This increased trading activity was also reflected in the increased FIIs’ share in the ISE trading volume in 2007 and 2008. Some IRS traders and the flow-trader reminisced that period as the time when foreigners acted like domestic speculators who were active in large-capitalisation shares!

financial markets as well as your average Turkish person in the street give an unwarranted credit to everything that is (done by) foreigners (Informal discussion, head of domestic sales, House A, 3 September 2008).

Coupled with the differential treatment by the legislators and regulators to DRIs and FIIs such as the taxation regime based on investor type and lack of surveillance on short-selling by FIIs<sup>50</sup>, the daily observation of scopic screens, which is partly dominated by what other brokerage houses do in the ISE, invariably leads to occasional resentment against those brokerage houses which are believed to represent the foreigner figures. This is especially the case if investment advisor/dealer and/or his/her DRI client are interested in day-trading in ISE futures contracts in the VOB and/or day-trading or taking short-term positions in the equity market. Both of these activities are often subject to significant intra-day and inter-day volatility. On the other hand, during my observations in the four houses, I frequently heard the existence of foreigners in a share, as confirmed by settlement and trading figures, as a seal of approval for investing in that particular share or for selling it if selling was the intention, as would be “approved” by foreigners’ sellings and/or negative analyst reports by global brokers.

The specific accusations directed to FIIs as discussed in Tarim (2009 and 2011a) seem to be repeated in DRI circles and the media whenever a similar untoward situation is observed on scopic screens. Against these, the CMB, the ISE and the ACMIT as regulatory organisations usually respond by hinting at FIIs’ (legitimate) competence in generating timely and accurate research outputs, and how FIIs are internally well-governed by their high level of institutionalization and division of labour, and how they are externally well-regulated within their home countries and in Turkey. Despite these public endorsements of the symbolic capital of FIIs, the regulators would not refrain from investigating high profile manipulation accusations toward FIIs or those untoward situations they themselves notice. However, so far such investigations have only led to one temporary ban handed to a hedge fund based in London. Against these popular accusations, FIIs and IRS staff have always kept their silence.

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<sup>50</sup> Short-selling in the ISE is subject to up-tick rule and formal identification of the order as short-selling in the remote access system. On the ISE trading floor this is done by pushing the short-sell button on the broker keyboard. Naked short-selling is banned and brokerage houses are given the responsibility of ensuring that their clients have borrowed the shares or have the necessary collateral in their accounts. This rule virtually does not apply to FIIs as IRS-FII relationship is based on the notion of ‘line’ i.e. a certain quota of trading volume given to each FII client by the IRS based on clients’ economic and reputational capital. No IRS trader can ask their client whether it is a short-sell when a sell order comes. This is out of question.

## Summary

In this chapter, I have attempted to demonstrate that the field of ISE exhibit conflict and competition among different investor and intermediation groups. These investor and intermediary groups have taken different positions in the field. Some of these positions such as those of DRIs and their intermediaries reflect their histories in the ISE since the late 1980s. In this respect, I think the most significant case of position-taking and habitus formation in the field happened among DRIs; domestic speculators; and DRI-only brokers. These groups have had shaped the field by their distinct investment and intermediation practices that reflected the opportunities and challenges they faced in the field. Some of these challenges and opportunities were created by games in the meta-field such as the coupon-pool capitalism and the haphazard and top-down approaches of politicians and bureaucrats to the ISE. These meta-field challenges shaped DRIs dispositions. Some other challenges were actually DRIs' and their brokers' own-making such as unscrupulous custody practices and the desire to make a lot of money in very short-time periods, which often led to the loss of significant amounts of economic capital and prevented the formation of a cultural capital that appreciated long-term investments.

In the early 1990s, two new groups of investors entered the field, namely the FIIs and the DIIs, as potential competitors against the DRIs. The DIIs had to learn and co-found the asset management business in Turkey with the regulators. Once established towards the mid 1990s, DIIs actually had the chance to attract DRIs by offering them a more reliable and long-term asset management service but this failed to materialize probably due to already ingrained short-termist and opportunistic disposition of DRIs as well as the nature of the mutual fund products that were allowed by the CMB. The FIIs, on the other hand, entered the ISE with their dispositions and strong types of capital formed in the global finance system. Thanks to these, they benefited from spectacular returns in the ISE and from Turkey's cheapness and promising long-term prospects as an emerging market. FIIs were in fact competitors against DRIs in the sense that the latter were sellers of equity assets to the former for short-term profits. The question was, in the long-run who was making the right decision by engaging in this transaction? In the second half of the 1990s, proprietary traders also entered the market and brought a novelty to the market, namely very short-term fund entries and exits from London and other global financial hubs.

The 2000/1 crisis created a disjunction in the field of ISE and in the meta-field of economy

and politics in Turkey. For some observers, the IMF programme that preceded the crisis had failed because of the loss of the confidence of international creditors in Turkey's commitment to structural economic change. To prevent this loss of confidence happening again, the new political will imposed one of the most significant changes in Turkish economy in the recent decades which was followed by the transformation in the political scene. The supporting power behind this political will was the global finance capital and its representative organisations such as the IMF and the World Bank. This structural transformation had brought more FIIs to the ISE and they had become the dominant power in terms of share ownership and appropriation and holding of the symbolic capital in the ISE. In the 1990s, FIIs were urged make timely entries and exits and somehow took a similar disposition to that of DRIs in the face of occasional stock market rallies and crashes. However, in the new millennium FIIs had gradually amassed a larger proportion of shares and portfolio values in the ISE, kept their portfolios intact for more than five months per year, and did not exit Turkey even during the worst global financial crisis of the last 50 years, if not the century. Some FIIs actually hold their equity portfolios relatively unchanged for several years and earn the nickname 'custody company' by some of my IRS informants. On a related note, it had usually been the FIIs who have had a more cool-headed approach to the Turkish politics and economy compared to that of DRIs thanks to their cultural and social capital in the global finance field and their exposure to multiple countries and assets (see the JDP closure case as an example in Chapter 10). Turkey, for them, is not the biggest deal!

Whilst the position taken by the FIIs is this, the DRIs and domestic speculators in particular had decreased their share ownership in the ISE and continued their short-termist and opportunist investment disposition formed in the 1990s with a slight increase in their portfolio holding periods up until the year 2009. In fact, the biggest difference in the general DRI disposition between the 1990s and the 2000s is probably the aforementioned cognitive change in their cultural capital thanks to the introduction of new observation and sense-making technologies and re-entry of FIIs to the ISE with a new mode of presence. DRIs had therefore gradually turned their attention to what goes on in global financial markets and they would make these global events effective on their sense-making narratives and their investment activities in the ISE. Ironically, this modification in DRIs' dispositions and the subsequent cognitive activities is usually justified by the dominant presence of FIIs and the consequent "globalisation" of the ISE. However, the FIIs' dominant presence in the ISE often invokes distrust and irritation among DRIs and their intermediaries when it is coupled with a narrative imagination about FIIs' specific investment and trading activities. In the

following chapters, I first contextualize the observation sites according to their capital types and positions in the ISE field. Following that, I present the evidence chapters on sense-making activities of DRIs, DIIs, and FIIs as gathered through my field observations in 2008 and 2009. As stated before, I treat these sense-making narratives as products of different types of capital and specific habituses and positions owners of these capital types occupied in the field of ISE in 2008 and 2009.



## CHAPTER 5 CONTEXTUALIZING THE OBSERVATION SITES IN THE ISE

In this brief chapter, I first present the following table drawing on my theoretical and empirical discussion about the ISE as a field in the previous chapters. Table III has various forms of capital, namely economic, social and cultural, which each brokerage house and its different departments and employees enjoy as individuals and as an organisation. In economic/material capital, I include the houses' equity size, loan facilities to help client trading, and other material sources that enable the house to function as a comprehensive and highly institutionalized broker. In social capital, I look at a range of investor types that the brokerage houses serve, and then state whether employees are in a relationship with investors and other market actors that may provide them with epistemic and material resources. In cultural capital, I comment on the investment culture that prevails in the house and shapes the organisational arrangements to cater to this culture. I then provide a short commentary on where these capital sources place these houses in the ISE field by discussing the number of similar houses.

**Table III: Capital Sources of Brokerage Houses**

<b>House A</b>
Economic/material
Despite being categorised by the general manager as a boutique brokerage house, House A has a solid equity base (8 million TL)-supported by a parent bank with loan facilities provided by the bank based on investors' assets and risk profile, a well-functioning scopic market system in the headquarters and branches, a sophisticated division of labour among the 77 employees, and the operational risks are well-managed. In terms of salaries given to its employees, the junior dealers in the headquarters and branches receive relatively low salaries between 1,000 to 2,000TL per month. More senior dealers can get around 3,000 to 4,000 TL which is still relatively low considering their seniority. It should be said that there are lower salaries in the sector than the salary levels mentioned here. For instance the assistant researcher in House A got something around 800 TL and one junior dealer told me that his salary in the previous house (one of the biggest, conglomerate-owned, DRI-only house) was 20 % less than what he got in House A. House A is located in one of the most upmarket areas in Istanbul where there are shops of global designers and very expensive dwellings. Yet most employees of House A can neither afford living there nor going to lunch in one of the “uber-cool” restaurants apart from a couple of senior managers and lucky dealers who have good personal connections with high-net-worth investors! This area is also home to Istanbul research and trading offices of hedge funds and long-only funds.

Social Capital
<p>The social capital of House A consists only of the DRIs. Among them there are a dozen or so high net worth individuals who are well-known around domestic pockets of the ISE. The remaining clients are highly speculative, short-term investors in the ISE and the VOB. It is not unknown for new professionals to be employed by House A due to their client portfolios. The management is informally well-connected with similar houses, and the ISE. The research departments' connections with quoted companies in the ISE are very limited compared with those of a proper IRS department. There is a high media profile of its strategist thanks to his regular appearances on TV and finance portals featuring his commentary. The strategist also gives market commentary to Reuters, Turkey.</p>
Cultural Capital
<p>House A is truly a world of domestic retail investors, short-term investment and opportunistic traders. There is a wealth of knowledge in House A about the ISE's internal dynamics in terms of trading. In the VIP room, domestic clients' whims coupled with manager pressure (concerns about speed of informing client and executing their orders) occasionally overwhelm dealers. Fundamental investment research is subordinated to this investment culture. The management is concerned with the sustainability of the brokerage sector and the figure of the DRI, but as an organisation House A is very viable thanks to its VIP clients in the headquarters and branches. All in all, it is business as usual in House A in terms of cognition and investment activities. There is no attempt to teach clients the "benefits" of long-term investment or change their short-termist cognitive schema.</p>
<b>House B</b>
Economic/material
<p>House B has a solid equity base (11 million TL) which is supported by a parent conglomerate that has operations in multiple business areas and is a patron of arts in Turkey. The loan facilities of House B is relatively limited by choice as its DRI base is sustainable via higher commission fees, and because the House is generally conservative in its approach to intermediation. There is a well-functioning scopic market system (one of the co-creators of the ISE scopic market systems was the IT department of House B). There is a sophisticated division of labour among 166 employees, and the operational risks are very well-managed. The salaries of investment advisors in domestic sales start from 2,500 to 3,000 TL per month and may go up to 5,000 TL when bonuses are included. The IRS salaries should not be less than 5,000 TL as a starter. The house is located in the Levent</p>

<p>business district, which is flanked by two contrasting residential areas. To the east an upmarket residential area stretching down to the Bosphorus, and to the west, a concrete jungle of buildings without proper title deeds. The high rise which homes House B and the AMC have a nice and affordable restaurant, and like House A, House B employees get lunch tickets. For lunch, some employees like to go to 'uber-cool' shopping centres in Levent which are also home to some of the global brokers in their business towers.</p>
<p>Social Capital</p>
<p>The investor base of House B is formed of DRIs and FIIs. There is a strict policy of not working with high risk and high net worth individuals acting as domestic speculators. The management is not very well- connected with houses similar to House B (conglomerate owned) -- though some senior staff has considerable knowledge about the historical development of the ISE's brokerage sector. There are formal and unproblematic relations with the ISE. The research department is a comprehensive one serving foreign and domestic institutional clients including the AMC, and it is well-connected to 70 plus covered companies. There are occasional media appearances by the head of the house. The investment advisors provide commentaries to CNBC-e on a daily basis just before ISE's afternoon session starts (it is a form of free advertising as far as House B is concerned).</p>
<p>Cultural Capital</p>
<p>There is a rather sanitized investment and organisational culture that attempts to restrain investor excesses in the domestic side and attempts to teach them about "rational" activity of investing. This is despite some investment advisors having long-term clients who were quite experienced in short-term investment and trading. The head of institutional sales is known for his no-nonsense approach to business with foreigners - hence I was not allowed in their department 'due to risks posed by a researcher' (this reasoning was mocked by his former colleagues in House D). There is a wealth of well-educated employee profiles (MBAs from Turkey and abroad). For most of the employees including investment advisors for DRIs, their job is routine, and not highly subject to individual whims coming from clients and superiors.</p>
<p><b>House C</b></p>
<p>Economic/material</p>
<p>House C is a boutique and privately-owned brokerage house which has a small equity base (2.5 Million TL). The loan facilities are very limited due to this and its relatively small client base. Despite this there is a well-functioning scopic market system but an unsophisticated division of</p>

labour among 30 plus employees. The operational risks are therefore not very well-managed due to the small size of the relevant departments, and the profit-oriented and seamless service oriented approach in order not to drive away existing clients. The two veteran IRS traders probably earn around 15,000 to 30,000 TL per month based on the amount of commission fee they generate. In domestic sales, senior dealers receive around 2,500 to 4,000 TL depending on their experience and potential to generate fees. There are also “gomlekci” dealers who probably do get a small salary which is increased significantly by commission rebates. The House is located in one of the many skyscrapers in the new business district of Maslak. This area used to be a sparsely populated village on the outskirts of Istanbul, and even now you can see in-between the skyscrapers a small cottage and a barn, owned by a recalcitrant and probably illegal occupier. Interestingly some of the high rises have failed to meet with building regulations and are therefore empty. The lunch issue is solved either in restaurants or snack houses scattered around this burgeoning business district or by going to the “uber cool” shopping centres around Maslak where one can also run into ISE employees (who are some of the best paid civil servants in Turkey!). Sometimes IRS traders like to nip down to the Bosphorus to have a lunch by the sea.

#### Social Capital

House C is a tale of two different worlds. On the one hand, there are day traders-cum-brokers or dealers who have experienced the ISE in the 1990s, domestic investors as friends and contacts of employees of the house, and some high net worth individuals. On the other hand, there is a small institutional sales team serving FIIs but mostly via trade execution. They are supported by a small research team that is publishing proper (format-wise) analyst reports in English that can be sent to FIIs. The institutional sales team is similarly reliant on personal contacts among FIIs investing in Turkey (the two veterans of the business had revived the department since they started in House C in early 2008). Beside these market-based social networks, the head of House C is well-connected in Ankara, the capital city. There are occasional media appearances by the head of research, and the head of domestic sales. The research department gives commentary to Reuters, Bloomberg and the local media

#### Cultural Capital

The domestic sales side is very much embedded in the above mentioned culture in House A, but without a wide client base. Some of the House C employees who day-trade churn out significant trading volumes. Their opportunism is so that sometimes they front-run House C's orders coming from FIIs. The investment culture in the IRS department is based on research team's analyst calls and the sales traders' ad hoc calls on general index trends and in anticipation of important events. The head of the house and the head of research have CFAs but their main concern as co-owners of the house is to sustain it and keep it out of the red, not necessarily providing the best

comprehensive research service to foreigners unlike House B and House D.
<b>House D</b>
Economic/Material
House D has a very solid capital base (13 Million TL). It is owned by a national bank (recently sold to a European bank). There are extensive loan facilities provided by the bank to House D's clients in accordance with risk assessment of clients by House D's different departments. There is a well-functioning scopic market system and a very sophisticated division of labour among its 117 employees. The operational risks are well-managed. The starting salaries for investment advisors in the domestic sales are around 3,000 TL which goes up to 5,000 TL or more depending on seniority and fee generation potential. The IRS salaries probably start at 8,000 TL in contrast to the senior IRS broker who earns around 4,500 TL. The house is also in Maslak, several hundred meters away from House C. Similar conditions apply to dining.
Social Capital
House D is similar to House B but it is bigger in size in terms of the client base. Moreover, the domestic sales department is managed by a veteran of the ISE equity trading who has a large network of contacts among the high net worth investors and the senior and junior managers in the domestic sales departments. House D's domestic sales team work with high risk and high net worth individuals but on the house's terms and conditions. That is why some very high profile domestic speculators stopped working with the House. Like House B, there is no great need on the part of House D to find new clients or to employ market professionals because of their client portfolio. Based on these observations, one can say that House D is a well-institutionalized house in the ISE field thanks to the parent bank and its large banking client base. Despite these institutional strengths, House D has a low media profile. One consistent observation about the institutional sales was that they were partially showing order flows coming from FIIs to other FIIs and DIIs. Because the client base of the IRS department was large, this private information was used to attract other tickets (orders). This was occasionally done in House C's IRS department but their client base was smaller than House D. I could not get any information on this from House B but it is highly probable that they do practice this information sharing with their FII clients. Such a practice of giving "market colour" would not be acceptable in domestic sales departments unless it was demanded by a very privileged client (a domestic speculator) who wanted to go beyond the data/information available on the scopic screens.
Cultural Capital
Domestic sales department exhibits a wide range of investor profiles including career speculators,

experienced short-term investors, and investors who do not have much experience and knowledge in the ISE trading. The VIP dealing room culture reflects these variations. The institutional sales team work in tandem with the research team (like in House B and House C). The IRS department's culture is very much in tune with the global echelons of institutional intermediation and investments. Most of the employees of IRS have experience working and/or studying abroad, or they are graduates of top Turkish universities. Employees in both the domestic sales and the IRS departments, like those of House B, fulfil their highly routinised tasks. There is therefore no constant pressure on them by their managers or clients.

### **Asset Management Company**

#### Economic/Material

The AMC is owned by House B's parent company. In this regard, the AMC has a solid economic power behind it. Yet, fund management companies hardly ever trade on borrowed funds despite the CMB regulation allowing it. Otherwise, in terms of scopic market screens and other monitoring devices (including the operations department personnel who measure the fund managers' performance with the help of software) all relevant market devices are firmly in use. The approximate number of employees is 15. Similar to more senior IRS personnel, the salaries for fund managers hover around six figures per annum and they are given expensive company cars, similar to cars given to all the managers in the houses I observed (the male veteran trader in House C, Br used to ride an expensive Harley Davidson motorbike for his daily commute to work but insisted that the company lease him a Mercedes C class car during my stay there, which of course was to be paid for by House C. The monthly rate for this car could almost pay the monthly salaries of two junior dealers in House A, and the car was definitely several times more expensive than House A's domestic sales manager's compact company car!).

#### Social Capital

There are five fund managers who each have around 15 years of experience in fund management industry in brokerage houses or asset management companies. They thus have a few contacts in top asset management companies and IRS departments in local and global brokers. On the retail and institutional investor front as the AMC's clients, the company can be seen as a mid-size asset management company among 23 such companies in Turkey. The AMC has a global insurance company as a corporate client, and 180 high net worth retail investors. Apart from these, the company manages six fund products designed by the general manager of House B and the fund managers, and issued by House B. However, like many other fund products available in Turkey, most of AMC's equity and fixed-income fund products are undersubscribed (very small client base of several thousands).

## Cultural Capital

Both fixed-income and equity-fund managers are well-versed in paradigmatic knowledge on finance not to mention their exposure to the field since the early 1990s which is the source of their vernacular knowledge on the ISE. Despite this, one can speak of two distinct dispositions among the managers. The fixed-income managers have more faith in basic macro-economic facts and take positions accordingly whereas equity managers incorporate their vernacular knowledge into the management of their tightly regulated fund products. One can therefore speak of macro-oriented and market and investor sentiment-oriented managements styles. Despite this, the equity-fund managers rarely invest outside the ISE 100 shares, an area which is seen by them and many IRS department personnel as “problematic”.

It is not an easy task to pigeon-hole each of these organisations into ISE-wide categories of intermediation bearing in mind the notions of field and position-taking. This is mainly because a single factor such as the ownership structure or the equity-base of a house does not determine its dispositions in investment culture. For instance, House B is one of approximately 25 brokerage houses owned by non-financial conglomerates, and one of only three or four houses which work as a one-stop shop brokerage house that is able to serve FIIs. House A, on the other hand, can be seen as one of 20 or so national bank-owned, extensive branch network houses with a good degree of institutionalisation and risk-management. However it is hard to put House D in this group because none of these 20 bank-owned brokerage houses have any IRS departments. In this respect House D can be seen among the six national-bank owned one-stop shop houses in the ISE. Despite the different ownership structures and levels of division of labour, House A and House D’s domestic sales scenes resemble that of House C- a boutique owned, small brokerage house, but with a greater volume of business with each investor type.

If House C is to be categorized as an independently owned boutique brokerage house, there are around 25 such houses. However none of these houses have any IRS departments, but like House C they rely on day-traders, “gomlekci” day-traders, and if possible domestic speculators as well as a limited number of DRIs who like to play “jump on the rally wait for the rebound game”.<sup>51</sup> In this respect, House C is an exception to this category due to its IRS department. But at a general level, House C is similar to all other groups of houses in the ISE

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<sup>51</sup> Domestic speculators use brokerage houses like House C as trading legs. They do so by working with some bank-owned and conglomerate-owned houses which can offer them loan facilities with preferential interest rates.

thanks to the general dispositions of its different DRI types. House B on the other hand can be seen an exception in the non-financial conglomerate group. This stems from the fact that House B is probably the most conservative in the ISE intermediation field in terms of its decision not to work with domestic speculators and due to its culture of teaching and restraining clients with stories that are not only based on chart analysis and what happens in the boards and abroad! Only houses with a strong research department capable of serving FIIs and/or producing company reports that use universal valuation models have the cultural capital-basis for such a service for DRIs. There are around 20 houses which have IRS departments that serve FIIs (excluding the 10 or so FII-only brokerage houses) and 10 or so DRI-only houses within the bank-owned or conglomerate-owned category that have proper research departments. Also House B is probably the largest house in terms of staff numbers despite having four branches outside Istanbul and a small DRI base. Within this conglomerate-owned house group, like the bank-owned brokerage house group, there are some brokerage houses which are well-known as the most important legs for domestic speculators (both for trading and loan facilities) or worse as hotbeds of “problematic people”.

At the top of these pockets at least in terms of symbolic capital rest the 10 or so global and European investment banks and their local branches in Istanbul which claim to serve FIIs only. Although these classifications are not 100 % accurate, especially for those houses that I did not observe or visited for interviews, they reflect the knowledge I accumulated by my field observations, interviews and informal discussions, as well as from publicly available information. In the following chapters, I provide descriptive story tables and story examples from the four houses and the AMC to exemplify how momentary sense-making stories actually work via emplotment of events and actions observed on the scopic market screens. Because momentary sense-making stories are terse and usually invoke cognitive schemata and vernacular knowledge that are shaped by past market experiences, I attempt to link my semiotic discussion of stories to the types of capital each house and individual story-teller possesses and to habitus and positions they have in the field of ISE.



## CHAPTER 6 HOUSE A

In fourteen full days of *in situ* observation in February and March 2008, I collected 386 stories from House A. The first nine days of the observation happened in the so-called VIP dealing room in which six resident investment advisors plus a strategist, the head of research, a treasurer (trading bonds for the fixed-income and liquid funds of the house), and a research assistant constantly observed markets, gave advice to clients, and executed their orders. The trading room was open plan and everybody could see and hear each other. The managers and corporate finance analysts' rooms were partitioned from the trading floor by glass panels but doors were open for verbal exchange with the exception of the general manager's door. The operations section was on the other wing of the House connected to the dealing floor by a long corridor. Each dealer served around five to ten clients whom the head of domestic sales Mr B called high net worth individuals. Some of these investors were actually "moustached foreigners" who used House A as a trading leg. What made clients VIP and high net worth was not just the capital each client allocated to equity or futures trading but also the trading volumes they clocked over a month. Thus, a client with as little capital as 30,000 TL could churn out tens of millions of TLs in aggregate trading volume, especially in the VOB's ISE 30 futures contract.

VIP clients could therefore be seen as domestic speculators or dedicated day-traders who committed significant amount of one or more of the following resources to trading in the ISE spot and the VOB: time, capital, and energy. In this respect, they were relatively informed about the vernacular "science" of being a retail day trader. Most of them had a data/information screen in their homes or offices. They used most of the epistemic tools investment advisors used available on their market screens such as chart analysis, settlement records, reading basic fundamental data about companies, news wires, and so on. Their relationship with the dealer therefore was dependent on the breadth and depth of their vernacular skills and knowledge about trading in the ISE, and time and energy committed to trading. For instance, some of the clients ran other businesses, so they attended to markets intermittently whereas others observed and traded in the ISE markets all day as a full time job. Moreover, it should be noted that most of the VIP clients had accounts in other houses, which gave them access to extra loan facilities, research output, execution services, and market colour about who is doing what. These people some of whom acted as domestic speculators were therefore highly mobile and looked for the best infrastructure (fast connection to the market via computers and/or investment advisors) and lowest commission

fees from houses such as House A. As the manager of the team, B put it:

These people don't believe that there can be any better service somewhere else so for them it is about commission rates and getting as much as from the house in question. People like us [referring to his friend, House C's head of domestic sales] have tails, we know maybe 100 people like this, high net worth acquaintances, you can maybe work with 10 or 20 of them, depending on the size of your house and its capacity (Informal discussion, 3 September 2008).

In this setting the VIP investment advisors were a major influence on less experienced and/or very busy and less-dedicated clients in terms of making sense of the past, present and future of the market and spotting trading opportunities. On the other hand, if clients were experienced and devoted most of their time to trading, or got similar services from several houses, their reliance on VIP investment advisors was patchy for specific skills such as fast order execution, reading charts, and creating higher datum by observing the news flow from markets and other relevant realms. Consequently, only 35 % of the momentary stories I collected was conveyed to the clients (103 out of 293). The remaining stories were co-constructed among the VIP room residents to make sense of the current state of the market as reflected from the scopic screens. The table below presents the breakdown of stories in terms of logics imposed, types of data observed, audience, and temporality.

**Table IV: VIP Dealing Room Stories**

	Cause- Effect	Correlation	Proto-Story (Observation)	Randomness	Similarity	Total	Proxy	Direct News -Private Knowledge	Self -Narrative	Past	Past And Present	Present	Present And Future	Future	Past, Present, And Future
D-1	17	3	10	1	1	32	28	8-1	3	7	7	8	4	2	4
D-2	20 <sup>1</sup>	1	22	2	-	45	36	17-0	1	5	9	7	15	1	8
D-3	11	1	16	1	-	29	26	7-0	3	2	5	5	6	2	9
D-4	18	5 <sup>234</sup>	24	3	-	50	50	13-0	10	7	10	12	12	2	7
D-5	11 <sup>5</sup>	2	12	2	-	27	25	7-1	3	1	6	8	6	1	5
D-6	11 <sup>6</sup>	1 <sup>7</sup>	12	-	-	24	19	11-1	5	1	8	6	5	1	3
D-7	17	3	19	2	-	41	37	19-0	6	6	11	11	7	2	4
D-8*	5	2	7	-	-	14	10	4-3	1	2	4		3	1	4
D-9*	3	3	9	-	-	15	15	2-0	5	2	2	7	2	-	2
D-12*	7	1	8	-	-	16	16	0-0	2	1	3	9	2	-	1
<b>Total</b>	<b>120</b>	<b>22</b>	<b>139</b>	<b>11</b>	<b>1</b>	<b>293</b>	<b>266</b>	<b>81-6</b>	<b>39</b>	<b>34</b>	<b>65</b>	<b>73</b>	<b>62</b>	<b>12</b>	<b>47</b>

\*On Day 8 I started the observations at 15:00 pm due to having to attend to a private matter until 14:30 pm. on Day 9 spent the second session in the office of a portfolio manager-cum-day trader and then in the room of day traders where I was to spent the next five observation days. On Day 12 I spent the morning session in the dealing floor and then went upstairs.

## What is wrong with the markets?

The superscripts refer to contra-logics in action. In the following I present these narratives in full to demonstrate the paradigmatic or vernacular knowledge that inform narrators' sense-making activities. As argued before sense-making is about making connections between events and actions with a view to predicting their future trajectory. In this activity, frames or schemata informed by paradigmatic and vernacular knowledge generated by market experience may provide guidance in emplotting events and actions. When these schemata seem to fail, narrators resort to contra-logics and this may explain what is wrong with the market by intimating what it should be given the available data/information and knowledge they possess.

1-Day 2-contra-cause-effect: Right after the higher than expected US consumer price index data for January 2008, the VOB index momentarily reacted in an opposite way as if there would be FED rate cuts. The latter quasi-categorical comment was made in the room right before the release. I asked the investment advisor, S why other investment advisors started laughing right after the data: 'they laughed because there were buys at the beginning of the [data] release. That was weird; the opposite move should have been the case...'

2-Day 4- contra-correlation: the strategist G: 'we see new records broken abroad, and not even a leaf moves here!' The investment advisor, Gv: 'yeah, indeed.' G: 'I wish I'd been born in Brazil [referring to concerted upward move there].'

3-Day 4-contra-correlation: I observe the investment advisor G1 at his desk, he talks to the screen as he frequently does: 'we logged this 475 order [the six digit contract value in the VOB, investment advisors usually do not use the first two digits], it does not happen. Interesting, abroad is bad. They [anonymous investors in the VOB] wait for the ISE's afternoon session [the VOB used to open at 13:10 pm after an hour break, the ISE second session opens at 14:00 pm].'

4-Day 4-contra-correlation: I am still observing G1. He tries to make sense of what EFG; known for its large block moves in the VOB has been doing in the market: 'the DOW and the DAX not moving significantly [futures indexes] but EFG continues to sell in the market' [then G1 checks the average cost of EFG's aggregate buys and sells in the VOB to have a better guess what they were up to- it does not occur to G1 that these seemingly contra-activities that he believes had been going on since last Friday might be because of random end-client orders].

5-Day 5 Contra cause-effect: we are expecting the 15:30 pm US January new home sales data. The expectation from Reuters and Bloomberg is -4 %. All the investment advisors get ready for the data release; some investment advisors prepare orders to be sent to the VOB once they hear whether the data is good or bad. Then the research assistant F shouts: '-5.3 very bad data', the investment advisor, U: 'awful data' (I observe that a few orders are sent in this 30 second period, mostly sell orders and some correction in the order amounts, now U explains to the client what happened: 'when the data came, it made 200-300 point down now it gives reaction from that point [repeats it to another client].' Gv: 'they did not give in accordance with the data [the head of research Bk and U concur]' U: 'I have been trying to tell you this'. G1: 'they are trying to hold the market.' U: 'they [VOB investors] are changing their contracts [before the contract expirations at the end of the month] they are taking positions...' Several minutes later, U to his client: 'here should get some sell hits but

the market doesn't give, our market doesn't give.' I hear B shouting the following two times from his room: 'they have balked at it' [B probably did not expect a contra-move or resistance in the VOB after the bad data].

6-Day 6 Contra cause-effect: The mortgage-related and general economic woes in the US are on the radar of the room. The focus of the room is now on the balance sheet of Freddie Mac from the US, the state mortgage company. It is in the daily bulletin but there is no fixed time on the calendar, just a note 'expected before the US open'. It is 14:30 pm and all of a sudden the research assistant F: 'Freddie Mac, balance sheet came bad. The 4<sup>th</sup> quarter loss is 3.79 per share, that's 2.45 billion loss' [all figures in USD]. Gl: 'the expectation was 2 dollars. The previous loss was 401 million.' Then he explained to me the reaction of the market: 'nothing, no event, nothing in the DAX, nothing in the DOW [futures], it was bad, it should have affected.

7-Day 6 contra-correlation: the day is over. Gl and G do some chores before leaving and they ponder the future of the DOW which seems promising based on chart analysis and the state of the index as observed on the screen. However, G overrides the idea of correlation between the DOW and the ISE in the short run due to worsening political situation in Turkey. The latter was brought about by the annulment by the Council of State of the legislation which revoked the headscarf ban in universities:

Gl: what do you say will happen to the bulls [referring to the recent upward trend in the US]?

G: 'if 12,800 is broken then it will go to 13,000 but here people are suing each other!'

As demonstrated above, the investment advisors and G used narratives, chart analysis, and some knowledge of macroeconomics to make sense of changing figures and trajectory of events on and off the screen. The contra-stories revealed some schemata at work as far as my informants were concerned but then these schemata were weakened due to some complicating action. What these seven stories reveal is that for my informants what happened abroad in developed countries' economies and markets had to affect the ISE and the VOB. This schemata did not work if there was only a local reason such as the one in story number 5 'they'-VOB investors keeping the VOB high because they rolled their positions to the following month (attribution of agency, unity and motive to otherwise anonymous investors) or 'everybody suing each other' (political instability in Turkey in story number 7). Interestingly, as in these contra-stories it was generally the US and Germany, and not the UK for instance, as economy and market figures which were closely observed in other stories I collected as causes of what was observed in the ISE. For instance I noted down on 28 February 2008 that no one paid attention to the 4<sup>th</sup> quarter 2007 UK GDP data announcement which passed through the data platforms. Another item which was frequently used if not more than the above "causes" in the plots was Japanese Yen and USD/Yen parity due to the phenomenon of carry trade, which is about borrowing in virtually zero interest rate currencies and investing in higher yielding currencies and countries.

## **How do stories come in to being: a story about narrative imagination and quasi-categorical knowledge at work**

During the information/data/news search to make sense of things, these schemata about actants abroad observed to be consequential on the plots used for sense-making. For instance, a day later on 29 February 2008, I sat with G at the back of the trading floor and observed him and the Bloomberg data platform before me. The first session was generally negative for all securities and assets observed. Right before the second session around 13:45 pm, the negative trend gained momentum, but the investment advisors and F could not find any unexpected data or news story to make sense of this random fall or 'reds everywhere' as represented in colour and numerical symbols. The existing news observed so far did not sanction any 'reddening'. Bk scrolled the news on Reuters and found the then EU trade commissioner Lord Mandelson's statement that global trade was at high risk due to a negative economic climate. Bk read this news in English first and then said it in Turkish and stressed that it passed the wire with red highlight. The senior investment advisor A did not buy into this story as the cause of the fall in the market.

The team continued their search for news. At 13:50 pm, F found news about a UBS report on the Bloomberg data platform which stated that toxic securities in financial markets would amount to around 600 billion USD. But because the room was a bit noisy she could not make herself heard and asked the help of G to shout for her. No one actually gave a reaction to G's update apart from A coming to G's desk and checking the UBS news on Bloomberg for a minute or so. A then went back to his desk and a minute later, out of the blue he muttered the following to his client: 'if [US interest] rates go down, there might be an opposite move [in the parity] and closing of carry trades, we should keep an eye on this...' But this was not picked up by the rest of the room to make sense of the 'rednings' on the screen.

Around 13:55 pm B walked into the room and seconds later he shouted from his office as to why the FDAX, the main futures index of Germany was down. A responded 'no reason, nothing specific, it just followed the DOW'. B lamented the missed opportunity of going short in the VOB with FDAX falling. A minute or so after this short verbal exchange, the strategist shouted, 'I've found the reason, it is the Japanese Yen'. The situation was confusing for me as I was listening to the CNBC-e broadcast which tried to explain why the US dollar was up against emerging market currencies. I told this to the strategist who was still trying to make sense of the USD/JPY parity which was down against the USD. As he looked up to see the TV on the wall and hear what CNBC-e had to say, he was delighted to

see the graphs of USD gaining value against emerging market currencies. In fact the USD was also down against Euro. Then the strategist received a call from a finance correspondent of a national newspaper *Hurriyet* who looked for an explanation of the reddening in the ISE. The correspondent wanted to attribute it to the news about the Turkish military's incursion into Northern Iraq to destroy Kurdish insurgents. The strategist was very adamant about his newly established story said

Okay, open your USD/Yen graph, now the USD is down against Euro and Yen, it was like this yesterday, today this increased. This leads to carry trade positions closed...yes exactly like that, this leads to money exit from emerging markets. So the incursion has nothing to do with this. Whether the army exits Iraq or not, it does not matter...I am really sorry about this but the fall has nothing to do with the news about incursion.

The strategist then plotted the USD/Yen parity and FDAX performances on a graph to show it to F to visually confirm what he imposed on these actants on the screen. For the remainder of the day, the strategist updated the rest of the room on the volatility in USD/JPY via this graph. In fact, right after G's "discovery", the falling USD/JPY parity was the first news on the Bloomberg data platforms 'top news' section right after it passed through its newswire at 13:57 pm. The significance of the news was that the parity hit its lowest level since 2005 on the FED chairman's signal that they would support a weaker USD to 'buoy the economy'. After the initial curiosity first verbalized by Bk, it took G less than 10 minutes to notice the USD/YEN parity change and made it consequential on the falls in the markets that they followed. The latter was not done in the Bloomberg news narrative.

In this storytelling event, it was crucial for narrators to resort to both narrative imagination and categorical knowledge on economy and markets to make seemingly random moves connected or correlated. Notice in A's reaction to B how markets such as FDAX were attributed agency and motive in following other markets like FDOW (it was the futures market as the US spot market was not open until 15:30 pm Turkish time). Also attribution of motive and unity to otherwise anonymous investors gained importance when ruling out or attributing causal effect to an event. For instance, A assessed whether anonymous investors he observed on a daily basis as an actant would be affected by a statement on the world trade by Lord Mandelson at that point in time in the markets. He did not find this credible and attributed (prospective) agency and motive to some anonymous investors whom A implicitly assumed engaged in carry trade across markets using JPY and other currencies. In the absence of such an imagined community of anonymous investors acting according to certain quasi categorical conditions of feasible risk taking across markets, his story would not hold

any water!

How would A and G, who also had to have a similar assumption to be able to tell the above story to the journalist, know about this type of speculative trade? In fact, the knowledge about carry trade was almost public in the ISE field. Once explanations about it by more informed practitioners such as analysts or academics were popularized by the business media, then this proliferated to national newspapers with a Turkish slant on it, explaining why the ISE would move with the carry trade activity (Interview, former anchor in CNBC-e, 13 February 2008). The assistant manager of the VIP team, En remembers in 2007 that the USD/JPY parity was something they closely followed due to carry trade. But towards the end of 2007, the US macroeconomic data started to reign over any other consideration as strong signs of recession and global financial crisis started to be observed in the markets (Informal discussion, 3 September 2008). The popularity of certain items on the scopic screen and in narrative mode of explanation was therefore connected to changing macroeconomic themes and some level of categorical knowledge about global economy and financial system to be able to make observational adjustments. However, like most assumptions and stories about anonymous investors, the assumptions about the carry trading investor community were not subjected to some sort of validity test; say by creating hypotheses about the relationships between parities, interest rates, and aggregate returns across economies and markets and then running analyses on aggregate data to test their validity. Assumptions as such despite having quasi-categorical imaginations behind them were believed to be validated on a case-by-case basis by constant observation of the scopic screens and using narrative imagination about what anonymous investors should be up to given the available data/information on carry-trade related news items or proxy figures on the screen.

### **A case of data/news conservatism in observation with intensity and preparedness**

Because the USD/JPY was not something as incumbent in the agenda as the US data announcements in the daily bulletin, it took sometime (around 12 minutes) for the sales team to conclusively make sense of the fall in the markets. Once accepted as a successful story, there was no challenge to G's very loud story in the room and the parity graph was closely and loudly followed by G. Towards 16:45 pm, after G had a telephone conversation with a local TV, he noticed the change in the USD/JPY graph and asked F the following:

-is there any good (!) news, the JPY is making further advance against the dollar

[they watched the graph together- I continued to sit next to G] what is happening now, it's going below 104?

The chief broker Z asks:

-shaft, shaft, shaft, are they shafting it?

G 'yes' keeping his focus on the red blinks on his screen.

A –sellings come to the market.

U- I was going to send the order to 64 and but I heard you and stopped.

Z seemed quite busy logging the day trading client's order as the market was in a slide. I observed the fall in the ISE and other markets on the screen. The ISE index was actually quite volatile in the last few minutes but it was hovering around -2.5 to -3 %. I then ventured into the newswire of Bloomberg before me to find out whether there was any news announcement that passed at 16:45 pm and found the US Chicago purchasing managers index in February. The expectation was 49.5 and the index came 44.5 in February. I then googled the index to find out whether it was important and read in a market portal named thestreet.com that it was an important index like the Philadelphia manufacturing index (which was followed by my informants in this and other houses). I then doubled checked it in the Bloomberg news portal and it was one of the top news. F came back to the Bloomberg terminal for the Michigan Consumer Confidence Index at 17:00 pm. I told her my finding and she said 'oh, it is here too, expectation 49.5, figure 44.5' I said jokingly 'tell it to the room' she replied 'not now, let's not confuse things'. She then shouted the better than expected Michigan Consumer Confidence Index, people seemed content with the good news. After that she told G about my finding and that the fall in the DOW might be due to the Chicago index. I explained it to the strategist and he said 'hmmm, now don't tangle us into yet another index!'

Despite this story, it is hard to argue that there was any conservatism in the VIP room in emplotting events apart from the improbability of using an emplotment or attributing actants some meta-physical power which may lead people to think that there is a mental problem in the storyteller (see Salmon and Reissman 2008 for instance). Otherwise in searching for a reasonable explanation, the team first resorted to the schemata they had about the markets to fit the existing events and actions in a causal order. It was during this search they could become selective as A dismissed Lord Mandelson's statement or as G dismissed the news about the Army incursion. If there had been a demand from the room for an explanation of what happened at 16:45 pm, it could have been easily found. Probably because the research team missed the Chicago index as an item in the calendar and they were of the view that the Michigan index at 17:00 pm was the most important data of the day, they did not want to admit the missed data/news announcement to the VIP room. Interestingly, there were no



reactions from the dealing room at 16:45 pm about the Chicago index despite the high probability that it passed through their local Matriks or Euroline newswires with a certain delay of several seconds.

Bearing the above story in mind, it can therefore be argued that the observation of the screen and making sense of it was actually routinised by the data calendar and daily bulletin of the research team by means of creating anticipation and expectation on the part of investment advisors and clients alike. That is why almost everyday I heard investment advisors asking the strategist and the research team, “what are the data today?” to be reminded of those times of the day where trading action would increase. From the haystack of data in the information age, the research team and the strategist actually decided which were the most important data to be followed on that day thanks to their specialisation in observation of not just “boards” in the stock market, but also economies, politics, and so on. The team’s cultural capital as far as markets and economy were concerned was more formalist and superior than the investment advisor team (G and Bk had MA and BA degrees in economics respectively and worked as analysts in companies and domestic-only brokerage houses before coming to House A, F was studying for an MA degree in economics too. The investment advisors held BA degrees in various subjects) Moreover, the research team had more time in their hands to observe, read and make sense of macro and micro economic data/information as a consequence of division of labour in the room.

The observation and sense-making activity was also routinised and shaped by the existing schemata that had come to take hold among these actors. Stories which had an element of joke in them explained the workings of the schemata as well. For instance on the very first day I started my observation in the afternoon session (19 February 2008), the following joke made it clear to me where the ISE stand in the schema of global financial markets as far as my informants were concerned:

B: Everything goes up all together in the world

S: There is a lot of free money in the world Mr B [referring to low interest rates and liquidity excess-then tells his client on the line] if we break this level... [G jumps into the conversation with exuberance] – If we break 46,000, outside [global markets] will be observing us not vice versa [laughs]!

I was to hear similar jokes in the other field sites not to mention the invoking of the master “one-way correlation” between developed countries’ economies and markets and the Turkish economy and markets. However, House A’s VIP dealing room was relatively unique among the five field sites in its use of this perception frame as it continuously encouraged clients to

trade on this. This was mainly by virtue of bidirectional trading of ISE 30 futures contracts in the VOB as well as the way House A's trading and research team made sense of the scopic screens. In the following section, I discuss the stories behind the numbers in the above-table to further delve into the nature of the sense-making activity in House A's VIP dealing room.

### **The story behind the numbers**

To begin with, the team generated 139 proto-stories which did not have a dominant logic of emplotting events. These stories basically observed simple datum available on the market screen and indirectly invoked cause-effect, correlation, or randomness logic. Yet, none of these logics featured as the driving logic in the story and achieved an explanation of the past and present and/or make a prediction about the future. 35 of these observation stories were responses to client probes and routinised market updates during trading hours by investment advisors. The remaining 104 stories were on the other hand the product of collective sense-making among the team members (85) or solo reaction to events observed on the screen. 57 of these stories highlighted a market item from abroad in their narration of the scopic market screens.

The second most invoked logic among momentary stories was cause-effect with 120 stories. While these stories singled out news and/or market events as the dominant cause of another event (usually changes in index or share price), the investment advisors seldom found an event that overrode routinised cause-effect relationships such as data release in the US and consequent trading activity in the ISE and the VOB. In fact, among the 120 stories, 72 of them (60 %) fixed something that happened abroad as the reason for what (was to) happen in the ISE and the VOB. The rest resorted to internal market events and actions to make sense of items on the scopic screen. On top of these 72 stories, there were 22 correlation stories which explained what happened in the ISE spot and VOB indexes by referring to index values abroad. One of these correlation stories actually predicted the FDOW to go up because the FDAX was going up! (S to a client, Day 4 p-85, 25 February 2008). 54 of the cause-effect stories and nine of the correlation stories were told to the clients. The rest were generated among the research and trading team.

Correlation stories were invoked when there was no single news event to explain the local index situations on the scopic screens. The correlation imagery was a powerful schema in investment advisors' mind not just to explain but also to act on it by encouraging their clients to trade on it. When something disrupted the working of this scheme, investment advisors

could get angry. For instance on Day 5 (27 February 2008), G1 got angry at a local broker (EFG) because it reversed the correlation schema and caused the VOB index to be up:

-Emre come, come [I pull my chair to his desk as we sit back to back] look at the FDOX and the FDAX going down in the last 20 minutes [shows me 5 minute and 20 minute graphics, it is interesting to see how one's perception changes with the change of detail in graph lines when the time frame is changed]. Look at the EFG animal, it has brought the market [March ISE 30 contracts] up from 100 to 250 [points, first two digits missing]. They did this before you know; they are trying to keep the market up.

When the team failed to make sense of items on scopic screen, namely when they felt that those items and their specific values should not have been as they were on the screen, they resorted to the logic of randomness. This logic was seldom invoked in plotting a set of events and figures found on the screen. Only 11 stories invoked this logic in the dealing room and five of them were responses to client queries. Six of these stories tried to evoke the master correlation perception by mentioning market events abroad. It has to be stated that invoking of randomness in these cases did not resemble the idea of randomness or random walk which basically sanctions doing nothing as the market is always smarter than individual storytellers. Randomness was generally invoked after summarizing relevant simple datum which might lend itself to plotting according to cause-effect, correlation, or similarity but any mental attempt to do so did not feel right bearing in mind the schemata informed by paradigmatic and/or vernacular knowledge. Therefore, randomness as a plotting logic was the last resort for investment advisors when they could not make sense of the current state of the market given the available data. For example:

Day 6, investment advisor U to me as I observe him at his station: He complains about a 600 point surge in the VOB after he sold some contracts for a client 'we opened the position in the morning, then I sold, then after me it went up by 600 points, now it is back to where I sold. Why it went up and now it falls, no idea...'

### **Similarity: the underlying logic**

Last but not least, similarity as a logic was invoked only once among 293 stories. What is meant by similarity logic is a situation in which a set of events and figures available on the screen lend themselves to reminiscing about a similar situation in the past that unfolded in a specific way. In this respect, similarity anticipated future trajectory of events and figures by mentioning the past event in full story mode. Despite its virtual non-existence as a type of logic among 293 stories, the other logics apart from randomness were to a great extent product of past observations and trading experiences of market professionals and investors alike but in non-verbalised form. In this respect, they were vernacular logics or laws created

and re-enacted by storytellers without revealing their respective plot mechanisms in full narrative explanations in each and every instance they were used. The validity of these logics was confirmed by market professionals and investors' co-narratives that appraised the product of these logics and their utility, i.e. sense-making narratives' effectiveness in explaining the past and present, and predicting the future. Materialization of expected economic gains as proposed in momentary stories and/or making sense of economic losses retrospectively by imposing one of these logics on a set of events and actions provided a constant evaluation of which logic worked with what set of items on the scopic screen and which did not. This constant evaluation was possible with the help of continuous flow of alpha-numerical figures (price, index value, data, etc) and narratives (news stories) on the scopic screen. In that respect, sense-making before the scopic screens was a constant feedback loop between logics and numerical value and story outcomes. The latter strengthened or undermined these logics' manifestations in momentary stories.

Consequently, among 293 stories collected and analysed from the House A headquarters, there were only 29 story instances in which there were indirect references to categorical knowledge about bond markets, carry trade, and macroeconomic items such as inflation and interest rates. There were also six stories about shares traded in the ISE which made references to categorical components in share valuations. However, properties of these actants as self-propelled agents or actants that were acted upon were modified according to figures and narratives available on the screen instead of referring to their fixed properties as might be proposed in an economics or finance theory. As mentioned before in the previous chapters, this type of explanation lies at the heart of narrative imagination and sense-making. Explanations are achieved in temporal and causal continuum as experienced through scopic screens, rather than demonstrating them as manifestation of universal laws. In line with what was argued before, none of the stories captured in House A were subjected to validity tests by using statistical analysis or resorting to academic literature on co-movements or cause-effect relationships in global economic and financial system.

On a different note in terms of logics, chart analysis was used in 38 stories. Because chart analysis is seen as unscientific by the mainstream finance and economics (Preda, 2007b) one can put it into any logic except paradigmatic, though Chartism itself has many paradigmatic rules. Out of these 38 stories, 23 actually used chart analysis to establish a cause-effect relationship. 10 of them used it in observation logic. Three of the randomness stories mentioned charts, and two correlation stories also used charts as their dominant logic.

## **Making a distinction between public and private information/knowledge**

How was public and private information/knowledge used and how did the VIP team deal with the issue of anonymity, not only in the ISE but also in other markets and the issue of who intended to do what? In classifying stories into public and private information/knowledge, I make an important distinction here which applies to the subsequent classifications in stories from other field sites. My field research experience in the ISE has allowed me acquire vernacular knowledge about houses, investor types and so on. For instance, after some days of observation and discussion with my informants, I, like most of my informants could know what the code name of a house infamous for working with moustached foreigners might mean for intra-day trading, namely high trading volumes but no net buy or sell activity, namely churning. I could also reaffirm the validity of this knowledge- that this house was basically churning out- by checking the net trading volumes and settlement records on Matriks or Euroline. I also quickly learned about shares' specific histories; whether company owners/managers were active in the boards, i.e. share trading, whether foreigners were actually there, what major issues and opportunities company faced, so on and so forth. Again some of this knowledge could be double checked by public information on data platforms.<sup>52</sup> These things I quickly learned could be considered public knowledge/information as far as the field of ISE was concerned. I call them vernacular knowledge which makes it easier to make sense of figures on scopic screens. Their validity can be questioned or refuted by painstaking research but market actors do not have time for this. Nor would it be possible to get any validation from say EFG whether they work with domestic speculators-I tried it two times and got definite No!

Storytellers in House A, like all other storytellers I observed in other houses, therefore relied on their market experiences and devices to acquire and use this type of knowledge. They could even learn it from their network connections but this did not mean that this acquisition was possible just because of their specific network connection, and this knowledge was not available outside this network. However some of the stories I collected in House A made direct references to network connections. They clarified the seeming puzzles behind local numbers and figures on the scopic screens or mentioned specific intentions of the network connection or the private knowledge they shared with the storyteller. This knowledge was strictly pertinent to the network in question. There were however only six instances of such

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<sup>52</sup> In-depth data service by data platforms is not free but access to this service is usually free for brokerage house clients

private knowledge use in emplotting two or more events together to explain/predict the situation on the scopic screen. This finding supports the argument by Cetina and Preda (2007) that scopic screens undermine the importance of network-based information/knowledge circulation in sense-making. To give one example, on the first day of observation 19 February 2008 towards 15:00 pm, the head of the team came to the dealing room and started to chat to investment advisors. After a quick discussion of what happened in the (F)DAX and the VOB and the ISE spot market so far and what would happen tomorrow based on chart analysis, S said the following:

S-EFG is weird though, what they have done today.  
B-I know who was doing it in EFG, he is a local.

Of course one can argue that the head of the team might have got this knowledge from someone else who actually made up a story about it or heard the made up story from someone else. However what made B a well-connected person in the ISE field was that he managed a team which generated one of the top five highest annual trading volumes in the VOB and among his clients there were people who traded via global brokers' local branches and House A at the same time (Informal discussion, 3 September 2008).<sup>53</sup> B was the figure who cut the deals with domestic speculators about commission rates, use of loans, information sharing, etc. He was an important figure in this private network of speculators and brokerage house bosses and managers.

Otherwise anonymity issue was solved by narrators with the help of attribution of agency, unity, motive, blame or credit to otherwise anonymous investors and brokerage houses these investors used. Sometimes the latter took the blame or credit as if a house tried to hold the market (index value) up or push it down. But in most of the cases the ubiquitous figure of 'they' came into the stories with specific intentions and motives as verified retrospectively or predicatively by figures available on the screen which I call proxy data. In 266 stories out of 293, proxy data was used to help connect events and actions. Direct news as passed through wires was used only in 81 stories. This attests to the importance of going beyond direct news and using vernacular knowledge or schemata or just plain narrative imagination about the ISE and global markets to reach a sense of control and informedness about the state of the markets as observed on scopic screens.<sup>54</sup>

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<sup>53</sup> Though he did not tell me anything about a client in EFG, it was Citi Menkul.

<sup>54</sup> Even when narrators use vernacular knowledge pertinent to the ISE to plot events, from the perspective of facts behind figures, the validity of these claims can be seen as equally weak as in claims about anonymous investors in the DAX or DOW. In this respect, the anonymity of markets is something that can hardly be coped with if one wants to reach 100 % accuracy on intentions, identities

## **But aren't stories all about retrospective sense-making, post-hoc explanations?**

When it comes to temporal orientations of stories, retrospective sense-making narratives which made no point about what may happen in the future constituted 59 % of 293 narratives. The remaining 41 % of the narratives made a prediction about the future, and there were 12 narratives among them which solely focussed on the future and made predictions based on the expected data release, chart analysis, or on-going themes about companies or macro economy. The significant share of future predictions within the total number of stories support the conceptual discussion of stories, that stories are also told with a view to predicting future trajectories of events and actions. All in all, it can be argued that storytelling to make sense of scopic screens was crucial for the VIP team to feel in control about inundating flows of data/information and news and to be able to give timely advice and warning to their clients. Although sense-making was a routinised and structured activity thanks to division of labour within the VIP team (as in the story about the Chicago index) as well as past experiences of sense-making and market trading, it relied heavily on vernacular knowledge and narrative imagination to be able to make sense of what was present on scopic screens. In the following section, I turn to the evidence from a House A branch to put things into a perspective of DRI pockets, habituses, and types of capital.

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and reasons.





## CHAPTER 7 HOUSE A BRANCH

On day 10, I ventured from the VIP dealing room on the 5<sup>th</sup> floor to the 6<sup>th</sup> floor of the building where House A had one of the branches of its parent bank. In this branch, there were at least four private dealing rooms for high net worth and/or high frequency trading clients. Interestingly, some of these traders were actually employed by the house.<sup>55</sup> I spent the remaining five days in one of these rooms. The room I observed had one resident investment advisor, F, and three clients, M, H, and A who shared a large rectangular desk and watched the markets through three PCs and four screens and a 14 inch TV on top of a file cabinet in the corner. The assistant manager of branches, Bs also shared the same desk. He would join the distributed sense-making activities in between his administrative work though Bs had no formal responsibility for providing any investment advice or execution service to the clients.

The clients in this room, unlike their counterparts in the VIP dealing room, were more interested in equity trading than futures contracts trading in the VOB. While A was an inexperienced high net worth investor, M and H were actually both investors and informal dealers. A had several million TLs in his accounts in fixed-income products. Because he had some bad experiences in the ISE market before, he was rather cautious in his return to the ISE. On the other hand the Informal dealers M and H had contacts who in their own right were either high net worth individuals (possessing significant economic capital) and who did not have too much exposure to equity trading, or experienced investors with differing economic capital and epistemic resources. M and H were contacts of the resident investment advisor through former business and social relationships.

H who was in his mid 30s devoted some of his time in the room to managing investments of several high net worth individuals who seemed not to possess enough knowledge and experience in equity trading to be self-reliant. However H was also a day trader in the ISE. According to F, H was one of the few significant day traders in the ISE who could generate significant amounts of trading volume by using four or five brokerage houses (one of them was actually a global broker in Istanbul!) to buy and sell shares and scalp profits or sway board dynamics. In fact, F assisted him in this type of trading by executing his orders coming via phone or verbally when H was in the room. Between them, there were occasional discussions about share transfers, loan trading, and so on which sounded like coded language

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<sup>55</sup> The upstairs was like a maze with many doors. I could notice at least 4 rooms, one of which was where I was and the other was occupied by the investment advisor-cum-day trader. The other two was occupied by 3 day traders with whom I did not have the chance to meet or create any rapport.

to me. Moreover, when they seemed to be trading to sway the boards, they usually whispered to each other which made it hard for the rest of the room to hear. Because of this air of secrecy and seriousness, it took me two days to get to observe F by sitting next to him and looking at his screen when H was not there. I was sent away to another chair next to M when H was there!

F described what they do in the room as the following:

I see myself as a trader, we value companies for both long and short run, we price them and we buy and sell them according to expectation. But we also buy and sell during the day. I am not afraid of this day trading. I also give VIP service here, the people downstairs they are afraid, afraid to [recommend] buy and sell, because they [clients] might complain. In fact [the strategist] don't talk to them a lot [about shares] he comes here and speaks to me. Besides he does not like what they [VIP investment advisors] do. I am also in the wrong place but let's hope they [the management] don't hear it [similes] (Informal discussion, 5 March 2008).

In fact F and H knew a lot about the domestic speculator scene as F explained to me on 7 March 2008 the investment and speculation (short-term trading) styles of some domestic speculators, which houses they worked from and what type of tactics they might employ, and whether they had any 'mercy' on "kucuk yatirimci" -small investors who would like to benefit from moves the speculators created.

M who was in his 50s was more like a small day trader who would trade in specific shares tipped to him or in shares which were anticipated to 'move' with news announcements. However because M used to run a hair saloon for 30 odd years in the upmarket area where House A was located, he knew many high net worth individuals who happened to be his clients (some of whom were celebrities and millionaire businessmen who were running holding companies). Several of these people had entrusted or would entrust some of their wealth to him for investment in the equity market. Actually, it was the second possibility that kept him in the branch room more than anything else as far as F was concerned. However, F was somehow distanced to M (mostly executing his orders, not fully engaging with his probes for sense-making) probably because the prospect of more money coming into the room via M's personal contacts was weakening at least in one of the high net worth investor leads according to F (Informal discussion, 5 March 2008). M, thanks to his contacts, was also quite informed about the games played by local actors such as quoted company owners, domestic speculators and investors like him who tried to benefit from these games. He boasted of his vernacular/private knowledge: 'this market is like my palm, I know everything, maybe I don't know the exact names in every share but you understand

what they are doing' (Informal discussion, 6 March 2008)

In both H and M's cases, F was in expectation of them bringing in more disposable economic capital of their high net worth contacts to invest in the ISE equities via the branch. During my stay in the branch room F repeatedly pressed H and M for this. Because both M and H had considerable breadth of investor and market professional contacts trading and working in other houses, there were occasional phone calls between them to make sense of what was going on in specific shares. On the other hand, A was learning to observe and make sense of the market by observing and conversing with others in the room, getting occasional tutorials from the strategist who would come to the room for a cigarette -it was a smoking room unlike downstairs, and giving orders based on his newly acquired investment skills. F devoted most of his time to H in market observation and order execution.

Below, the Table V summarizes the collected momentary stories in the VIP room according to the same components in Table IV.

**Table V: Private Dealing Room Momentary Stories**

	Cause- effect	Correlation	Observation	Randomness	Similarity	Total	Proxy data	Direct news -private Knowledge	Self-narrative	Past	Past and present	Present	Present and future	Future	Past-, present , and future
D-10	16	-	12	-	-	28	22	4-7	6	2	3	8	12	-	3
D-11*	5	-	7	1	-	13	9	3-1	-	2	1	5	3	-	2
D-12*	6	3	5	-	-	14	10	2-4	-	-	1	6	4	-	3
D-13	11	-	8	-	1	20	15	3-2	5	2	2	6	5	-	5
D-14*	9	-	10	-	-	19	10	7-5	5	2	8	3	5	-	1
<b>Total</b>	<b>47</b>	<b>3</b>	<b>42</b>	<b>1</b>	<b>1</b>	<b>94</b>	<b>62</b>	<b>18-19</b>	<b>21</b>	<b>8</b>	<b>15</b>	<b>28</b>	<b>29</b>	-	<b>14</b>

\*Day 11- I started to collect stories from 15:00 pm and there was just the resident investment advisor there. Day 12 refers to afternoon session only. Day 14, observations started around 11:30, 2 hours after the market opening.

### **The story behind the numbers: Different dispositions in the branch**

Because the branch room upstairs significantly differed from the VIP dealing room thanks to the absence of trading in the VOB, what branch people mainly observed on the market screens was 'boards' of shares in which they had invested, or those shares they had noticed and would like to invest. The board or the box as described before became the focal point of observation and the remaining figures and narratives on the screen were connected to the board via momentary storytelling. Another peculiar thing about the room was that due to the

social networks these market actors were in, they possessed private knowledge about other investors' trading activities which could be effective on share trading in liquid or illiquid shares. This was sometimes the case for their own trading activity which were then observed and asked about by other market actors. Among the 94 narratives collected in the room, the occupants resorted to private knowledge in 19 narratives (20 %- this ratio was only 2 % in the VIP room downstairs!)

Although from the above description it may seem like the occupants of the room traded mainly on proxy data on the ISE trading events and/or private information they gathered from their networks, they actually followed relevant direct news flows about companies, macro and micro realms in the economic and financial centres of the world as well as in Turkey, which could all be effective on shares' performance. However, only in 18 narratives did they refer to direct news and nine of these news events were from other markets, mainly the US. Trading activity in this room was therefore not predominantly based on the perceived correlated trading momentum and/or proxy data from global and national market indexes unlike the VIP dealing floor downstairs.

In fact, in my first two days of observation, M was quite eager to take me under his wings and convey his market wisdom to me. He told me how he used the scopic screen and chart analysis in a Socratic manner by asking me questions at a level you would expect with a primary school student! However more importantly he was giving justifications for the shares he had already put on his radar by telling me stories about the companies' activities and the situation in the demand side, not just in Turkey but also in the world, for the goods and services these companies produced! There were a few stories in this manner about fertilizers, food and beverage companies, energy and construction companies with exposures to emerging economies. M's view was that these companies therefore would not be hit by the impending recession in developed countries. In fact, some of these stories were co-constructed with other occupants in the room with the help of the strategist, and the head of research's calls from downstairs. I do not include these stories in the above table as they were not real-time reactions to the scopic screens.<sup>56</sup>

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<sup>56</sup> However this does not mean that M had a discipline of staying away from very volatile and relatively illiquid shares some of which happened to have this type of story attached to them. Nor were his stories based on a research report or analyst recommendation proper. He was actually a good example of what I call the abandoned DRIs who have become addicted to public and private prospects in shares which have "stories". He was actually stuck in one share as such and he occasionally made the point that the price would come back to where he entered the shares.

Another example about the repercussions of the lack of VOB trading in the branch room on its occupants' use of scopic screens comes from the activity of observing data releases abroad and trading on them or that of observing the global markets minutely and trading on this observation. While most of the major data releases from the US and the opening of the DOW spot market led to constant over-excitement and sometimes muddled verbal exchanges in the VIP dealing room downstairs, the scene in the branch was set by F's calm personal style. If he was interested in the data release, he usually called the research assistant downstairs to hear her shouting the figures of data release and whether it was 'good' or 'bad' (according to expectation surveys of Bloomberg and/or Reuters). He would then say 'thank you' and hang up the phone. In the mean time the VIP dealing room downstairs were still probably struggling to come to terms with effects of data release on the VOB and their clients' immediate trading orders. Some of these orders were worth hundreds of thousands of TL and sent to the VOB's central execution system with the click of a mouse by the investment advisor in accordance with the initial 'good' or 'bad' reaction.

On following the markets abroad and trading on it, H made fun of this strategy as employed by clients and their investment advisors downstairs or elsewhere in general: 'they are like parrots you know, "the DAX is up, the DAX took off", it means nothing, we look at the fundamentals here' (Informal discussion 5 March 2009). H was not alone in his negative perception about this correlation imagery and consequent trading activity. Even all the three correlation stories, which were all co-constructed by F, intimated F's rather critical perception about the trading activity in the ISE according to index movements abroad. On 10 March, 2008 around 15:30 pm, A was observing the market screen and surprised by the sudden sell activity in IsBank. F helped him make sense of the situation:

A: they are selling IsBank heavily, why?

F: It is because they are selling abroad

Around 20 minutes later, A observes the following after talking to a domestic speculator apparently who gave him some bad signals about a share he was interested in. However he was more distracted by what he saw on his scopic screen:

A: they are selling again everywhere, why, the DAX is good!

F: there are sells in the US; they [investors in the ISE] get panicky very quick

A: they are selling to likes of YapiKredi [national-bank]

F: But IsBank is positive, 8.5 million TL money entry there [meaning top five or so buyers are net buyers, it is probably not churning out]

After 15 minutes (five minutes after the US consumer goods sales data at 16:00 pm)

A: eee what, now they are buying!

F: I've told you, they do whatever happens in the US and in the DAX!

In fact F mentioned the US data release another five minutes after the last conversation above as he was busy observing his screen with H. Then both F and A decided that the recent

rebound in the ISE was because of this data. However F added that that was not a significant rebound. As argued before, specific data releases and trading data did not dictate trading in the branch as people here were not doing momentum trading. Because they had more faith in generating profits from selection of specific shares with public and/or private “stories”, they focussed their concentration on the boards on the scopic screen more than anything else. The general news and trading data flow from abroad provided a macro background to their sense-making activity. In the following, I further discuss the numbers that reflected the narrative repercussions of this position taken in the ISE field.

**‘Here everything is done with information but not the information and news that pass through Matriks’,<sup>57</sup>**

89 stories captured in the room had a distribution between cause-effect and observation logics with 47 and 42 stories respectively. Out of these 47 cause-effect stories, only nine stories had a news or market event abroad as the cause of what was (to be) experienced in the ISE. With one exception of an ISE index story, the remaining 38 stories were all about companies in the ISE which the branch people observed via their scopic screens and social networks. Five of these stories relied most strongly on public information to emplot events. 20 of them relied on proxy data as a cause that was made meaningful with the use of vernacular knowledge and/or narrative imagination. 12 stories generated meaning via the use of private knowledge. Only one story relied on chart analysis as the strongest cause. Otherwise there were five stories which used charts as a complementary explanation in all 82 narratives. Among the 42 observation logics or proto-stories, nine narratives focussed on news and/or market events abroad the most. The remaining 33 stories were about domestic events and six of these 33 stories put private knowledge at the forefront in their emplotment. 20 of the 33 stories focussed on local proxy data such as share price, brokerage houses’ trading activities, index value, and overall trading volume in the ISE. Public news and chart analysis were in four and three stories respectively as the strongest items within all the proto-stories. Among the 42 proto-stories only one of them was about non-equity related event (about USD/TL and the interest rate in Turkey).

From the above numbers, it can be argued that the branch was heavily involved with the observation of boards with intensity and preparedness. In doing so, they relied mostly on proxy data, narrative imagination and vernacular knowledge about the ISE. However their

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<sup>57</sup> Assistant manager of branches (11 March 2008)

use of private knowledge to make sense of the scopic screens was not negligible with almost a quarter of the stories using such social capital-based knowledge. As far as the branch people were concerned, what went on abroad did not matter as much as what went on locally in “boards” and networks. Only 18 narratives mentioned items associated with markets abroad in their plot. Adding the three correlation and one randomness stories that included items abroad, there were 22 stories (23 %) which invoked the popular one-way correlation logic. This was shadowed by 72 local stories of “ISE-boards” which included the 19 private network stories mentioned before. Regarding the narratives’ temporal orientation, 51 stories were retrospective sense-making attempts whereas the remaining 43 stories predicted the future within their plots.

### **A limited immunity from what goes on abroad but risk of playing the waiting game**

Shares the branch people invested in or had their contacts invest in kept them fairly immune from the daily volatility induced by momentum trading in large-capitalisation ISE 10 and ISE 30 shares which seemed to be driven by global markets and news/data flows. However H and M seemed to belong to two different circles in the domestic speculator scene. While H seemed like a speculator or member of a powerful trading gang, M was more like a member of an outer circle who knew domestic speculators directly and/or indirectly. Therefore M’s access to private information was a bit less privileged than H. H was the information himself, he was the one who “controlled the tap” to use a metaphor my informants occasionally used to explain the domestic speculator scene. That is why M was stuck in a very speculative holding share due to entering trading at the “wrong time”. M was insisting on playing the waiting game. M later admitted to me that he missed opportunities flagged up by F and H who were sometimes creating those opportunities with their own trading. On the other hand, A was an investor who was willing to benefit from investment advice in the form of public stories and private tips and cues. Yet as discussed below, the relationship between F and A was not mature enough to allow doing work based on mutual relationship and any conversions between the social and cultural capital of F and H, and the economic capital of A.

## **The importance of relation work to sustain economic capital**

H and F, despite their strong social and cultural capital valuable in a particular DRI scene, had to work hard to continue this privileged status by doing relation work. Just because they could sway a share price mainly thanks to economic capital of others, they did not do this in a rude or opportunistic manner when their “clients” and formal clients were involved. For instance, H on a daily basis telephoned a high net worth investor who was to bring several million TL to House A. These calls were made to explain this client the situation in the ISE and abroad and whether there was anything to be worried about with the investments they already made together. In five telephone calls as such, H explained why all the bad data flow from abroad would not affect the client’s very sizable position in a middle-capitalisation real estate investment trust company too much. It was because foreigners were still in the share and/or in the market and that there was nothing to worry unless foreigners started selling, and so on. This was despite the fact that H, F, M and other DRI visitors to the room without exception dismissed global brokers and their local branches and their analyst reports as manipulative and not to be trusted. This belief was confirmed at least three times by the observed contra-trading moves after a specific report’s target price and recommendation was made public on CNBC-e or data platforms. Despite this, the share custody figures of the FIIs under Citibank, Deutsche Bank, and Garanti Bank on the scopic screens (all serving the FIIs as custodians) were a safety gauge for the branch people and their exposures in the ISE.

For other clients with smaller assets, F and H would be quite gentle and couch the opportunities into a fundamental and/or chart story rather than giving them the ‘insider view’ as explained by Smith (1998).<sup>58</sup> This gentle attitude was very much the case in their approach to A too. In none of the share recommendations given to A by F and H were there any direct reference to or persuasion based on any insider view or names of speculators or any reference to what F and H were actually doing in those shares. Doing otherwise would probably risk giving an impression that everything was guided and under control in a rather risky manner because of being dependent on certain individuals’ whims. As mentioned before, to be able to get a view or give advice as such, there was not enough of a mutual relationship between F and A yet. A had been there for only two weeks.

The same necessity of relationship work to preserve capitals applied to M too. His conversation with his contacts sharing similar positions in the DRI scene was witty, full of

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<sup>58</sup> With one or two exceptions to this rule when they had expectation from clients such as fund transfer or reciprocity and told them to send the money first to get the share tip!



local speculator and games jargon but reciprocal by exchange of tips and information about what they were up to. On the other hand, he had three conversations with a high net worth investor during which this chatty and witty person changed into a quite polite and well-spoken one mentioning opportunities based on news stories or good board dynamics. During these conversations we all had to shush in the room and F would whisper his share recommendations to M so that he could convey them to that person.

The notion of reciprocity and intelligence sharing was not just confined to H, M, and F. Bs, the assistant manager of branches also received and made telephone calls for intelligence sharing for administrative stuff such as employee backgrounds, commission rates, and so on. As told by Bs to us (11 March 2008) some calls to him on the other hand were apparently not that benign or reciprocal as Bs would be pressed to share information about who was doing what as observed on the scopic screens in specific shares. These calls were usually made by those figures who wanted to control boards and prices and wanted to know what sort of intention was behind what they saw on scopic screens. This brings me to the last point I would like to make about the branch, namely the boundaries and rules and regularities of the game played by the DRIs in the ISE and how they manifested themselves in the branch.

### **Boundaries of the field, rules and regularities in the game: a summary for House A Branch**

To begin with, if the game was defined as taking positions in a share to benefit from an anticipated price hike based on news and/or chart analysis, then the game was the whole ISE ranging from the large-capitalisation, very liquid banks to the most illiquid and often manipulated boards. However rules and regularities for the latter were probably fought over by very few people compared to an ISE 30 share whose trading dynamics were set by tens of thousands of institutional and retail investors. In this respect, the discussions in the branch among the people and their visitors used telling terms such as “losing the goods [shares]” “snatching the goods [shares]” for not just relatively illiquid and smaller cap shares but also very liquid shares.

These expressions probably reflected the short-termist disposition of DRIs and market professionals who served them. When there was a significant profit opportunity most DRIs could not help but sell. This was usually followed by these expressions of snatching or losing in the face of further price hikes. In fact, several stories of great (missed) opportunities of making one unit of investment 100 units over a longer period of time were told to me by Br,

F and several visitors in the room. These opportunities came up because of fundamental and/or insider (view) stories. Some former market professionals in these stories persevered and at the end reached the Promised Land to enjoy being on the “other side of the phone” (being clients rather than investment advisors and eking out a living on small salaries). Some others, on the other hand, could not resist the already made profits and sold or dismayed at the short-term losses again and sold, but at a loss, and later regretted not seeing the fruits of perseverance (not having to come to work everyday as a dealer was one of them!).

If the share in question was a large-capitalisation share where trading seemed to be done in large blocks and swayed by a dozen or so large brokerage houses, then this nostalgia of immunity, perseverance, and great returns (or losses) seemed to be substituted by a sense of regularity and implicit mechanism. For instance unless there was any specific news flow, large-capitalisation financials were seen as the ISE 100 index itself and they would move in accordance with the global and/or local financial sentiment. Yet there might be a trick played here by the figure of “they” as a fall or a hike in a large-capitalisation share price or the index itself was never totally made sense of without checking the notion of money entry and exit. If a fall or hike was made without a significant net sell or buy activity by top five or 10 most actively trading houses, then people would start suspecting the intentions behind these index and/or share moves. The figure of “they” might be up to something that might be harder to make sense. This figure of “they” at least according to the stories in the branch had nothing to do with domestic speculators or specific names. It might refer to a plethora of domestic and foreign retail and institutional characters. In that respect, there was a sense of loss in direct explanatory power, which was compensated for by narrative imagination and vernacular knowledge about macro and micro news flows and index dynamics.

When the investor base in a share started to shrink and some figures seemed to gain disproportionate weight on the price irrespective of the size of company and sometimes the liquidity of its board, then the mode of entry to a share seemed to change. Entry and exit modalities under such circumstances were dictated by few people and the people in the branch seemed to confirm these by looking at proxy figures or using their private knowledge networks. Good connections in the latter could actually allow them to enter a share with confidence as they might get the signal or even the guarantee from the more powerful investors/groups that there will not be any contra-move to snatch their goods. Otherwise the branch people became extra cautious in trading moves they made. For instance, M during my observations bought and sold very small quantities of shares in some small and middle-

capitalisation shares which were thinly traded. Some of his orders were in weird quantities such as 31 (which is an euphemism in Turkish for male masturbation) or in quantities that would make price steps on the board rhyme with each other such 1111 and 2111 (field notes, page 189 5 March 2008). However M explained me later on that despite playing these games with very small quantities, one had to be cautious not to show any intention of taking significant positions in such shares. Otherwise one would risk their goods or money snatched (field notes, page 249-0 10 March 2008).<sup>59</sup>

All in all, it can be argued that as far as the branch people were concerned the ISE as a market was not an aggregate of anonymous individuals and institutions. It was relatively easy for these people to make sense of the market as represented in alpha-numerical figures and codes on the scopic screen. There was only one story captured in the room that had randomness as its dominant plot. This was between H and a friend of M who visited the room and not surprisingly the story was about how hard it was to predict what was to happen in the global markets in the face of mixed news flows about the state of the US economy. When it came to foreigners, the branch people were interested in what foreigners intended to do as grasped through custody figures, not through what they formally said via their analyst reports. The branch people saw value in foreigner activity only if it made sense in the custody figures. They did not even trust live trading figures of global brokers unless there was a meaningful net buying or selling by these houses. Only then, would that activity be believed to belong to foreigners.

### **Recapping House A**

To conclude, House A provides a good cross section of the DRI scene as discussed in Chapter 4. The VIP dealing floor activity was based on informed and relatively committed high net worth and/or high cultural capital (of speculation and momentum trading) investor. Although social networks of these figures were effective in securing trading, loan and custody privileges from brokerage houses and getting market colour (read private information), this did not manifest itself significantly during *in situ* sense-making in the room. Sense-making narratives captured there actually pointed to a strong, mechanized and rather formal sense-making protocol as far as the investment advisors and the research team

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<sup>59</sup> These weird number games were apparently played by many DRIs as I gathered in several internet forums. It should be remembered here that DRIs like M are never a formidable opponent for those speculators/manipulators who control boards. It is only between “equals” that board wars may start (as told to me by the *Investor Ali* informant-19 June 2009 and a former speculator/confidant of a big speculator who now worked as a dealer in House C)

were concerned in their service to the VIP clients. Lengthy stories for investment advice were not as much in demand as good execution and easily absorbable terse narratives. The fact that most of these clients used House A as a leg for their equity and futures contract trading meant that they were relatively self-sufficient in their sense-making activities. In fact, three years after the VOB's opening, House A was already very selective in picking its prospective VIP floor and branch clients by checking whether 'they know VOB' (Interview, head of branches, 14 March 2008). Considering that House A was a formidable player in the VOB despite its size and investor base, one could talk of a fast-formed 'habitus' of VOB investor who could start trading and generate fees for the house straight away. In this respect, the dealing team also seemed to have similar embodied cultural capitals when it came to serving their clients in the VOB. None of the investment advisors seemed indispensable as their order executions as well as their sense-making stories were routinised and repetitive.

On the equity investment front, the VIP dealing room did not feature as an important hub in the ISE equity field. Despite their small size, the research team including the strategist and two analysts- strong corporate finance team were capable of generating and using objects for model-based valuations which reflected their institutionalized cultural capital. This meant that the research team could go beyond reading company fundamentals and some ratios generated on scopic screens which actually passed as research activity in a large number of DRI-only houses. The team could generate valuation reports for companies using models, make annual forecasts on macroeconomic indicators and share these with the parent-bank clients, and with DRIs if requested. For the latter group, a weekly model portfolio with stop loss points was constantly updated in line with news flows, the team's fundamental view on these shares and chart analysis.<sup>60</sup> However, the objects generated out of these activities hardly became the most important item in *in situ* sense-making stories. There were 24 cause-effects and 42 proto-stories about shares traded in the ISE out of the 259 cause-effect and observation logic stories (25.4 %) and in 26 of them (40 %), members of the research team were the plot providers in the narrative. It was highly probable that some high net worth investors used internet trading services or brokers of House A on the ISE floor to trade in the ISE equity market rather than wasting their time talking to already busy investment advisors in the VIP room. Otherwise, as mentioned before in the Chapters 4 and 5, and manifest in

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<sup>60</sup> In fact the head of research was so confident in his cultural capital of fundamental and chartist investment strategy he put weekly and annual returns of his model portfolio in the weekly portfolio reports. He also criticized those DRIs and their dealers in branches who 'seem to know the best better than anyone else' and never paid attention or appreciated the head of research's calls (Informal discussion, 3 September 2008).

these numbers, if an input was necessary from the research team, these mysterious investors would call for the expert knowledge and objects (research reports).

The branch people including the visitors and those in other House A branches as my informants described them consisted of the following types: day-trading high net worth and/or high frequency individuals (or their informal dealers); less-informed and inexperienced lower frequency trading investors like A; and those abandoned investors such as M and his contacts in other House A branches or brokerage houses. Both the first and the third category of investor referred to a more informed habitus and a richer social capital in relation to equity trading in the ISE despite differences in levels of economic capital that could be utilized to seize opportunities in the market. However the third group due to their disposition for high risk but high return investments in problematic shares and their lack of economic power in terms of influencing market dynamics usually ended up with great disaster or profit stories.

The investor category in between these two groups actually had a good potential to convert their economic capital into social and cultural capital within the field, which should ideally turn into more economic capital. However, as argued before, this necessitated considerable amount of relationship work and building of trust and mutually beneficial relationship between investor and (informal) market professional. In smaller brokerage houses like House A, there was more chance for this type of relationship growing due to smaller investor base. Whereas in larger houses like House D and its competitors such a possibility was rather faint due to large number of second category investors. Yet because of the general issue of trust in the utility of the stock market and brokerage houses on the part of the Turkish retail savers, and very powerful synergies created by their large banking operations in the country, it is the bank-owned large brokerage houses which attract the largest number of such investors who usually end up getting a relatively expensive and rather unbespoke service.

Despite these nuances within client-investment advisor relationships, an important historical point should be made here. During my observations, I gathered that a considerable number of investors in House A were playing the waiting game. This was because after a record breaking year in index values in 2007, the ISE indexes plunged significantly due to very negative macro and micro news/data flows from the core centres of the global financial and economic system. Between January and 19 February 2008, the index lost 9,400 points from 54,444. When I said goodbye to House A on 14 March, the index had lost another 2,600

points.<sup>61</sup> It was thus natural to overhear several stories about losses in the equity and the futures market which significantly trimmed the size funds of a few investors. Apparently even some VIP dealing room clients lost big amounts in VOB trading. However, because most DRIs unlike dedicated day-traders and “gomlekci” were not used to the idea of short-selling and/or stop-loss, they were forced to play the wait and hope game in this negative market environment. In that sense, “the Market” started to become the consequential master narrative over all smaller narratives about opportunities and events as observed on the scopic screen in the first few months of 2008. In the next chapter, I present evidence from House B and the AMC between April and May 2008 when things were to become worse and more volatile because of the state of the global economy and markets.

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<sup>61</sup> Data from ISE website, price index available at <http://www.ise.org/Data/StocksData.aspx?sfopl=true>

## CHAPTER 8 HOUSE B

I started my observation in House B's Istanbul headquarters branch on 7 April 2008. I was given a desk and double scopic screen desktop computer next to Bn, a senior female investment advisor (investment advisor). The dealing floor was almost as big as the whole House A. The female manager of the floor, Z called the room a golf course due to its size which spanned almost two thirds of the skyscraper's floor (Informal discussion, 2 April 2008). In the floor, there were 10 investment advisors, 5 male, 5 female, each serving around 50 to 80 clients. This amounted to approximately 600 clients served by the team. Clients gained the privilege to be served by this team when they committed more than 75,000 TL to invest in the Turkish financial markets via House B. Clients who committed less than this amount were assigned to the call centre of the House which provided relatively limited investment advice service given by telephone dealers. This service consisted of repeating research department's model share portfolio and giving chart-based advice. Client numbers in the floor were generally evenly distributed among each investment advisor, with one exception, Br who had a handful of high frequency trading clients, which necessitated undivided attention by Br. Geographically, the team looked after clients in Istanbul, the leading city in terms of both DRI numbers (a third) and size of equity funds held by DRIs (two thirds) in the ISE (ACMIT, 2010). The manager had a small team of marketing staff-all female who frequently went to 'the field' and tried to attract new clients to the house.

**Table VI: Dealing Floor Momentary Stories**

	Cause- Effect	Correlation	Observation	Randomness	Similarity	Total	Proxy	Direct News (Private Knowledge)	Self-Narrative	Past	Past And Present	Present	Present And Future	Future	Past, Present, And Future
D-1	4	1	4	-	-	9	9	1-0	2	-	-	3	3	-	3
D-2	4	6 <sup>12</sup>	5	-	-	15	15	1-0	-	1	4	4	4	1	1
D-3	10	5 <sup>34</sup>	10	1	1	27	26	3-0	5	1	2	10	7	-	7
D-4	4	-	5	-	-	9	8	2-1	-	-	1	5	3	-	-
D-5	8	-	5	2	-	15	11	6-1	4	1	3	6	4	-	1
D-6	13	1 <sup>6</sup>	11	1	1 <sup>5</sup>	27	20	20-2	3	1	4	7	6	2	7
D7*	8	3 <sup>78</sup>	4	-	-	15	11	5-1	5	1	2	3	5	-	4
D-8*	5 <sup>9</sup>	-	4	1	1	11	7	1-0	3	-	1	2	6	-	2
<b>Total</b>	<b>56</b>	<b>16</b>	<b>48</b>	<b>5</b>	<b>3</b>	<b>128</b>	<b>107</b>	<b>39- 5</b>	<b>22</b>	<b>5</b>	<b>17</b>	<b>40</b>	<b>38</b>	<b>3</b>	<b>25</b>

\* Day 7 and 8 were half-day observations.

## What is wrong with the markets?

1-Day 2-contra-correlation: Br is angry at the market as Koc Holding (large-capitalisation holding company) price goes up four ticks after he sold it. 'What kind of market is this, the DAX is almost -1.5 and we are about to be positive' Hn responds, 'Germany is -0.80 now -1 [%], but the VOB is up' he then notices Kardemir (middle-capitalisation steel producer) trading upwards and says 'aha Kardemir, now it is an optimistic market then'.

2-Day 2-Contra-correlation: the above duo are puzzled by negative markets abroad but the ISE 100 index being 0.15 % up towards the end of the afternoon session. Br observes 'what this is, we are up, and look at the other markets all red. Okay I got it, tomorrow is the big fall day then!' Hn disagrees 'I don't think so', Br responds 'okay then it will be negative then positive!' (There is no explanation as to why they predict tomorrow that way; it is not a serious sense-making attempt towards the end but notice how Br attributes intention to anonymous investors by implying some sort of plot to hold the market today and take it down tomorrow).

3-Day 3 Contra-correlation: Ky is puzzled by negative markets abroad and the positive ISE without any obvious reason for this: 'very weird, abroad is all minus and we are up [with a sarcastic tone says] thanks to our "strong economy!"'

4-Day 3-Contra-correlation: Fr gives an update to a client: 'China is down, their inflation came high, European markets are down, but Turkey is up!'

5-Day 6-contra-similarity: Ky gives an update to client about the situation in the ISE and other markets and economies after explaining why the ISE opened negative in the morning-because of the negative US market close: 'otherwise the ISE is exceptionally strong in the face of all these negative [US macroeconomic] data, if it was two months ago, it would be really bad here, but now it is more about the microeconomic [US] data, which matters for the market'.<sup>62</sup>

6-Day 6- Contra-correlation: Br gives update to a client right after the trading finished in the ISE: 'yeah the market was weird, they were trying to hold it here and keep it up while the rest [of the markets] were down.'

7-Day 7- Contra-correlation: Br and Hn narrate the screen respectively as they wonder why the ISE index is rather pedestrian in catching up with the positive markets abroad (the ISE 100 is only 0.20 % up as of 16:00 pm), 'look at the FTSE, up by 2 %!' 'Wow, what kind of thing is this?' Ky joins the conversation and says, 'there is something odd here [the ISE], the BOVESPA is up by 1 %...' Br finishes the story by saying in a confident manner: 'it will happen at the end of the session!' (Observing the boards and anticipating the "they" figure doing something soon).

8-Day 7- Contra-correlation: Br is angry at the VOB. As he closed his short position in the VOB, the ISE 30 futures index goes further down, which if he had waited, would have provided him more profits in his odd VOB trading. Ky wonders why Br is angry despite the fact that all the markets are up: Br: 'God damn it, we closed the position at 52,800 and it is now 52,400, this Germany foiled everything!' Ky: 'what else do you want, it is up by 1 %, the FTSE is up 2 %' Br says 'I closed the position because the FTSE and others were up, I trusted them' Ky: 'no, but our market has worsened a lot.'

9-Day 8 Contra-cause-effect (due to anticipation of intent on the part of some

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<sup>62</sup> On the morning of 9 April 2008, the investment advisors were told by Z that this micro economy theme was highlighted in House B's weekly strategy meeting of the managers of different sales and research departments, economists and the strategist. Then the team in their impromptu sense-making discussion decided it was time to give very short-term trading opportunity calls to clients and avoid recommending several-month positions as the future of the world economy (read US) was uncertain. In the next six days, there were eight references to this theme in the collected narratives.



investors or “they” figure): The bad macro-data from the US housing market is followed by positive US company profit announcements including JP Morgan, the markets abroad seem quite resilient in favour of the positive data. Yet, Br wonders why it looks like ‘they are fighting here to hold the index in Garanti and the rest’ referring to trading activity in the leading shares of the ISE 30. Bn likens the trading activity in Garanti to ‘a cat and mouse game’, Br responds ‘maybe they are trying to make people sell here; you never know what will happen here tomorrow!’

### **The stories behind the numbers**

In a room where around 600 clients were served, 128 stories over seven full days of observation may seem quite limited compared with story and client numbers from House A's VIP dealing room (293 over eight and a half days full observation with around 50 clients and seven investment advisors), and the branch (94 stories over three and a half full observation days with three clients and an investment advisor). An explanation to this numerical outcome was indirectly provided by Z and several investment advisors. According to them, the time period when I was there in House B was exceptional and most of the clients were stuck with their investments due to the continuous fall in the market since the late December 2007. This meant that around 90 to 95 % of clients were inactive.<sup>63</sup>

There was also an air of uneasiness and uncertainty in the room which was caused by mixed news-events about global economy and financial system that seemed in turmoil for several months. This exacerbated clients' existing disposition of not using stop-loss strategy or short-selling in the ISE or using the ISE 30 futures contracts traded in the VOB. Besides, these strategies were hardly recommended by the investment advisors with one or two exceptions.<sup>64</sup> Another less-preferred strategy by clients was buying more shares to lower the

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<sup>63</sup> A technological explanation albeit not as effective as the explanation above about the lesser number of stories comes from the position of my desk as my story capturing devices consisted of my notebook and my ears! The following description of the floor can reveal the technological limitation in action. Each investment advisor in the floor shared a 10x10 ft space with another investment advisor, with the exception of Fr who was in the far end of the room near the glass wall looking over the Levent financial district. These spaces were partitioned from each other by computer screen high partitions. Fr was at least 10 meters away from me. My desk was next to Br and Hn who had their section just by the door of the floor next to the managers glass partitioned office. I had the other seven investment advisors opposite me, sharing their respective sections 3 to 8 meters away. Kr who sat next to Fr's section was hard to hear as he was a silent speaker (2 stories by him to me whilst at his desk) unlike Fr who made himself heard many times (11 stories from him, 3 of them to me whilst I was at his desk). On the other hand, I never witnessed Ay who sat next to Kr updating a client or constructing a sense-making story apart from the instance when she connected to live CNBC-e broadcast. Ky (30 stories), Se (7 stories) who shared the section just opposite me were loud speakers so it was easy to hear them. However half of the stories I captured came from Bn, Hn and Br who were sitting next to me.

<sup>64</sup> It seemed like most of the investment advisors with three exceptions did not feel comfortable with trading in the VOB. Only Fr used this strategy very effectively, at least in terms of number of contracts. Ten of his 50 or so clients had 90 percent of House B's total exposure in the VOB in April

average cost of their exposure which was recommended six times by investment advisors. Yet, clients seemed unwilling to dedicate more funds to the already loss-making investments. In sum, there was not too much sense-making and trading activity in the room compared with busy periods that coincided with a relatively straight upward trend such as the one in the latter half of 2007.<sup>65</sup>

### **Tips and insider info?**

Despite this relative inactivity in the room, the stories captured in the room reflected the general impression I got about House B from my informants and observations. To begin with, there were only six instances of private knowledge use among the stories, five in cause-effect and one in proto-story categories. This can be seen as a reflection of the house policy of not working with domestic speculators or problematic people. It seemed like the house's definition of problematic was not just confined to figures like *Investor Ali*. They extended this to volume churning speculators who scalped profits by using multiple houses (Informal discussion with Z, 13 April 2008). This policy was actually reflected in House B's relatively low trading volume despite its organisational strengths mentioned before. Lack of high trading volume however was partially compensated by one of the highest commission rates in the ISE intermediation field.

However, Br, Kn and Se told me that they worked with domestic speculators before (Br and Kn in other houses and Se actually in House B back at the beginning of 2000s until her client bankrupted himself in trying to make 'the board of Net Holding'-field notes, page 22, 11 April 2008). In fact, the head of branches told me that they used to work with speculators in the 1990s and some of them might be still using their electronic trading platforms (Interview, 1 September 2008). The six instances of private knowledge therefore not surprisingly came from two of these investment advisors. One instance came from Kn who told me that he got a tip from a contact about a speculator taking a position in a share. He was rather cautious about this despite the fact that two previous tips from the contact worked quite well. Kn thus observed the chart and board dynamics to check the validity of the tip. The other five instances were by Br to his client. All of them referred to their trading in the middle-

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contracts! (Informal discussions, 10 and 11 April 2008). Two other investment advisors, Br and Mr seemed to use the VOB like it was used in House A but with less momentum in trading and with many less contracts.

<sup>65</sup> This was the reason why I was encouraged by Z and Bn to go and spend time with other investment advisors at their desk when market seemed idle. Whilst at a desk talking to a specific investment advisor it was hard to capture sense-making narratives happening elsewhere in the room.

capitalisation real estate investment trust company. Their trading activity constituted approximately a quarter of the volume on the board during my observations. I inferred from what Br said that there was no single figure on the board that controlled the trading. In all these instances of private knowledge use, Br referred to news expected to come. Yet it was not clear whether this expectation was already public or something that was known in private networks. By observing the board dynamics and actively trading houses over the days and incorporating his vernacular knowledge about these houses, Br reiterated that the news was genuine and ‘there was no scam’ (Field notes page 32, 14 April 2008).

### **Sounds like private knowledge but everybody knows it-even I do!**

Apart from these instances, there were four stories which referred to large-capitalisation financial and media holding company shares which were believed to be controlled by their bosses at the time when these stories were told. However I heard this belief in all four houses I observed plus from my informants about domestic speculators. Considering this and the content of the specific stories, it was therefore hardly a case of using private knowledge that only belonged to specific investment advisors in the room at that particular time. Another story which was between Br and Hn on 9 April 2008 discussed the elusive “they” figure and what they would do next based on proxy data and chart analysis. Br told Hn to wait for the second session which signalled a move by “them”. Then Hn had a joke referring to the flow trader I interviewed on 24 June 2009 to explain several tick moves in a large-capitalisation board (four days after the Forbes Turkey interview the flow trader gave). I put these stories under vernacular knowledge/narrative imagination category.

### **The omnipotent “they” figure propelled by narrative imagination**

The relatively negligible private knowledge use mostly by one investment advisor was compensated by the use of vernacular knowledge about brokerage houses and company bosses as above and also by referring to the “they” figure in 22 narratives (17 %) to make sense of proxy data in the face of direct news or lack thereof. Like instances of referral in House A, the “they” figure mostly referred to anonymous investors in the ISE. Only in one case, Ky argued that “they” (investors buying abroad) got a leak on the forthcoming data to explain the rebound in the markets before the data announcement (field notes, page 48 16 April 2008)<sup>66</sup>. In the remainder of the cases, the “they” figure was attributed unity and

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<sup>66</sup> This logic was also invoked by the House A strategist to explain the sells before the data announcement on 20 February 2008. Not surprisingly the data was from the US. In another instance

motive to (have) act(ed) in a certain way to bring forth what was (to be) observed about boards and the ISE index on the scopic screens. These reactions were in the face of either direct news flow (nine global and one local news instances) or a situation in markets abroad (two instances) or what investment advisors merely observe on boards in the ISE (nine instances). All these cases were examples of narrative imagination at work in which the otherwise anonymous “they” figure was attributed unity and motive to explain what needs to be explained on the scopic screen.

### **Making US data and markets consequential on the ISE**

As mentioned before in footnote 65, House B was not very eager to market the VOB trading as a viable investment service to their clients. In fact the conservatism of House B was put into margin requirements for clients. As told to me by Z, House B would ask a larger margin requirement than what the VOB formally set (Informal discussion 2 April 2008). This lack of widespread VOB trading based on momentum in global markets and the insistence on a long-only strategy in the ISE equity market however did not mean that the investment advisors did not pay any attention to news events from abroad. Out of 57 cause-effect stories, 27 stories took news events abroad as causes of what (was to) happen in the ISE. In 48 proto-stories on the other hand seven narratives referred to proxy market data abroad and another eight narratives referred to news events abroad as the focal point of the given story. With the addition of 16 correlation, 3 randomness and one similarity stories, there were 62 narratives in total (48.5 %) which focussed on events abroad to make-sense of the scopic screen. Although US data releases were followed via a speaker phone connection to the chief economist upstairs, there was no immediate trade based on the instant interpretation provided by the chief economist. In that sense these narratives either anticipated the direction of data/news to sanction a holding or selling of clients’ positions in the ISE or were used to make sense of the present and future direction of the ISE index. In total, only 25 of these 58 stories (13 cause-effect, five-observation, and 6 correlation logics) were told to the clients.

### **Markets are not like they used to be in the good old days**

In fact, these numbers were a reflection of two things. The first was the short-term trading strategy based on the global economy theme as discussed in footnote 63. The uncertainty in the global economy and financial markets were monitored with a plethora of data releases

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Ky implied that US retail data might come better than expected due to the rebound in European markets before the data release (field notes, p 34 14 April 2008).

from the US economy and companies. Moreover, both the DOW and the DAX were followed closely to gauge the daily market sentiment in light of these news/data flows before and after their announcement. It was hoped this would help investment advisors spot solid short-term trading opportunities in the ISE by using charts and observing board dynamics (25 narratives used charts, 11 of which had the most focus on charts) and following company news flows if there was any (only two instances of quoted company related news featured in the stories, one about a dividend announcement, and the other one about a global investment bank rating downgrade for Turkey). However, even following the news/data announcements with anticipation did not provide a sense of control and confidence over the present and future of the markets. Sometimes the markets did the opposite of investment advisors' expectations about news flows and the predicted market moves. These contra-moves seemed to upset some investment advisors due to missing these intra-day or inter-day rallies (Informal discussion with Ay, 9 April 2008). The omnipotent "they" figure acted in ways that were harder to predict. The market was not like what it was back in the late 1990s and early 2000s when a dozen or so figures such as domestic speculators, 'big foreign funds', 'day traders from London', and their brokers in Istanbul exhibited routine trading acts (Informal discussion with Sp and Ay 8 April 2008).

### **Client typology**

The second was, during my stay between 9 and 17 of April 2008, it was probably maximum of 30 different clients who had one or more discussions with the investment advisors. Among this group, I observed the following distinctions in light of my informal discussions with the investment advisors and Z. The first group (were) called very frequently, some on a daily basis, some others once or twice a week and sought to take trading positions or review the ones taken to make the best entry or exit to shares in question. Some of these investors were quite informed not only about the market but also different valuation techniques such as reading balance sheets, doing chart analysis, and so on. Some of them were self-taught; some others had pursued finance related careers before. Those who did not possess these techniques were happy to rely on their investment advisors' cultural capital to sustain and/or increase their economic capital in the field and make informed decisions. Yet such a trust level was possible only by a long-term mutual relationship work in which investment advisors would demonstrate a personal approach to the client and his/her specific life stories and investment aims. This then would be rewarded with increasing cash funds dedicated to the House by the client (Informal discussions with Bn and Ky, field notes page 30-1, 11 April 2008). In fact, House A management was aware of this and made it a performance criterion

for investment advisors the number of client visits and more importantly how much rapport was created (Informal discussion with Bn, 7 April 2008).

The other group on the other hand seemed to be lacking quite significantly in cultural capital relevant to the ISE, and did not pay too much respect to their social capital (namely their investment advisors). Investment advisors Bn, Se, Ky, Ay, and Hn all complained about this type of client who would say nothing in a downward trend because “everybody loses” but when an opportunity to make quick profits arose and if they thought they missed it because of their investment advisors, then they would have no hesitation in exposing their anger to their investment advisors. I actually observed six instances of such arguments between three investment advisors and their clients. The accusations by clients ranged from “you made me buy or sell at the wrong time” to “you didn’t allow me to buy it”. These accusations usually came from clients who did not have scopic screens before them or the necessary cultural capital to use them as effectively as their investment advisors. Some of them were also swayed by tips given by friends and by news in the media about shares.

Z told me that one had to deal with this type of investor to prevent them from acting irrationally and dwindling their economic capital. The downside of this type of teaching activity was that these clients were sometimes very bad tempered and slow to understand. Z gave the example of a share recommendation she had given to one of these clients. It was for Bagfas, a fertilizer company which like its peers had soared in value since the second half of 2007. This surge had a global fundamental story behind it about the increased demand for food, bio fuels, and so on. When Z gave this recommendation and sent a report in Turkish about Bagfas, the client did not read it and told Z that ‘the price was too high’, just because Bagfas had a three digit unit price! Z argued that small investors with less economic capital had a higher risk appetite but a lower disposition to listen, learn, and act on the knowledge they were encouraged to acquire. On the other hand, some high net worth clients were not that much eager to double or triple their wealth by taking higher risks or big exposures in the equity market (Informal discussion, 10 April 2008).

This last group can be seen as the third type of client who would take long-term positions in the market ranging from a fortnight to several months, depending on a major trend change or a news story and be relatively content with their fortunes in the market. Otherwise, pushing these clients during “normal” market periods with ‘too many updates’ could lead to a gentle reminder from the client that he/she was not that interested (Informal discussion with Bn, 7

April 2008). Although it was hard to find out the exact numbers for each type of client, it was generally around 5 to 20 clients out of an average 50 for each investment advisor, which would fall into the first and second group and keep investment advisors busy. This also reflected the conservatism of House B. It did not strive to convert the third group into the first group to generate more income or worse push them into the abandoned DRI realm by offering loan trading and trade calls in problematic shares outside the research department's company coverage universe.

### **Stories and risks managed according to client types**

It was observed on 8 April 2008 that Bn told two quite pessimistic stories about the index and specific shares based on the global economy theme. In the first story, she convinced a third type client not to take position in a large-capitalisation share and encouraged him to keep a quarter of his portfolio liquid (in House B's liquid funds managed by House B treasury department). In the second story, she convinced a loss-making first type client to sell Koc Holding as he had already made 9,500 TL in this share. The story was that the DOW would probably open negative and his profit would go down. This was a response to the client who queried about a possibility of the share price going up based on chart dynamics. The third story on the other hand was a regular market update to a first type client with a better performing portfolio, and pointed to a good index that was about to hit 42,500 points. I asked her why she painted two contrasting pictures about the market. She said what she does is 'like psychological counselling, giving the appropriate explanation to specific people'. When asked what she thought about narrative imagination in the face of anonymous figures and proxy data, she pointed to the importance of better cause-effect stories in their sense-making service to clients 'well they ask you and you need to appropriate something when they ask why market is up. You can't say "someone has just bought a big chunk of shares. That is why", this is not possible'.<sup>67</sup>

Bn added that striking the right balance between 'the wallet' (read commission fees and investment advisor bonuses) and 'the conscience' (caring for clients and ensuring a long-term relationship) was the hardest part of their job (Informal discussion, 15 April 2008). That is probably why most investment advisors told me that their job was stressful because of not only the need to observe the markets constantly but also getting stressed with clients' mood changes and stinging comments in the face of losses (Informal discussions with Ky, Fr, Se,

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<sup>67</sup> This is similar to GI's cry for explanation mentioned before in Chapter 6 House A.

Hn). The taxing nature of the relationship work was summarized very nicely by the following quotes:

yeah it is good money we [make clients] earn without physical effort but we take risks, look at my hair, it is already whitening [he was 28 years old] and the customer takes risk, he has a million lira exposure, yes when you land a good trade, good but when you lose 10 %, it is a big loss, so one need to be aware of risks (Informal discussion with Ky on 9 April 2008 after I observed him talking to his client about the profit they made by short-term trading in Halkbank-a large-capitalisation national bank).

We are like a lightening rod you know, you are hit by angry customers and then you kind of become morose at home, when the markets are good, we are happy and become very nice husband [laughs] and behave very well, when it is bad then you are down. You have to deal with this pessimism [of clients] (Informal discussion with Fr 10 April 2008)

### **Managing risks: effects of investment advisors' cultural capital**

Despite differences in personal stories of clients, there were some commonalities among them (including those who did not call) that stemmed from dispositions applicable to a large number of DRIs in the ISE. I think the most significant of this was perceiving equity investment as something akin to risk-free savings vehicle such as bank deposits or government bonds. Especially for relatively novice DRIs served in House B this lack of awareness about risks involved in equity investment was the biggest pitfall. However even more experienced, long-term and committed clients could fall into this trap of “continuous gains” especially in major trend changes. Hn who was an investment advisor since 1991 and in House B since 2001 told me the following on this type of risk (Informal discussion, 15 April 2008). Two of his three most dedicated and frequently trading clients who had worked with him for over seven years did not listen to his advice in the late 2007 to lower their exposure to the equity market. Those two had increased their economic capital very significantly by short-term trading until the record point in December 2007. Hn recommended them to divert most of these profits to real estate investments but this did not materialize with the exception of a villa and a Porsche Cayenne bought by the first client who lost  $\frac{3}{4}$  of his equity funds in the downward trend.<sup>68</sup>

According to Hn, the other client despite losing less money (half of his portfolio was gone but his portfolio was the biggest among the three) became too insensitive to risk. To

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<sup>68</sup> In fact, Hn kept trading with this client to help generate the monthly instalments for the Porsche which was 5,000 TL. The sale price of this car's basic model was around 80,000 Euro in 2008 when it was introduced to Turkish consumers.



recuperate some of his losses, the client then started taking very short-term but large positions in large-capitalisation shares with the help of loans provided by House B. In one instance I observed an exposure of almost a million lira in AkBank (a large-capitalisation national bank) which made a loss apparently because of the omnipotent “they” figure who decided that ‘those who had to close their positions are not going to get any dough’ (investment advisor Hn in story number 111, 15 April 2008). On another occasion Hn told Bn that they took around two million TL exposure in YapiKredi (another large-capitalisation national bank). Both companies were in the ISE 10 bank index, and second exposure was taken on 14 April 2008 and apparently it worked quite well with an approximate 5% rise in the share price on that day, allowing Hn and his client to ‘rub his beard’ (a slang phrase for profit making by this veteran investment advisor, field notes page 36). For Hn, this relatively irrational risk taking by clients was down to their mentality of ‘what comes from the stock market goes to the stock market’ and loss of risk aversion when the client becomes indifferent to losses due to their scale.

Notice in the above accounts the lack of any fundamental value remark on these banks. Hn did not have to know this aspect as much as a sector analyst in the IRS department upstairs. Hn was probably not very self-sufficient in chart analysis either. I observed him consulting Br regularly for Br’s view on chart dynamics. He once praised a chart analyst who was quite famous in DRI circles thanks to his website and regular appearances on CNBC-e ‘as the only guy [Hn] trust’ (field notes, page 4, 9 April 2008). However one thing Hn was very competent in was observing board dynamics, anticipating where the price would go and what “they” might intend to do. He was also quite well-versed in vernacular knowledge on the ISE and companies. He was also probably quite good at seeing major turnarounds in markets such as the one in late 2007. Hn had a degree in economics like most of his colleagues in the dealing floor. Like all his colleagues, he had the CMB advanced licence which provided the second resource of institutionalized cultural capital. Although some part of the investment advice service he gave to clients was generated by team work and inter-departmental division of labour such as stock picks and macro economy calls, he became the embodiment of this distributed and collective sense-making and valuation activity in House B for his clients. Like his colleagues, he used these resources of cultural capital to solidify his social capital by doing relationship work for clients and trying to protect and enhance clients’ economic capital, which would eventually bring him more economic capital (commission fee bonuses). On top of these, maybe one point worth mentioning is Hn was a very soft-spoken and calm person, which might be seen as a form of embodied capital if such a demeanour

was in demand by clients. The importance of demeanour was actually highlighted to me by Ky and Bn that sometimes if 'the stars of client and investment advisor do not align, then there is nothing to do but hand the client to another investment advisor.' (Field notes page 30-1, 11 April 2008)

In fact, from what I observed in the room and gathered from my informal discussions with the investment advisors is that the above description of embodied capital was applicable to all the investment advisors in the room with varying degrees of competences in different items such as chart analysis, reading board dynamics, acquiring private knowledge, restraining and encouraging clients' risk appetite at the right time and so on. On aggregate, in fact during my observations all the investment advisors were the same figure of investment advisor who reflected the organisational disposition of House B in serving the DRIs, namely pro-active in relationship work but conservative in investment outlook. None of the investment advisors had actually provided a service that would be novel in that uncertain time apart from the agreed strategy of seizing short-term opportunities, restraining long-term commitments and marketing liquid and fixed-income funds of the AMC. However, there were two exceptions. The first exception was Br the enigmatic investment advisor who I later learnt had worked with all sorts of clients before, including a domestic speculator with 15 brokers on his line (Informal discussion, 22 August 2008). From the second day of my observations until I finished in the floor, Br and his client had generated significant amount of trading and taken a sizable position in the real estate investment trust company. Some of the other shares Br mentioned to his client(s) during my observations were definitely under the research department's radar and sounded familiar to me after my stay at House A branch. But this was a novelty on this floor.

The second novelty was provided by Fr. A veteran in the field since 1996, Fr seemed quite competent in chart analysis and observing scopic market screens with a macroeconomic perception frame in mind. As mentioned in footnote 65, he managed to convince ten clients to take exposures in the VOB to benefit from the downward markets which reflected the increasing doubts about the future of the global economy and financial markets. Fr was of the view that a global economic and financial meltdown was in the offing and this would provide a great opportunity to sell contracts in the VOB and buy them back at short intervals depending on the data/news flows from the US and major economic centres of the world. He was also worried about the exposure of Turkish banks to short-term currency debt taken as syndicated loans. His scenario was of a doomsday on all fronts but he was selective in his

observation of data/news flows. During the time I was there, his focus went beyond US financial companies and turned to real sector balance sheets and macro figures on consumption and production in the US. However, he did not use each and every announcement from the US to convince clients to buy or sell contracts unlike the VOB strategy in House A. As he told me several times by coming to my desk or inviting me to his, the strategy was to stay relatively liquid courtesy of the VOB bi-directional trading and make money when asset prices were on their way to hitting rock bottom which would leave all those optimistic investors in shock.

Fr also made fun of the uneasiness of some other investment advisors in the floor in the face of volatility in markets and negative data/news flows. He argued most investment advisors were depressed and wanted to hang on to every bit of positive news to be able to resume trading with their waiting clients. In one instance he called the volatile but 'foamy' ISE index 'a stray ox' only to be picked on by Ay who told him off because of this joke. Ay told him off right before this joke when he made fun of the popular chart analyst on CNBC-e and his followers. Later that day Z despite endorsing a negative global economy outlook told me that each and every investment advisor told me stories according to their exposures in the market, implying that Fr was exaggerating the situation because he had many contracts short in the VOB (Field notes, pages 15-20 10 April 2008).<sup>69</sup> In hindsight, Fr was not actually exaggerating when he told me the ISE index was to see a point between 20,000 and 15,000 and that was the best time to collect shares again, similar to the opportunity when the ISE started its great convergence march back in late 2003. Maybe 15,000 point was a bit of an exaggeration considering that the ISE 100 saw its lowest point at 20,912 points on 20 October 2008 and has never gone below that point since!

I think Fr was a good example of the naïve scientist who wanted to delve beyond the rather mechanized "good data, bad data" reactions in the era of "US data following". He also managed to learn and use VOB trading almost single-handedly in House B. However this was in a manner which was in stark contrast with the way in which the VOB trading was used in House A! Other investment advisors were capable of being naïve scientists or learning VOB trading but some had a stronger belief in charts and board dynamics whereas others wanted to blend the fundamental value approach with short-term market dynamics based on news/data flows. Yet in all these instances, it was a unidirectional hope that drove

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<sup>69</sup> In April 2008, House B had 860 shorts and 780 of them belonged to Fr's clients (Informal discussion, 11 April 2008)

the sense-making activities in the dealing floor. Unfortunately, the omnipotent “they” figure sometimes seemed to have other ideas about the direction of the markets.

Did the research department, the chief economist and his assistant economist know better than these investment advisors when it came to converting their cultural capital into timely advice and economic capital for their clients? The young chief economist Er who was another darling of CNBC-e courtesy of his regular appearances actually worked in one of the Federal Reserve Banks in the US as a researcher for several years! Or did S, the chief strategist of House B, who with her husband made chart analysis accessible to masses in Turkey back in the 1990s, know better (Interview, 12 May 2008)? Or did those fund managers in the AMC some of whom had MA degrees or PG certificates from American, British and prestigious Turkish universities know better than Z whom they made fun of just because she dared to make some remarks about the global markets in the weekly market strategy meeting?<sup>70</sup>

I shall provide an answer to the last question in the next chapter where I discuss five fund managers’ sense-making activities. For now it should be stated that as far as Z and her team was concerned, those people did not know better. In fact, according to Z, they could not even agree among themselves about macroeconomic and market situation in the globe during the strategy meetings, and blamed each other for excess pessimism or optimism (field notes, page 46 15 April 2008). Moreover, investment advisors recounted instances where the Er’s macro economy related calls made their clients lose money in the face of contra-moves by the market. When it was about the strategist’s daily calls and research department’s model portfolio, similar contra-instances were mentioned. In fact, in the past House B made it a performance criterion to follow calls of the strategist and the research department. However after some backlash from investment advisors and branch dealers this criterion was relaxed (Interview, head of branches 1 September 2008). As Bn put it

as an investment advisor, I would like to use my own ideas...yes we do look at the [research] department’s share recommendations and use them but you can’t always comply with model portfolio. They sometimes put dead shares there, you can’t recommend such shares to your clients...when they [the management] saw this was not working, they removed it [performance criteria] (Informal discussion 16 April 2008).

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<sup>70</sup> To be fair, the fund managers were not talking nastily about her. It was just that they hated these strategy meetings because people would talk for ages and could not agree with each other and for them Z’s speaking about the global economy was another unnecessary five to 10 minutes on top of the duration of the meeting!

However, these negative incidences did not mean that the team would altogether ignore everything that came from upstairs. They incorporated the objects created by upstairs in their sense-making activities with a critical eye that took into consideration the local market dynamics.<sup>71</sup>

In the above quote, Bn hinted at the importance of embodied capital and skills in an investment advisor as something that could make a difference for individual client needs. She was to get a nasty surprise when she learned who was recruited to fill her place as she went to London to get married and start her new job in a newly found subsidiary brokerage house of a national bank in Istanbul: ‘You know what Emre, it turns out we did not have any worth here in the eyes of the house, you know who they recruited in my place, a girl who born in 1983! I have worked in this house for eight years and they recruit a novice in my place’ (Informal discussion, 17 April 2008).<sup>72</sup> It is true that embodied capital could make a difference for investment advisors and their clients but it was also true that investment advisors were highly fungible and relatively cheap assets as far as the DRI scene and large and highly institutionalized one-stop-shop houses such as House B were concerned. In the next chapter, I turn my attention to the buy-side managers and examine how more esteemed institutionalized cultural capitals (read much higher salaries) shaped sense-making and decision-making activities in the ISE.

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<sup>71</sup> The aforementioned backlash in DRI scenes against the foreigner figure including their analyst reports, trading activities and so on was not observed in House B during my stay. Generally speaking, investment advisors acknowledged the “foreigner” presence in the ISE and perceived it as a benign force in the market.

<sup>72</sup> The second surprise she was to get was how domestic speculators churned out millions of liras despite negative news/data flows in intra day trading as she started serving several of them in her new London job (Informal discussion\*, 10 October 2008 in Edinburgh)



## CHAPTER 9 THE ASSET MANAGEMENT COMPANY

The AMC is a mid-size asset management company among the 23 such companies operating with a CMB licence. It had approximately 110 million USD under its management during the time of my observations.<sup>73</sup> It was owned by House B. It managed six different open-end mutual funds issued by House B and funds of a closed-end investment company owned by the parent holding. Apart from those funds, the AMC managed seven pension fund products issued by a local branch of a GIC, and assets of 180 individual investors. I started my observations in the AMC on 18 April 2008 and completed them almost a month later on 16 May 2008 with 12.5 days of full observation. There were five Turkish male managers in the trading room each with an average of 15 years experience in leading companies of the fund management industry in Turkey. Managers A, K, and S managed funds that had most weight in equities.<sup>74</sup> Managers C and G looked after the funds that had the greatest weight in fixed-income securities.<sup>75</sup> Each manager was connected to the markets via scopic market screens. They also used proprietary monitoring programmes. These were basically calculation and monitoring models developed on Excel sheets and fed by real-time data distributed by data vendors. They measured each fund's performance on a real-time basis by breaking down the product into its constituent parts. This technology freed a very significant amount of time for the managers and allowed them, especially the equity managers, to concentrate on their scopic screens with intensity and preparedness. The fixed-income managers on the other hand seemed to have more free time in their hands which they passed by playing arcade games on their computer, snoozing at their desks or joking about me due to my constant note taking! I shall explain the reasons behind this free time later in the chapter.

### **Formal rules of engagement with the markets: the fund charters and benchmark criteria**

Because each fund that was managed by the AMC had an investment charter overseen by the CMB, the managers operated within the rules and objectives stated in the fund charters. The most significant of these rules was the asset management sector-wide benchmark rule. This

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<sup>73</sup> I rounded up the figures from what some fund managers told me (not all of them were eager to disclose the exact size of their funds under management) and from Fonbul, the data portal for Turkish fund industry.

<sup>74</sup> A and K studied Economics and Management in the US, and S has a BSc and MSc in Management Engineering—a quantitative focussed degree from a prestigious university Turkey.

<sup>75</sup> C had a degree in Statistics from another prestigious university in Turkey and then studied in Scotland for a PG certificate and got an MBA from a top private university in Turkey. G was a Management graduate of a prestigious Turkish university. All the Turkey based-degrees had been taught in English.

rule stipulated a fund product to carry a certain percentage of its total investment in a pre-determined security class. For instance, if the fund managed was an 'A type' fund, the weight of Turkish equities in the fund's total value could not be lower than 25 %. Another crucial rule was the 10 % limit on a single share's weight in an A-type fund. This meant that equity managers could not increase their exposures (risks) in a single share to generate better performance. The general equity exposure of traditional A-type funds managed in the room varied from 40 % to 100 % depending on the market conditions. What I mean by traditional is these funds, which are quite widespread in the sector, were issued in late 1990s or early millennium and they usually had two constituent asset classes, equity and government papers or liquid money market securities such as repo. However, the weight of equities in the A type funds could be 100 %. There was an exception to this type of traditional fund, the Manager A's conservative "analyst fund" which had 'a narrower manoeuvre space', unlike the traditional A-type funds managed by S and K, due to the limited upward range for the equity exposure with a maximum 80 % cap. The fund aimed at generating larger profits when ISE index went down by using the VOB ISE 30 contracts (always short). When the ISE was on an upward trend, the aim was to increase the weight in outperforming shares in order to minimize the loss generated by the VOB contracts (Informal discussion with A, 21 April 2008).

Although the assets of the closed-end investment company (around 25 million TL by then) which was managed by K did not have to abide by any strict rules or compete with any publicly declared benchmark, the public statements of the AMC showed a similar mix of equities and government papers in the closed-end investment company's investments, with the former having a larger weight. Moreover, K told me that he would never invest outside the ISE 100 index (Informal discussion 18 April 2008). Due to similar structures of funds and same share universe that they invested in, namely ISE 100, the equity managers usually applied the same stock picks and trading strategies to these funds, including the GIC funds which were a mix of traditional A-type funds and mixed-funds. Even private portfolio investors who had preference for equities (60 clients) did not get a bespoke service as far as the equity managers were concerned. Their assets were allocated into a pool and the operations department allocated equities, fixed income or currency products to these investors according to their risk profiles and preferences (Interview, head of marketing 15 May 2008). This notion of pooling made the managers' job much easier as they did not have to attend to each fund product separately.



The fixed-income managers and their funds mainly consisted of what the CMB calls B-type funds, open-end fund products which do not have to carry minimum 25 % equities in their portfolio at all times. C managed two B-type funds. One of them was what he called a conventional B-type fund that consisted of short-term government debt papers (600 day bonds) and repo. The other fund was called B-type growth fund which C said ‘could be seen as a [fixed-income] hedge fund, it has everything inside, Eurobonds [Turkish bond denominated in foreign currency], currency, and stocks. But I can only sell currency futures traded in the VOB, this is the CMB rule’ (Informal discussion, 5 May 2008). C also looked after the AMC’s cash positions. G did not explain to me much about the fund products he managed but I gathered during my observations that he managed a conventional B-type fund which was very similar to the fund managed by C but with a difference of 49 % cap on its maximum equity exposure. In C’s fund, this could go up to 100 % but none of these managers had any meaningful equity exposures in these two funds. It was predominantly government debt papers in which these funds had the greatest exposure. G and C also shared the management of the assets of 120 private investors who had preference for fixed-income securities and currencies.

The rather complicated charter rules for House B’s funds became more complicated for performance measuring criteria and using of benchmark securities. To begin with, none of these funds were single index or benchmark replicators. For instance one conventional A-type fund had 70 % ISE 100 and 30 % repo benchmarks. The other conventional A-fund had a 50/50 benchmark of the ISE 100 index and a fixed-income benchmark respectively. The latter had two components in it, a global bond benchmark (7.5 %) and an over-night repo index that was generated by the Turkish Institutional Investors Association (42.5 %). On the other hand, the A-type analyst fund did not have any benchmark criteria in its charter circular yet a minimum 30% equity exposure requirement meant that it had to carry equities under all circumstances.

One of the conventional fixed-income funds had a 90 % and 10 % government paper and repo index benchmarks respectively whereas the other did not have a benchmark. The B-type growth fund had the most complicated benchmark which consisted of the Turkish Eurobond index (35 %), the state domestic borrowing bill index (456 day-performance-22 %), the repo index (35 %), and the ISE 30 index (8 %). In fact, I did not inquire about the rationale behind these benchmark criteria some of which I gathered from the AMC’s public information platform. However, it can be said that these are rather arbitrary and set by the AMC’s board

and fund manager in question in line with the fund products' aims and objectives. The latter was eventually decided by the AMC's board bearing in mind the fund market conditions (Interview, general manager, AMC 14 May 2008).

In the global insurance company funds managed by the AMC, two A-type funds had 90% ISE 100 and 35 % ISE 100 benchmark rules respectively. The remaining parts were allocated to fixed-income benchmarks composed of government bills and liquid papers. The B-type funds had a benchmark index that was composed of various government bill and money market indexes (source, fund circulars on the global insurance company website- source withdrawn due to anonymity).

### **Informal rules of engagement with the market**

In fact, none of my informants gave any detailed information about the global insurance company funds and their benchmark rules. I also noted that the managers did not want to share too much information on particular trading moves they made and why they made it with a reference to the benchmark rules. Some gave me general explanations about this on the spot or after the trading session. However from these explanations, my *in situ* observations and the informal discussions with the managers, the following can be said about their practical rules of engagement with the market.

The fund charters and benchmark rules meant that almost all these funds could be seen as long-only funds. This was so because the funds had to carry a minimum amount of a certain asset class in their portfolio. While a direct short position in spot securities was impossible, one could talk about a practical short or asset-weight decreasing to minimize the damage to the fund performances in downward trends. For instance an A-type fund could lower its equity weight from 70% down to 50% in a downward trend to outperform the benchmark indexes irrespective of the prospective real loss. However, these lowering of share exposure or 'increasing/decreasing weight' as the managers put it did not take place in the form of a daily change of say +/- 20 %. It was done incrementally and in a conservative manner to make sure that the fund in question would not take too much risk and trade too many times like a day trader. Doing so would be against the fund charters, the CMB regulations and the whole notion of 'professional risk management' motto of the AMC (Interview, general manager, AMC 14 May 2008). By all means these fund products were traditional and conservative and would mimic the direction of the ISE indexes but provide the performance difference with marginal out-performances of the benchmarks by several percentages

(negative/positive).

Consequently, for the equity fund managers, sense-making activities before the scopic screens were focussed on two things. First was detecting and observing the continuation of an index trend. This was to allow trading in shares which had a target price in the managers' opinion. This target price opinion was set by the managers' own simple fundamental value analysis with the help of the research department and observing market consensus. The latter was gathered via data platform surveys and analyst reports coming from other houses via private email groups. The analysis would also focus on several ratios such as Price/Earning ratio, Enterprise Value/Earnings-Before-Tax-and-Depreciation, Profit/Equity ratio and so on. These ratios were all available on the scopic screens thanks to data platforms (Informal discussion with K and S-18 April, with A-21 April 2008). However, instead of taking positions in a share and waiting for a particular target price to be reached in several months, the managers would sell and buy back the shares to generate short-term profits and keep their exposures intact with the conviction that the share and the index was on an upward trend. The second was spotting short-term volatility or more importantly a trend change in the index and then taking defensive measures or 'position adjusting'. This position adjusting according to S was done to realize small profit opportunities and to keep up with the benchmarks' performance (Informal discussion, 7 May 2008). Irrespective of the strategy, the equity managers seemed to rely on charts to be able to judge the short-term trading dynamics. For them charts were not about predicting the future by plotting the past on the future. It was more about seeing the trading volume and 'investor intentions' on a graph with the help of various statistical indicators (above discussions).

It can be said that, during my observations, the equity managers were trying to make-sense of the volatility not only in the ISE but also in global markets and decide how to change their funds' weight in ISE equities. In this respect, they were in search of an outlying share in terms of price performance to be able to outperform their benchmarks. However, this search was never motivated by those thinly or in-depth traded, well-performing but "dodgy" shares. Such a view of "dodgy" on a share was not because of the existence of a speculator on the board or shares being "owned-board" which meant that the company owners/boss held significant sway in share trading. The equity managers told me that they would never hesitate buying a share if it had good fundamentals and promising returns for the future. Although the equity managers knew there could be risks in entering an "owned-share", they thought domestic speculators or company bosses would realize the AMC's institutional

identity quickly. This would be done either on the spot by private means or publicly at T+2 by checking on the scopic screens asset management companies' exposure to a share. Such recognition meant that the real "owners" of the board would not make the managers 'vomit' the shares they bought. Yet, the managers were aware that short-term buy-sell activity like a day-trader might not be possible due to board dynamics and the nature of fund products they managed (above discussions-manager S said he would stay away from shares about which there were bad rumours/news).

The fixed-income managers had a similar strategy of trading on an upward trend. This aimed at generating more income by benefiting from short-term price changes in a given asset class or security (Informal discussion with G 24 April 2008). Similarly on downward trends, the fixed-income managers would take defensive measures in benchmark securities to outperform the overall negative performance coming from the benchmarks. However what made the fixed-income managers' sense-making activity slightly different from that of the equity managers was down to the following. The fixed-income funds were composed of maximum four or five asset classes. Generally it was bond and repo products that populated the funds with the exception of the B-type growth fund which had currency contracts. Moreover, C and G managed private portfolio clients' assets and took exposures to the USD in that pool of clients' money alongside the exposures to government bonds or repo. All these meant that C and G did not have to observe any equity trading on the scopic screen nor any equity-related news flows. For them, macro economy related news flows that might affect inflation, consumption, employment, currency parities and central banks' interest rate policies were the most important items to be focussed on.

Compared to the items on the equity managers' scopic market screen itinerary of 30 plus shares, several fixed-income products and data/news flows about macro and micro economies of the US, Europe and Turkey, the fixed-income managers were relatively easy on their eyes, fingers and elbows.<sup>76</sup> They did observe equity and futures index values, bond and bill markets abroad, as well as prices of commodities but these items were observed intermittently to gauge the reaction of investors to direct or indirect news on macro economies. C also observed the LIBOR and several other rates related to the mortgage

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<sup>76</sup> K joked "our elbows rotten" a Turkish idiom used for hard work at desk (field notes, p 29 2 May 2008). However this was not mere metaphor, the equity managers adopted a slouching posture at their desk with their elbows on the table to be able to operate the mouse and keyboard faster. One did not have to take that posture playing Tetris games online or snoozing at the table, which were two activities the fixed income managers were frequently occupied in!

market in the US, the latter was the courtesy of his Bloomberg data/information terminal. Otherwise while the equity managers looked as if they were watching a tennis match while they roamed their screens with tilts of head and rolling eyes coupled with constant sound of mouse clicking, the fixed-income managers passed time. C said the following about their “leisure” activities in the room and being observed by an outsider. This was after he swore at “they” who ‘reacted positively’ to better than expected US 1<sup>st</sup> quarter 2008 ex-agricultural efficiency data and ‘ignored’ the previous negative news about Fannie Mae, one of the two biggest US state-owned mortgage lenders:

C-look at him, he is writing again, what are you writing?

E-I wrote down your reaction to the reaction of investors to the 15:30 data.

C-Oh well, he is writing “trader was sleeping then data came and he was woken up by it [Bloomberg data platform loudly verbalizes data results], swore at it and then went away to smoke!” (Field notes, page 50, 7 May 2008).

In the following I present the stories I captured in the fund managers room over 12 ½ full day observations. The table is followed by contra-logic stories which are hoped to give a flavour of the differences between the equity and fixed-income managers’ sense-making activities and how they perceived “what is wrong with the markets”. After that I analyze the numbers by telling the story behind them to complement the contra-logic stories. In the last section I comment on the cultural and social capital of the managers and how those shaped sense-making and decision making among these professional/institutional investors who might be expected to know better than DRIs and their investment advisors, dealers and brokers.

**Table VII: Momentary and Proto-Momentary Stories**

	Cause – Effect	Correlation	Observation	Randomness	Similarity	Total	Proxy Data Use	Direct News – Private Knowledge	Self-Narrative	Past	Past And Present	Present	Present And Future	Future	Past, Present, And Future
D-1	10 <sup>1</sup>	12	4	-	-	15	15	4-1	7	1	2	5	3	-	3
D-2	3	1	5	-	-	9	8	1-0	2	-	1	3	2	1	2
D-3	7	-	9	-	-	16	16	4-0	5	-	2	8	4	1	1
D-4	4	-	7	-	-	11	10	3-0	4	2	2	4	3	-	-
D-5	7	-	9	-	-	16	15	1-3	5	2	3	6	2	1	2
D-6*	2	-	6	-	-	8	7	2-0	2	-	1	1	4	1	1
D-7*	4 <sup>4</sup>	2 <sup>3</sup>	5	-	-	11	10	3-0	6	-	5	3	2	1	-
D-8	3 <sup>5</sup>	1	13	1	-	18	17	8-0	5	3	3	8	3	-	1
D-9	6 <sup>6</sup>	-	8	-	1	15	11	4-2	6	-	7	5	1	-	2
D-10	15 <sup>8</sup>	1 <sup>7</sup>	7	-	1 <sup>9</sup>	24	23	18-0	3	1	11	6	2	-	4
D-11*	2 <sup>10</sup>	-	2	-	-	4	4	2-0	1	-	1	2	1	-	-
D-12*	4	2 <sup>11</sup>	4	-	-	10	9	3-0	4	-	1	8	1	-	-
D-13	7	-	5	2	-	14	12	2-2	5	1	2	3	3	3	1
D-14*	2	-	8	1	-	11	10	2-0	5	-	2	8	1	-	-
D-15	13 <sup>1213</sup>	1	12	1	-	27	27	9-0	12	2	6	7	8	-	4
<b>Total</b>	<b>89</b>	<b>9</b>	<b>104</b>	<b>5</b>	<b>2</b>	<b>209</b>	<b>194</b>	<b>66-8</b>	<b>72</b>	<b>12</b>	<b>49</b>	<b>77</b>	<b>39</b>	<b>8</b>	<b>23</b>

\*Half day observations

## What is wrong with the markets?

1-Day 1-Contra-cause-effect: C laments the positive stock markets in the US despite the hike in the interest rates: ‘their interest rates are at 3 %, the six month bills, from 2.6, and they are still buying the stocks. I don’t get it, what bullshit, they announce losses, and still they get the stocks, look at the DAX, 1.3 % up, why, what is the reason?’

2-Day 1-Contra-correlation: A observes the stagnation in the ISE despite the recent upbeat performance of the US and European stock markets: ‘Well, what will we do now? The outside has been going up for a few days and here it does not move an inch’.

3-Day 7-Contra-correlation: A ‘the US has opened positive but why the hell are they selling here!’

4-Day 7-Contra cause-effect: C ‘Oops, look at the DOW, still positive, I don’t get it, it is around 12,900 and they are still buying it. If it was around 12,300, I could understand’ (chart based expectation and contra-realization).

5-Day 8-Contra-cause-effect: S observes some specific sellings in several securities and the overall sellings in the ISE (despite positive expectations about the US 1<sup>st</sup> quarter GDP announcement). He adds: ‘what kind of a herd is this, they are selling without a reason!’

6-Day 9-Contra-cause-effect: C tells G that ‘one of my contacts in Citibank sold 700 million TL worth of two different bonds for Lehman [Brothers], though he did not disclose the buyers because there were many’. G does not believe it as he does not see any significant change on his scopic market screen. C says the trade was completed OTC. G then explodes ‘then why the hell they don’t buy dollars with it!’

7-Day 10 -Contra-correlation (cause-effect): S and K chat about the positive markets

abroad and then observe the negative index in the ISE. They attributed it to the IPO of the Turk Telekom (the assumption in the room was that investors were selling shares and USD – a popular hard currency among Turkish savers, to free up capital for the Turk Telekom IPO. The fixed-income managers C and G anticipated that once the IPO was completed, the USD would recover against the TL).

8-Day 10 -Contra-cause-effect: C reacts to the positive market reaction to the FED's and the European Central Bank's decisions to pump money into the markets by buying back banks' loss-making securities: 'Bro, I don't get this, all central banks are acting like this, they are about to buy back even toilet paper saying "no no don't chuck it, we will buy it" and people are getting excited about this. The problem is huge and these [central banks] will buy back almost everything'.

9-Day 10 -Contra-similarity: C observes several US employment data to be released at 15:30 pm. Despite the better than expected 'ex-agriculture' employment data, other employment data came worse than expected. However, the market reaction in the US was positive: 'what the f\*\*\*! The data is minus and they are still buying it like hell. A couple of months ago, the DOW was 13,200 and with a minus figure in the same data, it just collapsed here and there, and now it is minus again and they are buying it like hell!' Manager S: 'it is due to the charts'. S and K are quite content with the rises in the stock markets; K says 'now the mood is different'. C stands up from his desk 'f\*\*\*. the mood ... look at the fundamentals ... I never used to swear so much ... I'm resigning!' he leaves the room for a cigarette not to tender his resignation!

10-Day 11 -Contra-cause-effect: Manager A hears an interview with a company official on CNBC-e and notices a small price hike in the company's share. After listening to the interview for a few seconds, A rules out a connection, which is agreed by K.

11-Day 12 -Contra-correlation: Manager C 'bond is down, the stock market is down, but then why the f\*\*\*. the dollar is down...'<sup>77</sup>

12-Day 15-Contra-cause-effect: C observes the Eurobonds index: 'the Eurobond is getting hit too, shit we [his fund assets] are getting hits everywhere.' K and A came back to the room and seconds later they reacted to the falling USD/TL parity 'aha look at the dollar.' C briefs them on the news 'Bro there is a new statement, the National Insurance contribution debts are to be amnestied. This will worsen the relationship [of Turkey] with the IMF, so I can't understand how much worse it can really get here' (he expects the USD/TL to go up on the back of this news. C holds more than half of the private portfolio clients' assets in the USD).

13-Day 15-Contra-cause-effect: C makes the following remarks after the Turk Telekom IPO is completed and the company is floated on the ISE: 'The Turk Telekom is over, we said after that the dollar would be up, and that did not materialize either, f\*\*\*. it!'

## **The story behind the numbers and C's anger**

To contextualize the numbers, I begin with some more numbers on the ISE 100 index that are gathered from the ISE index database. Between 18 April and 16 May 2008, the ISE 100

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<sup>77</sup> Although C told me that there is no universal mechanism of "equity market down, bond market up", or "both these markets down, currency up", during my observations he was of the expectation that different security classes would not be moving in the same direction which was occasionally contradicted by the markets. That is why I characterised this as a contra-correlation story but this is not similar to the notion of correlation that connects index figures abroad to the ISE index movements (Informal discussions 5, 9 May 2008)

index had been quite volatile. On Friday the 18<sup>th</sup> of April, it hit 41,449 at its lowest point but closed the day at 42,641 points. The following week of 21 and 25 April, it hit 42,304 points at its lowest point but closed the week approximately 1000 points up from the previous week's close. Between 28 April and 2 May, it hovered between 42,927 and 43,995 points with a 43,425 point close at the end. However after the middle of the following week of 5-9 May, the index fell below 42,000 points and closed just above 42,000 points on 9 May. The final week of 12-16 May witnessed a further fall down to 41,407 points toward the middle of the week, and then the index recovered back above 42,000 levels and closed at 42,498 points on 16 May.

In the first two weeks until the middle of week three, the equity managers kept their funds' equity weight over the benchmark. This was not only because of a random upward index move. The managers were observing both data/news flows and index movements abroad and trying to gauge the reactions in the ISE which were mainly positive with several exceptions as mentioned before in the contra-correlation stories. There was also the USD 1<sup>st</sup> quarter GDP to be announced on 30 May. This was a highly anticipated data as any deterioration in the already miniscule US growth data from the 4<sup>th</sup> quarter of 2007 would mean a formal recession in the offing. However the positive markets and micro-data releases before 30 May helped the equity managers convince themselves that there was no room for too much pessimism. They were right as the US recorded a 0.6 % growth in the 1<sup>st</sup> quarter of 2008, which was 0.1 % better than the previous quarter (field notes, page 17-8, 30 May 2008)

In these first two weeks, there was hardly any news from Turkey that would have necessitated a great concentration or change of strategy apart from the Turk Telekom IPO. It was the 24<sup>th</sup> of April when I heard about the IPO of Turk Telekom for the first time. After this, there would be 14 instances where the news about the floatation price, distribution of shares among DRIs and FIIs and so on and so forth would be discussed and incorporated into sense-making activities. From a trend perspective, the equity managers were of the view that Turk Telekom IPO would lead to some fall in the ISE index because of DRIs and FIIs selling shares to spare cash for the floatation. This would also affect the USD/TL parity as Turkish domestic savers would part with some of their favourite "savings" vehicle, the USD. A fresh flow of FII cash in various currencies including the USD would also be converted to TL (around 1.9 billion USD was invested for the flotation- *Radikal* 12 May 2008). All the managers in the room took positions in the Turk Telekom IPO with an anticipation of multiple ceiling prices. This was due to the over-demand for the IPO and the relatively low



floatation price compared to the company's previous block-sale price (field observations, page 6-7 28 April 2008).

Apart from this, in the second week, there was some negative news coming from the Central Bank of Turkey on their growth and inflation forecasts. Two days later on 1 May, the Turkish producer price index came way higher than expected. The negative inflation expectations were then incorporated into the sense-making activities alongside the Turk Telekom IPO to explain the sometimes pedestrian and sometimes falling ISE 100 index which was in contrast to the positive markets abroad. After the announcement of the bad inflation data, the equity managers seemed a bit disheartened about their optimism about the upward trend. Yet the negative market reactions were mostly intra-day, and the second-week index close did not disappoint the equity managers. It was the fall in the third week which they struggled to make sense of only by the Turk Telekom IPO. In this week, due to the downward volatility, the equity managers lowered their weight in equities and hoped that the flotation of Turk Telekom shares in the ISE in the following week would give them some respite and trading opportunity as they expected to see several ceiling prices in Turk Telekom.

Throughout these weeks, the fixed-income managers were almost on a different sense-making plane despite looking at the same markets. As can be seen in the contra-stories, almost half of the stories were about how markets abroad and in Turkey were reacting in the "wrong" way in the face of news/data flows on global and local macro-economies. Not surprisingly these were mostly told by C. Notice especially in the contra-story 9 how C loses it in the face of the negative US employment data but the positive market reaction. He remembers how the markets reacted to a similar negative data outcome a month ago. The equity managers- though half-joking half-serious point to the fact that investors are in a better mood. For the fixed-income managers, investor sentiment or mood was not something they would trade on. As shall be explained, they used categorical/economics knowledge to make-sense of (or swear at) what went on and/or what should have happened in the markets. Moreover, they reflected this type of sense-making activity in their fund strategies. In the first week of my observations, G told me that both he and C were 'short' in their fund products. This meant that they had the greatest weight in repo to avoid losing on government bonds with the anticipation that high inflation in Turkey would lead to interest rate increases and a fall in bond prices. What G said in the following actually captures all the managers' rather uneasy co-existence with the market:

we all try to predict something like the market and it is not easy to predict where it goes in the short-term, we know that in the long run it is going to be bad [referring to

the global economy and markets] but short-term is hard [to predict] and you need to make money in that short-term' (Informal discussion, 24 April 2008).

G admitted that in the recent weeks he frequently changed his view on the trend, first from a pessimistic to an optimistic one, and then back to a pessimistic one. Despite being relatively undecided, G expected a 'quasi-permanent downward trend in a month or so... [and added] until then we need to make money'. On the seemingly positive news/data flows which made markets rally and the equity managers optimistic, G told A the following on 28 April:

G- If it goes on like this, I will be f\*\*\*ed...

A- Did you turn back?

G- No I don't believe in this

A- That is the worst thing...

On a lighter note, though not for those private portfolio clients who preferred to keep currency exposures in downward trends, C and G picked on me especially after the middle of the second week because they jokingly believed that it was my presence in the room that pushed the USD/TL parity down. Despite the joke, they tried to find other explanations to this fall. The culprits included the Turk Telekom IPO, the IMF SDR credit given to Turkey. At one point C suspected a possible flow of credit from the Gulf States to Turkey which would be aiming to shore up the JDP government during the global turmoil. This was because 'weird banks [read banks associated with conservative/religious capital] were buying TL all the time' (C brainstorming with the general manager of House B 2 May 2008). Sometimes they could not find a meaningful reason at all on the screens and swore at their "plight".

Generally the fixed-income managers' had a naïve scientist approach to making sense of data/news flows on scopic screens. Coupled with the nature of products they managed, their focus was on major news events and indexes that represented equity and fixed-income markets. On the other hand the equity managers adopted a cognitive miser approach when they were convinced that there was a certain upward trend in which they could be trend trading. In such trends, they stopped being very inquisitive with a categorical mind (see the reference to the market mood in the contra-story 9). The market dynamics and the necessity to outperform the benchmarks overrode such a categorical sense-making stance. K remarked the following on 5 May after the strategist visited the room and told us during the conversation that she was always cautious as a chart analyst unlike the popular chart analyst on CNBC-e (the much anticipated remark came after she left as there was some sort of

tension during the conversation)<sup>78</sup>: ‘How can you be cautious in the stock market, you buy and sell when there is a profit opportunity, is this a bond market for god’s sake!’

Despite this market oriented stance, the equity managers were also aware of the fragile situation in the global economic and financial system. In fact, right behind S’s desk on the glass wall that separated the managers’ room from the marketing department, there was an A-4 paper. On it, the following was written in capital letters: THE SUBPRIME FALLOUT WILL GET WORSE. Apparently this was stuck there back in June 2007 (Informal discussion with S, 21 April 2008). However this did not mean that the equity managers should sit idle, not trading and waiting for the day when the whole financial system reached the brink of catastrophe (that was actually five months away!). In the following, I briefly provide a summary of the distribution of logics and types of knowledge in the stories captured in the AMC according to manager type. This is aimed to support the observations made so far about the fund managers and their sense-making and investment activities.

### **Equity managers**

Among the 89 cause-effect stories, 58 of them were told by the equity managers as the dominant plot provider. 10 of these stories focussed on chart dynamics as the dominant cause of what was (to be) observed on the scopic screen. Eight of these stories were on the ISE 100 index or specific shares. The remaining two looked at indexes abroad. 22 stories took news as the dominant cause of things observed on the screen. 11 of these stories came from Turkey, eight of them were on specific shares and the remaining three were on the Turkish macro-economy. Among the 11 news events abroad, all came from the US and five of them were on companies and the remaining six were on the US macro economy (one of them bundled the European Central Bank’s decision into the FED’s decision, right after the contra-story 8). On the other hand, 23 stories relied on proxy figures on the screen that were made meaningful by narrative imagination or vernacular knowledge about anonymous investors and/or intermediaries in Turkey and abroad. 18 of these stories were on trading dynamics in the ISE, four of them on inflation and the USD related themes in Turkey and the remaining story was focussed on a proxy figure coming from abroad. Three of the cause-effect stories by the equity managers relied on private knowledge to make sense of a local house’s moves

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<sup>78</sup> This was actually the strategist’s response to K’s indirect criticism of the strategist that she changed her mind very frequently. K said that the popular analysts would insist on his views and would not change his position frequently. ‘That is the important thing’, he remarked (field notes, p 34, 5 May 2008).

in the VOB. The local house in question was EFG.

Among the 104 proto-stories, 71 were told solely by the equity managers.<sup>79</sup> 53 of these stories focussed on proxy data to make observations about the scopic screen. Only two of these stories focussed merely on equity market indexes abroad. The remaining 51 stories focussed on the ISE. Among them, there were 21 stories which focussed on specific shares, 30 stories were on the ISE index itself (7 of them bundled the ISE index with indexes abroad, and implied a correlation), and one of them was on the VOB. There were four stories that observed specific local brokerage house activity. Only 18 proto-stories by the equity managers focussed on news events in their rudimentary plots. Within this group, there was a more balanced distribution between news from abroad and from Turkey. Nine stories focussed on news abroad. Five stories focussed on news from Turkey and four stories bundled news abroad with news and/or index figures from Turkey. Among the 71 stories mentioned above, there were 10 proto-stories which used chart analysis in the sense-making process. Three of these were on indexes abroad and the remaining ones were on Turkey, on either the index or specific shares.

In total, among the 132 cause-effect and proto-stories told by the equity managers as the plot provider, there were 36 stories that mentioned an index or news event abroad to help make sense of the flows on scopic screens. Seven of the nine correlation stories captured in the room were also generated by the equity managers, which take the number of equity manager narratives that have outside market events in them to 43. While this was around a third of the all narratives (140) told by the equity managers, only 17 narratives had direct news from abroad which actually necessitated any reconsideration by the managers' of their views on the general state of global economy and financial markets. The remaining 26 stories thrived on narrative imagination and the perception frame about the one way correlative movements between major markets and the ISE. Nevertheless, the equity managers did not follow markets abroad blindly and trade in the ISE based on this master correlation perception. S attributed these apparent correlative or cause-effect movements between the US and the ISE to DRIs' psychology (Informal discussion, 18 April 2008). K agreed with me that the correlation belief was an attempt on the part of DRIs to fix some sort of frame onto markets to be able to predict them (field notes, page 98 25 April 2008). A gave a more detailed

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<sup>79</sup> There are only three stories in which the equity managers were in conversation with the fixed-income managers as the dominant plot provider (two about shares and one about the ISE index). Apart from these, there are five stories in which the equity and fixed-income managers seemed to co-construct the story.

explanation by arguing that correlation was not about ‘like and like’ movements among emerging markets but moving in the same ‘canal’ (referring to trend lines they drew on the charts). For the US data, he said the following to make a point about his belief that those reactions in the ISE to the US data/news were exaggerated: ‘when they fart there, we shit here’ (field notes, page 63 18 April 2008).

None of the managers provided me with a categorical explanation that would reject or accept the validity of this popular observation and trading activity based on the belief of one-way correlation. They acknowledged the effects of this belief on ISE’s market outcomes. By their routine sense-making activity as described above, the equity managers tried to take advantage from or cope with this popular belief and its market outcomes depending on the reactions of anonymous investors abroad and in Turkey. From the stories and explanations of the equity managers, it seemed like this anonymous investor mass did not have a categorical mind. That is why the equity managers never solely relied on their categorical knowledge on economy and markets. They tried to gauge market reactions over the days to ascertain whether it was a trend change or mere volatility.

### **Fixed-income managers**

C and G used the cause-effect logic 31 times in their sense-making narratives. In seven of these stories they were in a dialogue with one equity manager, started the conversation and provided the cause-effect logic to close the co-sense-making activity. In 11 stories, C and G used direct news. Six of these stories looked at news from the US (one bundled the news on the European Central Bank’s decision to the FED’s decision in the contra-story 8). The remaining five stories were from Turkey, two on the inflation, two on the Turk Telekom IPO and one on the National Insurance amnesty. In five of these 11 direct news stories C or G were quite critical of the market reactions to the news as gauged by C and G looking at proxy figures such as the ISE 100 index or the USD/TL parity. In three stories they resorted to charts, two for local items on the screen and one for the DOW. In 20 stories they relied on proxy data to make sense of the situation on the screen. 16 of these stories were on items from Turkey which included the USD/TL parity, the bond market, and the Turk Telekom IPO and a possible Central Bank of Turkey interest rate decision. Six of these stories contained jokes either at my expense because “I made them lose money or I was the reason behind the USD/TL parity fall” or at that of anonymous investors. The four stories that looked at proxy figures abroad were on the USD/YEN parity and carry trade, the LIBOR and mortgage rate indexes, and other index figures abroad. In four stories, they used private knowledge to make

sense of the situation in the USD/TL parity and bond prices in the ISE bond market.

C and G generated 25 proto-stories during my stay in the room. Seven of these stories involved one or more of the equity managers but C or G provided the implicit logic in these rudimentary stories. In fact three of these co-stories were reactions against the exuberance of equity managers in the face of positive market reactions that seemed contrary to the direct news in question or the general state of the global or Turkish economy and markets. On the other hand, C and G used direct news/data release from the US and Turkey in 10 and one proto-story cases respectively. In all but one US news/data release cases, they were very critical of the market reactions. In fact in one of them C said the following: ‘I have been shouting for the last 10 minutes “If I trade according to data and I lose, then how am I going to trade man!” then there shouldn’t be any market really!’ (Field notes, page 79 15 May 2008). In 14 proto-story cases they relied on proxy data from the Turkish markets to make sense of the situation on the scopic screen. 12 of these were on one or more of the local asset classes they carried in their funds, including Turk Telekom shares, and two were on the ISE index. In the remaining two proto-stories, they looked at proxy figures abroad to make sense of a past news/data or the anticipated news on the back of changing index figures abroad. Among these stories, there was only one case of a chart being used. It was for making sense of the USD/TL parity.

In fact, during my stay in the room, both C and G were very stressed and critical of the market reactions to data/news releases. Apart from the instances mentioned above, four of the five randomness stories were told by one or both of them which reflected their frustration with market reactions to negative macro and/or microeconomic data. Both the fixed-income and equity managers perceived data/news releases in a broader framework of the global economy/markets theme mentioned in the previous chapter. However, the equity managers were willing to accept short-term market reactions based on a “consensus expectation and actual result” dynamic. On the other hand, the fixed-income managers had a tendency to perceive all data/news releases as a new piece which would fill in another gap in the soon-to-be-completed jigsaw of a global economic and financial meltdown. In 16 stories out 64 (25 %), C and G referred to direct news/data releases from the US for this broader sense-making activity, which is almost 2.1 times the frequency of which the equity managers did so (17 out of 140, 12 %). Moreover, the reactions of the equity managers in these 17 cases were mostly positive in line with the narrow expectation and result dynamic for individual data releases. This only changed towards the end of my observation period when the equity managers had

to lower their equity weight in their fund products and started to broaden their sense-making frame beyond the narrow expectation-result dynamic. The following quote captures this change in sense-making frame and the frustration that may come with contra-market moves:

It is 13 May 2008 (field notes, p 64) and right after the 15:30 pm US April Retail Sales data release. The expectations were -0.2 % and -0.1 % on Bloomberg and Reuters respectively. The data came as -0.2 %:

C: -0.2, bad

S: actually it is good excluding auto sales [just like the March data last month] as Er estimated, well as it was said in A's email [the assistant economist].

C: oh okay, buy the [Turkish] bonds with this marginal data, you don't price bad data and go and price "good data" [he sighs]<sup>80</sup>

S is silent. He is probably reflecting on the month-on-month negative US monthly retail sales data in relation to the recession worries. Then he reacts to the upbeat equity markets, starting with a swear word which he hardly used during my stay in the room:

S-F...king hell, these are irrational moves, this is a bad data and you go and buy it, they don't need us here, gets monkeys and they can trade...

### **A note on the capitals: do fund managers know and fare better?**

On its day of flotation, 15 May 2008, the Turk Telekom did not deliver what all the managers wished for. It did not hit the price ceiling. A was rather disappointed as they only made 2 kurus profit per share by midday. S reduced his exposure to Turk Telekom by 40 %. The fixed income managers sold all their exposures to Turk Telekom early in the trading but they were also disappointed not to see a sign of a rebound in the USD/TL parity. A thought that the "they" figure would press the price down to collect small investors shares as the demand for Turk Telekom IPO was 4.6 times higher than the shares floated during the IPO. A and K then observed the Turk Telekom board trading, Citi Menkul and some other local brokers clocking more than 100 million TL trading volume on their own. A with a sour face said 'we are at the fringe of this with the money we have...'

A was quite right in his observation. As an institutional investor managing retail and corporate funds, the AMC was relatively marginal in its assets under management. In fact, the DIIs in general were quite a marginal investor group in the ISE with their annual 15 % share ownership and 15 % trading volume contribution to the ISE equity market. The

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<sup>80</sup> I asked C to clarify his 'buy bonds' comment. He told me there was a reaction in the ISE bond market probably on the back of an interpretation of no FED rate cuts 'because data came as expected...so you sell US bills and buy the highest yielding bonds in the world!' I think he implied that this was an irrational stretch of interpretation with an optimistic mind. C then left for a cigarette!

disinterest of the general public in fund products and professional money management meant that the cultural capital of the managers did not convert into economic capital as far as assets under management were concerned. It was in fact this lack of economic capital that made the effects of cultural capital owned by the managers and their colleagues in the fund management industry less tangible in the ISE equity market. That is why the equity managers had to be more market oriented to be able to benefit and cope with opportunities and challenges brought by the dominance of DRIs in trading volume and that of FIIs in share ownership in the ISE.

The relative size situation was actually much more marginal for the fixed-income managers as the size of their B-type funds were miniscule when one considered the size of bond and repo markets in the ISE (almost 10 times larger than the equity market in terms of volume-ISE data). Another peculiarity of the markets where the fixed-income managers were active was the dominance of other DIIs and national banks' treasury departments. Especially the latter was the most dominant force in the market as they managed national banks' cash positions on a day to day basis. For the fixed-income managers, it was hard to gauge intentions of major players in these markets because none of the markets provided the level of information/data depth the ISE equity market provided including the settlement figures. Similarly the USD/TL market was inter-bank and hence OTC and real-time data did not go beyond who bought and sold at what price (no quantity). These differences in scopic representations as well as the long-term nature of news-price dynamics of most of the assets they managed, the fixed-income managers had more faith in their macroeconomics and finance knowledge for their sense-making and decision-making activities. In fact their discontent with the market was mostly concerned with the "unwarranted" positive market reactions in the US and Europe to the worsening economic and financial woes. Locally, it was mainly the USD/TL parity that bothered them.

All in all, all of the managers had a well-regarded institutionalized and embodied cultural capital which allowed them to earn six digit annual salaries in the AMC. All of them were quite self-reliant in making sense of the markets and making decisions on their own irrespective of the fact that sometimes they got the markets wrong. As K put it 'fund management is a job of egos, you have no client on the line, and it is not about convincing someone. You are your own boss. You are on your own.' (Informal discussion, 18 April 2008). In that respect, the managers did not have any strong esteem for any group or figure in House B or in the ISE field. In fact they constantly made fun of the research department,



the strategist and the chief economist of the House B whenever these figures seemed to be caught short by the market. The managers were confident in their market experiences and skills in coping with the markets but they also accepted that markets were unpredictable and uncertain and did not always work according to categorical rules they learned during their education and vernacular rules they observed during their practice. Maybe it can be added here that despite their conservatism, the fund charters, and the AMC and House B's general disposition of 'telling clients pinks [positive] and blacks [negative] together' about the markets (Interview, head of marketing 15 May 2008) provided a buffer for the managers should they fail to guess the markets right. In a complex field like the ISE, such a disposition ensured that the AMC's investment activities would never slip into the abandoned DRI scenes nor would be questioned because of a fund manager figure.<sup>81</sup>

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<sup>81</sup> The head of marketing told me that this disposition was the vision of the current general manager of House B who founded the AMC as a department in House B in 1995: 'since then we tell clients we manage risks here not money, this is the Mr [name of the general manager] School!' The general manager had a BA and MA in engineering and also held an MBA from Wharton Business School in the US.



## CHAPTER 10 HOUSE C

I began my observation in House C on 8 July 2008 and I remained there until 15 August 2008. After finishing my observations in the AMC on 16 May 2008, the ISE 100 index was over 40,000 points for a week and then fell to between 39,000 and 35,000 points in June and hit 33,208 points a week before I started in House C. One reason behind this downward volatility was the increasing political uncertainty in Turkey which had started in early March 2008. This was about an ongoing constitutional court case that was brought against the ruling party JDP and the Prime Minister and 70 other members of the parliament by the chief prosecutor in March 2008.<sup>82</sup> The outcome of this trial was expected in late July or early August. Another reason of the downward volatility was of course the ongoing but worsening woes in the global economy and financial markets. The problems started to become especially acute in the global banking industry as there were an increasing number of news stories on loss-making items in banks' balance sheets. On the other hand there was a flight to commodities, especially to oil, which seemed to put extra pressure on the equity markets.

However as noted in House A and C's daily bulletins on 8, 9 and 10 July 2008, the week I started in House C was when things seemed to be turning for the positive yet the authors of respective reports disagreed on the causes. After hitting its lowest point in 2008 on 3 July at 32,645 points, the ISE 100 index recovered by almost 10 % a week later, and closed at 35,574 points. As I read from House A's daily bulletins on these three days, this was a rebound from the bottom ISE index point in 2008 on the back of the recent improvements in the US macro economy data with the exception of the employment figures. There were also positive expectations about the 2<sup>nd</sup> quarter balance sheet announcements for US companies. These announcements started in the week I began at House C. Like House A's bulletins, House C's bulletins acknowledged the fall in oil prices and positive sentiments and reactions in the markets. However, they were too cautious to attribute these positive reactions to a fundamental trend change towards the positive in the global economy. Interestingly, House C also acknowledged some 'market rumours' that the constitutional court would not ban the JDP. However these were dismissed as mere speculation and due to the impossibility of 'predicting the outcome at this stage'.

On a more general note, the bulletins of each house were fundamentally different in their

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<sup>82</sup> The case was mainly based on the law to lift the headscarf ban in universities which had been passed in January 2008.

format. While House A's bulletin and its author, the strategist G, would devote usually half or three quarters of his commentary to what (was to) happen abroad, House C's bulletins and its author Mrs A, the head of research, touched on the global markets in two or three sentences maximum. The rest of the bulletins were devoted to news about Turkish economy, politics and companies with several-sentence commentaries about the possible effects of news on the ISE index value or share prices. House C bulletins finished with a 'what to watch' section that listed local news agenda followed by several news/data items abroad. Mrs A's dailies were written mainly for investors abroad who were assumed to follow and know what happened in their economies and markets better than A. Yet, they needed her expertise and dedicated time to follow what was going on in the ISE and Turkey but in a concise and to-the-point form. Mrs A thought that writing long daily-bulletins like that of House A and focussing too much on what was going on abroad could be seen by her clients as a sign of not knowing or being sure: 'One has to have one's own opinion and justify it, you can read all these [commentary about what goes on abroad] everywhere' (Informal discussion, 14 July 2008).

This was the market and organisational context in which I started my observations in House C. I was an intern, a participant observant for the first time in a brokerage house. I was given translation jobs and very simple analysis tasks which included writing very short commentaries for items in company balance sheets. I also logged data for various databases and updated them, including something called 'Datascan' which showed basic multiples of all the ISE companies and highlighted 'cheap' shares. I sat next to the research analyst G. We shared the desk with the head of research who sat opposite us behind a computer screen high partition. Two meters away behind her was the sales desk which was populated by the two veteran sales traders, Br, a private high school graduate, and S, a graduate of economics from a top Turkish university. Br and S had two desk associates. One was a broker who used to work on the ISE floor for House C. She executed orders with sales traders and another broker in the ISE floor. The other desk associate was someone the sales traders had worked with for several years and brought with them from their former workplace. She was mainly responsible for keeping record of orders and doing the electronic paperwork for settlement of orders after the trading session. The domestic sales team was located a floor downstairs.

There was another sales trader in the IRS team, Af who was educated in the UK and US. He stayed downstairs on the open trading floor used by the domestic sales team after he was moved from a small office which he shared with the research team. The IRS team was

located downstairs until the new sales traders, Br, S and their desk associate arrived in May 2008 from a local branch of a global bank. Em, the general manager of the house, a CFA holder and educated in Europe, probably kept Af downstairs due to the fact that Af had only several long-only clients (all from the same global asset management company) who gave few orders a year and brought relatively little in commissions to the firm. There was always the risk that the domestic team would take the opportunity to front-run these very large orders of several million shares of large-capitalisation companies but they were so few that they were able to tolerate the risks. This actually happened once back in early 2008 when a 'novice' buy side trader told the sales trader Af to buy 3 million shares of IsBank at 5.25 TL per share. Af told the trader about the danger of a limit price order of this size to no avail. Once the order was noticed by the domestic sales team and day-traders in the ISE, the price shot up to 5.50 TL and the order was completed at that price instead of a possible average price between 5.30- 5.35 TL! (Informal discussion, Af 6 August 2008).

I shall describe the main characters on the domestic sales floor later in the chapter. For now, I shall concentrate on two topics. First is the nature of Br's and S' activities and how they made sense of the markets. Second is how G and A made sense of the markets and interact with Br and S and their clients by using the objects they generated such as company reports, research notes and *in situ* stories

### **Sales traders in House C**

In fact, the above mentioned discretion and prudence that Af pressed for on the buy side trader is the essence of the job of sales traders and traders in IRS departments. Because there is no comprehensive direct market access system in the ISE, end-client and global broker orders are for most of the time executed manually by IRS traders. IRS traders and their colleagues abroad, generally buy-side traders, have devised different trading strategies such as doing 1/3 or 1/5 of the volume on the board at any time to make sure that specific orders- 'tickets' in the IRS parlance do not dramatically alter the trading dynamics on a given board. In that sense and bearing in mind the low level of volume contribution made by the FIIs to the ISE 100 index and beyond, IRS teams usually wait and join the trading activity rather than lead it. However ISE 30 and especially the ISE 10 shares (large-capitalisation banks) can be seen as exceptions to the rule as most FII activity takes place on these very liquid boards, especially those of Garanti Bank and IsBank. The FIIs' contribution to trading volume in these boards and indexes are much higher than their average contribution to the ISE's annual trading volume and one can easily buy and sell several million shares at the

stroke of a key on these boards.

During my stay in the IRS room, Br and especially S were kept very busy by orders they received from global and regional brokers in Europe and North America. These clients constituted the majority of their most active 15 clients. Additionally, there were several end-clients who managed Emerging Market funds and several proprietary traders and hedge fund managers who had worked on Turkey and other similar markets for a considerable time period beyond the last three or four years (Informal discussion, S-7 August, Interview, Br- 29 July 2008). It looked like S, the junior of this duo, attended to the global and regional brokers' multiple share -'basket' orders whereas Br was the person who did the relationship-work with fund managers and proprietary traders. Thanks to his experience in the IRS business which stretched back to 1990s, some of Br's core clients were also his good friends (above interview). Moreover, one of the fund managers was Br's relative and both S and Br were quite informal with him on the phone and in giving him investment advice.

Due to this division of labour, S hardly gave any comprehensive investment advice on the phone to any client. Although this might be down to the fact that most of her communications about tickets were done on Bloomberg chat platform, she explained to me that her market calls were mostly answers to clients' questions. These answers were based on her observation of 'the boards' all day, and continuously following news/data flows on shares, markets and Turkey (Interview, 10 August 2008). On top of this, she sent emails to her clients in the mornings (I was cc-ed in the emails) which summarized the top Turkish and global news with her very short comments on their possible effects on the ISE and specific shares. Each email started or ended with a prediction of where the ISE index would be heading on that day in the face of global news/data flows. These predictions were given as warnings or advice. S liked to use lots of abbreviations which made her emails resemble mobile phone text message language. This was in direct contrast with the head of research's very formal writing style! S also used metaphors in her emails which gave clues about how she perceived the relationship between the global markets and the ISE. In one of the emails sent on 30 July 2008, she used the following metaphor at the end of the email (in bold) which, I think, captured her perception frame about the ISE place in this relationship:

**g'day~singing"one way or another i'm gonna win ya"'.coyote ugly**  
-dyoby\*\*says owner in talks w potential buyers..  
-tcell\*\*to buy 80% Belarus telecommunicatn shs for \$500mio..cnbc  
-+ve global mkts and momentum directing mkt to 40k levels..US/TL is @  
1.19..expect stronger \$ on the following days..this wud also help the decline in  
oil..and than above 40k is inevitable..

i don't buy that mkt knows the result will be mkt friendly from Akp's closure case..what i know is utc whatever result comes from the court, we'll comment on it as it's mkt friendly..this is already being marketed..even though some dailies like FT say it's gonna be doomsday if it results in 1 way, i see Turkish mkt **as a branch in the river (=developed mkts)**.so global sentiment is the only reality, which is all bounded to oil these days.. rgds

AKP is the Turkish abbreviation for the JDP and this email was sent a day before the court declared a non-ban decision for the JDP. The title of the email implies that the court decision will not affect the markets significantly because there is a growing perception in the market that it is going to be a market-friendly decision. Although it is not easy to decipher what S actually wants to say in the email (this carelessness in her construction of narratives were observed in all the emails), the closing sentence summarizes her perception about the ISE and its place in the global markets with specific reference to the then situation caused by oil price. In accordance with this general perception, both S and Br would follow what went on in the US and Europe in terms of data/news flows and stock and futures market movements there. They would ask A's view on what specific events might mean for the markets if she had not already flagged them up in her daily bulletin.

Between 17 July and 15 August 2008, S sent 22 morning email calls. 17 of them predicted the ISE to correlate with global markets. There was one contra-prediction based on the anticipated JDP court decision. The other contra-prediction was made because the US markets did react contrary to the worse than expected US consumer price index data which was announced the previous day. Among these 17 emails, 10 highlighted specific US data releases as a factor that would affect trading in the ISE. In two emails on 12 and 13 August 2008, which both highlighted positive global markets without any news/data agenda, very positive news expected for Turkey were flagged up as performance boosters in short-term and mid-term index movements. One item of this news was on a possible IMF-Turkey deal which was expected to be coupled by falling interest rates in Turkey. The second item of news was on the resumption of the Cyprus peace talks between the Turkish and Greek Cypriot leaders. This was very important news for the EU-Turkey relationships and the never-ending accession story of Turkey.

## Creation of a theme and giving market calls

In fact this “multiple causes and positive effects” theme for the ISE’s near future performance was first outlined during the *in situ* deliberations between S, Br and A which took place a week after the JDP non-ban decision by the court. After the court decision, the ISE seemed to lack a short-term catalyst for any upward index move. The team therefore highlighted the above news agenda for September 2008 as a mid-term market catalyst (field notes 194-5, 5 August 2008). In the following week, Br and S updated their theme view with the incoming public news and private knowledge they had gathered from multiple sources.<sup>83</sup> This mid-term investment theme took an exact form on 12 August 2008 when S sent the above-mentioned email with the two positive items of news. The Central Bank of Turkey decided on 14 August 2008 to stop raising the interest rates and signalled that it would keep the rates unchanged until the end of the year (daily bulletins 14-15 August 2008). This was in line with what A had argued about the prospective Central Bank of Turkey rate decisions during her deliberations with the sales traders and in her daily bulletins.

On the back of these events and S’s emails, Br gave six market calls to his clients and encouraged them to go long in those Turkish banks which A had flagged up as better performers in her banking sector update on 16 June 2008. In one of these market calls and in S’s two emails on 15 August, 2008, both sales traders picked IsBank over Garanti Bank without any *in situ* deliberation with A on which bank was the better pick according to a fundamental view. These were basically a trader’s call based on board and chart dynamics as well as A’s target prices in the bank sector report and the current share prices of these two banks. Moreover, Br in his verbal market calls after the Central Bank of Turkey decision argued that there was to be a rate cut in the coming months ‘because conditions were right’. However, in his pre-Central Bank of Turkey-decision calls, Br used the phrase ‘declining rates’ rather than a direct rate cut. On the other hand, S used phrases ‘falling’ ‘declining’ interest rates without predicting an actual rate cut even after the Central Bank of Turkey decision. These calls by Br and S were based on A’s view on macro dynamics in Turkey but they were embellished with a trader’s touch. Interestingly, during Br’s calls to his clients after the rate decision, I noted the pessimism of the clients about the global markets and banking system and their worry about the recent positive performance of the ISE index which made the large-capitalisation banks relatively ‘pricey’. Br concurred with those views

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<sup>83</sup> The general manager went to Ankara in the beginning of August to have deliberations with several bureaucrats and politicians on various matters including Turkey and IMF deal, which contradicted the negative public news on the deal on 12 August 2008 (field notes 222, 12 August 2008).



but talked about a possible decoupling of Turkey on the back of the positive theme he was trying to pitch (field notes 247-8 15 August 2008). I guess no one in the room actually predicted a total collapse of the global money market by then despite discussing the so-called “credit crunch” frequently. For Br and S, their job was more about flagging up short-term and mid-term trading and investment opportunities which they firmly believed in as traders, and getting clients to take positions accordingly.

On a general note, Br explained me the reason why he followed indexes such as the DOW and the DAX and the data/news agenda abroad:

Of course I do follow global indexes, because my clients follow them too. You can think of this data/market watching according to horizons, daily, mid-term and long-term. For mid-term and long-term you check news and indicators that might affect liquidity and its injection into Turkey. Day-wise, you check the DAX, the DOW, etc and adjust your trading strategy accordingly, 1/3 [volume] etc. If the market falls quickly you sell quickly, if it goes up quickly you buy quickly. What I do here is I calculate the quantity with a calculator and use my discretion according to the momentum in the markets (Informal discussion, 6 August, 2008).

Although this explanation also applied to S, during trading S was always much more focussed on board dynamics and managing her desk associates and the broker on the line. Because sometimes she had to do 10 or more trades on different boards, she was very strict on her associates and not at all tolerant of any delays, mistakes and distractions caused by them. On 31 July when the court was to declare its decision on the JDP case was a day like this. After we learned from the TV that the court decision was to be announced soon, one of S’s desk associates mentioned this to her. S’s reaction was: ‘don’t tell me anything even if it is the end of the world!’ On an opposite note, when she was on the phone with a prospective client from Croatia and giving them a market update, she scolded one of the associates because the associate failed to notify S of a trading event in one of the orders S was working on: ‘notify me about the trade even if I am talking to the president!’ (Field notes page 153, 24 July 2008).

### **Research analysts’ activities: ‘sometimes it is like operating on Siamese twins’**

In contrast to the above discussed sense-making dynamic between A and the sales traders, A and G as research analysts devoted most of their time to coverage of companies in the ISE and keeping a fundamental-view perspective on the macro economy of Turkey.<sup>84</sup> The share

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<sup>84</sup> The VOB director, Er downstairs who had an MSc in Finance from a London university was also contributing to A’s macroeconomic research. However Er’s value to the company did not only come

coverage by the research team was limited to around 35 companies which were not as many as those which would be covered by a larger IRS department. Em was more like an editor and general research director and did not directly contribute to the research team. To compensate for the size of the team, A and G would keep company valuation models extended to whole sectors to have a comparative perspective in terms of relative performances and price levels. However, this was confined to sectors where information/data flow from companies was more detailed and timely. For instance automobile, banking, and to smaller extent cement sectors were easier to follow thanks to sector-wide regular data circulation. A would thus write sector updates which would include those companies that were not individually covered.

Otherwise there were issues in covering companies due to one main reason, namely the unwillingness of companies to share detailed information/data with brokerage houses. Although all companies are obliged to provide standardized quarterly balance sheets, for research analysts the most important thing was cost and profit breakdowns to be able to make their forecast models more accurate. However this cost and revenue breakdown was an optional thing and some companies did not want to share a higher level of detail about their performance. G likened the lack of breakdowns on balance sheets and having to create models from them to ‘operating on Siamese twins’ (Informal discussion, 7 August 2008) Interestingly, the unwillingness to provide minute breakdowns did not only come from small-capitalisation and thinly traded companies which were in the stock market just to raise money and pay no dividend (as explained in the dividend performance report by Bizim Menkul Degerler 2010). Even large holding companies, technology blue chips and even banks would create difficulties in providing detailed breakdowns on “business secret” grounds or for no reason at all. In one instance Turkcell, the largest telecommunications company in Turkey, and also quoted in the NYSE decided not to provide a certain breakdown it used to provide before, namely subscription acquisition in the 2<sup>nd</sup> quarter of 2008. The balance sheet was announced on 6 August 2008. A and I were working on her regular Turkcell update after the quarterly announcement. A imploded (12 August 2008):

A-I am so cross at them, there is no consistency. Look, being an analyst is a job like this. You deal with this type of stuff. They also removed them from New York tables!

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from his cultural capital. He was very much involved with a conservative and pro-government social network, and got insider view about the government from this group. He also tried to bring money from investors in this social network to a prospective ‘Islamic’ private asset management service by House C (namely not investing in companies which relied on interest rate revenues-banks, and production of alcoholic beverages).

E-It is quite meaningful isn't it, them removing this despite the profit of 800m [TL]  
A-it is more important to look at the profit from the subscription level, and then adjust it.

Interestingly, two days later on 14 August when S's clients were selling Turkcell and made House C the biggest seller in Turkcell, A got a call from the investment relations department of Turkcell and was asked why they were selling Turkcell. A was a bit taken aback and made the following story up:

Our client is decreasing its positions in 7 -8 shares, nothing specific to Turkcell, we will update it with a buy! [After hanging up to us] They are really mad, they ask these questions and then they become quite mean when it comes to giving analysts information. (Field notes, page, 230).

In fact a day later, she published her Turkcell update report by upgrading her previous 'neutral' advice to a 'buy' on the back of positive communications market expectations in the 2<sup>nd</sup> half of 2008. The previous day's selling activity was indeed nothing to do with her team's call on Turkcell. This lack of a link between analysts' call and client trading activity was generally the case in many instances partially due to the fact that House C mainly acted as a discount broker for FIIs.<sup>85</sup> A later explained to me that Turkcell's investor relations department was actually very professional and would strive to keep a tap on both brokerage houses' trading and analyst-report activities on Turkcell. They would even request analyst reports' drafts to prevent factual errors. This was actually a common practice by large-capitalisation and investor-friendly companies. Overall she was content with Turkcell as a company and mentioned several other large-capitalisation companies and 'good' and 'bad' investor relations departments.

From what I heard and observed from the research team, I gathered that they would not shy away from initiating coverage in the face of significant themes emerging for a company or a sector. For them, difficulties in company coverage were something to rant about and a factor that unfortunately would make their job much harder but not a deterrent to produce the final product. Interestingly, in many cases, if companies thought that an analyst knew his/her job well (read perceptions about cultural capital), they would share more information with analysts and give them better guidance on cost and profit breakdowns. In a few extreme cases, some companies would decide who was to be included in analyst meetings based on a judgement of which analysts were worth inviting. On the opposite end of this spectrum,

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<sup>85</sup> Being a discount broker was not the only reason between the tenuous link between analyst call and trading activity. As shall be discussed in the following chapter, even large IRS departments like that of House D are subject to this tenuous link.

some small-capitalisation companies would make analysts deal with accountants who ‘had no idea about or sympathy for the notions of investor and investment’ (Informal discussion with G, 9 July 2008). A added that global data vendor companies such as Reuters and Bloomberg and the local business channel CNBC-e usually had around 15 to 25 brokerage houses, including House C in their survey samples on company profit expectations and macroeconomic predictions. This she thought reflected the trust and confidence of these media and research organisations in the quality of her team’s research output (Informal discussion, 9 July 2010).<sup>86</sup> This group of brokers could actually be seen as constituting the universe of reputable research departments in the ISE which were producing similar research objects, using similar methods and capable of serving institutional investors.

### **Analyst activity: No room for narrative imagination?**

All in all, observing and working with A and G for over a month made it clear to me that research analysts’ take on the market was informed by the existence of many different variables in micro and macro economies and how they would interact with each other in determination of share prices. As A put it ‘assumptions [in valuation models] can create differences but there are fundamentals that don’t change, these are the things you have to take into consideration’ (15 July 2008). This constant fact was reflected in the stories they told me about companies and the macro economy. All these stories were precise in their cause-effect logics and took into consideration categorical and vernacular realities about companies and economies. In these explanations there was little room for narrative imagination as the main way of finding a cause or making a prediction. Although A was a more market-oriented research analyst thanks to her several years of fund manager experience and partial exposure to chart analysis, she scolded a downstairs dealer, H four times.<sup>87</sup> H and A started to co-manage funds in the newly established private portfolio management service of House C. In all the instances, it was H who bought shares which was either pricey or performing badly in profit generation according to A and G’s formal analyst calls. G on the other hand always spoke with a categorical discourse about the research team’s activities, the markets, investors, Turkey and so on. There was a sense of contempt in the air when G spoke of the DRI scene and sense-making activities there. His categorical thinking led to this funny conversation in the lift between me, him and the head of operations department, S on 11 June 2008.

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<sup>86</sup> A added that in cases of significant deviations, company profit/loss expectation surveys interestingly did not affect prices or indexes as much as the deviations from macroeconomy surveys.

<sup>87</sup> H is the former domestic speculator mentioned in Chapter 4.

E- How are the markets?

S-they are confusing, they were galloping like a horse, now it is like rolling dice

G-rolling dice for a number has 1/6 chances of getting it! [then looks at me and smiles]

S-here, it is worse than that.

Despite this categorical mind, even G had to use his narrative imagination once but with guidance from the ‘fundamental’ story. Like House B and House D, House C started its coverage of fertilizer shares in the ISE in the second half of 2007 on the back of a strong global demand for the product. Between the initiation in December 2007 and until the day of this event on 25 July 2008, G wrote six update reports for the fertilizer companies in the ISE after major news events and quarterly balance sheet announcements. The prices of these companies went into a slide after June 2008. This was brought to G’s attention by A after she received a call from downstairs about the fall. Before this call, I and A were trying to make sense of the fertilizers’ price fall. I told A that on this particular day, the popular chart analyst on CNBC-e gave a downward price target in his email to several hundred people (including me) on one of the fertilizer companies. The target price was based on the formation of a ‘shoulder-head-shoulder’ figure on the chart. A burst into laughter, dismissed the email and then asked G to look into this recent price fall in fertilizer shares (page 163). In fact, G did not follow share prices of the companies he covered on a daily basis. He would occasionally look at prices only for regular and unexpected news. After deliberations with the investor relations officials of two fertilizer companies, G wrote the following piece (I translated it into English but G edited my translation to make it formal-apparently I took on board some trader language, and we then sent it to 40 plus FII clients of House C).

Today, we have talked to the representatives of the listed fertilizer companies upon the sharp declines in their share price in recent weeks. The impression we have obtained is that there is no deterioration in the sector’s expectations. June and July are generally low season for fertilizer sales. With the start of the new season in August, Bagfas expects a 10-15% price hike in global fertilizer prices. We believe that the psychological effects of the rapid decline in oil prices in recent months (please note that high oil prices push bio-diesel production and hence the demand for fertilizers; if bio-diesel activities slow down because of cheap oil prices, the redundant capacity will be utilized for food-related farming activities and sustain the demand for fertilizers), and the tendency of investors to pick relatively cheap shares during the recent rebound of the ISE index has put the long-time over-performing fertilizer company shares under heavy selling pressure. Since there is no change in the fundamentals, we keep our long-term price targets unchanged. Our price target for Gubre Fabrikalari is 59 TL per share and for Bagfas, 255 TL per share. We believe that once the selling pressure fades, the long-term potential offered by the fertilizer shares can be exploited.

In the above story, there is no single company/sector related fundamental cause that explains

the fertilizers' price fall apart from the low season observation which is not directly incorporated into the explanation. Otherwise the reason behind the fall in share prices is attributed to the psychology of investors as inferred from the proxy figure, i.e., price and explained by attributing unity and motive to anonymous investors. G, by using his narrative imagination, assumes that the rapid decline in oil prices and the long-running stellar performance of the fertilizers' share price made investors in the ISE jittery and switch to cheaper shares. At the end, G reiterates his target prices from the last update in June and puts indirect faith in anonymous investors for the eventual realization of his target prices. As said before, G did not follow the ISE trading on his scopic screen, not to mention trading in the fertilizers' boards. His narrative imagination about 'investors in the ISE' is informed by the unchanged fundamental story. He also indirectly dismisses the imagined fears of investors about the future of fertilizers' share price with his argument in parentheses about the bio-fuel production. This is also a reference to the general theme about the global demand for fertilizers which he set out in the initiation report back in December 2007.

Although A was more competent than G as an analyst as far as possession of institutionalized cultural capital (CFA certificate) was concerned, this did not mean that, like G, A only spoke a categorical language during *in situ* sense-making activities. Due to her fund management experience as well as her managerial role in the newly established private portfolio management service of House C, A would occasionally resort to her narrative imagination and more importantly her vernacular knowledge about the ISE and companies to provide a comment on a share price or the ISE index value. In the following, I will examine the stories captured in the room and discuss the story numbers and give examples for A's narrative imagination

**Table VIII: Momentary and Proto-Momentary Stories**

	Cause – Effect	Correlation	Observation	Randomness	Similarity	Total	Proxy Data Use	Direct News – Private Knowledge	Self-Narrative	Past	Past And Present	Present	Present And Future	Future	Past, Present, And Future
D-1	-	-	2	-	-	2	2	-	2	-	-	2	-	-	-
D-2	4	-	3	-	-	7	6	2-0	2	-	-	3	3	1	-
D-3	4	-	5	-	-	9	8	3-0	4	-	-	6	3	-	-
D-4	2	-	1	-	-	3	3	-	-	-	1	-	2	-	-
D-5	1	-	2	-	-	3	2	2-0	-	-	-	2	-	-	1
D-6	7	-	4	-	-	11	10	5-0	2	-	1	5	2	-	3
D-7	4 <sup>1</sup>	-	7	-	-	11	10	4-0	6	1	2	3	5	-	-
D-8	5	-	8	-	-	13	10	5-2	2	-	6	5	2	-	-
D-9	2	-	1	-	-	3	0	3-0	2	-	-	1	2	-	-
D-10	1	-	2	-	-	3	1	2-1	1	-	1	1	1	-	-
D-11	1	-	7	1	-	9	9	1-0	4	-	3	1	5	-	-
D-12	3	-	3	-	-	6	6	3-0	1	-	2	1	1	2	-
D-13	2 <sup>2</sup>	-	4	-	-	6	6	2-0	2	-	1	4	1	-	-
D-14	5	-	2	-	-	7	7	0-1	1	-	-	4	2	-	1
D-15	1	-	1	-	-	2	1	1-0	-	1	-	1	-	-	-
D-16	3	1	2	-	-	6	6	4-0	-	-	3	-	1	2	-
D-17	2	-	-	-	-	2	2	2-0	-	-	1	1	-	-	-
D-18	2	-	-	-	-	2	1	1-0	-	-	-	-	2	-	-
D-19	8	-	5	-	-	13	12	4-1	2	-	4	1	4	2	2
D-20	3	1 <sup>3</sup>	8	-	-	12	10	1-1	7	-	5	4	2	-	1
D-21	2	-	3	-	-	5	4	1-0	2	-	-	4	-	-	1
D-22	3	-	5	-	-	8	8	1-2	-	1	1	2	2	-	2
D-23	3	-	10	-	-	13	11	1-3	5	-	4	5	3	1	-
D-24	2	-	6	-	-	8	8	1-1	1	-	-	2	5	1	-
D-25	7	2 <sup>4</sup>	7	-	-	16	11	4-2	-	-	3	4	4	-	5
D-26	8 <sup>5</sup>	1	5	1	-	15	12	9-1	-	1	3	4	2	2	3
<b>Total</b>	<b>85</b>	<b>5</b>	<b>103</b>	<b>2</b>	<b>-</b>	<b>195</b>	<b>166</b>	<b>62-15</b>	<b>46</b>	<b>4</b>	<b>41</b>	<b>66</b>	<b>54</b>	<b>11</b>	<b>18</b>

**What is wrong with the markets?**

1-Day 7- contra-cause-effect: Em comes to the room to have a chat with the IRS team.

Em: Everything looks superb, it is an unannounced rise. They might form a bubble.

S: the US data is bad but they are taking it [markets] up just because the oil price went down.

Em: You have periods like this, the sentiment is dominant, quite fit for behavioural finance [looks at me- I never told him or A anything to give the impression that I was studying behavioural finance!]

2-Day 13 - contra-cause-effect: G explains to the dealer downstairs that there is nothing wrong with the fertilizer company Gubretas ‘Everything looks good with the

recent orders and the price they got for them... so there is no fundamental change to explain the fall in share price...okay.'

3-Day 20- contra-correlation: Br observes his screen and talks out loud: 'Europe is positive, we have nothing here, no volume.'

4-Day 25- contra-correlation: A, G, and I observe the ISE and global index values

A: Look at the market, it is just us which is up

G: The world is upside down (giggles)

E: Now the world shall follow us (we all laugh)

5-Day 26- contra-cause-effect: Br talks to a client in English. He first conveys S's email message on the IMF, interest rates and banks. He then wraps up:

Br: I think I am right to be bullish... [he was probably challenged on what he thought about the global markets after his optimism thanks to the local news agenda] well I was scared yesterday after the US consumer price index data...Europe fell yesterday but we stood still so I think decoupling is a possibility...

### **The stories behind the numbers**

Because of my participant observant status and discount brokerage activities of the IRS team, the number of stories I captured in House C were relatively limited compared to the previous observation sites. Due to these factors, I could only capture around seven stories per day. Despite this relatively low number of stories, distribution of the news/data flows' origins support my initial observation about sense-making activities of the IRS team, namely its local focus. Among 85 cause-effect stories captured in the room, 44 were based on the publicly available news/data release events. In line with the team's focus on the ISE and local news, only 14 stories were about news abroad and 11 bundled those news stories with the ISE index and/or local shares. Among the 31 cause-effect stories which relied on proxy data to make sense of other proxy data, only three stories turned to proxy data from abroad (two of them were on oil price and one was about an index abroad). Eight stories relied on charts to plot actions and events together and only two of these looked at proxy data from abroad. These two stories were about global steel prices and one of them connected the chart-based price expectation for global steel prices to Ereğli's share price (a large-capitalisation steel producer in Turkey). This was a market call by Br to a client. There were two stories which relied on private knowledge to explain observations on shares and local houses. One was told by Br to A. The other one was S noticing a house trading in a share which was made sense of by her private knowledge about that house.

Among the 103 proto-stories, 20 of them relied on publicly available news. However only six of them looked at news events abroad and three of them bundled the event with one or more local items observed on the scopic screen. 67 proto-stories relied on proxy data but only two of them focussed on an item abroad, namely oil price and commodity prices



respectively. Three stories relied on charts to make sense of the ISE 100 index and a share. There were 13 proto-stories which relied on private knowledge to make sense of proxy figures noticed on the scopic screen. Eight of these stories were on local houses and used private knowledge about them, and five of the eight stories bundled the house in question with the observation of a board. Four stories relied on private knowledge about a share, and one story relied on private knowledge on the IMF-Turkey deal. 11 of the private knowledge proto-stories were told by Br or S (three stories to a client, four stories to A, one story to the broker on the line, and three stories told among Br and S). A told only two stories which relied on private knowledge (one was about a local house report acquired via email and the other was private knowledge about a share given to her by a dealer during the morning meeting).

With regards to the impact of the popular “one-way correlation” perception, this perception did materialize in a relatively insignificant way compared to its effects on story outcomes in DRI scenes discussed before. Adding the five correlation stories plus one randomness story which was about the views on global markets that changed like ‘day and night’, there were only 33 stories (17 %) out of 195 which looked at items concerned with the global markets and economies in order to make sense of a local item on the scopic market screen. Only 10 of these were told by Br or S. The remaining stories were told by A and/or G.

### **Who were the most vocal storytellers in the room?**

Not surprisingly the least vocal person was G. There was only one story in which G reacted to what he observed on the screen. This was on a Lehman Brothers research note on the JDP case and the report’s perceived effect on the ISE index. The remaining eight stories that featured G were co-constructed with A and/or me, and a dealer downstairs. G was the person who provided the dominant logic in six stories. In two stories (one proto-story on the FED statement about possible bankruptcies in the US, and one anti-correlation story) he made additional observations alongside A or me. Half of these stories focussed on events abroad. G never engaged with Br or S for *in situ* sense-making.

A was involved with 59 stories as the dominant logic provider. Not surprisingly 31 of these stories relied on publicly available news events. 22 of them relied on proxy data, three on private knowledge<sup>88</sup>, and one on charts (she provided her chart-based prediction for a share

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<sup>88</sup> Although A provided private knowledge in only two stories, in the third story, the private knowledge

to Br). The remaining two stories were correlation stories. In 15 stories, A relied on her narrative imagination to make sense of local house and anonymous investor activities as observed via proxy figures.<sup>89</sup> However all of these stories were kept in the IRS room. For instance, three days after G sent the research note on the fertilizers; Gubretas made a price ceiling and recorded a 15 % rise (field notes 177, 30 July 2008).

A-Gubre hit the ceiling, 15 % gain in one day, I think some people have been shaken down today [shake down –“silkeleme” in the ISE parlance refers to manipulative acts to attract unsuspecting small investors to snatch their goods)  
S-have they snatched their goods?  
A-those who panicked must have sold [in the previous days].

A also attributed any significant Istanbul-based global broker activity in the days to the JDP decision to getting an insider information about the result of the court case. In one instance on 28 July 2008, not surprisingly EFG again becomes the protagonist in the story thanks to its high volume generating trading activity:

A: look at EFG; they must have heard something about the JDP case, a non-ban decision.  
B: maybe it is just tickets coming from clients  
A: Morgan [Stanley], EFG, and Ekspress [IRS only house] seem to do this,  
S: [checks the live settlement] but the settlement figure does not imply something like that [probably because net trading figures for these houses are close to zero]  
A: Maybe they buy Garanti and sell IsBank to take the index up [Garanti Bank has a slightly higher index weight – or ‘beta’ then IsBank] and then maybe they will nail it down.  
S: I am on the side, waiting to see what happens  
A: to take such a risk [referring to the EFG activity] you can’t help but tremble, sitting on this large position. What kind of clients EFG have?  
S: they are generally end-clients unlike ours.  
A: maybe the end-client decided nothing worse than this could happen [this refers to the fall trend since the beginning of 2008 in the ISE - she used this as a cause in a story before on 17 July 2008].

Because A believed that making a prediction on the outcome of the ban case was nothing but a gamble, she refrained from giving a definite call to clients on this event. This no-call on the court case also meant that she restrained H and made him take a greater exposure in liquid fixed-income products instead of the soaring ISE index. The more the ISE index surged on the back of non-ban reports by global brokers and their local branches including EFG, the more uneasy and upset A seemed to become. After the non-ban decision, A was quite upset about the missed opportunity but she was content that this political uncertainty saga was over

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was given by Br but the dominant logic was provided by A.

<sup>89</sup> In three additional stories she attributed to anonymous investors in various markets abroad a motive for acting according to changing oil price.

(field notes 182 30 July 2008).<sup>90</sup> On 29 July, she provided me with an explanation as to why she refrained from giving a definite call on the court case. This was given after we discussed a JP Morgan non-ban call with an 80 % probability!

JP Morgan is a global broker covering many markets and serving very large long-only funds which do not demand very detailed country service. So their call is just seen as investment advice by the long-only funds. If it is banned then JP will say “the court surprised us”. House C is different; we are a boutique house and try to compete with the likes of JP with a best Turkey coverage for a small number of Turkey-dedicated clients. So you can’t take a gamble like this, giving a definite non-ban call. That is either insider info or a really bold bet! (29 July 2008).

The economic and social capital of House C was a factor in A’s hesitation about a definite call on the JDP court case. Her formal role as the head of research was another factor. The latter made her written and spoken research outputs to clients and the media very much devoid of any narrative imagination. When asked by Reuters, London why the ISE was soaring on 28 July, she told the following:

That is what we wonder here, it is probably some investors betting on a non-ban decision by the court. The recent news flows suggest a result like that in between the lines. But as far as I am concerned it is a 50/50 chance and I think that is the best bet!

### **Br and S: ‘House B shafted Citi Menkul, has it gone through Matriks?’**

The above humorous question in the title was asked by Br to the room when he noticed trading activity on a board and came to the conclusion that House B traded at the expense of Citi Menkul. Although a joke, this proto-story actually captures the nature of stories told by Br and S. Most of these were based on observation of boards and house activities on the scopic screen and tried to make sense of these moves by using vernacular/private knowledge and narrative imagination. Among the 67 proto-stories that relied on proxy data, 55 of them (82 %) were told by Br and/or S. On the other hand among the 31 cause-effect stories based on proxy data, only 21 (68 %) were told by the sales traders. When it comes to use direct news, the traders’ share drops to 18 stories (41 %) among 44 such narratives under cause-effect logic and to only five (20 %) among the 20 such proto-stories. However, in chart-based cause-effect and proto stories, 10 out of 11 stories were told by Br and/or S. When it comes to use of private knowledge, out of 15 such stories, 13 were told by the traders.

Thanks to her major occupation, namely order execution, S told 25 stories in which it sounded like she was in dialogue with actants she observed on the screen. These actants were

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<sup>90</sup> On the day of the decision, a national newspaper *Vatan* gave a prediction of 6 in favour 5 against among 11-strong constitutional court judges. That prediction was right on spot!

mainly boards (shares) she was active on, houses she seemed to be competing against during order execution and/or the figure of “they” and “you” which referred to anonymous investors and/or their traders/dealers. It was therefore not surprising to hear quite metaphorical remarks from her that captured the competitive nature of trading on boards:

This is for you Deutsche [Securities], up your arse... I am gonna f\*\*\* your mother [very harsh insult in Turkish], oh this Deutsche has fallen on its arse very badly [laughs] (7 August 2008)

Morgan [Stanley], you and I we have become bored of f\*\*\*ing each other on Akcansa [a middle-capitalisation cement company] (8 August 2008).

On a not very pleasant note for S, some “gomlekci” traders downstairs and on the ISE floor working for House C tried to front her clients’ tickets nine times over 26 days. These fronting attempts were possible by observation of House C on the scopic screen and inferring what type of client would be behind the observed trading activity. Once the day-trader convinced himself that it was an FII ticket then he would take the price up tick by tick to sell shares back to S. In all cases, S was furious with these ostensible fronting attempts. This was because she was wary of being observed by her clients on the line and being accused of bad execution or worse, being complicit in the fronting. In all cases, she warned Em to censure these day-traders and make them stop trading from House C and find another house to trade in that particular share. She also called day-traders interesting names such as ‘cannibals’, ‘a rebel group’.

All in all, the traders told stories mainly for their own sense-making needs. Among the 112 cause-effect and proto-stories told by the traders, only 40 of them were told to clients. Only 10 of these stories were told by S to clients and five of them were intra-day or short-term trading calls based on board/index dynamics and news events and rumours (two). The remaining 30 stories were told by Br to his clients and 20 of them were short-term and mid-term trading calls (three of them were based on rumours about Dogan Holding- an ostensibly anti-JDP media, retail and energy conglomerate). Interestingly, Br told well-substantiated stories to two FII clients about the rumour in question, and one call ended with success. The client bought 700,000 shares (the client had continuing exposure to the share). However when it came to giving the same call to his cousin who was a fund manager in an international asset management company, Br basically said two sentences, that there was a rumour and one of his clients bought 700,000 shares. Then, the phone conversation ended with Br saying ‘f\*\*\* off now’. In another share call, Br tried to market TT to his core clients based on A’s and EFG’s soon-to-be published TT report (private knowledge). He embellished

the story with upside potentials in the reports and a rumour of 12 % dividend. Again when it came to giving the same call to the cousin, it was the market colour (who bought how many TT shares) rather than the fundamental story that informed the TT call.

When not telling trading stories to clients, Br's and S's focus was predominantly on the ISE index, boards and local houses as well as any news/data flows that could affect the ISE's index dynamics. All these items had the potential to be turned into a market call. As discussed before, most of Br's and S's trading ideas were not created *in situ* as a reaction to changing global and local index figures and/or US data releases. They were a product of deliberations with A but embellished by the traders' touch. Interestingly, neither Br nor S gave any verbal trading call based on the JDP court case. However in her morning calls, S mentioned the JDP related news flows and rumours but never embellished her stories with a strong verdict on the outcome. The following excerpt comes from the morning email on 25 July 2008. It summarizes her JDP court case call very nicely by use of a metaphor (in bold):

**g'day time to be selective..**

-tdy and next week is very important in terms of politics..tdy cyprus leaders to decide on peace talks..also Ergenekon case indictment tba..next week Akp's closure case result..supreme military council meeting starts..to be honest; **it is for gamblers to play on odds this week, but if u r a cowboy, than be selective and act w caution..**

Both Br and S thanks to their skills in trade execution and social capital in FII circles enjoyed quite privileged positions in the ISE field. In that sense, there was not too much pressure on them to make the right and most straightforward calls or strive to build new relationships with FIIs to generate more income. This duo, as S described themselves, were 'like a saviour for struggling brokerage houses which need to grow but in an aggressive and independent way without too much bureaucracy' (Interview, 10 August 2008). Br and S could make this happen thanks to their cultural and social capital. In the following, I turn to the domestic sales team which seemed to capitalize on a different type of social and cultural capital to compete in the ISE field.

### **Domestic sales floor and morning strategy meetings**

Domestic sales team consisted of 15 personnel. Five of these were "gomlekci" dealers in the ISE spot market who had a portfolio of long-term clients that consisted of close friends and relatives. This meant that "gomlekci" dealers did not have to do a formal relationship work like formal dealers in House A or investment advisors in House B. As discussed before in previous chapters, day-traders did not hesitate to trade bidirectional in large-capitalisation

shares to benefit from the index momentum. They would also capitalize on a different type of social capital, namely their connections with other day traders and dealers in other brokerage houses, quoted company staff and domestic speculators. This helped them access information which was not available on data platforms. One of these day-traders, Is and a dealer U were friendly to me and shared their market stories. They were former brokers of two very well-known domestic speculators. The third dealer H used to be a small scale speculator himself with several million TL he risked and took on *Investor Ali*-type speculators in relatively illiquid boards. He became a speculator himself thanks to being a confidant of another well-known domestic speculator. However, H lost a significant part of his economic capital when a very close friend to whom he entrusted his funds ran abroad with the funds (Informal discussion, 24 July 2008). Apart from these characters, there were four VOB dealers, another ISE spot dealer and one marketing personnel in the team. The team was headed by the deputy general manager and the head of domestic sales, M who had extensive experience in serving domestic speculators in a much larger DRI-only brokerage house.

Although I did not have the chance to observe the domestic sales team *in situ*, I attended 17 morning strategy meetings. 10 of these meetings were held before the JDP decision. The meetings lasted around 20 minutes and were chaired by the general manager, Em. They were attended regularly by Is, U, H, Af, his assistant and also a veteran dealer SI, the VOB dealer-cum-research analyst Er. The VOB dealers T and C made occasional appearances in the meetings. The remaining four day-traders some of whom had tried to front-run S's FII tickets never attended a meeting. The meetings seemed to have a routine order. Em would start the meeting by reading the daily bulletin written by A, and then ask H to take it away with what happened a day before in the global economy and markets with a focus on the US. Then Is, Er, Af, U, and H would take turns and give their specific views on the direction of the global economy and markets. They would blend their observations of the ISE index and shares into their global economy and markets narratives.

However this blending was not always made in a manner to make what went on abroad effective on the ISE. There were items in the domestic news agenda such as the JDP case which would undermine or boost the master correlation perception held widely in the DRI scenes. The discussion was moderated and sometimes challenged by Em who would interject his categorical and vernacular wisdom into participants' stories. Then, Em would ask predictions on the ISE index, followed by his request for stock tips and rumours. Most of the

index predictions were based on a blend of chart analysis, global and local market agendas, board dynamics and houses' trading activities. There was also a good deal of responses by the participants to the Em's stock tip and rumour question thanks to their social capital. In fact, one of the rumours was even sent to IRS clients after Em cross checked it with company officials.

During the meetings there were frequent disagreements between the participants on the significance of market events discussed. As far as I could understand, these disagreements mainly stemmed from participants' mode of existence in the market. For instance day-trader Is and equity dealers U and H who also traded for their own accounts were generally more pessimistic about the ISE index's future. This was because they experienced the index dynamics on a daily basis by taking exposures and some times failing to make profits or worse having their 'goods snatched' and being prevented from 'buying' shares by the "they" figure (U during the 17 July meeting). According to the dealers, a game was being played and the "they" figure was up to something in the days before the JDP decision as they were taking the index up mainly with large-capitalisation shares. On 29 July, Is asked A who chaired the meeting on that day whether she followed a small-capitalisation but rather notorious company share thanks to manipulation activities by the likes of *Investor Ali*. A told Is that she had not looked at the company in the last three years:

A- It is a small paper.

Is-yeah but it is obvious what happens in the big papers, it closes 3.60 and opens with 3.42, 200 point down, so I prefer to be robbed in 15 days rather than being swindled in two and a half hours [laughs].<sup>91</sup>

The pessimism of the high frequency trading participants in the meetings was partly reduced after the JDP non-ban decision. However, this time Is became much more vocal about the 'froth' in the ISE and how it could not keep on going like this in the face of the worsening woes in the global economic and financial system. Is argued that there was no "hikaye"-story to 'sell' in the ISE, especially in 'blue chip' shares (7 August 2008). This was agreed by H and U and they added that it was now time to look at middle-capitalisation shares if one was to make money in the market.

On the other hand, both Er and Af were more optimistic about a story to sell both before and after the JDP decision. They both stressed news stories or emergent themes on the Turkish

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<sup>91</sup> Both A and Is used the term paper "kagit" in Turkish to refer to shares. This comes from the physical shares era of the 1990s. Paper is still a very popular term in the ISE field, like the term "tahta" – board to refer to electronic trading activity in shares.

economy and politics that could be pitched to clients despite the woes in the global economy and markets. Af was especially very optimistic about the future of the ISE index and the Turkish economy on the back of his mid-term and long-term predictions about the Turkish politics and economy. This was understandable as his client was a long-only fund which would not invest in Turkey on the back of a short-term and one-dimensional story. Er's optimism was a bit more curious. Unlike Af, Er was almost equally exposed as day-traders to the vagaries of the ISE and the VOB indexes and what "they" were up to in these markets on a daily basis. However this exposure was as a wage earner not like a day-trader risking one's own capital on the index dynamics. Instead, Er would use his institutional cultural capital as well as his unique social capital (see footnote 85) to expand his effectiveness in House C and generate more economic capital. In that sense, he seemed quite eager to go beyond the news flows during the meetings and present a more sophisticated story that went beyond simple 'bad abroad – bad Turkey' or "they" figure stories. However, Em occasionally reminded Er during the meetings that it was Er's job as a research analyst to be exact in his use of numbers and be more robust methodologically in his sophisticated stories.

All in all, the stories told in the morning strategy meetings reflected the participants' positions in the ISE field. Although there were many common actants in stories told during the morning strategy meetings, plots and morals of each story seemed to differ due to storytellers' differing material, cultural and social resources and consequent dispositions in the ISE field. Nevertheless, every participant agreed on the necessity of having a robust "hikaye"-story or theme to justify an optimistic market call to clients but they could not agree on one. This disagreement or polyphony in stories was also the case on the domestic sales floor. I observed the floor twice (24 July and 7 August 2008) for very short periods of time. In both cases I noted that the floor was noisy from an audio and mainstream finance literature perspective. Everybody but especially the formal dealers seemed to be constantly vocalising their observations of minute changes on the scopic screens as well as rumours, tips and research reports they got from their market contacts. On the other hand, the "gomlekci" day-traders were congregated and relatively silent at the other end of the floor far away from this dealer crowd.

## **Summary**

House C is a good example of how social and cultural capital of certain actors can transform a brokerage house's fortunes in the ISE. Br and S came to House C with a dozen or so FIIs some of whom had been involved with the ISE for over a decade. Br and S were probably



not the most sophisticated sales traders in the ISE when it came to a categorical understanding of economy and finance. However, their skills in flawless trade execution and feeding short-termist FIIs such as hedge fund managers and proprietary traders had allowed them to expand and sustain their social capital and convert it into very significant levels of economic capital among the wage-earning market actors in the ISE field.

House C can also be seen as an example of how the IRS business works in the ISE field. To compete for the FII pie in the ISE, houses have to speak a specific language of global finance and be able to produce objects such as analyst reports, research notes and macro analyses on Turkey that are in demand by the global financial community. Nevertheless, even this type of service provided by CFA-holding IRS personnel is not sufficient to survive as an intermediary due to the aforementioned transformation in the IRS business. To be successful with a smaller IRS team and FII client base, one therefore needs a robust social capital and an uncompromised care in keeping this type of capital intact even if this comes at the expense of short-term losses in economic capital of the brokerage house. This was the business model of Br and S. It sometimes put Br and S at odds with House C's operations department as well as A who warned them about violation of the ISE's and the CMB's trading and settlement directives. In all these cases, the traders dictated their way of doing business on the operations department and shrugged off A's warnings due to "small" financial figures in fines for the violation in question.

In the next chapter, I shall look at sense-making activities in the domestic sales and IRS departments of House D which is one of the biggest brokerage houses in the ISE both in terms of client types and numbers and trading volume. To give a flavour about the business model of House D, I would like to remind the reader that Br actually worked in House D's IRS department back in the early 2000s. According to S, Br resigned after a month due to irreconcilable differences between him and the operations department in settlement of trades and the 'line' concept mentioned before in Chapter 4 (Interview, 10 August 2008).



## CHAPTER 11 HOUSE D

I started my observations in House D on 4 May 2009. I spent five full-observation days with the domestic VIP sales team and spent the remaining three weeks in the IRS department.<sup>92</sup> To briefly contextualize my observation period, after the storm in 2008 the global economy and financial markets seemed to be in doldrums in the 1<sup>st</sup> quarter of 2009. According to the daily and weekly reports of House D published before and during the observation period, the dominant news agenda in 2009 had been the global economic recession, led by the US economy, and the recent signs in May that the intensity of the recession was abating. On the Turkish front, the global economic woes seemed to dominate the fortunes of the local economy and markets. This was especially evident in the local GDP figures which recorded a spectacular contraction of 13.8 % in the 1<sup>st</sup> quarter of 2009 on the back of contracting export sectors. The ISE 100 index after closing the year 2008 at 26,864 points had stagnated within 20,000 point-range in the first four months of 2009. This was until 29 April when it leapt over the 30,700 mark. On 4 May the index closed at 32,047 points. In fact, May 2009 was to be a month of an upbeat index which was to reach 36,000 points, an approximate 10 % rise over 30 days. Interestingly, this upbeat index performance did not bring joy to some of my informants in the IRS department. The main reason for this was the disagreements between the six-strong sales and trading team and the nine-strong research team. These disagreements were not only on the specific market and company calls of the research team but also the way each team did business with FIIs and DIIs. The differences of opinion in market and company calls that were to be observed throughout my stay in the IRS department were actually encapsulated in the following excerpt from the research team's daily report on 4 May 2009:

Markets, emerging markets in particular, continue their bullish stance. Consequently, the ISE-100 broke a very important resistance of 30,000 and is heading for a next and strong resistance point of 33,000 (2.7% higher). In our view, the ISE-100 will reach the 33,000 level, but from a fundamental perspective, we continue to believe that all the potential good news for the economy is priced in by the sharp rally and we are reluctant to chase the overbought banks. Looking forward, we believe fundamentally solid names with a decent growth outlook and valuation will continue outperform and/or provide solid absolute returns. We continue to recommend Ak Enerji, Birlesik Magazalar AS, Otokar, Tat Konserve [producers of drinks, pickles and jam], Tofas and Turk Telekom.

The argument that the index had priced in every potential good news and especially the view

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<sup>92</sup> The domestic sales team shared the open office floor with the VOB Sales, the Branches, and the IT team. The IRS department was partitioned from the floor by coloured glass walls with a further partition inside that separated the sales and trading team from the research team. The operations and the upper management were on the other wing of the office floor.

that banks were overbought meant that the research department's focus was on specific non-financial shares some of which actually moved independently of the index or did not move at all! The research team's non-financial company call and view that there was a lack of macro catalyst for the index to go over 33,000 points meant that the sales traders had to stick to these opinions and do nothing but watch any index movements that were seemingly instigated by global and local news/data and market dynamics. The ISE 100 index actually broke the 'strong resistance point' on the next day, the 5<sup>th</sup> of May, and the sales and trading team had to watch another 3,000 point surge between 14 May and 1 June while they were trading in jam!<sup>93</sup> This hapless waiting without an updated and momentum-friendly market call by the research team reflected the gist of doing IRS business in well-institutionalized large houses like House D: fundamental reality as perceived by the research team overrides vernacular and impromptu opportunities spotted by the sales traders.

The domestic VIP sales team on the other hand were fussed about neither the research team calls nor the trading activity by the IRS traders. They seemed happy to rely on Ib, an economics graduate and a self-taught chart analyst and the official domestic sales strategist, and Ib's daily *in situ* sense-making assistance. This *in situ* assistance was supported by Ib's daily, weekly and monthly written reports on the ISE and other local and global markets. Ib was in fact like a conduit between the research team and the investment advisors and their clients. He liaised with analysts and translated their sophisticated company call stories into a story that blended fundamental and chart dynamics of a company. These stories would be several sentence long and flag up chart and board dynamics for short-term trading opportunities. As put by the head of operations department Sk, DRIs served by the domestic sales team were more interested in spotting intra-day and inter-day trading opportunities than 'research proper, Ib is enough for them, say "a bowl formation", "it broke the band, canal" our DRIs look at such stuff, research proper is not their interest' (Informal discussion\*, 5 June 2009).<sup>94</sup>

Another non-interest of the DRIs was what the IRS trading team were up to. During my stay in House D there was only one implied instance of a fronting attempt, but it was a half-serious remark made by the head of trading BI, which was not pursued by any formal means

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<sup>93</sup> Until 14 May the index had stagnated between 32,000 and 34,000 points. On 5 June when I finished my stay in House D, the index fell back to 34,388 points, completing its week-long slide from its 36,001 points-close on 1 June 2009.

<sup>94</sup> In Turkish, a bowl formation or "canak yapma" is an inverted bell jar on a graph and the "kanali kirdi" -it broke the canal- indicates the statistical figures on a graph had gone through the margins in which they were normally confined.

(field notes, p 55 1 June 2009). In fact, it was the IRS trading team who frequently talked about what DRIs in House D and elsewhere in the ISE were up to. In these discussions there was a mix of contempt and dismissal of DRIs' cultural capital as expressed mainly by the sales trader T. He liked to call DRIs 'Apaches'. However the team's contempt and dismissal of DRIs was at times balanced with deference to the trading volumes generated by DRIs which made House D commercially more robust. The latter was in a way normal because with the global financial meltdown and the closure and downsizing of proprietary books of global investment banks and FII funds, the share of FII trading in House D's trading volumes went down from a fair split to a 20% and 80 % distribution in 2009 (above discussion with Sk). In the following, I first look at the momentary stories captured in the domestic sales department and discuss their significance bearing in mind the place of House D in the ISE field. This is followed by an elaboration of the momentary stories captured in the IRS department.

### **'Welcome to the mentals!'**

This was a welcome remark for me made by Hn, a very experienced senior investment advisor who served several high frequency and/or high net worth day-traders, including the 'middleman in the grocery market' day-trader. Her past clients included the flow trader mentioned before. She made the 'mental' remark after I explained to her that I studied sociology. Although she might have confused psychology and sociology, something that I occasionally observed among my informants, she explained why she called her colleagues and clients mental: 'trading on a daily basis is a form of insanity, a form of gambling. People have made this a vocation for themselves, they're mental. I don't think there is any "investor" left in this market' (Informal discussion\*, 12 May 2009). Hn later explained her client typology, which shone light on what she understood of the concept of "investor". The first type referred to high net worth day-trading individuals mentioned above. They were the main liquidity providers to the ISE. The second type was the 'forced' investor who wanted to seize short-term opportunities without becoming a day-trader but was stuck in a share due to being 'a bit greedy' and failing to make up their mind to sell at the right time. The third type was those 'wannabe day-traders' who frequently pursued intra-day and inter-day price changes but could not commit as much as the first type to the ISE equity trading (Informal discussion\*, 14 May 2009).

In fact, to serve any type of these clients, Hn did not have to use any of her institutionalized cultural capital. She like the middleman day-trader started her career in the ISE in the mid

1990s after she graduated with an engineering degree from a very prestigious Istanbul-based and English-instruction university. By mid 1990s, working in a brokerage house as an ordinary dealer or broker was the job many university graduates wanted to be in, even for those high flyers that could get a degree from the most prestigious Turkish universities. Similar prestigious degrees were held by many senior IRS personnel I interviewed. Yet, unlike in the IRS circles, Hn's institutional cultural capital or any analytical or quantitative skills that might have been honed with such a degree meant hardly anything in the DRI circles. As Sk said, Ib was enough for the DRIs served by the team. In fact, the first type investors did not even need Ib's services. Ib was of value to second and third type investors. It was also the second and third type investors' demands which contributed most to the generation of *in situ* stories as well as the occasional client-investment advisor rows. In this respect, House D resembled House B in terms of the equity investor profile. None of the clients were abandoned DRIs unlike those in the House A branch. They had considerable equity in their accounts and most of them were willing to trade when they saw or were shown short-term trading opportunities.

During the seven day observations, I sat next to Ib who was next to Ms and Bg, two male investment advisors. Opposite us were the three female investment advisors, Hn, MI, and Dm. The domestic sales desk was a VIP desk and served approximately 200 clients who had dedicated very significant amounts to equity trading and/or who had the potential to trade frequently and generate commission income for House D. Failing to deliver such a performance by a client might mean being sent back to a House D branch and getting a less-personalized service despite having several million TL in one's equity account. On a different note, several clients with equity funds as small as 50,000 TL had the knack, dedication and some help from House D lending facilities to generate around 10 million TL trading volume a day! (Informal discussion\* with Hn 14 May 2009) In that respect, House D dealing room was not the privilege of relatively sanitized House B-type DRIs who significantly relied on relationship work stories rather than a seamless and flawless execution service. House D VIP desk was therefore like the equity market version of House A's VIP dealing floor. Although House D was in the ISE top 10 trading volume table between 2007 and 2009, the domestic sales room was unusually calm in terms of *in situ* sense-making and trading activity. This was mainly because many high volume generating equity clients preferred to use House D's proprietary online trading platform which allowed them to access order execution system as fast as an investment advisor. This was a faster alternative to calling investment advisors for order execution (Informal discussion\*, head of branches, 5

May 2009). On a related note, I observed the three female dealers and Bg occasionally chiding undecided or over-demanding second and third type clients who accused these investment advisors of not helping/allowing them to make money! In the following table, I present the descriptive statistics for the momentary stories captured in the domestic sales department. This is followed by the story behind the numbers presented in the table.

**Table IX: Momentary and Proto-Momentary Stories in the VIP Floor**

	Cause – Effect	Correlation	Observation	Randomness	Similarity	Total	Proxy Data Use	Direct News – Private Knowledge	Self-Narrative	Past	Past And Present	Present	Present And Future	Future	Past, Present, And Future
D-1*	4	-	-	-	1	5	5	3-0	-	-	-		2	-	3
D-2	8	3 <sup>12</sup>	6	-	-	17	17	5-1	-	-	6	2	5	2	2
D-3	8 <sup>3</sup>	-	15	-	-	23	23	7-0	1	-	8	5	6	-	4
D-4*	4	-	-	-	-	4	4	2-0	-	-	-	1	-	3	-
D-5	10	-	5	-	-	15	15	7-0	-	3	7	1	2	-	2
D-7*	2	-	2	-	-	4	4	2-0	-	-	3	-	-	-	1
D-8*	6	-	7	2	-	15	14	9-0	1	-	7	4		-	4
<b>Total</b>	<b>42</b>	<b>3</b>	<b>35</b>	<b>2</b>	<b>1</b>	<b>83</b>	<b>82</b>	<b>35-1</b>	<b>2</b>	<b>3</b>	<b>31</b>	<b>13</b>	<b>15</b>	<b>5</b>	<b>16</b>

\*Day 1 and Day 8 were half day observations in the morning; the rest of the day was spent in the IRS department. Day 4 and Day 7 were shorter 2 hour observations in the morning and afternoon sessions respectively due to having to attend a private matter. Both days are counted as a half day in the aggregate observation days

### What is wrong with the markets?

1-Day 1 - Contra-correlation: Ms and Ib discuss the opening of the ISE's afternoon session. The ISE 100 index is up by 1.25 % over the previous day's closing figure despite the short-lived selling-spree towards the end of morning session:

Ms: What do reckon about the afternoon session?

Ib: They [investors in the ISE] have given it too fast, there is no news abroad, they are gonna get it back.

2-Day 1- Contra (over)-correlation: MI receives a phone call at 16:55 pm from a client, five minutes before the ISE's closing, and summarizes the trading day so far. The ISE 100 is up by 2.25 %

MI: The DOW is up 0.25 %, the DAX is 0.30 %, we loosen here a bit but it [ISE 100] is up by 2.25 %, it is a confusing situation. We [the ISE] have 40 million [lira] capital injection, 30 million [lira] of it is in Garanti [bank]. [All the trading figures reflect the net trading activity by the five most active buying and selling brokerage houses as represented on the data platform's "money entry/exit" function]

3-Day 2- Contra-cause-effect: MI on the phone with a client, tries to make sense of the ISE 100's upbeat performance despite the 'money exit' as observed on the data screen

MI: It is hard to make sense of this rally in the afternoon, there is 25 million [TL] exit from the market and 15 million [TL] exit from Garanti [bank], I don't know how it is possible...

## **The story behind the numbers**

Because of Ib's central role in the domestic sales team, 43 stories featured him as the plot provider out of the 51 stories he was involved with. 15 of these stories were told to me, and six directly to clients. The remaining 22 stories were told to the investment advisors and other staff in the room including the VOB team. Six of these stories were then conveyed to clients by an investment advisor. On top of this the investment advisors told 25 stories to clients. The remaining seven stories were self-constructed by an investment advisor (3 self-narrative, and two told to me as a joke by Ms because I 'destroyed the spell and made the index fall by leaving the desk'). The second most vocal storyteller after Ib was MI, the junior female investment advisor who looked after second and third type clients. She told 17 stories to her clients and most of the chiding remarks to clients were made by her. Ms told only four stories to his clients despite frequently vocalizing what was going on in the boards with one-sentence observations. Similarly Hn was busy with such live commentary for the trading activity but she told only three stories to her clients. Two of these sounded as if they were addressing a third type client who was undecided and a bit grumpy. There was only one story told to the 'middle-man' day trader. This was despite the fact that Hn was connected to him via telephone line throughout most of the trading session. I did not hear much from the investment advisors Dm and Bg as they were sitting at the far end of the table. However, Dm asked three questions to Ib which generated three stories. I also heard Bg telling a proto-story once to a client.

Regarding logics used in narratives captured in the room, 42 stories relied on cause-effect logic, and 35 proto-stories had a rudimentary plot. Among these 77 stories, there were only five stories which relied purely on chart analysis to make sense of and predict the market. This is in line with the earlier observation that Ib always tried to blend fundamental news items with insights based on charts. In that sense there were six more stories by Ib which incorporated charts as a secondary cause in the plot. When it comes to invoking the master perception of one-way correlation widely held among DRIs and their brokers in the ISE, 21 cause-effect stories incorporated news or a market event abroad as a causal factor in their plots. This went down to 10 instances among the proto-stories. Ib provided the plots in 18 of these stories which invoked the master perception of one-way correlation. As Ib explained to me, he had been seeing this 'very strong correlation' between world indexes and the ISE in the last couple of years 'when you plot the graphs [of indexes]. If there is a decoupling, it lasts only few days, you can find the reason behind it; you need to make sense of events with



this broad perspective' (Informal discussion\*, 6 May 2009). Adding the three correlation and one randomness stories, there were 35 stories (42 %) that invoked the master perception of one-way correlation/cause-effect, which is in line with other mainstream DRI scenes observed-with the exception of House A branch.

Among the stories told by the domestic sales team, several items featured frequently. One of them was the 'stress test' on the US banks by which the FED aimed to find out the health of the US banking sector. This featured nine times in the narratives. Another frequently featuring actant was the IMF-Turkey deal. The deal was still on the agenda in May 2009 and featured eight times in the stories. Although featured only three times (oil once and commodity prices twice), rising commodity prices were seen as something positive in May 2009 in a global recession environment, as a sign of recovery. This was in total contrast to their perceived effect on the market in summer of 2008, especially that of oil. For me it was interesting to observe how actants were made to take on different attributes depending on the general conditions of the markets and economies as perceived by storytellers.

All in all, the stories captured in the domestic VIP sales room reflected the service given to DRIs. The clients were those who had significant levels of economic capital and/or pertinent cultural capital for short-term trading or a willingness to acquire it. The bottom line for inclusion in the VIP service was the commission fee generation capacity of clients. When clients needed any assistance in the form of fundamental view and/or chart analysis, this was given promptly thanks to Ib's skills of translation between the research department's and DRIs' languages. If the research department did not cover a company, Ib would quickly examine the fundamental indicators and news about the company to conjure up the fundamental side of the story. With the continuous assistance of Ib, the investment advisors seemed to take their job as part of a routine which consisted of giving prompt updates, executing orders without blemish, and if necessary doing some relationship work in the form of restraining clients or attending to their depression and euphoria about the market.

The overall impression I got from the VIP sales team and House D domestic sales in general was that the size of the House's economic capital (highest equity base among the four houses-backed by the parent bank, which meant generous lending facilities for clients) and social capital (20 branches around Turkey and around 40,000 clients) made the place a relaxed environment for sense-making and trading. Like House B, investment advisors were fungible as they did not make a huge difference for a client in terms of universal

intermediation services such as sense-making and order execution. The only difference they could make would be in more personal aspects of the relationship such as a long-running client-investment advisor relationship as observed in House B. Otherwise, the biggest difference between House B and House D was that the latter perceived clients as fungible too. The investment advisors did not seem to care too much about hapless investors who were playing the waiting game or who got grumpy because they thought investment advisors was incompetent or slow. There was an air of formalness towards clients with the exception of most valued ones who had been working with investment advisors for a few years. Otherwise, roles were roles and rules were rules. Even the flow-trader who could generate more than 10 billion TL trading volume per year was virtually cut off from the loan and trading services of House D due to a disagreement over terms of his short-selling activities via House D (Informal discussion\*, Hn 1 June 2009). In that respect, House D was conservative in its approach to overall operational risks. That was one of the reasons why the veteran sales trader, Br in House C quit his job in House D IRS department after several months.<sup>95</sup> In the following, I turn to the IRS department and demonstrate the repercussions of this conservatism in its service to FIIs and DIIs.

### **The white man versus the white man: the IRS department**

The white man metaphor in the title refers to the sales and research teams who seemed to have some sort of contempt towards ‘Apaches’, namely DRIs. However, the aim of the metaphor in the title is to emphasize how respective teams seemed to be at odds during the three week observation period due to the reasons mentioned before. I shall substantiate these differences which went beyond the observation period. For now, a brief introduction to the department and their client types shall help to contextualize the sense-making and trading activities observed. The trading team had two senior sales traders, T and Hs who were both educated in the US. T also worked in the US in an investment bank. The head of trading Bl was educated and worked in the US as a trader. His desk associates C and Y were both educated in Turkish universities. Cn was the assistant of Bl and worked more like a settlement officer whereas Y did trade execution for T’s clients as well as his own client portfolio. The latter consisted of a Turkish proprietary trader based in Istanbul working for a global investment bank and a local asset management company which had several billion TL under management (though most of these assets were in fixed-income products). There was a third desk associate, S an experienced broker who joined the team from the ISE floor whilst I

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<sup>95</sup> The operations department cut HSBC London Turkish equity desk including its proprietary trader in Br’s case as told to me by S (Interview, 10 August 2008).

was there. There were also two derivatives traders in the room sitting across Y who executed orders for a European investment bank which also owned the majority shares of House D and the parent bank. The derivatives traders also made cold calls to prospective clients in Europe.

All these figures apart from Y and S were very fluent in English. Y usually got assistance from T in giving market colour and updates to the clients over the Bloomberg chat programme. Y actually had enough English to write simple updates on price and board dynamics as well as flash news or to give market colour—namely what order and in what quantity the team was executing. The reason for the English language assistance from T was more about the wording of updates and how much private information the team actually wanted to share with clients. The wording was important for T mostly because he did not want to give a risky short-term market call to his much-valued and frequently trading client K, a hedge fund manager based in a European city. Otherwise Y was quite unrestrained in his market calls to the Turkish proprietary trader as well as the local asset management company. These calls were mainly based on flash news flows as well as chart analysis and were only restrained by B1 if they blended in too much private information about an order B1 was executing. As T observed in Y's absence (field notes, p 63 3 June 2009), Y was quite driven by generating a flow and commission fees despite not quite well understanding what foreign clients were saying or what the research department officially recommended. T actually commended Y several times after Y quickly spotted news beyond the data platforms and conjured up updates which resulted in extra-trades by clients.

Although the team was serving a 150 plus client portfolio together, there was a division of labour in who attended which client. In that respect, B1 served a core of five to 10 clients, most of which were global broker traders in London who worked at the Turkish or region desks. These traders sent orders to B1 almost on a daily basis. Some of these traders also worked as proprietary traders. In B1's case, the service was mainly about providing a flawless execution service to clients, giving them market colour and making sure that their orders were not fronted due to poor execution. Apart from these, if asked, B1 would give his view to proprietary traders on short-term trading opportunities. Otherwise, he did not strive to give trading calls on a daily basis unlike Y. Moreover, B1 was quite wary of putting his core client group at risk by giving them short-term trading calls given his past experiences and his knowledge about vernacular dynamics of the ISE spot index and major trading actors there. In one instances he restrained a proprietary trader from a global investment bank from

short-selling bank shares. BI reasoned that without any ‘corporate or global sentiment’ or ‘a decent fundamental reason’ that would allow a strong downward trend, shorting banks in the ISE spot market ‘against the market sentiment’ was a ‘ballsy move’, something akin to ‘pissing against the wind’. This was due to the vernacular dynamic of the ISE spot market and the large-capitalisation banks. As BI perceived it, their price could easily shoot up by a random ‘large ticket’ from an FII, the effect of which would be magnified by ‘front-running’ and ‘churning’ locals (Apaches!) (Field notes, Bloomberg Chat logs, 25 May 2009). BI also reiterated the research department’s view of “dislike banks, like industrials”. At the end, the client decided not to trade at all.

T and Hs’ clients, on the other hand, were a blend of large and small asset management companies from Western and Eastern Europe. Some of these were alternative asset managers (hedge funds). The sales traders were also in contact with global brokers but as Hs put it, global brokers constituted only a small section of their client portfolio and they would not serve global brokers as comprehensively as the end-clients due to direct competition between House D and global brokers for end-clients. Hs added that 90 % of the market calls he gave were based on the research team output and the remaining 10 % was based on Hs’ own view. The latter was possible thanks to long-term good personal relationships which allowed Hs to slightly deviate from the formal calls (Informal discussion, 22 May 2009). In fact I observed Hs twice (4 and 19 May) over the three week-observation period pitching trading ideas to his end-clients on the phone all day-long. First he prepared a half page summary of freshly published analyst reports which reduced the moral of the story told in these reports to three to four sentences. Then he started calling his clients. In most of the cases, Hs talked to an answering machine rather than a real person. He explained to me that talking to a client or an answering machine was not a sign of good or bad relationship. It was just a matter of clients’ workload at the time (4 May 2009). T also made two idea-pitches similar to those of Hs in terms of the preparation and content but T’s pitches happened on different days. Apart from these formal idea pitches, there were a dozen or so impromptu share calls mostly by T which went beyond the official research “like” list. These calls were on the back of flash news on companies or changes in certain share prices which were significant due to a previous client exposure or interest in a given share. However both Hs and T always stated their research analysts’ positions on a given share and never tried to override the official research calls. They always used the subject “we” when they made formal pitches to clients. They hardly made a distinction among the trading and research teams during these calls.

Both Hs and T explained to me that it was important to generally stick to the research department calls' for several reasons. First of all, the research department provided company and market views generated in the official language of model-based calculations and predictions as described in the previous chapter. These calculations and fundamental stories were better informed by analysts' relationships with company officials and economy bureaucrats. Going outside this comfort zone and say, giving market calls based solely on one's own view or worse by relying on chart analysis was therefore a very risky move, especially if such a call was given to end-clients who were armed with their own buy side analysts and strategists. Hs was actually quite emphatic when he made the point about the official language to me- I dared to use the words 'bet' and 'guess' in my follow up to understand what he meant by 'forecast' (Informal discussion, 22 May 2009):

Of course, it [share or macro calls] is a bet but it is based on models, calculations, and all the rest. In fact, you can't even call it a guess, it is always a forecast. It is imperative that we go along that line [of forecasts]. This is also because you are constantly being challenged by your counterpart, you say "the income will go up by this much" he says "why not 10 %", you say "because of inflation, or USD/TL parity, or it won't grow this much etc." It is a constant idea challenge and you need to be ready with the necessary information and knowledge. That is why I or T we never look at the charts, roll the dice and say "it will break 35" to give a share call!

The second reason was the necessity to show an organisational integrity and harmony to clients, which, according T, was a key to success as an IRS department. The following incident between T and the analyst Kn about Hurriyet Gazete (owned by Dogan Holding) demonstrates this quite well. On 20 May, T thought without any numbers or figures to back up his impromptu idea that the popular national newspaper would perform quite well during the coming summer months in terms of advertisement revenues. T reasoned that people would buy more newspapers instead of watching TV during their summer holidays. This idea was actually on the back of recent surges in Hurriyet's share price and T spotting the amount of advertisements the newspaper got whilst he skimmed a physical copy of the newspaper on 20 May and several days before (field notes, p 9 18 May 2009). However the recent price surge for Hurriyet was not directly related to the company's performance. It was more about the parent company's changing fortunes in its ostensible political wrangling with the JDP as well as the latest positive developments for the parent company in a court case about tax evasion. Apparently, T wanted to pitch the share to his clients before but Kn gave a very gloomy view on the share:

He made me quite scared, it was 0.5, 0.6 lira and now it is 1 lira, I am hesitant to give a call now to K [the hedge fund manager] after it hit 1 lira. When it was cheap, Kn sat down with me for half an hour and told me very professionally why I should not buy Hurriyet.

Several hours after this remark when Kn was back in the trading room in the afternoon session, T again tried to convince Kn to write a formal note on the company but Kn countered T by his categorical answer based on the newspaper's circulation numbers and unit price for advertisements. An analyst note on the company would allow T to pitch Hurriyet with more confidence to a larger client base. T told me the following after the analyst left:

T: It is not desirable to go against your analyst view, you can't just say "my analyst is a dickhead" [which he actually did whilst talking to me], then they [clients] will say that your organisation is cracking.

E: Don't your clients get angry when an opportunity is missed?

T: No, it is not about anger. It is just that they can't make money. Look at the size of these advertisements... [T shows me the newspaper's advertisement pages!].

That is why both T and Hs and often Bl had to bite their tongues and say nothing but 'we don't like banks, we prefer industrials' or 'we don't like [share name]' in accordance with the research department calls despite surges in prices of those "disliked" shares. As mentioned before it was only a dozen or so occasions I observed T and Hs pitching "disliked" shares on the back of rumours or previous client-interest or exposure in those shares. The perceived problem for sales traders was that the lack of 'any attention to market colour and flavour' on the part of the research team 'hurt the trading volumes coming from end-clients' with the exception of one or two trades thanks to some personal relationship-based nonstandard calls to end-clients (Observation of T, Hs and Bl's discussion, field notes, p 22, 20 May 2008). I also observed the sales team several times indirectly complaining about the research team's calls to their clients on the phone. This was probably when they were challenged by clients about the research team's share calls. There was another source of grievance on the part of sales traders, namely lack of analyst coverage on some well-performing and FII-liked companies.

All these grievances led to some funny jokes or bitter comments made in the trading room about analysts- of course these were made when the door leading to the research department was closed! Here is a selection of these reactions: 'too slow' to publish a report, I will chuck X house's company report in her face now' (T on 2 June 2009); 'ask [analyst name] she does not even know what Selec means [referring to a large-capitalisation pharmaceutical company Selcuk Ecza Deposu with its code name-a joke on the analyst's non-coverage] (T on 1 June 2009), or 'they have never given a right macro call since 2006 apart from those right share calls' (T on 20 May 2009) and so on. Hs actually joked about this prevailing perception about the research team: 'since I came to the IRS, I learned to say "market knows

the best” [Bl noded to agree]’ (field notes, p 22 20 May).

In fact, during my stay in the trading room, I observed only four instances of a formal share pitch resulting in a trading activity by clients. In two of these, apparently Kn and the head of research A did the pitch and were excited enough to come to the room and boast about their success or plead with Bl to prioritize the order in question because of a past flop in a call which resulted in loss of client’s funds. The third instance was after Hs’s pitch of ‘top-picks’- research department calls that led to one very small trade. The last one was a significantly large order from an end-client which was directed to House D via a global broker as the end-client in question did not use House D for trade execution. The origin of the call came from the quantitative analyst, O who graduated with a financial engineering post-graduate degree from a top Turkish university. He regularly published switch calls (going long and short in two different shares or a share and the ISE 100 index) but did not do verbal idea pitching apart from sending a bulk email to the clients. This ‘quant call’ actually contradicted the analyst C’s long-term ‘market-perform’ call on the company in question, namely Turkcell.

This ostensible lack of research output driven trading activity did not mean that research team was incompetent as far as the institutional and/or career-generated cultural capital they possessed was concerned. The nine-strong team had undergraduate and postgraduate degrees in finance, economics, business administration and mathematics from top Turkish, European or American universities. The head of the department worked for a global investment bank in the US for a few years. The bank analyst Br was a former fund manager in Europe. Kn held CFA certificate and O held two global industry certificates related to risk and alternative asset management. One of their former analysts was snapped up by a global investment bank in London.

If there was an issue with performance of the research team, this was more to do with the nature of their job in an over-brokered and over-researched market like the ISE. The apparent issue as far as the sales team was concerned was about not having immediate results from time-consuming research output or sales traders’ pitches with the exception of working with proprietary traders (Informal discussion with Hs, 22 May 2009). But the latter was in decline after the global financial meltdown. Otherwise, the IRS department was awarded with votes from end-clients in industry-wide surveys and/or the department would get ‘soft commissions’ in the lack of direct trading from end-clients. These rewards were based on

positive opinions about the IRS department's market/share call performance (field observation, p 28, 21 May, and informal discussion\* with Cn, 28 May 2009). As put by Hs, there was no clear and continuous link between the research output and trading activity in the IRS department: 'We don't know the origins of the 7 out of 10 orders, you give your idea, they like it and give you the order, but this does not mean that idea creation is always down to you, they have their own opinion too, they have their own analyst' (Informal discussion, 22 May 2009). But the official research output written in the right language of global finance had to be there be able to serve 100 plus clients. This language also informed the regular email and telephone contacts with clients. The type of service in House D was unlike that of House C which relied on the social capital of its two veteran sales traders to be viable.<sup>96</sup> However, this tenuous link between research output and trading activity in House D did not mean that the trading room was silent at all. It was one of the noisiest and entertaining sites I observed during my field research in Istanbul. This was thanks to the trading team's constant jokes and antics which often included me as a joke-victim due to my note-taking and my being a researcher observing 'monkeys in a zoo' and 'Bl, the chief orangutan' (Br and Bl's joke, p 42, 27 May 2009). In the following section, I shall present the descriptive statistics on stories captured in the trading room and then substantiate the story behind the numbers. This is followed by a concluding commentary on the types of capitals the IRS department relied on in their daily activities, and the indirect response of the research team to the sales and trading team's criticism.

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<sup>96</sup> Interestingly, when I met up with the analyst in House C G a year later, he lamented that producing formal analyst reports was rather futile as it was very time consuming and it looked like no-one actually paid any attention to them (Informal discussion, 4 May 2009)



**Table X: Momentary and Proto-Momentary Stories in The IRS**

	Cause – effect	Correlation	Observation	Randomness	Similarity	Total	Proxy data use	Direct news – private knowledge	Self-narrative	Past	Past and present	Present	Present and future	Future	Past, present, and future
D-1*	6 <sup>1</sup>	-	7	-	-	13	13	7-1	4	-	2	7	-	2	2
D-2*	6	-	3	-	-	9	9	3-1	6	1	2	5	-	1	-
D-3	10 <sup>2</sup>	3	13	-	-	26	15	3-2	4	-	6	7	10	1	2
D-4	17 <sup>3</sup>	1	13	-	-	31	27	5-8	3	4	10	7	4	1	5
D-5	14 <sup>4</sup>	1 <sup>5</sup>	9	-	-	24	21	5-3	4	1	12	4	5	-	2
D-6	14	-	11	-	-	25	22	3-4	2	1	8	9	3	2	2
D-7	7	1	12	-	-	20	19	2-4	3	1	6	8	3	-	2
D-8	17	1	13	1	-	32	21	16-0	8	1	11	7	7	-	6
D-9*	3	-	4	-	1	8	6	4-0	1	1	3	2	1	-	1
D-10*	11	-	4	-	-	15	11	4-0	-	-	9	-	3	1	2
D-11	12	4	8	-	-	24	23	4-2	3	4	7	6	4	3	-
D-12	12	4	8	-	-	24	20	6-4		2	11	4	4	1	2
D-13*	6	-	2	-	-	8	8	4-0	3	-	-	3	4	-	1
<b>Total</b>	<b>135</b>	<b>15</b>	<b>107</b>	<b>1</b>	<b>1</b>	<b>259</b>	<b>215</b>	<b>66-29</b>	<b>41</b>	<b>16</b>	<b>87</b>	<b>69</b>	<b>48</b>	<b>12</b>	<b>27</b>

\* Half-day observations

### What is wrong with the markets?

1-Day 1-Contra-cause-effect: Hs observes Arcelik share price hitting the price ceiling despite the not very promising fundamental indicators

Hs: What is the deal with Arcelik, it hits the ceiling. It is dead inside!

2-Day 2-Contra-correlation: T observes the downward change in the US futures index, G the VOB trader joins the observation

T: Oh, they've nailed it on the US, and here mad people are buying Sabanci [holding shares]. They're mad!

G: I think we will come to a point of decoupling, we are approaching that point.

3-Day 4- Contra-cause effect: Bl observes Garanti trading and wonders why it is up despite some negative rumours on the IMF-Turkey deal as heard by the chief strategist Sr, from his bureaucrat insiders in Ankara.

Bl: What is happening here, Garanti [bank] is going [up] despite this stuff that the IMF deal is in jeopardy?

T: Yeah that is what we say but it looks like there won't be any need for the IMF deal after all.

4-Day 5- Contra-cause effect: T, Bl and Y observe their screens towards the anticipated 15:30 pm US unemployment figure release. Bloomberg data platform voices the results; it is 6,000 more than the expected figure. The markets are now addressed as "you" figure and the observers seem undecided about how to interpret it:

T: [observing the index indicators turning red] don't sell it hastily! They are gonna sell it here, we also might have to sell!

Y: [right after Bloomberg announcement] You bastards, you nail it [sell it] just for 6,000 unemployed!

T: [observes the abating sell pressure] Now you're buying back despite the data, aren't you

Bl: Why are you guys selling? You just keep on pissing against the wind!

5-Day 5- Contra-correlation: Bl observes the BOVESPA and wonders how the ISE can manage to be quite resilient in the face of falls in other markets:

Bl: Yesterday, Brazil was up 5 %, today it is down 5 %, they're giving back what they got yesterday but we're down only 1 %, what's going on?

S: It's this never-ending saga of IMF-Turkey deal, nothing else.

### **The story behind the numbers**

Over ten and a half full observation days, I collected 259 stories in the sales and trading room. The main reason behind the difference in the average number of stories per day between House D IRS (24.6) and the general average across the observation sites (17.2) was the conversations between traders and sales traders on price changes and their discussions about giving market colour or intra-day trading calls to clients. There were 87 cause-effect and 65 proto-stories that were generated by sales traders and/or traders mainly for this purpose of firstly making-sense of the scopic screen and beyond (client activity) and then deciding what type of an update to give to clients. However, 18 of these 152 sense-making stories involved a joke about the situation in the market and/or the official market/share views of the IRS department which seemed to be at odds with each other. Five of these jokes were directly about the research team's specific research outputs or lack of it! Another 18 of the 152 stories generated among the sales and trading team relied on private knowledge. The source of the information in these stories was either client positions in a share (12) or non-public knowledge about other brokerage houses (6). The team was also kind enough to answer my questions on market events and this generated eight of the 152 stories. On top of these cause-effect and proto-stories, there were 13 correlations stories generated by the trading team as a manifestation of the master perception of one-way correlation between the world markets and the ISE. Although members of the research team infrequently visited the trading room, there were an additional 32 stories where one of the analysts got involved in the story either as the plot provider (18) or as the recipient of an answer about his/her inquiry about ISE trading activity (14). Including the single instances of randomness and similarity logics, there were 199 stories generated by members of the trading and research team for their own sense-making needs.

The remaining 60 stories captured during my observation period were told to the clients. 22 of these stories were told by the sales traders and eight of them (four cause-effect and three proto-stories) relied on private knowledge. The source of private knowledge was either private information acquired from other clients or "market colour" in the form of what other

clients were buying or selling. Five of the 22 stories by the sales traders were based on the research team's official company/market calls, and two stories were based on rumours circulating in the market via data platforms. The remaining nine stories were on share and brokerage house moves ostensibly caused with or without news as spotted by the sales traders. These stories were conveyed to clients due to previous interest/exposure of clients to shares in question.

The traders were more active than the sales traders in telling stories to clients and generated 38 stories in this category. Only three of these stories were based on the official research department calls and a fourth one mentioned a report by a global broker in its plot. The traders relied on private knowledge in four of the 38 stories told to clients but three of these stories were actually based on the lie that it was 'domestics' in House D who were trading in the share not the IRS trading team. In the remaining 30 stories, 15 of them were market colour based on publicly available data on share price and houses actively trading on the board. The remaining 13 stories were market and share calls based on publicly available data/information on data platforms. Four of these stories bundled what happened abroad into their plots to embellish the call in question. Adding the remaining two correlation stories told to a client by B1, six market call stories by the traders invoked the master perception of one way correlation.

Interestingly in none of the stories told to clients, chart analysis featured as the dominant item in the plot. In fact, there were only six stories out of 259 which had chart dynamics as the dominant logic. Otherwise five more stories included charts in their plots as secondary observations or causes. When it comes to the general use among the trading team of the master perception of one-way correlation/cause-effect, there were 38 cause-effect and proto-stories in addition to 15 pure correlation stories, which takes the total number of cases that invoked the master perception about the ISE's peripheral role in the global financial markets to 53 (20 %). This ratio is significantly lower than what was observed in the four DRI sites but quite close to the percentage found in House C's IRS department (17 %). These lower percentages attest to the general sense-making focus of IRS teams, namely the ISE and the Turkish economy and politics.

## **View from the other side of the department: analysts speaking**

As mentioned before, the sales and trading team had grievances about the research team. The sales and trading team believed that the research team had little interest in “market colour”. Moreover, the research team was seen to be quite inflexible about watering down their fundamental views on companies in the face of short-term catalysts for share price increases. Additionally, the sales and trading team criticised some analysts due to their slowness in generating formal outputs on promising companies. But how did the analysts understand their job responsibilities and role of the sales and trading team in shaping of an analyst’s job description? Below is a discussion that draws on the interviews with the research team members.<sup>97</sup>

While I was interviewing C on 2 June 2009, he had to attend Hs’ telephone call, and coincidentally I overheard the following conversation between a female analyst D, and an intern proper who was there to get some job experience:

Intern- Could the sales team dictate anything on how or what [company] report you write?

D [Seems taken aback with the question and answers emphatically] Nobody can interfere in our job! Only A checks it for editing. I have my assumptions about companies and the economy and I write accordingly.

Intern- Do you buy shares yourself?

D- No, I don’t invest in the bourse, I buy gold. Not that I never think about buying, say fertilizers, though I would buy it not for investing but for my garden [laughs].

Despite the joke, D made two points which were confirmed by all the other analysts I interviewed. First is that the analyst’s and the head of research’s judgment determined what company was to be covered and how it was covered. Although requests to cover a company could come from clients or the sales and trading team, these passed through an initial evaluation by analysts. This was generally followed by analysts’ company visits. The latter aimed to go beyond the publicly available information, and if possible, create an initial rapport with the company management, and get a qualitative understanding of the management intentions. If analysts decided that there were risks associated with a company management such as lack of transparency or risky organisational structure that might jeopardize investor rights and interest, they usually decided not to initiate cover irrespective of any spectacular market performance of the company’s share (E, 4 June 2009).<sup>98</sup> The analysts believed that the fundamentals of a company eventually prevailed over its market

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<sup>97</sup> I interviewed all but one analyst, Kn who was always busy!

<sup>98</sup> E was the figure who was blamed most by the sales traders.

price, of course unless it was a very problematic share under the control of *Investor Ali*-type figures. That is why the analysts did not want to mislead their clients with short-term exuberances caused by non-sustainable factors.

Second are, like A and G in House C, the analysts who always work with a valuation model that provides a detailed breakdown of company revenues and costs. Whilst the models seemed to be universal within the IRS field and beyond, assumptions about the effects of different emergent themes of a company on its earning and/or cost structure could vary among analysts from different intermediary organisations and would lead to differences in predictions about a share's target price (C, 2 June 2009). However, the bottom line of any analyst activity was the fact that models and a probabilistic framework shaped analysts' observation and sense-making activities. This distanced them in their routine analyst work from market colour or even short-term non-significant but related news flows about a company (Br, 29 May 2009). That was why Br, a month after starting his 80 page-long initiation report for banks with an "under-perform" call, stuck to this long-term call in his routine update that was to be published after the quarterly bank balance sheet announcements. For him there was to be no significant change in the key banking-related themes that informed his initiation call and hence no fundamental reason to change his call on banks. This was despite the unpleasantness of being on the 'wrong side' of the existing short-term market dynamic (above interview).

### **Importance of social capital in generating better research output**

In the light of the above discussion, one would assume that institutional and career-based cultural capital is what matters most in becoming a successful research analyst. Although that type of capital is an absolute minimum requirement on the way to success as an analyst in the field, the social capital of analysts also matters. As the analysts E, C, and D (3 June 2009) explained to me, the relationships they started and built up with company representatives and investor relations staff could really make a difference. The latter was about getting a better informed insight into company operations, which could help the analyst to see what other analysts might not notice and put him/her ahead of the crowd. Moreover, some companies would also judge the breadth of institutional investor base represented by an analyst and would change their attitude to the analyst for the positive (E, 4 June 2009).

Otherwise, none of the analysts argued that the quality of their research output (or

effectiveness of their cultural capital) was an important determinant in the amount and depth of their social capital, especially when their relationship with investor relations departments was concerned. Using universal valuation models, benefiting from peer-review on their outputs provided by the head of research, and company revenue and cost guidance given by investor relations departments made the House D's analysts confident that there would not be a huge risk of getting a call spectacularly wrong, at least according to fundamental valuation factors. The confidence about the quality of their work was in contrast with the House C's head of research Mrs A's emphasis on the importance of the quality of research output (cultural capital) in a successful IRS department. This was despite the fact that all the analysts in House C and House D had very similar institutional and embodied cultural capitals. This difference in perceptions about the importance of cultural capital could therefore be attributed to House C's and House D's significantly differing organisational capital resources and their position in the ISE's intermediation field mentioned before.

Apart from their IR-related relationship work, the analysts in House D did not actually do any significant relationship work with their buy-side counterparts. For them, their job was more about generating timely research outputs, making telephone calls to those interested buy-side analysts after major updates and answering questions from sales traders and fund manager clients. None of the analysts I interviewed did actually follow up whether a client bought a share after a company report/update or a telephone call that pitched this particular call. The analysts believed in the virtue of division of labour and they were not naïve enough to think that their clients only worked with House D or would welcome pressure-selling from an analyst!

### **O's quantitative portfolio**

It was actually the head of research A, the chief strategist S, and the quantitative analyst O who provided a more direct and market oriented service to the IRS clients. O actually runs a model portfolio for statistical arbitrage based on shares' under-performance or over-performance *vis-à-vis* the ISE 100 index or peer companies. He told me that his arbitrage calls had nothing to do with fundamental views provided by the analysts but it was good to have that view as a complementary input which sometimes helped them reach a wider client audience. Otherwise, O's most active client was an arbitrage desk run by the European parent company. Yet again O would rarely follow up what clients had done apart from feedback given to him by sales traders or clients themselves. Again, the onus of relationship work, which was usually needed for those non-quantitative oriented clients, seemed to be on

the sales traders and conventional analysts (Interview, 27 May 2009).

### **Strategist's social capital**

Apart from his routine report writing and client updating activities, the strategist's task in the research team was to provide an overall view on the global and Turkish economy and politics and detect macro trend changes in advance so that both sales traders and analysts would be better informed in their routine sense-making and trading activities. On top of this, Sr facilitated client contacts with top level and mid-level Turkish economy bureaucrats as well as important mid-level and upper level managers in largest corporations in Turkey. These meetings were possible thanks to the social capital Sr had amassed over the years. He explained to me that to make the most out of these meetings, he also gave guidance to his clients about what should be asked to whom and what should be followed up. Although the aim of these two track meetings were to get more information from mid-level managers and bureaucrats who always had a higher tendency to tell facts rather than speaking rhetorically, sometimes top-level informants would surprise clients with insights they gave into the Turkish economy or companies' activities. All in all, for Sr using publicly available data and working with models and forecasting the future of the Turkish economy was a relatively easy chore. More important was acquiring genuine perceptions of decision-makers on public and private data/information and being able to form his own view and help clients benefit from this type of insight or higher datum that would never be available on scopic screens (Interview, 3 June 2009).

### **A's marketing activities**

Last but not least, the head of research, A, seemed to have a more active marketing role in the research team. Apart from running the whole IRS department as the assistant general manager of House D, A worked in tandem with Sr and other analysts to formulate short-term and long-term macro and micro strategy calls. He also supervised and, if necessary, helped the generation of routine research literature, such as dailies and strategy reports on economy and politics (Interview, 4 June 2009). Because A did not have any company or sector coverage responsibilities, he had more time to not only market the official research outputs to the IRS department's clients but also create short-term macro and micro trading ideas that could be marketed to alternative asset managers. In this vein, A had a core client group whom he had daily contact with like a sales trader via Bloomberg chat platform. It seemed as if there were no overlap between this group and T's and Hs' core client groups.

## **Territory demarcations**

There were two significant grievances on the part of the sales traders stemming from A's daily activities. First, the sales traders were of the view that that A did not focus enough on equity research and finding the 'outperforming share'. This, they believed, was due to A paying too much attention to creating short-term market calls and doing too much relationship work with clients (conversation between T and Hs, 3 June 2009, field notes p, 59-60). Although I observed from A's frequent visits to the trading room that he always incorporated fundamental view into his relatively short-term share and market calls to the sales team, the sales traders and especially T got irritated if A got a bit insistent on his calls, which seemed like a breach into the sales trader's core client group and hence his social capital.

In one significant instance, A insisted on T getting K, the hedge fund manager, decrease his position in a share, Tat Konserve, to buy it back later. As mentioned before, the initial formal long-term buy call for the share in question was part of the IRS department's top-picks list. A tried to convince T for this particular short-term trading call first by giving reference to how he got one of his close clients to trade in the share and secondly by reminding T that K 'was a f\*\*\*ing trader' (field notes, p 65 4 June 2009). As far as I observed during my stay, T and his trader Y were quite careful about sustaining and increasing K's appreciation of T's and Y's service and making sure that they only gave K what he wanted from them. Of course this perception of T and Y about what K wanted from them as a hedge fund manager was being formed over the months since the relationship started. A did not seem to have that particular insight about K. This was despite the fact that A told me that half of their business was about relationship work and giving clients what they wanted.

## **Wrapping up: House D's organisational cultural capital**

Perhaps, the grievances of the sales traders about the research team was actually a blessing as most of the analysts stuck to their core responsibilities and did not interfere with what other IRS personnel and their specific clients were up to. As C put it, the primary goal of the IRS department was to 'make money' but everybody was expected to fulfil different primary responsibilities in achieving this goal: 'when I generate my research output and tell this to people, then it means I have done my best' (2 June 2009). In that respect, the team members seemed to be rather defensive about their routine activities and the integrity of their cultural



and social capital as manifested in D's reaction to the intern and in T's resistance to A in the case of giving K a short-term trading call. In fact, these territorial demarcations could be seen as the manifestation of House D's organisational cultural capital, namely having non-personal devices and knowledge to manage risks with a sophisticated division of labour and not having to rely on particular figures or risky methods for success in the ISE. House D's size in terms of its equity base (economic capital) and client numbers (social capital) consolidated this organisational cultural capital. However without the latter, both economic and social capital of House D could not be sustainable. House D' all three types of capital were mutually constituted and allowed its IRS and domestic sales staff to enjoy a relatively stress-free working environment unlike those in House C's IRS department or House A's VIP dealing room.



## CONCLUSION

As a summary of the conceptual arguments of the thesis, the following can be stated about the role of narratives in financial markets. Firstly, market actors, irrespective of their differing roles, resources and identities in the field, resort to storytelling to make sense of the past, present and future of market events and actions as abstracted on scopic market screens. This is because scopic market screens have a contradictory architecture: they move more and more market place events and actions to a calculative space in the form of simple data, but this increasing abstraction and disembedding of events and actions from their origins in subjective realities of a multitude of market actors increases the need for storytelling. Stories act as an anti-market device that aims to generate a higher datum or an apperception over simple data. This is particularly convenient for the attribution of agency, motive, credit and blame to otherwise anonymous investors, which is based on the proxy data representations of their activities. The argument that storytelling acts as a sense-making device is also boosted by the sequential and contemporaneous representation modes in the scopic market devices that encourage market actors to detect connections among alpha-numerical figures and news narratives constantly streaming in a contemporaneous manner. However, from a sociological perspective, the evolution of storytelling acts, and the scopic market screens, and the existing modes of sense-making practices based on these (anti) market devices should be seen as embedded in social, cultural and material circumstances. Market actors voluntarily and involuntarily position themselves *vis-à-vis* other market actors in relation to the historical evolution and current circumstances of a market. This embeddedness leads to differences in the ways storytelling is used in sense-making among different types of market actors, despite the fact that storytelling universally achieves sense-making via sequencing in a non-random manner.

In this thesis, I demonstrated the case of the ISE from this perspective of dispositions and position-taking acts and their effects on the modes of sense-making and narrative outcomes in financial markets. I did so by identifying three dominant investor types in the ISE, namely DRIs, DIIs and FIIs. Furthermore, I identified two sub-DRI types, namely domestic speculators and abandoned DRIs. I traced the origins and evolution of these three investor types in the ISE with a view to describing their material, cultural and social resources and consequent dispositions and position-taking acts in the ISE since its opening in 1985. My observation sites provided me with a cross section of these core investor types in the ISE and their dispositions and position-taking acts between 2007 and 2009. In terms of the

intermediation sector in the ISE, there were sites that I could not observe such as a foreigners-only brokerage house, a domestics-only and independently-owned discount brokerage house, and a domestics-only conglomerate-owned house. However, as discussed in Chapter 2 and Appendix 2, the lack of direct observation in these sites was compensated by interviews and informal discussions with representatives from a sample of these houses. Thanks to these triangulation efforts, it became apparent that House A's and House D's domestic sales teams served a representative sample of high-frequency and high net worth DRIs' activities in the ISE. House B's domestic sales team, on the other hand, was a place where I had the chance to observe in-depth the less opportunistic and less privately and vernacularly informed DRIs which were also found in House D but they were less visible thanks to the House D's relatively formalised service to them. On the other hand, House A's branch looked like a representative field site for abandoned DRIs which could be found in all types of brokerage houses and their telephone dealing and branch networks, even in that of House B. On the FIIs' front, House C and House D provided a cross section of these institutional investors in the ISE which included proprietary traders, global asset management companies, alternative asset managers (hedge funds) and global brokers located in global financial hubs. Similar to what I did for the DRI scene, I complemented my indirect observations of FIIs in House C and House D with interviews and informal discussions with representatives from one-stop-shop brokerage houses and foreigners-only houses, and with FIIs located in Istanbul and London.

From an *in situ* sense-making perspective, all these scenes of investor and intermediation types resorted to the anti-market device of storytelling. Leaving aside the acknowledgment that my field observations did not represent every story told during my observation period, the captured stories as well as the informal discussions with my informants demonstrated that storytelling acts were not an aberration in dominant cognitive and decision-making activities in these pockets of the ISE. They were in fact the main mechanisms to cope with the uncertainty about the past, present and future that were ever present in the flow of data/information and funds on scopic market screens. However, in line with the conceptualisation of narrative sense-making as embedded in the field-specific configurations of resources and dispositions, there were significant differences among the field sites in terms of the captured stories' semiotic structures and their instrumental purpose.

To begin with, in the domestic sales departments of House A, B, and D, the storytelling acts were more client-oriented and happened with a view to satisfying the daily sense-making

needs of clients and spotting the risks and opportunities provided by the short-term movements and news events in global markets and economies. This type of observation activity and the resultant sense-making stories were not challenged by DRIs as they, like their intermediaries, believed in the master perception of correlation between the global markets and the ISE. As a result, in House A headquarters, 157 stories invoked (54 %) the master correlation perception. In House B, this was 48.5% with 62 stories, and in House D it was similarly 42% with 35 stories. On the other hand, the number of stories that were told clients in these three core DRI scenes were 32 % in House A, 44.5 % in House B, and similarly 44.5 % in House D. The biggest reason behind the House A's lesser number of stories told to clients was its VIP clients' relatively self-sufficient cognitive and trading skills which made House A one of the most formidable actors in the VOB despite its relatively small size in terms of client numbers and branch network. On the other hand, both House B's and House D's DRI clients were a mixture of more to less competent retail investors some of whom acted as domestic speculators and some others had very little idea about the nooks and crannies of equity investment. The higher percentage of stories told to the clients in these houses were due to this core DRI mix and their ISE equity market activities, which necessitated a more intense relationship work by investment advisors. However as noted in Chapter 8 and 10, there were organisational differences between House B and House D in their approach to serving DRIs, which led to differences in the tone of storytelling acts done for relationship work.

On the other hand, the only direct observation of the abandoned DRI scene, namely my residence in House A's branch revealed several things. To begin with, the abandoned DRI scene was marked by the relative importance of social networks and one's position in these networks in access to information beyond scopic screens. Consequently, the private information/knowledge use in House A's branch happened in 20 % of all the stories captured there. This compares with 2 % in House A's VIP dealing floor, 4.6% in House B's VIP dealing floor, and 1.2 % in House D's VIP dealing floor! In fact, the percentage of private information/knowledge use in House B was skewed by an investment advisor there who was serving a high-frequency trading and high net worth individual who seemed to act as a domestic speculator in a middle-capitalisation share. Otherwise, in the core DRI scenes indirectly observed private knowledge/information was subordinated to the dominant cognitive schema about the ISE's peripheral position in the grand scheme of global economy and financial markets. The residents in House A branch, on the other hand, seemed to mock the sense-making and trading consequences of this dominant cognitive schema and did not

pay much attention to it. This manifested itself in the number of stories which invoked this master correlation perception, namely 22 stories (23 %). In fact, one would have observed lesser numbers in this type of story, if it had not been for the relationship work stories told by the informal dealers in the room, especially H, who was acting as a domestic speculator in small-capitalisation and middle-capitalisation shares. In these relationship stories, the foreigners in the ISE and their share in the ISE's overall portfolio value became the guarantee that everything was stable in the ISE despite the turmoil in the global economy and financial markets. The insignificant share of private information/knowledge use in the VIP dealing floors of the three houses however should not be read as the insignificance of social capital in House A's, B's and D's success in the DRI scenes. Both House A and House D served a core of the core DRIs in the ISE, at least in terms of trading volume generation, namely domestic speculators and day-traders. Serving this type of DRI necessitated a type of social capital on the part of the Houses' management that was based on mutual trust and, to some extent, tolerance by the managements towards the excesses of these high frequency traders. On the other hand, House B's management decided to disassociate the House from this type of domestic speculator and invest more time and energy into sustaining an ordinary DRI client base which posed lesser regulatory and operational risks.

What was the situation in the FII scene? From a storytelling perspective, both House C's and House D's IRS teams seemed to focus on the local events and actions within and outwith the ISE in line with their role in the division of labour between FIIs and their local brokers. This manifested itself in the relatively low number of stories that invoked the master correlation perception. In House D this amounted to 20 % of the stories. Similarly, House C's IRS team invoked this logic only in 17 % of the stories. More interestingly, the number stories told to clients in both houses were quite limited compared to the VIP dealing floors observed in this study. In House D's IRS department, this was only 60 stories (% 23). Only 22 of them were told by the sales traders whose main job was to pitch the research team's market and share calls that were generated by the use of established market devices such as universal valuation models and statistical analysis for arbitrage opportunities. In fact, only five of these stories were based on the official research team calls. Similarly only three stories by the traders to their clients were an instance of such a formal pitch!

In House C's IRS department, the number of stories told to clients went down to 44 stories 42 of which were all told by Br and S, the veteran sales traders. This constituted 22.5 % of all stories captured in the department. In Br's and S's case, 27 of these stories (64 %) were

market calls conjured up by them. These were based on short-term and mid-term catalysts on the ISE's index value that originated from Turkey and/or abroad. These stories occasionally relied on the head of research's official macro economy and sometimes share calls on banks but were embellished by a trader's touch. On the other hand, sales traders and traders in House D told only 15 such stories (25 %) which were mainly based on very short-term catalysts in shares that were based on publicly available data/information. Two of these were actually based on rumours about the Turkish banking sector circulating on the scopic screens. My conclusion from these statistics is that both Br and S in House C felt more confident about giving impromptu index and share calls to their FII clients thanks to their long-running relationships with them. These market calls relied more on the narrative sense-making than they did on official analyst calls as a market device. On the other hand, House D's sales and trading team, despite having a broader social capital compared to that of House C's IRS team, were constrained by the overriding nature of the IRS department's and its FII clients' mutually constituted cultural capital. This was based on the generation of valuation objects by use of market devices such as universal valuation models and probability calculations. As a result, the official research outputs, no matter how wrong they seemed in the short-run, undermined any narrative imagination or vernacular knowledge on the part of sales traders that could be used to create impromptu trading and profit opportunities for their clients. Maybe the latter was possible back in 2008 when proprietary traders from global brokers demanded such a service and dominated the ISE's trading alongside domestic speculators but due to the global financial meltdown in late 2008, such trading activity by the proprietary traders was told to have declined very significantly during my observations in 2009.

Otherwise, both sales and trading teams in House C and House D relied on narrative sense-making as an anti-market device for their own sense-making needs. In that respect, they had a similar cognitive schema to that of the domestic sales teams but with a lesser focus on abroad due to their essential task of providing the best Turkish coverage to their FII clients. On a different note, there was relatively high number of cases in which private information/knowledge was used as the plot provider in the stories captured in House C (7.6 %) and House D (11.2 %). However these cases were not the same as the mode of such knowledge use in House A's branch. In House D's IRS department, a significant part of the private information/knowledge use (62%) stemmed from the trading activity of clients and the attempts of the sales and trading team to generate more trading activity from other clients who were interested in those shares being traded. However, in House C, I only captured three

stories as such out of 15 private knowledge use, which was mainly due to the limitations of my observation mode in the IRS room as well as S's *modus operandi* in clients' order execution. However it was observed that none of the instances of private information/knowledge use in the IRS departments of House C and House D, unlike House A's branch, implied the existence of any guided and long-lasting price movement in a share nor a figure of domestic speculator with individual whims and peculiarities behind this guided move.

Last but not least, my observations in the AMC provided insights into a market setting where a multitude of market devices, such as proprietary benchmark monitoring models, fund products' charters, and the scopic market screens, embedded the fund managers in a calculative platform from which they reacted to uncertainty that was constantly present on the scopic screens. The narrative outcomes in the AMC should be seen from this foundational calculative perspective. However, a distinction was observed between the equity and fixed-income fund managers despite this shared calculative platform. The equity-fund managers were constantly adjusting their funds' exposure to various securities, which was based on their anticipation of what anonymous investors' reactions would be to the data/information and fund flows on the scopic market screens. These anticipations were based on a mixture of categorical and vernacular knowledge that the equity managers possessed about the Turkish economy and markets and about their dynamics in relation to market events abroad. In this regard, the equity-fund managers could become cognitive misers, especially when an index trend seemed too strong to warrant a naïve scientist mode. Their stories before the scopic screens reflected this flexibility and resembled those that were captured on the VIP trading floors in terms of the master correlation perception and use of narrative imagination.

On the other hand, the fixed-income managers constantly seemed to be in a naïve scientist mode due to the nature of securities in which they invested and their beliefs in the validity of the categorical knowledge that they possessed about these securities and the markets in general. When the markets seemed to have other ideas about these securities and how they were supposed to move in the face of data/information and fund flows, the fixed-income managers became quite upset. This was exacerbated by the losses their funds were incurring due to these seemingly contra-moves. However, towards the end of my residence in the AMC, I also observed the equity managers getting upset because of a similar reason, after they decided that it was time to decrease their fund products' weights in equities. This



decision was based on the data/information flow on the state of the Turkish economy and the global markets.

In general, the narrative outcomes captured in the AMC reflected the effects of the market devices, including the fund charters, on the fund manager's cognitive and investment activities. None of the managers in the room blindly believed in the dominant local cognitive schemata that seemed to move the ISE equity market index on a daily basis thanks to the dominance of DRIs' in the daily trading volume. Ironically, the availability of numerical proxy representations on the scopic screens about the trading acts of anonymous investors in the ISE and other world markets and about their intentions encouraged the equity managers' to resort to storytelling acts as an anti-market device. On the other hand, the fixed-income managers operated in a relatively dim scopic market environment where proxy data about anonymous investor intentions were hardly available. This was another market device-related factor, alongside the fixed-income fund charters, that left the fixed-income managers pretty much reliant on their categorical knowledge about the markets and macro economy.

To recap the answers given to the main questions posed in this thesis, market actors in the ISE, despite occupying different positions and sustaining different dispositions, invariably resorted to the anti-market device of storytelling. This was the main method of coping with the uncertainty that was ever present on the scopic market devices about the past, present and future of the markets. However, due to the different individual and organisational dispositions, and different social, cultural and material resources among the major intermediary/investor types in the ISE field, the storytelling acts and outcomes among the five representative observation sites showed differences with regard to the *in situ* narratives' functions in sense-making and decision-making, as well as in relation to their semiotic structures.



## **APPENDIX 1: DESCRIPTION OF THE SCOPIC MARKET SCREEN**

In order to give a conceptual visualisation of the present scopic market system in the ISE since the introduction of the remote access system in late 2001, I describe a regular market screen here that buy-side and sell-side market actors use. Market screens are powered by desktop computers that have Windows network operating systems. Trading platform software provided by local software companies connects these computers to Express-API interface (Ex-API), the remote access system of the ISE. The Ex-api system works with terminals installed in brokerage houses which are connected to the ISE's main computer systems in Istinye via a dedicated cable line. The Ex-API software installed on individual computers for market actors usually comes with integrated book keeping tools to enforce the ISE's exchange and settlement rules as well as brokerage house specific trading restrictions and/or privileges on each client. This software however does not provide data/information flow to the scopic screens. This is provided by data vendor companies such as Matriks Bilgi As., Plato Ltd., Thompson Reuters, and Bloomberg. Brokerage houses usually prefer information and data platforms provided by one of the first two companies as they are local and cheaper than the international ones. However, in all the four houses and the AMC, there were Bloomberg and Reuters data terminals.

A regular market screen powered by Ex-API software, and the data/information platform fed by one of the local or global data vendor companies constitutes the essence of the ISE scopic market. Market actors are connected to a central trading system via the Ex-api software, and to the outside world that pertains to the ISE trading activity via the data/information platform. Configuration of Ex-API software is done by IT staff in brokerage houses to reflect the houses' order execution, loan lending and short selling policies on clients that can be customized and modified. The Ex-API software with its bookkeeping capacity actually becomes an important register and surveillance mechanism which would otherwise be discharged manually by brokerage house staff. On the other hand, data/information platforms have to be customized by dealers/brokers/investment advisors to reflect one's individual focus on a vast field of symbols and data/information with a personal twist of sounds, colours and different font types that might visually aid one's concentration on the screen. The basic configuration then necessitates what sort of data/information the user would like to follow on the screen from a multitude of continuous data/information streams. Moreover, users need to learn how to use the data/information platform software that runs a plethora of data analysis tools about settlement figures, trading volume, and so on. For instance, Matriks

provides 20 different tools to analyse data/information about share trading in the ISE. One proprietary tool among these, which they call 'a gift to the brokerage sector', is the 'money entry-exit' tool. The logic behind this tool is to see what sort of net trading activity brokerage houses engage in at a given time. Users of the tool are able to include any number of the most active brokers buying or selling specific shares into their analysis tool, and judge whether there is a significant buy or sell order from a handful of clients, or it is just churning out activity by high frequency traders without a meaningful trading order. Once all brokerage houses are included in the analysis, the money entry-exit comes to 0 TL.

Apart from these tools which can be retrieved with a stroke of a key, a typical data/information platform screen of a market professional is composed of different virtual boxes. These boxes have rectangular/square shapes that are fully adjustable. However there are specific algorithms and interaction rules for each type of box in reference to data flow and its analysis. These virtual boxes represent different events happening within and outwith the ISE. For instance, there are boxes or what ISE's market actors call 'boards' that represent individual share trading in the ISE with five aggregate and anonymised ask and bid orders at specific prices. This box is linked to other boxes that bring forth settlement records, traded amounts sorted by brokerage house names, money entry-exit, graphs that represent these figures, all news narratives about the company, and so on. Another box (which can be duplicated) represents a long list of various market indices and prices of commodities a market actor would like to follow with similar sub-boxes that bring forth related past data on these figures and their graphs. There is also a live trading book box for the ISE which sequentially records trading matches in all the ISE shares according to asking and bidding brokerage houses, amount of shares and money exchanged and the exchange price. Last but not least, a news wire box that channels national and global news and information about market related events is another staple of the market screen. The news wire is fed by data provider, national and global news agencies. One can search the news wire box with key words and retrieve all the news that is related to these keywords.

In both Matriks and Euroline, which are scopic monitoring platforms of Matriks A.S and the Plato Ltd, one is able to use the computer keyboard to write code names for shares and indexes on specific areas on the screen to switch from one share to another or retrieve a specific index/price stream. For instance, if there are two boxes open on the screen that represent individual share trading, these boxes with several strokes of keys can bring forth share trading for other companies. One can switch from the box that represent live trading in

Garanti Bank to the one that represent live trading in IsBank (one of the two most traded shares in the ISE with a significant weight on the ISE 30 and ISE 100 index), by basically writing ISCTR (code of IsBank) on the top bar of the box of GARANT (code of Garanti Bank). Therefore, the screen and its virtual boxes are modifiable and quite responsive to individual demands. Number of boxes on a screen is a matter of screen space. Therefore most dealers/investment advisors I observed use two or three screens. This increased to six screens at House C's two veteran IRS traders' desk. Moreover, any series of data values such as price, index, and custody figures, and so on that is retrieved from these boxes or the menu of the data/information platform can be plotted on graphs.<sup>99</sup> Multiple data can be plotted on a single graph, which is very handy for many users to confirm their beliefs in co-movements of indexes. The database of each programme runs back for decades and is constantly updated, which provides a comprehensive memory source for their users. Therefore users of the data platforms can check back the history in terms of numbers, chart figures and news stories and see the long-term picture of various realms they observe with intensity and preparedness.

As part of their analysis tools, these data/information platforms also provide visual and audio alerts that flag up certain statistical events. For instance, users can customize the platform to alert him/her about trading momentum in a share over a certain time period as measured by gross and net trading volume and ask and bid price steps. There are other tools that provide statistical figures about shares such as 'Beta' which tells how much a share contributes to the index performance historically and momentarily, or 'seanskop' session-scope – a proprietary tool of Matriks which gives its users an idea about historical and real-time performance of shares within trading sessions in relation to their price performance and percentage contribution to the ISE indexes' movements. Although digitization and quantification of market events and actions mean that these platforms provide novel ways of seeing these in alpha-numerical figures, they also provide quantification in relation to a fundamental value approach. For instance Matriks provides a 'rating module' which helps determine 'whether a share is suitable for investment by incorporating fundamental and chart indicators' (<http://www.matriks.web.tr/Urun.aspx?UrunID=15>). On the same company website page, the company explains 'the fundamental value module' which retrieves companies' balance sheets and allows investors to run ratio analyses and compare a company with its peers in the

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<sup>99</sup>A chart analyst who is very famous in the DRI scene and a regular of CNBC-e likes to plot the portfolio ownership figures of FII and 'predicts' what the next move of foreigners will be. During the interview (29 May 2008), he said anything can be plotted on the screen as long as it has a series of values assigned to it!

ISE. Despite all these conveniences provided to users in the form of single figures or signals that encourage buy or sell activities, two single most important aspects of these representation and monitoring platforms are, firstly, their representation of contemporaneous event all at once on their screens, and, secondly, doing the single representations such as price change in sequential manner. When combined, these two aspects allow users to see and/or confirm various logical relationships among information/data flows as represented on scopic market screens' sequential format and explain them via construction of narratives.

Screenshot 1

The screenshot displays the MATRIKS software interface. The main window shows a list of stocks with columns for SYMBOL, SON, ALIS, SATIS, GUN.F, GUN.F%, ADET.MT, and G.HACIM. Below this, there are several smaller windows, each showing a detailed view of a specific stock's order book (Ask and Bid) and trading volume. The bottom of the screen features a news wire box with several news items dated 11.05.11, including market news and company announcements.

Above is the first part of a screenshot of a typical scopic screen (taken on 11 May 2011) that is provided by Matriks and projected on two computer screens. It is used by an investment advisor in House B. Notice the virtual boxes on the right half of the screen which represent trading in companies with five ask and bid steps. At the bottom of each box, there is a “money entry and exit” indicator set for top five buyers and sellers in the share. They all indicate 0 due to the ISE’s decision back in October 2010 to withhold real-time trading data classified according to brokerage houses. This type of data is now confined to T+2 settlement data only. On the left half, the top box represents the current ask and bid prices and trading volume in a number of shares, and percentage changes in their prices. The box below that retrieves a number of index values and traded volumes. Notice that the DAX and the DOW (DJI) are present in there but without the trading volume data. Just below them is the ISE bank index, followed by the price of Brent oil and the Nikkei futures index without the trading volume data. At the bottom of the screen is the newswire box.



## Screenshot 2



The boxes on the top left corner and below respectively represent the ISE 30 futures and the USD/TL futures contracts that are traded in the VOB. Notice the triple X in the top box, which now represents an anonymous brokerage house that just bought 73 contracts in the ISE 30 futures. The third box represents share trading in ITTFK (Ittifak Holding). The bottom box represents the interbank currency market. In this box, the first line represents the best buyer and seller in the USD/TL with the name of banks. The remaining lines represent other currencies without any bank names. The graphs that span the rest of the screen represent the ISE 30 futures contracts (top) and the ISE 100 Index (bottom) with an additional moving average convergence divergence indicator.





## **APPENDIX 2: 'THE STUDY'. AN INFORMAL ACCOUNT**

If ethnography as a research process is partly about immersion into the culture of a social group, the notion of embodiment of the researcher highlights the importance of the researcher's socio-cultural, ethnic, and economic and other backgrounds in shaping this research process (Swain, 2004). The embodiment factor in social science research problematises the positivistic understanding of research process which sees the role of researcher as administrating scientifically designed and standardized inquiry tools over subjects to explore social phenomenon, and confirm or refute causal claims drawn from a universal theory. It introduces the notion of reflectivity, namely the necessity to account for the embodied and interpretive presence of researcher in the field and its effects on the research process and outcomes, including informants' and researcher reflexive reactions to each other. The notion of reflectivity reminds us that researchers are 'part of the social world [they] investigate' (Berg, 2001:139) in order to move beyond the debate about what the nature of social research and researchers' role should be in generating knowledge. Both positivistic (interventionist) and naturalistic (non-interventionist) approaches in exploring the 'reality' out there, whether this reality is understood to be outside our subjective consciousnesses or socially constructed by members of society, may ignore the effects of researchers' embodied and reflexive involvement in the research process from formulation of research topic to reporting of the research outcomes (Atkinson and Hammersley, 2007:10-17).

The main method of incorporating the notions of embodiment and reflectivity into the research process is through raising one's awareness about their socio-cultural identity as well as physical and intellectual performance in the field with regards to data collection and how these affect the research process from formulation of research questions to writing of findings (Ellingson, 2008). This awareness should be shared with audiences in an honest account of research process, if not directly with informants and gatekeepers during research, because such an unsolicited confiding to them may adversely affect informants' attitude towards the researcher (Berg, 2001:139-40; Bryman, 2008: 408-9). Similarly, the process of knowledge generation by the researcher before, during and after the field should be subjected to an 'ongoing conversation with one's self' to reflect on 'what the researcher knows and how the researcher came to know this' (Berg, 2001:139). One practical way of keeping track of this conversation and use it more accurately in the writing up process is to keep a separate journal about the progress of research and one's feelings and reflections on field relations (Spradley, 1979; Dowling, 2008). The recounting of my research experience in the field

presented here in Appendix 2 had been assisted by a separate journal as such, and my email conversations with my supervisors. In the following section, I present a detailed reflective story of 'the Study' from the very start.

### **Pre-PhD research ideas and their evolution during the first year of PhD**

My PhD research story started with writing up a research proposal to apply to PhD programmes in the UK in late 2005. After getting my MA degree in International Relations at Keele University, UK with a dissertation on state sovereignty and credit rating agencies, I decided to focus more on what goes on within the 'blackbox' of finance and financial markets (Mackenzie, 2004; Hudson, 2005). Motivated by my early and rather purposeless and curious observations of CNBC-e, a dedicated business channel in Turkey that covers local and global financial markets and news, I decided to investigate how real-time TV broadcasts, with their constant upkeep of seeming drama and action in financial markets, contribute to 'the making of markets' in relation to trading and investment decisions made in brokerage houses. Despite not having a background in sociology, financial markets, nor any practical exposure to qualitative research methodologies, the initial research proposal integrated notions of fieldwork and ethnography in a TV station and a brokerage house, interviews, and document/literature reviews and some very limited reference to previous ethnographic/social science studies of financial markets and the media. The core research topic in the proposal was concerned with production of news about local and global financial markets/events on TV screens and observation, sense-making and decision making protocols in brokerage houses. The aim was to understand the role of these TV broadcasts in day-to-day sense-making and decision-making activities in market intermediaries.

During the first year of my studies in the Sociology Department between September 2006 and May 2007, I received generic theory and research training courses, including ethnographic methods, as well as an Honours degree course convened by my primary supervisor, Dr Preda on various aspects of financial markets from the social studies of finance perspective.<sup>100</sup> These helped me to ground my research proposal into relatively new

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<sup>100</sup> As Mackenzie (2009a) explains there are two different understandings of the term 'social studies of finance'. The first one refers to application of different social science disciplines to study of economy and finance and transcending economics' essential axioms and concepts. The second understanding refers to a more specific understanding of the role of non-human agencies such as theories, machines, and measurement tools, how they come to be formed and function, and how they modify the human agency in financial markets. This dissertation broadly falls into the first meaning of the social studies of finance approach to financial markets and applies sociological and literary concepts to the study of sense-making in financial markets.

literature on research methods, finance and sociology that I was hardly exposed to before. My then second supervisor Mr Ercan Balaban from the Finance Department also encouraged me to look into behavioural finance literature on sense-making and decision making. He also reflected on his experience in Turkish financial markets as a manager in a brokerage house in late 1990s with a view to where daily market activity took place, namely brokerage houses and their special trading rooms where dedicated domestic investors/day traders observed and traded in the market by means of data screens, TVs and live commentary from brokers in the floor.

Before I departed for my pilot fieldwork in the ISE's headquarters as a trainee for two weeks in June 2007, I had a modified research topic with the advice of Dr Preda, namely the investigation of cognitive, information-seeking and decision-making activities of traders operating in electronic markets and what role TV broadcasts might have in this process. The ISE was to be a case study to demonstrate an example of this. Moreover, I incorporated into my research the problematic of the existence of different platforms for information and data search, namely electronic market screens enabling remote access to market trading, real-time TV broadcasts, and social networks of investors/intermediaries. Studying the website of the ISE gave me an idea about the diversity in intermediation sector with regards to trading volumes, ownership structures (existence of global investment bank branches as well as joint ventures between local and global banks), and effects of these on traders' cognitive activities. Despite this awareness of organisational variations, I did not conceptually address who these traders would be and what their organisational responsibilities were. In fact, a year later, after staying in three brokerage houses, and an asset management company, and the CNBC-e studios, I would have a very different picture about the ISE's structure in terms of investor and intermediary types and their cognitive and investment activities.

### **The pilot fieldwork in the ISE**

My pilot fieldwork in the ISE's headquarters as a trainee was a two-week programme between 16 and 27 July 2007 that consisted of a series of lectures and residence in one of the departments of the ISE. The lecture series were quite informative in relation to understanding the basic role structure in the ISE equity market in relation to intermediation and investor types, market rules and regulations, data generation and dissemination, and the role of the ISE trading floor and brokerage house headquarters and branches. My residence in the research department was rather uninformative as I was not given any tasks and there was not much going on in a small department of five personnel and two trainees. Yet this turned out

to be an advantage as I had the chance to venture into other departments of the stock exchange to have informal discussions with senior stock exchange staff as recommended by their colleagues in the research department. Many of these professionals had witnessed the foundation and the early years of the exchange and milestone events like automation. They also reflected on their perceptions about investor and intermediary types with the help of very telling anecdotal events about brokerage houses, trading floors and investors. Moreover, I had the chance to talk to a dozen floor brokers, some of whom were “gomlekci” day-traders. These informal discussions and interviews provided insights about their daily trading activities, their job descriptions and relations with their clients and superiors. I also managed to observe two brokers in the members’ offices over three trading sessions thanks to one senior research staff’s facilitation. This was particularly helpful in understanding how brokers who executed orders for clients used trading terminals and scopic market screens on the ISE floor or in the members’ offices.

The informal discussions and interviews helped me realize two important things for the trajectory of my field investigations. Firstly, thematic TV broadcasts were at best a background sound for brokers in the members’ offices. Otherwise the TV was usually muted during the trading session as it might become a distraction during the observation of data screens and trading terminals. On the trading floor there was no TV allowed but this did not make any difference for broker/day traders. The brokers usually pointed to the usefulness of the TV broadcasts before the session as it wrapped up what happened abroad (the US and Asian markets) and the day’s data/information events calendar. Secondly, the ISE had gone through a transformation after the 2001 crisis in relation to investor types and habits, modes of observation among market professionals, and the role of the ISE trading floor and brokers, all of which were interrelated according to my broker informants. The ISE staff also gave their insights into the domestic investors’ and foreign investors’ rationales in relation to trading and investment. The internship was the first time I heard about the seemingly different rationalities among domestic (retail) and foreign (institutional) investors as well as the perceived ‘indifference’ of the ISE board and staff towards the problems of brokers and small investors as claimed by the broker informants. It became evident that those I could manage to speak to sometimes saw me as a third party, a journalist-like person to whom they could open up. On the other hand, the ISE staff were more interested in giving insights into the history, rules and regulations of the ISE and investor types as well as recommendations as to how to proceed in my ‘very interesting’ but ‘rather unconventional’ method of

studying.<sup>101</sup>

From a data collection point of view, I had the chance to practice writing down very minute details of trading activity in an unobtrusive manner in the members' office room. On the other hand, the use of digital recording device during interviews seemed to be problematic at times, firstly due to the uneasiness of my informants when the device was produced right after the permission to record was asked. It was observed that some informants who showed unusual rapport and enthusiasm in a previous informal discussion or right up to the point of my question about being recorded showed a dramatic adoption of formality after declining to be recorded, which continued throughout the interview. Secondly, some of the contacts with informants happened in the way of informal discussions that were confined to short time periods after my cold-introduction to them about me and my intentions, all of which made me rather uneasy about touting the recording machine. These difficulties in recording were to be repeated in my subsequent field work. However, I was amazed by how fast one could write whilst listening and how much one can remember right after the interview to fill in the gaps of what is jotted down during informal discussions.<sup>102</sup>

### **First access attempts**

Before leaving Istanbul around late July 2007, I had managed to talk to two gatekeepers, a general manager of operations and co-owner in a mid-size brokerage house in terms of trading volume, and a veteran chief floor broker for a large one-stop-shop brokerage house. The first was thanks to my brother-in-law who happened to know the gatekeeper through his father. The gatekeeper gentleman made his fortunes by shifting to brokerage house co-ownership and finance career from an engineering career in the 1990s. After an introductory dinner party with family friends in his large loft apartment in a wealthy and upmarket Istanbul neighbourhood, we decided to get in touch once I was back in Istanbul for the fieldwork to discuss the terms of access to the brokerage house.<sup>103</sup> The second gatekeeper

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<sup>101</sup> A larger number of ISE staff had graduate degrees and PhDs in finance and management but not in sociology. It turned out to be normal that this type of academic demographic inside and outside the ISE was rather at pains in understanding the virtue of ethnography as a method that started with vague questions that did not sound like robust hypotheses.

<sup>102</sup> It is not uncommon to face this 'recording' problem in ethnographic interviews or informal discussions as opportunity may come up rather spontaneously rather than careful selection process in interview only research process. Therefore it becomes important to use one's notepad and memory as efficiently as possible to be able to capture what is said, skills which become honed as the field stay progresses (O'Neill 2005)

<sup>103</sup> This house had a website in English which made a comprehensive introduction to the ISE's and the company's history and to 'its advanced IT infrastructure that gives it a competitive advantage in the sector'. However, I learned later on that it was a DRI only brokerage house which had an asset

was also a lecturer in the interns programme and that was how I met him. He had extensive experience in all ranks of brokerage industry including co-ownership, commentary on TV and even an uncompleted PhD. He told me something could be arranged in his brokerage house, a leading house that served both foreigners and domestics and had a sister asset management company acting as a domestic institutional investor, and encouraged me to make an application to the human resources by giving his name as reference for an internship, which got no response. After that, he told me he could also arrange a longer work experience in a much smaller domestics-only brokerage house that was owned by a close friend of his, which would consist of 'everything from the back office to trading, but this is going to be real work, not just observation for a PhD'. Not wanting to close any doors, I thought why not but I was a bit wary of being in such a small brokerage house and becoming a virtual office boy with little chance to have time for making any meaningful observation. The owner being on holiday 'probably somewhere in his yacht in the Mediterranean' and unreachable via phone, the gatekeeper told me we would try again once I was back in Istanbul. Yet, I felt better pursuing the first lead once I was back because I thought the first brokerage house was more convenient for securing a less physically and emotionally demanding access. I felt quite content on the way back to Edinburgh after three weeks stay in Istanbul as I managed to make a significant progress in access attempts as well as getting a rough idea about the ISE equity market in relation to investor types and sense-making and decision-making activities. However, I did not know that the first gatekeeper lead would falter very swiftly once I was in Istanbul in 2008.

### **First year PhD progress review board**

Once back in Edinburgh, there was one hurdle to jump, namely the first year progress review board. It was a chance to present a detailed research proposal for the following long stint in Istanbul to academic experts from Finance and Accounting, Politics, and Sociology departments and get their feedback and steering for the rest of the project. Writing the proposal was a challenge in two respects. Firstly, I was still not sure about the exact research questions to be answered in the field as I still felt I did not have enough primary and secondary data to formulate exact questions. This can be seen as normal as it is in the nature of ethnographic research not to have exact, hypothesis-like questions but to have emergent themes as the research progresses. The second challenge stemmed from what I reported from

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management department. This house, like House B, was owned by a conglomerate but the parent company was much smaller in size and reputation compared to the House B's parent company. Genuine one-stop-shop houses or foreigners-only houses usually had very short introductions on their websites to their IRS services with a phone number and contact name.

the field to my supervisors and what the literature on TV broadcasts and financial markets seemed to say. This was a case of a rather weak relationship in relation to information search by market actors due to apparent weakness of the TV broadcasts compared with the use of real-time data screens. My argument then was that the TV broadcasts might play a more important role in relation to interpretation of simple datum and reflecting the part or totality of market sentiment, especially in an environment where networks of relationships as conduits of data/information and perception frames could be weakened with closure of trading floors as well as automation and digitization of markets. What I tried to integrate from the sociological literature on financial markets was the notion of perception frames as knowledge that helps process information. I would then try to open these perception frames to investigation in relation to their formation, use, and modifications by market actors. This would be achieved by delving into market actors' routine observation activity, use of technical tools, theoretical and vernacular knowledge. Therefore, cognition and decision-making were singled out as the main investigation themes with a view to understanding the role of TV broadcasts in them. I tried to argue that TV broadcasts would be a platform where interpretations and commentary of market actors would be aired and contribute to creation and sustenance of intersubjective (shared) meanings among the market community.

However, with hindsight, this proposal did not address several issues. To begin with, it did not discuss how to methodologically address the existence of different intermediary and investor groups both in the floor and off the exchange. This issue was raised by the members of the review board. Although I then responded that imitation (of cognition and decision-making protocols) among different organisations and investor types would be an answer to justify being in only one brokerage house, I was to realize that imitation or isomorphism as such in the ISE did not happen between domestic sales and institutional sales departments. There were other issues weakly addressed according to the review board such as the theoretical merit of studying the production side (broadcasters) when the topic seemed to be focussing on cognition and decision-making activities of intermediaries/investors in the face of information/data flows on data screens and TV channels. So the board recommended that I scrap the production side observation and focus on how the information/data search and decision-making in investments/trading incorporate real-time TV broadcasts in brokerage houses. Another recommendation by one of the board members, Prof. Richard Taffler from the Management School was to focus on the notion of storytelling or mythmaking in financial markets from the perspective of market actors in brokerage houses and how they would use the information/data flows coming from the TV in these storytelling/myth-making

activities. This recommendation, reiterated by my supervisors in a subsequent meeting, was to turn this research into a totally new one that focussed on the role of narrative mode of knowing and explanation in cognition and decision-making in financial markets. Other issues highlighted during the meeting were the necessity of learning techniques to avoid going native in the field, namely taking the informants' intellectual posture and ignoring the analytical perspective where the ethnographer might tell what was observed and what it signified. With hindsight, I think the board members were worried about my intentions to spend a few months in a single brokerage house to observe and participate in different departments' activities such as domestic sales, institutional sales (foreigners), fund management, and so on. My proposal to spend that much time in a single brokerage house was thought to pose the danger of 'going native'. This was actually tied to the general concerns about broadening the observation base and making sure that the research design had the sociological sampling necessary for the study of the very fragmented brokerage industry and investor types in the ISE. This was highlighted by the board members but temporarily staved off by me by referring to imitation/isomorphism among the brokerage sector and the convenience of being in a less-bureaucratic mid-size brokerage house. Because I was also planning to attempt to take a CMB licence examination to increase my chances of participant observation in a brokerage house as an apprentice in different roles, the board members recommended taking self-observation/experience as a valid method of data-capture as well.

### **Modifying the research and preparing for the CMB licence examination**

After the board examination, I focussed on addressing these issues as well as preparing for the CMB licence examination in late January 2008. From a theoretical perspective, the discussions with my supervisors led to a draft chapter on the notion of storytelling/mythmaking and legitimacy in institutional and organisational relations. This allowed me, for the first time, to look deeper into literature on the role of narratives in organisations such as sense-making, legitimation, and organisational control. I was also given a task of observation by my first supervisor to practically avoid going native whilst observing my informants. This consisted of going to a café in Edinburgh and taking very minute notes about how people enter the café, look for seats, order something, and interact with the waiters. Initially this felt like a quite a weird exercise in relation to describing every detail and trying not to look like a weirdo staring at people and taking notes. However, later I came to appreciate the exercise as it allowed me to note down speedy descriptions of what is going on in the café without any bias in my mind about what was a relevant datum.



The CMB licence preparations on the other hand proved to be useful in two respects for the subsequent data collection methods. The initial reason why I decided to take the exam was my insecurity about access. I thought if I did not offer something back to an organisation as a graduate student without any expert authority, why a brokerage house would allow me to be in their organisation. I also thought that having the licence would increase my credibility as a researcher with regard to what I knew about the markets. However my supervisors also reminded me that there was merit in studying for the exam as it was another way of immersing, although rather formally, into local rationalities, rules and roles found in the ISE. Yet, whether I had the licence or not would turn out to be irrelevant in my field experience. From the subsequent data collection perspective, the exam proved to be useful in two respects. Firstly, I made myself familiar with rules of thumb or heuristics of macroeconomic relationships in Turkey and abroad. This was also the case, but to a lesser extent, in the notes of analysis methods for valuation such as fundamental and chart methods. My diary notes on studying these topics from the ACMIT notes available from their website described how I felt whilst studying. There were very few mathematical expressions of the propositions made about different components of an economy and their manifestations in the Turkish economy. Moreover, there were observations about the quality of statistical data and the timeliness of data releases about the Turkish economy. These pointed to the issues in these data flows compared with the timeliness and comprehensives of such data in the developed world. Therefore, the notes mentioned other proxy data and rules of thumb in use to be able to have an informed view about certain components of the Turkish economy. The general impression I got from the study notes related to possible sense-making activities for data/information flows in trading and research departments was that there were many correlative, cause-effect relationships within the macro economy and to some extent in valuation of companies as this was affected by these macroeconomic heuristics. These heuristics were a combination of paradigmatic and vernacular knowledge about the Turkish economy and had the potential to connect screen based representation of events to each other in order to explain and predict outcomes. Below is an excerpt from my study diary on the macro economy and finance notes:

Towards the end of the second PDF [second book of Macro economy and Finance notes], after reading all these different “indicators” about financial markets and crises, I had this feeling of mechanised knowledge. I say mechanised in the sense of knowledge that is made meaningful by benchmarks, thresholds, correlations, and causal effects. As mentioned in my earlier notes, the second book is full of such benchmarks without any reference to any academic study. This knowledge seems to come from extrapolation of future from previous statistics and events duo. Moreover, it mentions some other benchmarks from the EU’s criteria for a “sound economy”.

As far as I can tell, this idea of observing the economy and commenting on the past and future is not an exact science derived from economics and any other relevant field. These notes attest to the practicalisation of scientific knowledge by a group of academics. Moreover, practical knowledge about Turkish economy is sometimes couched in scientific terms as in the case of correlations between several statistics and the economic crises in Turkey. (23 December 2007)

However, other study notes on the remaining modules such as Financial Management, which seemed to target those who wanted to be in asset management business, were more mathematical despite incorporating some vernacular characteristics from Turkey such as the accounting standards and their effects on some universal concepts such as price to earning ratio. This module included portfolio models, pricing models, and so on which were explained sometimes both quantitatively and qualitatively, and sometimes only quantitatively. For me it was hard to grasp these models, especially those that were related to equity portfolios, such as Capital Asset Pricing Model, and I wondered whether these would be used by dealers and investment advisors of domestic retail investors or even by the sales traders and analysts serving foreigners. The remaining modules were mostly concerned with rules and regulations within different financial markets in Turkey, properties of securities traded in these markets, the commercial and debt codes, and the capital markets code, accounting standards and ethics. These modules and their study notes were mostly about formal descriptions, rules and regulations. They did not include anything significant about vernacular practices within different markets that might have an ethnographic value. Overall, I covered more than 2500 pages of study note material in an intermittent manner in 3 months until the exam date. In my first attempt I passed six modules out of eight. These two failed modules were the Capital Markets Code and the Accounting Standards and Ethics. To be frank, the exam being multiple choices helped me a lot in some modules that I passed such as Financial Management as I gave answers by eliminating the less plausible options. In May 2008, I took the exam again to pass the failed modules. I passed the Accounting Standards with an 80 % mark but failed the Capital Markets Code again because I did not have time to study for it properly during an intense period of field activities which I shall explain below. I have yet to pass that remaining module to get my advance licence before my passed modules expire in January 2012.

The second aspect of the benefit of taking this exam was seeing the attempt of the CMB, the ISE, and the ACMIT to ring fence entry conditions to the intermediation, asset management and other financial professions in Turkey and ensuring professionalisation of different jobs in the sector. These examinations were held since early 2002, after a decade when anybody

could become a dealer/broker, fund manager etc without a licence. Seeing the examination venue in Istanbul, my former graduate school campus in Marmara University, and all sorts and types of men and women, some of whom looked too old to start a new career was very interesting. I could gather that some of these older people were those who had been trying to pass the exam to make sure that they did not lose their jobs once the transition period expired. Other candidates seemed to be unemployed university graduates looking to get an extra qualification to find a job in an already shrinking intermediation sector in terms of employee numbers. Later on, I found out that the success rates (number of licences given) in these examinations were very low (on average around 13% in the advanced licence examination out of an average 2,000 attendees, and around 7.5 % out of an average 10,000 attendees for basic licence for brokers and dealers (ACMIT exam results between 2002 and 2009 available at <http://www.tspakb.org.tr/tr/DesktopDefault.aspx?tabid=101>). These figures helped me realize that the notion of a career in intermediation and asset management sector was not actually attracting too many dedicated new graduates who would pass this relatively easy exam at once and start their career in a house. A job was not guaranteed after passing this exam and from the trends in the intermediation sector and my informants' remarks, I was to realize that Turkey was an over-brokered country for both domestic retail and foreign institutional investors.

### **Access proves difficult unless you have the right contact!**

Once the exam was over on 20<sup>th</sup> of January 2008, I set out to facilitate the access to the brokerage house through the co-owner. There was one issue with this as my gatekeeper sold his shares in the house and retired from his job as the operations manager after I left Istanbul in summer. After explaining my research to the gatekeeper, this time in much greater detail, I was told that he would contact the general manager of the house to facilitate a telephone contact between me and the general manager to discuss the mode of access. During the telephone conversation, which happened three days after I met my lead, the general manager was not at all sympathetic to my research and my gatekeeper. He said the house would not take an outsider and that my contact knew nothing about my research. This was despite the fact that I and the gatekeeper had a chat about my research and the ISE for over an hour. I was told to send a CV and a brief description of my research aims<sup>104</sup> and that he would talk to the biggest share holder in the house to see whether my access would be possible for a

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<sup>104</sup> I wrote a two page proposal which summarized my research goals, proposed methods and the theoretical merit of the study. It was not easy writing something in Turkish as I had had no exposure to any literature in Turkish on sociology, financial markets, and so on.

period that was longer than a couple of days or at most a week to see around and what they were doing before their scopic screens. I and the gatekeeper initially mooted a two-month stay idea but this proved to be rather futile in the face of the general manager's attitude. Once I sent the documents, a waiting game started and after a week, I contacted my gatekeeper to tell him that there was no response. I thought I had better not call the general manager as it was clear that I had little chance of access. The general manager told me that the chairman of the executive board who was the 3<sup>rd</sup> biggest shareholder would decide about my access but because he was very angry at something the general manager decided to wait for him to calm down. I knew that this would lead nowhere so I gave up on this house after two weeks.

In the meantime I started to look for other leads for access to other houses. The first house, House B was a one-stop-shop brokerage. The sole reason why I went for this house was the general manager of the house was a beneficiary of a very prestigious study-abroad Masters Degree scholarship like me and I noticed his name on the group's emailing list. Although House B was by all means a better place to start observation than the above house due to its size, diversity of operations, and branch network, the beneficiary link became apparent to me only after the botched attempt of access mentioned above and the desperation that followed. The second lead that I found was thanks to a think tank I worked before I came to Edinburgh. One of the affiliates of the think tank was also an executive board member and director in a brokerage house renowned for its exclusive service to foreigners. I checked other house's websites too, usually large houses owned by banks to see whether there was any offer of internships but there was not any immediate lead in that. I also felt more comfortable talking to gatekeepers with whom I had some sort of social connection. I was hoping that such a rapport would make them sympathize with me. Between the end of January and end of February 2008, I pestered these two gatekeepers with a dozen emails and phone calls, which led to different phone calls and emails to another gatekeeper, namely the head of corporate finance who was also the beneficiary of the same scholarship, and the secretary of the general manager in House B. In the foreigners-only house, the think tank affiliate would negotiate access on behalf of me to the research department. One common thing among my gatekeepers was that they both referred my case to different departments, ranging from asset management to research. The research affiliate said their interns would always go to the research department after I told him I did not have to be in that department to find answers to my research questions. He told me that it was the head of research department who would decide my case but added that there was no reason why I could not become an intern there. I did not press too much on my point as I thought once I accessed the

house I could negotiate my way to the institutional sales and trading department.

In House B, it seemed to me that the general manager sent my case to different departments to find out whether one was willing to take me. The interesting thing was I never had the chance to talk to the general manager on the phone. It was either the head of corporate finance or the general manager's secretary who informed me about the progress of my application. My short research proposal became my virtual voice while the general manager seemed to be looking for a department to fit me into and I sometimes got the impression that my proposal was not even properly read with the exception of the head of corporate finance in House B. Another important point to note here was concerned with my research proposal title. I thought presenting a jargon-laden title would not be beneficial, so I opted for 'decision-making process in financial markets: the ISE equity market and CNBC-e case'. Although I scrapped the production side observation and stressed the importance of observation of intermediary side in my research, once a gatekeeper heard the title, they would be more interested in stressing the weak effect of the CNBC-e or making anecdotal comments on CNBC-E. This was especially the case for House B. Once I managed to make my point that the research was more about observing cognitive and decision-making activities *in situ* then the conversation would revert to 'ask the general manager for access' as there would be a recognition of the possibility of deep immersion into routine activities of different departments. In the affiliate's case for the foreigners-only house, he did not seem to have any problem with my research proposal. He did not question my research despite having a PhD in economics. He probably thought I could combine the internship with data collection and I would come handy as someone who could read and write English. Considering that the affiliate often forgot who I was in between the phone calls, it was no wonder he did not actually pay attention to my research as much as he did to getting an intern to the research department. Two months later the affiliate during an interview with him would become so patronizing about the importance of hypothesis testing in research, he inadvertently made it clear that he neither listened to what I said about my research nor read my proposal carefully.

## **Finding the right contact**

Getting increasingly frustrated about a direct response to my request despite accessing the most senior gatekeepers, I was making my frustration very clear at home to my sister and her husband both of whom were kind enough to allow me to stay in their place until I found somewhere else in March 2008. Feeling sorry about my state, they decided to help me in my search for access to a brokerage house. Their connections in the Turkish media proved to be quite handy in accessing gatekeepers. A famous female economy columnist in a high circulation national newspaper, who happened to be a friend of their work partner - a political columnist himself, offered her help to find me a brokerage house. This led me to House A's female general manager who also had a PhD in economics. So from the point I contacted the female economy columnist it took only six days to start my observations in House A on the 19<sup>th</sup> of February. On the other hand, I was yet to hear a response from House B and the house of the affiliate, 20 days after my first contact with them. Despite the female boss' very understanding approach to my rather 'unconventional research' she was considerate enough to ask the head of domestic sales whether it was okay for me to observe the dealing and research room. He was also positive about my research and the merit of what I wanted to find out. Both told me that I would only need around two to three weeks to reach a saturation point in learning about how dealers and research personnel observed the scopic screens and made sense of the flows and turned them into advice to their clients. Yet they insisted I could stay as long as I wanted. They were also quite insistent on the need to venture into activities in a branch, which I did by basically venturing a floor up to one of their branches where domestic retail investors were day trading, and into other houses to get a better understanding of other types of investors and brokerage houses. They believed that because the VIP dealing room only served high frequency and high net worth individuals with a team of dedicated investment advisors and a small research team, I needed to be able to present a more representative picture of cognitive activities in the ISE equity market. I was also given a gentle but formidable warning about the privacy of clients and the importance of not disturbing dealers whilst they were busy.

My sisters' second contact who was a veteran of the Turkish media in various ranks and also a former advisor to a Turkish PM, heard about my presence in Istanbul and my research. Again my decision to include CNBC-e in describing my research to my sister led him to offer me to arrange an internship in the CNBC-e studios. This was despite the fact that I planned to have interviews with CNBC-e producers once the brokerage house observations were finished. The interesting thing was that the contact was good friends with the chief

executive officer of CNBC-e and I was now offered exclusive access to the studio. The only request from me was to send a research proposal in English so that the franchise holder NBC could see what the research was about. I am not sure whether my research proposal was sent somewhere in Europe or US to get the green light but in the end, I included a week long observation in the studio in my proposal of interviewing CNBC-e staff and guests on their programmes. I thought with the pace and success in gaining access to brokerage houses, a week spent in CNBC-e would not hurt the research. After an initial meeting with an HR officer, I was told that I could start my observation whenever I finished in House A and that I should see the general manager of the CNBC-e for the details of my presence in the studio once I start. The moral of both stories was that if done through appropriate channels, namely people with power and social capital, access to organisational settings is very easy.

So what happened to House B and the affiliate's house? The head of corporate finance seemed to fight hard to find me a suitable place in House B. I gathered that the institutional sales and research did not like my presence in their department and he managed to arrange a short two-week stay in the domestic sales department and possible interviews with other departments that did not like my presence. Another interesting thing I noted was the effect of using the word 'intern' in written and verbal communication. Although I did not use the term in the proposal, in telephone conversations, the term was sometimes used as a short cut to explain participant observation. Yet, I was to realize that the term intern for gatekeepers usually meant a burden in relation to teaching me things and giving a novice person tasks which might lead to time wasting, and worse, irreparable mistakes. Yet it was apparent that the head of domestic sales department understood what I wanted to do there. Once I started my observations there in early April after three weeks stay in CNBC-e studios, she was really helpful and encouraged her team to help me by letting me observe them at their desks and answering my questions. Sometimes, the head was a bit too helpful and interested in my research that there were some embarrassing moments when she picked up my notebook and start reading out loud what I put down.

The access to the house of the affiliate, after a month and five days wait, faltered on 5<sup>th</sup> of March 2008. According to the affiliate this was because the head of research was not very eager to get an intern-cum-researcher. A couple of weeks later I was to run into him in CNBC-e studios and he explained to me why the access had failed. This was apparently because the head of research was newly appointed to this position from another house and he was a bit petulant and insecure about his new environment in this very prestigious

foreigners-only brokerage house. So rejecting my application was a demonstration of power and authority. I do not know whether this was an explanation made up on the spot but later in the field work, I was told by different gatekeepers in top brokerage houses (including House D) that internships in these internationally-owned, “sexy” sounding brokerage houses were in high demand and getting them was usually possible only by network relationships between parents of students going to top rank, English-instruction universities in Istanbul and senior staff of the houses.<sup>105</sup>

My access to the AMC kind of happened naturally. After finishing observations in House B’s domestic sales department in the third week of April, 2008, I asked my corporate finance manager gatekeeper whether it was possible to stay some time in the institutional sales department. We were told that only an interview was possible by the manager of the sales department and observation was not convenient ‘due to nature and sensitivity of what they do’. What they did in the department as I was to learn later in House D was basically executing trades on behalf of foreign institutional investors, pitching formal trading ideas to traders and asset managers abroad, and chatting to their closer clients via Bloomberg, and making cold calls to prospective and dormant clients. However, the manager of the department, who used to work in House D, was known for his no non-sense approach to his job. His apparently rather overt discipline in the trading room was mocked by his former colleagues in House D. Maybe a butt of jokes and fun to hear, this attitude of the institutional sales manager cost me valuable observation opportunity in a comprehensive institutional sales and research environment. Once that possibility was ruled out, I came back to my gatekeeper in House B and asked him whether it was possible to observe the asset management team for a short period of time. This was accepted by one of the managers whom I had talked to initially on the phone. The fund managers did not seem to be bothered by my existence in their room and I spent three weeks there, which became quite handy in pursuing further interviews in House B and other houses thanks to my informants’ facilitation.

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<sup>105</sup> During my observations in the asset management company, this head of research suddenly appeared on CNBC-e and one of his former colleagues whom I was observing showed his surprise that this man was the head of research at such a prestigious house. He suddenly said ‘bu adam fraud ya! [This man is a fraud]’. I asked him why he had called this head of research a fraud and why he used the English word “fraud”. He said ‘interns [like me] needn’t know everything’. I did not insist on the rest of the story. Then I thought to myself that the affiliate above might have been telling me the truth about my failed internship.



## **Embodied tools of data collection and their limitations**

Once I was finished in mid-May 2008 with House A, House B, and CNBC-e, I was physically exhausted of negotiating my way to field sites in rush hour traffic, noting down every minute detail of things happened and said in trading rooms, chasing informal discussion and formal interview opportunities within and outwith the field sites. The café exercise in Edinburgh was very useful in reminding myself that nothing was irrelevant or too trivial to note down, which ended up in very detailed descriptions of my days in the field sites. Overall, the total number of pages I wrote down in my field notes exceeded 1000 pages of various notebook sizes of A4 and A5. I did not voice record any event during my stay as note taking was much easier than voice recording and transcribing afterwards. Besides due to the positions where I was seated (being given separate desks in each house) voice recording with my recorder would be rather futile. In House A, maybe sound recording would work as the trading room was rather small and people seemed to be quite loud but on my first day of observation during the trading halt one of the senior investment advisors warned me not to bring a voice recorder to the room as this might upset other investment advisors and the senior management. I concurred and did not even ask my gatekeepers whether this was okay. Later in the research, I sometimes thought about asking to acquire voice recordings of conversations between investment advisors and their clients that took place during my observation days. Recording telephone conversations is a requirement for all brokerage houses and they keep their records for five years. Sometimes, not hearing what was said on the other side of the telephone by the client was frustrating as I did not exactly know what they were saying unless they were on the speakerphone. Though I could guess what this was roughly about by the answers of investment advisors. However, I did not ask my gatekeepers for voice recordings for two reasons. First of all, in House A I grew more cautious of my obtrusiveness or worse invasiveness because I was getting signals from some of the informants that they did not want to go into too much detail about their clients. In fact it was the more willing informants who gave insights into what less enthusiastic investment advisors were up to, which revealed some sensitive facts about House A.

Secondly, the head of domestic sales' warning about some things needing to stay in house persisted in my mind. Coupled with the revelations by an underdog junior investment advisor, I thought I had better stick to what I described as my research, namely observing what was going on in the dealing room before scopic screens and between the 'traders'. My hesitancy about asking for voice recordings continued in House B's domestic sales floor despite the fact that dealers there were much more open and willing to talk about their clients

with the exception of one dealer who seemed to serve some volume churning, speculating individual. At the end I decided that asking for this type of data might be a step too far as there would be different people involved in the decision, ranging from legal affairs and IT to the general manager. Asking permission from clients would be another matter. I thought this might lead to me moving from a rather low maintenance researcher/observer to someone who was a bit “nosey” and demanding. A year later I actually got the courage to ask to small and big gatekeepers to get voice-recordings in House D, but I got a very definitive no on the grounds of anonymity, technical impossibility, and so on. The reason why I asked for this, apart from having more self-confidence as a researcher and the rather informal atmosphere in House D’s dealing rooms, was that I thought I might analyze the conversational data to see how narrative sense-making might be shaped by the audience (clients).

However, in the case of sales traders and research analysts in House D serving institutional investors there was rarely any phone conversation as the clients seemed to be very busy and they preferred to hear what the sales traders had to say from answering machine or email. This was also the case in House C. The sales desk being more involved with order execution than pitching formal trading ideas also made the number of conversations between sales traders and clients relatively negligible. Moreover, the explosive characters of the sales traders in House C during trading sessions in the face of the slightest mistake or unusual event in the department room made me feel really cautious about being even slightly demanding about anything or nosey. On the other hand, it was domestic sales teams in Houses A, B, and D who had telephone conversations on a daily basis with their clients. Actually the IT personnel in House D was more willing to make access to the telephone recordings happen arguing that it was possible for me to listen to them on site in the brokerage house but going through several weeks of conversation records in a room in the house and generating transcripts and so on would be an impossible task given the time limitation on this research. However, even in the case of a less technically demanding request, namely asking for chat logs between sales traders/senior research analyst and their clients abroad proved to be rather tricky as people in House D, apart from the head of trading, seemed to be rather uneasy about giving away chat logs and told me to ask someone else.

In general, I got used to having a notebook rather than a tape-recorder, even for informal

discussions or interviews in the observation sites.<sup>106</sup> The notebook felt less obtrusive and more engaging with the informants as they would notice me writing down something and ask what I was writing. These questions became good opportunities to explain/remind my informants about what I was after as data and my methods of acquiring them. Sometimes, they would add something onto what was said naturally, giving further explanation. In House C, no one but the research analyst sharing the same desk with me noticed that I was taking notes. Other members of research and sales staff did not notice that I was taking notes yet I informed my gatekeepers that I would take notes. All in all, these barriers set by my gatekeepers and me due to my mixed feelings about my researcher/observer/intern status, being obtrusive, and my wariness about minimizing any confrontational/demanding identity in places where I was mostly hosted as a favour shaped the sense-making data collected in this research. Almost all the data consists of dealing room conversations among my informants, and sense-making narratives told by them to their clients/contacts. In this respect, there are full conversational narratives/dialogues from the site as well as those half conversational narratives to the clients. In this respect, some parts of the narrative data is not very conducive to conduct conversation analysis not to mention its translated and mostly non-taped nature which undermines an attempt to go for the conversation analysis method with a specific focus on highlighting pauses, intonations, and so on in the speech. Therefore, the analysis remains limited to revealing plot (causality) structures, actor/actant types, and temporal orientations

Despite these limitations of the narrative data, compared to experiences and problems of ethnographers with taking contemporaneous notes detailing what happens in the field, I was lucky to have my notebooks out and open all the time and be able to take notes whenever I wanted (Emerson et al., 1995: 12-38). In this respect, I did not have to use jottings, or rely on sketchy descriptions of conversations because of wariness about note-taking before my informants. My informants were busy doing their jobs at their desks and they did not really mind being observed. Therefore my observation days were quite intense, either sitting at my desk situated next to an informant and paying full attention to what happens in the room and describing it as detailed as possible in my notes, or visiting an informants' desks to have an informal discussion about their activities and noting down what they told me and others.

Emerson et al. (1995:39-42) discusses strategies of creating time and space for writing field notes in circumstances where writing in detail is not possible for the ethnographer. This

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<sup>106</sup> In House D, I tape-recorded all the interviews and some informal discussions with my informants.

involves writing up extensive notes once the researcher leaves the field site and retires to his/her accommodation. In this vein, jottings and memory plays a great part in describing not only field events but also inscribing researcher's 'thick descriptions'. In my field experience, retiring home was a relief after writing around 30-40 pages of notes over five hours of observation. Such intense observations were actually something my body clock was not used to, not to mention waking up at 7:00 am or 8:00 am and go to the field site during Istanbul rush hour. So coming back home around 19:00 pm exhausted meant that I sometimes could not find the power to write my diary unless there was a significant but unusual event that reflected organisational conflicts happened on that day.

Therefore, my field notes started to incorporate some jottings about my feelings in order for me to write more detailed accounts about my experience. In instances where I did not have my notebook such as having a chat with someone in the corridor or in the toilet, or during the commute, I would go back to my desk in the field site or at home for those cases where writing down a big argument between informants would be rather risky, to write down what was said, discussed or transpired. Only in House C where I was a proper unpaid intern, taking contemporaneous notes often took the form of jotting down and using my head notes (memory) to be able to write detailed field notes later on, during lunch break or at the end of the observation day. However, if there was an instance of sense-making narrative, I would immediately note this down no matter what I was doing. During the daily investment meetings in House C, I took contemporaneous notes. In House D, I tape-recorded the morning meetings in the institutional sales and research department. None of this meeting material however is included in the story dataset as they were not generated before scopic market screens.<sup>107</sup>

### **Going native? Being a Sociologist?**

My attempts to be rather low profile as a researcher in the observational sites as well as not being very knowledgeable about vernacular and paradigmatic aspects of the equity market sometimes left me rather clueless about what was being discussed in the field sites. Despite taking the licence exam and studying the notes, some concepts went over my head as to what certain numerical values did actually mean in the domestic sales scenes and conversations. For instance, in line with what was discussed in study notes, the Price/Earning as a ratio

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<sup>107</sup> I tape-recorded some *in situ* events, such as data releases or close of the trading day in the IRS department as a supplement to my contemporaneous note-taking. However, in line with what was discussed before, note-taking always turned out to be sufficient to capture *in situ* events and narratives after comparing the written notes about the *in situ* events with their tape-recordings.

about profitability and price had many caveats depending on the company's performance in other ratios as well as relative to other companies in the sector. Therefore, I was not always able to make sense of what I was recording as conversations that included these ratios because I did not know much about the background stories. During *in situ* events, it was imprudent to interrupt people to clarify things. Even sometimes after asking them for clarification in their free time, things were not easy to comprehend in the first instance and one ran the risk of sounding a bit stupid after asking the same question twice! In the case of interviewing and observing analysts, sales traders, and fund managers, who all seemed to have a rather more sophisticated and formalist approach to markets compared with that of domestic sales teams, there were more concepts that I did not hear before or could not make sense of in the given context. I tried to ask for clarifications or did explore them myself when it was not possible to ask. Of course there were other things that I could make sense as stimuli but could not go beyond and reach apperception because they turned out to be either private and people did not want to share it or they would give very general explanations or typologies with the help of my follow up questions. All in all, the relatively short time periods for observation, as well as my decision to be not so inquisitive on topics that people did not show much enthusiasm to talk about or those that I did not grasp quite quickly, left my immersion into meaning and feeling world of my informants rather limited compared to a field experience that could be longer and more educational with an 'intern' status. In an email correspondence with my second supervisor I made the following remarks after she asked me the following about going native and being a sociologist:

Dear Emre,

Thanks for your news - all very interesting, and very positive. You sound very much on-track to me. Are you managing to maintain a sense of 'being the sociologist' or are you finding it hard not to be 'incorporated' into the world view of the traders? (6 May 2008)

Dear Jan

Good to hear from you.

I sometimes feel like I give reactions like them to the changing indicators or flowing data with regard to my language but as I don't take any responsibility and don't trade nor have in depth information unlike them about how markets work, I think I am still an observer there, yet to become a sociologist! I though sympathize with them regarding their feelings about ignorant customers doing suicidal trades, problems within financial markets and their criticisms about other things. But I try to keep my cool and don't comment as much as possible. (6 May 2008)

With hindsight, my uneasiness was not about being more of sociologist because I could see the emergent patterns among people with similar market identities and roles in terms of stories they tell, the observational modes they took before the screens. It was rather the lack

of a deeper immersion into feelings, vernacular and paradigmatic knowledge that my informants possessed, or the knack they had in managing funds, clients, or mass of raw data/information and turning them into a higher datum. This was in a way natural because my observation periods were relatively short considered with what might be required from a participant observer who aimed to have a 'prolonged engagement' (Lundy, 2008) or worse 'over-rapport' with his/her informants and their field practices, namely 'going native' (Ballinger, 2008). On the other hand, the sense-making narratives which are analyzed in this dissertation was relatively easier to grasp as they were very much based on what was observed on the screen, and easier to put into the categories devised in this dissertation. This was so because I had the chance to observe the screen and hear conversations and reactions to it at the same time. So self-learning worked in that respect. Additionally, I asked my informants during informal discussions or interviews at their desk about what they would observe on the screen and how they would know what was observed would mean for the past, present and future. So by engaging in a dialogue about the vernacular epistemology of storytelling before scopic screens, I could make more confident decisions about reaching second order explanations once I started analyzing my data and writing up the thesis. For the lack of embodied immersion into relatively inaccessible feelings and knacks by observation, I could do nothing but move onto the next house as from a sociological perspective I still lacked observations in an institutional sales and research department as well as in a larger house with a more diverse client base and bigger size in terms of trading volume than House A and House B. So below is the story how I accessed House C and D after ending my observations in the middle of May 2008 in the AMC.

### **Looking for access to an IRS department: House C**

After I finished my stay in CNBC-e, the journalist contact who facilitated CNBC-e access told me that he had two relatives who worked in senior positions in two leading brokerage houses. These two houses were owned by two large national banks with very extensive branch networks. One of them also had a large institutional sales department, and the other has a sister company which - like the affiliate's house - 'only served' foreigners. I told the contact that I would be free from mid-May or beginning of June to start my observations. I told him that I did not need to stay too long in either house with a view to seeing whether I could create enough rapport with informants there to justify a longer stay once I had accessed the field site. I thought the contact would at least arrange one of the two houses and I would be able to observe domestic sales and institutional sales in action in a larger brokerage house. After a while, the contact told me that the 'foreigners only' house would

not even allow someone from the sister brokerage house (where the gatekeeper worked) on their trading floor, let alone an observer/intern from outside. The contact told me that he would press on to arrange something for the other house, the largest brokerage house in Turkey. I was of the expectation that this would not take too long as my contact mentioned as the gatekeeper a 'cousin' who was a senior manager in the house. Unfortunately, the waiting game lasted for several weeks without any concrete result and I decided to take the initiative to find a place for internship myself. It was already June and I was planning to go back to Edinburgh on 15 September 2008. To speed up the process, I decided not to approach large houses or houses serving institutional investors only without any facilitator in between as I felt this would be just waste of time for large, bureaucratized houses which also happened to be serving institutional investors. I then scanned house names via the ISE website alongside their trading volumes and checked the websites of houses one by one to find a suitable target.

In the end, House C seemed quite interesting and rather unique in the brokerage sector as it was an independently owned brokerage house by a bunch of finance professionals with CFAs. In their websites they stressed their 'dedication to CFA standards' in serving institutional clients and their trading volume was quite significant for an independent house seeming to serve only foreigners, which I thought was a sign of a meaningful client base from abroad. In the end, I emailed both co-owners, one of them the general manager and the other one head of research. I explained to them my research and my intentions in the house in terms of duration of stay, and my data collection methods. Several days later, the head of research emailed back with positive news. Yet, she warned me about two things, first summer months were traditionally low trading volume months, and that I would not be paid anything. Not bothered by any of these problems, I was elated that I could access an institutional sales and research department as an 'intern'. When I got the green light for access to House C for July, it was already mid June and I was yet to hear anything from the contact regarding the access to the brokerage house where the cousin worked. So I decided to take a break from the fieldwork and went on a holiday to see my parents and then spent some time travelling around Turkey.

My stay in House C lasted for one and a half months. It differed from the previous stays (with the exception of CNBC-e) as it was a participant observation experience. At times, it was more participation than observation as I was given some tasks such as translation, updating company/sector databases, assisting the research analysts and head of research in their data collection for company reports. For the first time, I was doing something instead of

only taking detailed notes of what was being said and done in the room. Contemporaneous note-taking of each and every incidence in the room was therefore not always possible due to the reasons mentioned above and because of a lack of meaningful collective *in situ* sense-making activity among the research team and the sales team unlike the domestic sales departments. But one unique thing about the participant observation status was that two very experienced research analysts were teaching me the vernacular and paradigmatic aspects of analyzing companies and Turkish economy, managing relationships with company representatives and economy bureaucracy, and establishing relationships with institutional clients abroad, and so on. So everyday was a great learning process. After I discovered that House C also served domestic retail clients, I ventured into their world by attending morning meetings and having informal discussions with dealers/informal portfolio managers/day traders who had very close ties with high net worth clients and/or and domestic speculators. The respective worlds of institutional sales and research and domestic sales teams in House C seemed like poles apart, similar to the physical separation of these teams (each were on a different floor of a skyscraper in a burgeoning business district of Istanbul). During my stay in House C, I happened to meet interesting figures from and outwith House C, thanks to my informants' eagerness, but especially that of the research analyst who shared the desk with me, to introduce me to his contacts in other houses, most of which were located in the same business district. This was quite a convenience as I was introduced to them over lunches, which led to lengthy conversations and many different stories I had never heard before.<sup>108</sup>

One of the analyst's contacts was a sales trader in House D, pseudo-named as T in this thesis, who worked with the analyst for several years in an international bank in Turkey. The research analyst said the sales trader could arrange a stay in his department in House D, which according to the analyst was bigger than House C in terms of client base, trading activity, and company coverage universe. In fact, House D was one of the top ten brokerage houses in Turkey in terms of client numbers and trading volume thanks to being owned by a large national bank with an extensive branch network. So it was rather exciting to have a lead for access to this house. The sales trader was quite positive about my intentions and said that he came to Edinburgh frequently to visit his clients. He even suggested meeting in Edinburgh when he was on a client visit and said I could be like their informal post there. I never figured out whether he was serious or not about these. About the internship, although we talked about what the HR department would need for my access after the current intern,

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<sup>108</sup> Although House C did not give me any lunch vouchers, the analyst was very kind to offer me his vouchers which accumulated over the months due to not spending all of them, so I had free lunches for almost 30 days. This was a considerable saving for me around 600 lira or £ 300!



who was a Turk studying in the US, left, the sales trader later reminded via email that the final decision belonged to the 'general manager'. This email sent on the 30<sup>th</sup> of July was the harbinger of bad news. After a wait of a week or so, it turned out that the general manager decided that after three interns in so many months, it was time to stop having new interns in House D. So my plans to spend the last month or so in House D and put a definitive end to field work in Turkey was foiled. Spurred with that disappointment, I pressed on for more interviews with market professionals, mostly in institutional sales and research, from other houses. Most of these interviews were facilitated with 'snowball' method, namely asking an interviewee or a contact whether he/she could recommend someone for an interview. Otherwise cold calls or cold emails to prospective interviewees returned no responses. The reason why I pushed for more interviews with the institutional sales teams, not to mention for the internship in House D, was mainly down to the fact that House C despite being an important actor in trade execution was not the best place to observe the nature of the formal idea pitching to institutional clients, and dynamics between institutional sales and research teams in strong local houses in the institutional sales business. During the time I was expecting a response from House D, some of my new informants, whom I was seeing almost every day over lunch plus the general manager of House C, were quite willing to utilize their contacts in large bank-owned brokerage houses or local branches of global investment banks to arrange me internships there. These attempts again revealed the fact that these houses were in high demand by final year students of top universities and internship decisions were usually made by grace-and-favour among parents. Despite this, my informants and their contacts told me to remind them of my internship requests in the following months with a view to start in early 2010.

### **Going back to Edinburgh and reflecting on the collected data**

I left Istanbul on 15 September 2008, on that fateful Monday when it was announced that Lehman Brothers failed to find a buyer and collapsed. I was in a taxi with my sister and her husband, hearing the news report, on our way to the airport. My brother-in-law in his usual dark humorist approach to life and the future said this was the beginning of the end of the world. In hindsight, he was right about the market scene in Istanbul and the rest of the market places around globe for the following seven or eight months. The contact who facilitated access to CNBC-e, on the other hand, had kind of become the butt of jokes among us as despite being a very well-connected man. Sometimes he was very slow to make things

happen, which gradually turned into giving up hope on him.<sup>109</sup>

Once back in Edinburgh, I watched the global financial markets melt and started to think about what to do next in terms of fieldwork. Right before I left Istanbul, I was much more informed about informal trading groups that revolve around domestic speculators as well as the world of institutional investors abroad. Yet, there was more scope for fieldwork to learn about these two different worlds which seem to be in some sort of competition in trading and investments. I was also made aware of the annual research reports written by the ACMIT which indirectly revealed the divisions between domestic retail, domestic institutional, and foreign institutional investors via aggregate statistics in terms of trading volume, portfolio holding periods, and so on. Moreover, these statistics also confirmed what I was hearing from the senior managers of the houses I was in, namely the domestic retail scene that was composed of not more than 30,000 or 40,000 investors served by more than 80 brokerage houses despite the total number of domestic retail investors that was around a million. A similar picture could be observed in institutional sales and research in relation to foreigners' accounts and the number of brokers that served them. This was around 2,000 to 3,000 accounts *vis-à-vis* 20 to 25 brokerage houses vying to serve the most active 200 or 300 clients who issued those funds. House C was generating volume because the sales traders were very busy with continuous order flows thanks to their long-running relationships with global brokers and asset managers located in global financial hubs. Yet, there was not a great depth in the department's client book compared to House D or other similar departments that were stronger in relation to the research output.

So there seemed to be two topics that necessitated further investigation. The first was the world of domestic speculators and how they operated, and second in need of more investigation, was the relationships between local brokers and foreigners. The first topic was relatively clearer for me as I managed to interview a dozen people who claimed they used to work as the close confidants or brokers of these speculators as well as a former speculator who lost sizable amount of capital in his trading activities. One missing thing was reaching one or two active domestic speculators and observing them for a day and talk to them about their activities. The second topic of investigation necessitated more fieldwork or interviews due to the above mentioned reason as well as getting an insight from the foreigners about

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<sup>109</sup> Being both in the media sector, the contact and my sister and her husband had a similar networking relationship and similar disappointments due to the contact being rather inconclusive. From the house he failed to arrange access, I interviewed five professionals in various departments on my own initiative.

their exposure to the ISE. In Edinburgh, I focussed on developing the data analysis framework for collected narratives and improving the thesis and chapter outlines. In the meantime, I tried to figure out whether anything in the UK could be arranged in the form of summer internships in asset management companies or global brokers in London. So I attended the graduate careers meetings in Edinburgh held by different asset management companies and global brokers and managed to have informal discussions with finance professionals dealing with the region and Turkey as well as getting leads to conduct a couple of interviews. I then proceeded to apply to six different summer internships offered by three asset management companies and three investment banks. I was quite honest in my letters of intent in these applications regarding my research interests but I made a slight twist that I might be interested in pursuing a combined career of academia and finance, which was actually untrue.

Unfortunately none of these applications were successful. Some of these organisations stated that my background was not suited for the position whereas others sent a standard letter stating I was unsuccessful. It was understandable that these organisations wanted to select the most promising candidates with a view to offering the best performing interns a long-term position after they graduated from university. If I had been successful, the project would have incorporated a direct observation of foreigners abroad and their generation and use of narrative knowledge and how they perceived the sell-side services coming from different brokers in Istanbul. Although I learned many things about the latter aspects from the perspective of local brokers thanks to interviews and direct observation in House C, there were still gaps that could be filled with direct observation. Once I was back in Istanbul in May 2009, I actually managed to interview two fund managers who were managing investments of two global asset management companies in Turkey, which were in the region of 1 billion USD. These were quite informative interviews when coupled with the stay in House D and they filled in the existing gaps that I had in my data in relation to institutional sell-side and buy-side organisations.

### **Accessing House D**

So how did I manage to access House D in the end? To begin with, the sales trader contact in House D told me after the formal interview with him in late August 2008 that I should re-apply towards the end of year with a view to spending time in their department. Other informants also told me to remind them towards the end of the year my intention to apply for an internship with a view to beginning the formal process of access to their houses or

elsewhere where they had contacts. Interestingly, none of the contacts replied to my emails or turned out to be reachable via phone when I tried to contact them to remind about my intentions. This was rather disappointing as some of these informants were like ‘if we knew your intentions, we could easily arrange an internship in House X, Y, Z’. There was one exception to this, the head of domestic sales in House D, whom I interviewed in September 2008 thanks to one of my contacts. After failing to reach the sales trader, I emailed on 13 January 2010 the head of domestic sales regarding my intentions and after three hours I got the confirmation for a month long ‘internship’ in the institutional sales and research department in May-June 2009. I was ecstatic with the prospect of completing the fieldwork with an intense month-long observation in the heart of institutional sales and research. I also decided to take a more demanding stance as a researcher and venture into new types of data such as conversations between traders and their clients, and a more confident use of my voice recording machine for *in situ* conversations, attended meetings, and informal discussions to complement my note-taking.

Although I was to do the latter in most of the instances I deemed necessary, several days before I left for Turkey, I received a bombshell from an HR officer in a very formal email in which I was informed that House D had stopped accepting interns and that they wished me the best of luck in my career. I had actually emailed the head of HR to ask her what documents to bring with me and I got this reply from a junior member of staff. I reminded them that my stay was already arranged by the head of domestic sales and I had bought my return tickets to Istanbul and arranged permissions from my university department and so on. A couple of hours later, I got the confirmation that my internship stay was to go ahead but with a difference, namely I was to spend one week in each of these departments: domestic sales, institutional sales, research, and derivatives sales department. The bombshell in the form of an email and the ensuing change in my internship itinerary turned out to be due to fact that the head of institutional sales had recently left House D, and the department was without a manager. To this date I am not fully informed as to why I was sent that bombshell email and what actually happened afterwards among senior managers and the general manager but I was told by the head of domestic sales that he had to tell people that I was his cousin- and I should tell this to others if asked who I was. He also said that an internship was promised to me before the head of the institutional sales had left the House D so it would not be nice to deny me at the very last minute. Yet, I believe the cousin pretext was a stronger reason than keeping their commitment to offering me an internship. In fact during my stay, there was nothing that was participatory in the house. My gatekeeper assigned me to the

chart analyst's desk where he served the domestic sales team by translating and embellishing research department's idea calls with charts to make them consumable by short-termist domestic retail clients. After spending a week or so at the domestic sales desk, I sneaked into the institutional sales and research department and made myself comfortable there at an empty desk, observing the sales and trading team for the remainder of the stay. The team there was welcoming but strangely no formal introduction of me was made by an HR member of staff. It was the sales trader who told me where to sit down and gave me a couple of research department output. It seemed like he wanted to look after me in the department but at the same time made fun of my insistence on this 'internship' on the grounds that I already knew too much via interviews and that it was time to start 'working' in this field. I reminded him again that I was pursuing a career in academia...

### **The moral of the story: Social networks matter for access and finding interviewees**

All in all, these access adventures made it clear that relationships matter and joining the existing relationship networks of others can change one's stock of opportunities. Some relationship networks such as my sister's were denser in terms of duration, closeness, and comprehensiveness of relationships. On the other hand those relationship networks I was part of, such as the scholarship foundation network, or my contacts through the think tank I worked for a while, were quite loose and needed a lot relationship work to convert them into outcomes. Interestingly, the contact who arranged my access to CNBC-e failed to manage access to the biggest brokerage house in Turkey where his cousin was a senior manager. The CNBC-e access was based on his friendship; the other access failure happened despite the cousin factor which I assumed would be stronger. I think it can be said that the friend being the head of CNBC-e and NTV news channel - biggest private news channel in Turkey, made the difference whereas in the cousin case, the cousin probably decided not to work for my access due to his position in the house and his relationships with other senior managers. Similarly, access to House D was the direct outcome of a network relationship I built and also the determination of the head of domestic sales gatekeeper to make this happen. If it had not been for him, I would have been struggling again in Istanbul, trying to find a suitable place to observe.

A similar network effect was observed in finding interviewees outwith the houses observed. Out of 53 interviews, only a quarter of them were arranged via cold calls or emails which were positively responded to by my informants. The rest was possible by recommendations given by interviewees who agreed to talk to me after I reached them via a closer contact such

as the scholarship foundation officer, a contact I met and became good friends in the field, a cold call, a recommendation of my former supervisor, and finance professionals I met in CNBC-e studios. One of the interviewees that I reached via the scholarship foundation told me that they actually had frequent interview or data requests from academics and research students in Istanbul and that as busy professionals they sometimes had to ignore these requests, and that being contacted via the foundation made a difference. In this respect, I do not really know how much of a difference being a Turkish research student from the University of Edinburgh made in other cases.

This can be seen as a valid curiosity as in Turkey studying abroad is seen as a more distinguished source of cultural capital that implies one or more of sometimes mutually exclusive descriptors in the following: economic wealth of parents, hard-work and determination, academic brilliance, rare achievement, dodging the military service, not being very smart but having fun with parents' money, rite of passage, and so on. But I guess doing a PhD abroad would rule out some of these descriptors in the mind of my informants. Some of my interviewees from institutional sales and research departments had MA and BA degrees from abroad. Most of the informants from the domestic sales business had degrees from Turkish universities with varying national and international prestige. Although few of my informants made any remark about my achievement of going abroad for a PhD degree, one thing was rather common among most of my informants, the assumption that I knew more than I actually knew because I was doing a PhD, the highest stage of university education, a step shy of being a doctor. Few informants who turned out to be less assuming about my identity would ask me whether I knew what the term/phenomenon they mentioned meant, which was useful if I was introduced to the term for the first time. But this type of question/explanation without solicitation sometimes felt strange especially after I interviewed one or two dozens people doing similar jobs and using similar concepts with which I was already familiar. Although interview situations as such were not hard to manage, one rather unpleasant consequence of this assumption of knowledge due to me being a PhD student was observed in House C.

### **A story on the effects of informants' perceptions about the researcher and his incompetence with Excel!**

The head of the research department, who had an MA degree in finance from the US, gave me tasks to perform on Excel programme. Most of these tasks were about updating the existing valuation dataset on companies, which was later to be circulated to the sales and

trading staff via email. Being a total novice in Excel not to mention having hardly any clue about the components of basic company balance sheets and valuations, I was frequently making mistakes and asking questions to her. Although I was shown how to perform the task mechanically on Excel, the mistakes happened because she assumed that I had some minimum knowledge to be able to use my judgement in applying the changes across different sectors as well as checking their accuracy by detecting unusual numbers/values. In one of the early days of my stay, a mistake of mine led to miscalculations across the board, and an inaccurate valuation dataset was sent to the staff only to be recalled immediately after the head of research noticed the unusual values in the dataset. This was very embarrassing for me as the recall failed and she sent an email to the staff saying that ‘the intern made a mistake and correct dataset was to be sent soon’. For me those numbers on the Excel sheet did not mean anything beyond being numbers. On the other hand, for the head of research those numbers were telling a new but predicted episode in on-going stories about respective companies. So any deviation from those values meant either an exceptional news story not shared with public yet or a mistake made on Excel. We had the same sensual perception about the Excel sheet but our apperception of it was dramatically and sometimes dangerously different for the sake of the House C’s staff!

Right into the midst of my stay whilst working on the dataset again, I could not figure out why Excel was giving me an error message while I was trying to apply values to a new column. After several attempts, I asked the head of research’s assistance and I think she got a bit wound up by the question and the simplicity of the solution. But because the solution needed some simple mathematical and financial knowledge which I lacked, she must have felt the need to ask the following rhetorical question with a rather surprised tone in her voice after demonstrating me the model on paper several times as I struggled to get it: ‘don’t they teach you this stuff in the PhD?’ Relieved to be presented the chance to make my case in the face of a rather frustrated voice and animated body language, I explained to her in detail what the PhD programme was like from the very beginning and that I had very little knowledge about mathematical or paradigmatic aspects of financial knowledge. After this, she was more tolerant and more informative towards me, giving me extra explanation and sociological insights into the task I was given. I think this was the most significant practical manifestation what I observed about my researcher status in my correspondence with my second supervisor, namely not being able to possess enough vernacular/paradigmatic knowledge to have a quick click with what was said and discussed about more sophisticated aspects of the given activity. Although this lack of knowledge never manifested itself as a

problem in other houses apart from my uncomfortable feelings in House C, it turned into a rather tense few minutes between me and the head of research, not to mention my prior embarrassment before the whole house courtesy of email technology!

### **Creating rapport is not 100% down to the researcher**

Before concluding the field story, another aspect of access is worth mentioning, namely creating rapport with informants in field sites. Although it was great relief to be able to access the houses and have the opportunity to see what goes inside the blackbox, creating rapport inside the houses was another challenge. Because most of the gatekeepers hardly introduced me to their junior staff with a general announcement or email, I was usually assigned to a caretaker such as the strategist in House A and House D, or inadvertently got closer to the female senior investment advisor in House B and the research analyst in House D because I happened to sit very close to them. The very first day when I started observation in House A, I remember standing up from my desk and then joining the adjacent desk of the strategist which was separated from my and the chief broker's desk with a short partition panel in the darker corner of the trading floor. I asked for permission only from the strategist but the desk was shared by another investment advisor whom I was not introduced to. As this investment advisor was talking with his client, I did not have the chance to introduce myself. Once at the desk, I started taking note of what the strategist and the investment advisor were doing and saying to each other and it was a weird situation as the advisor had no idea what I was doing but he did not bother to ask who I was for half an hour. After that we met and he turned out to be quite a good informant.

On the other hand, some informants, despite being willing to talk during lunch or after trading hours about their thoughts on the market, their clients and investors in general, and their sense-making activities, were not very eager to be observed at their desks for a session or two. Sometimes the situation was worse as informants whom I could not socialize with during lunch time or after the trading day would elude my requests to talk by saying "insallah" –god willing (a polite refusal) or "I am busy today god willing some other time". Although I could always get a round up from senior managers about the aspects I could not explore myself, I observed that there were differences in accounts given by an investment advisor and his/her boss. While the former could include more minute details about the social relationships, sometimes with a critical edge, the latter would be giving a more analytical and bigger picture about the nature of the business as well as some information that would change one's perception about formal accounts given by regulators and other



market professionals.

Another aspect of my residences in the houses was the hardship of venturing into other departments and hearing their perspective on the topics I was investigating or I should have investigated more. This was especially in topics which were on the operations side and not immediately available in my field station. Spending time in operations department would be rather strange and a form of time wasting as their activities would not generate any directly relevant data about sense-making. Yet creating rapport with staff from a department that I hardly had any contact with was not the easiest thing. So I resorted to informal discussions with operations staff or indirect investigation via my immediate informants. All in all, when I was not exposed to their daily routine, it was hard to find the most relevant questions to operations staff which would lead to a deeper learning process.

The field trip to Istanbul in 2009 ended with a high note as I managed to interview very influential market actors, ranging from two domestic speculators (one in his office the other one on the phone) and a confident of a rather notorious domestic speculator/manipulator, to a fund manager/analyst of a key global asset management company and a hedge fund manager in their Istanbul offices. Coupled with what I observed and learnt in House D as well as from follow up interviews/informal discussions with more willing informants from institutional sales and research, and domestic sales departments about new topics I learnt or older topics that I felt I should investigate more, I was able to shift my perception a notch up on topics such as domestic speculator, broker-day trader, foreign institutional investor, proprietary traders of global investment banks, investment idea creation, departmental conflicts among institutional sales and research, and so on. I felt that I now had a clear vision about general trading and sense-making dynamics between different investor types and their brokers in the ISE as well as how these different groups possessing different capital sources used the scopic market screens and other media that contained simple datum in their pursuit of generating higher datum. Although more interviews with or observation of foreign institutional investors *in situ* would have made the collected data about some specific aspects more robust, I decided to put a stop to the field work and pursuit of interviews at the end of June 2009 to concentrate on writing up the dissertation as I had only 14 months to submit the final output.

## **Writing up**

As mentioned in the methodology chapter, writing up an ethnographic account aims to reach

etic explanations of researcher's field observations and informants' emic practices and accounts. This should be seen as a continuum with a starting point of very simple descriptions or sensual perceptions of field settings, sounds, smells, and so on from the very first day to a mid-point where ethnographer feels he/she can now make sense of what has become rather mundane and repetitive acts of his/her informants from an immediate/practical and deeper/sociological cause-effect perspective no matter how rough and sketchy this perspective is in its mental and written form. This mid-point is followed by filling in the gaps by asking more specific questions or securing observational access into realms which the researcher thinks would provide new perspectives and data. The funnel metaphor of Atkinson and Hammersley (2007:160) makes the point about this continuum of ethnographic journey and its final parts, namely an increased focus towards the end of ethnographic study both in relation to data collected and its intermittent analysis. By intermittent I refer to a lack of full-time commitment to revisiting field notes and recorded materials with a view to convert them into final product for an academic audience (Emerson et al., 1995:169). This process is usually left to post-field work time with a view to formalize the sketchy and rough analytical explanations.

In my field-work experience, I actually had the chance to do the latter in between two field visits in 2008 and 2009. This gave me the opportunity to go through my field data, analyze some of it in a more focussed manner with the help of specific literature on narratives (Gabriel, 2000; Boje, 2001; Czarniawska, 2004), and turn some aspects of it into two academic publications, one on Tilly's (2006) notion of technical stories among professionals and lack thereof in the ISE's story exchanges about a specific claim of market squeeze (Tarim, 2009), and the other one on applying the notion of storytelling organisation (Gabriel, 2000; Boje, 2001) to the ISE and its intermediation sector in relation to legitimisation activities in the ISE (2011a).<sup>110</sup> Once the 2009 field visit was over, the analysis turned into a more focussed one with a view to write relevant chapters for the thesis as overseen by my supervisors, which started with a more focussed literature review. In the meantime I continued presenting at different conferences on finance and economy, one of which resulted in the idea of bringing in a numerical perspective into the narrative analysis of sense-making

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<sup>110</sup> Both publications, Tarim (2009; 2011a) focus on the notion of narrative mode of knowing and explanation in organisational settings and how organisational identities and resources led to conflicting sense-making and/or legitimisation stories in the ISE. Both publications give specific narrative examples as well as general analytical presentations of organisational variations in field sites but do not give an overall picture of narrative mode of knowing and explanation in *in situ* sense-making stories by using a semiotic and socio-linguistic perspective, the latter informed by Bourdieu, as it is done in this thesis.

stories and a pioneering academic article on the evolution of DRI figure since the opening of the ISE in 1985. This article takes Abolafia's (1996; 1998) notion of local rationalities as frame of analysis and applies it to the ISE by concentrating on the DRIs' evolution since 1985 (Tarim, 2010). Another publication will come out in June 2011 as a book chapter on the AMC by using Mackenzie's (2009b) notion of 'evaluative cultures' and applying it to the equity-fund and fixed-income fund managers' cognitive and investment activities (Tarim, 2011b).

All in all, apart from what was specifically discussed in the methodology chapter regarding narrative analysis, the rest of the thesis had been written in a manner that is explained by Richardson (1994: 516), namely 'writing as a method of inquiry'. This means that different writing styles, starting from very descriptive and sense-based perceptions to the final written output, namely my PhD thesis, provided me with 'different aspects of our topic and our relationship to it' (Richardson, 1994:516). One can add to this the intertextuality effect, namely reading and experiencing different texts (written or text as observed/lived experience) and incorporating aspects of these into the text that is being written (Boje, 2001). In this respect, the final written outcome of the thesis had been informed by the rather recent re-readings of the notion of types of capital, habitus, and the field by Bourdieu. This theoretical framework had been integrated to my knowledge about the ISE intermediation and investor scenes to reach this final written form with an honest account of the limitations of data collected in the field. Before moving onto a short commentary on the issue of ethics and credibility tests on ethnographic studies, it should be admitted here that the specific narrative analysis and capturing stories from the field data and ensuring consistency in the way stories were categorized into the plot logics across the five field sites were quite challenging. This was so because everything had to be done manually, ranging from capturing a story from the hand written field notes in accordance with the operationalised definition provided in the methodology chapter, to rewriting and codifying these stories on Excel sheets according to plot logics, storytellers' identity, actants, and temporal orientation. To ensure consistency and prevent mistakes in the analysis, the 1,261 strong story dataset as well as the raw field data had been checked multiple times from scratch according to these quantified components. Moreover, making a decision about what was to be included in the final written output from the several thousand pages of field notes and interview data was another difficulty. 53 interviews plus fieldnote data that described 73 days of full observation in field sites initially led to much longer and several additional chapters which had to be edited or merged into shorter chapters as presented in the thesis. In this vein, Bourdieu's

theoretical framework eased those editorial decisions. However all these writing up challenges meant that I had to ask for a six month extension for the final submission of the thesis. I am grateful to my supervisors for facilitating this extension and overseeing my writing up process closely and assisting me in the writing up process.

## **Ethics**

In the 1<sup>st</sup> year board, there were no recommendations about possible ethical issues raised by the proposed study. This should not be seen surprising as my status as a PhD student who was trying to immerse himself into the world of finance professionals did not pose as much physical or emotional harm or distress to them as it could have done to the researcher who seemed to have much less social and economic resources than his informants, not to mention my lack of possession of a symbolic capital or status that would exert unethical influence on my research subjects. To confirm the review board's rather implicit prophecy, I can confirm, based on my observations and feelings, that during the exploration of these topics in the field, no-one was physically or emotionally harmed or put into socially awkward situations because of their relationship with me. The requests of my gatekeepers for general confidentiality and privacy of what was observed in their sites were respected in the sense that these were not shared in detail and in a revealing fashion with other informants from other sites nor did I insist on getting confidential data such as telephone recordings or names of investors and things that my informants did not want to discuss. Otherwise, I was given the green light to use the collected data with full anonymisation yet none of my informants wanted to see a draft of the thesis before it was submitted. The gatekeepers in House A rationalized my stay there as a contributory thing from a "rational outsider" perspective and asked to see some sort of report on my findings but I never sent them any due to time constraints and not knowing how to write such a report. Besides, they never followed up that request despite the fact that I am still in touch with them. Other gatekeepers were probably motivated by factors other than an interest in an academic study or what a researcher had to say. Although my informants/gatekeepers did not seem to be terribly interested in what my thesis has to say, I keep my online public academic profile up to date and supplement it with an informal research blog and I plan to write an article or a book in Turkish about my findings to share it with the general public. However that attempt will be very cautious and barren in detail of narrative evidence (such as Tarim, 2010 in English) because I have learnt in my field stay that the ISE organisational field and domestic retail scene is quite fond of imaginative and sensationalist stories with a view to (de)legitimizing the ISE and the VOB (see for instance Tarim, 2009).

## **Validity, reliability and objectivity**

Although the issues of validity and reliability and objectivity were initially designed for measuring the credibility of findings in quantitative studies and/or positivist approaches to social science research in general, they have been adopted for assessment of qualitative studies' findings (LeCompte and Goetz, 1982; Denzin, 1994; Altheide and Johnson, 1994; Bryman, 2004). This section is of course not written to prove that my findings that are presented in evidence chapters and summarized in my Conclusion are totally valid and credible and should not be questioned. Rather, it is written as a guide to introduce these concepts as understood by qualitative researchers and provide the reader with a summary of what had been done to ensure the credibility of my findings. It is up to the reader to decide in the light of the totality of the thesis to decide whether this study gives credible and valid answers to the research question posed.

To begin with, validity in its original form refers to the question of whether collected data actually provides an answer/result to the question/measurement technique posed in research. While this constitutes internal validity, external validity refers to generalizability of findings in one context to other similar contexts. Reliability, on the other hand, refers to replicability of a study with the same design and findings by another researcher. Last but not least, objectivity refers 'to the extent to which findings are free from bias' (Denzin and Lincoln, 1994:100). For qualitative studies in general and ethnography in particular, an answer to internal validity question can be considered with the concept of credibility, namely 'how truthful, plausible, and credible an account is' (Denzin and Lincoln, 1994: 204-4). As for the data captured for exploration of sense-making narratives, or more specifically the role of narratives in *in situ* sense-making in the ISE, the comparative strengths of ethnography over other methods such as surveys or interviews in capturing *in situ* reality is well-established (LeCompte and Goetz, 1982:43; Cetina and Brugger, 2002). In this respect, the collected data in this ethnography is rich and unique in capturing the *in situ* processes. Minute details of *in situ* dealing room activities were recorded via field notes and when possible voice-recording without any bias over what was relevant to sense-making. To ensure credibility and validity of the *in situ* data and its interpretation, informal discussions with informants from the field sites were conducted to find out about how they read information/data flows and come up with higher datum. Written market commentaries published on a routine basis in the houses were also collected and analyzed to check whether relatively formal narratives differed significantly from oral and conversational narratives, which revealed that they did

use similar emplotment techniques but hardly any expletives! Both methods ensured triangulation of data (Denzin, 2006: 471-2) and boosted the internal validity of collected oral narratives and their interpretation in answering the main research question of this thesis.

When it comes to external validity or relevance of findings in the field sites to other similar field sites or markets, one can think of Bryman's (2004:30) notion of 'transferability, namely the question of "do the findings apply to other contexts?"'. In regards to the 'over-brokered' intermediation sector in the ISE, interviewing market professionals from organisations that I could not observe revealed similarities in what I call master narratives of vernacular knowledge about the Turkish economy, the ISE and its investor types, and so on. Findings about *in situ* narratives in the field sites can therefore be roughly generalized with confidence to other similar organisations and their domestic sales and institutional sales and research departments. Additionally, the observations in the four houses, which successfully covered significant parts of both domestic retail and foreign institutional sales activities in the ISE, reveal similarities and differences among these two dominant investor types in relation to the collected stories' specific plot structures, actants, and meaning tropes. This finding increases the robustness of the observational methods employed in this study as they generated similar narrative outcomes across similar organisational settings.

As for reliability or replication of this study by another researcher and coming up with similar data, this criteria of evaluation does not really apply well to ethnographic studies due to notions of embodiment. As explained in this Appendix, each researcher may bring his/her own theoretical perspective to the field which might affect the research design/selection of field sites not to mention their individual and social identities which may affect the collected data. Despite this, the main topic of this research, namely the use of narratives for cognition before scopic market screens, some aspects of the field sites have the potential to generate similar sense-making narratives or raw findings in relation to plot structures, actants, and protocols of observation and sense-making, if *in situ* sense-making and trading events are recorded without any bias about their relevance. This is mainly down to the argument of this dissertation that individuals or organisations' cultural, social, and economic capital within and outwith market settings are poised to affect their sense-making and decision-making activities. If the described conditions of domestic retail investors remain relatively constant in the ISE, there is no reason why one should not observe similar high frequency, short-termist trading activity among DRIs which generate a specific genre of sense-making narratives in the ISE. On the other hand, in the FII and institutional sales and research scene,

the future seems rather bleak for sales traders pitching formal trading ideas or skilled traders executing orders for their clients. This is because the technology of direct market access and infrastructure for remote automated trading systems seem to be making its way to the ISE in the coming years. Therefore, soon it may not be possible for a researcher to hear any *in situ* narrative in institutional sales departments.





### APPENDIX 3: PROBLEMATIC PEOPLE AND INVESTOR ALI

As mentioned in Chapter 4, the phrase problematic people refer to the persistent manipulators. This group of domestic speculators are more interested in relatively low liquidity small-capitalisation and middle-capitalisation shares where FIIs' share ownership is not significant. Their aim is to keep control of a share, sometimes in collaboration with or orders from company bosses-owners, and sometimes against the company owners' will. Their actions can be triggered by a rumour or public news about the company in question. As explained by a former broker of a problematic domestic speculator: 'there has to be something, an expectation, news, or a story about a company's activities or financials that you spot. Without that, you can't be successful. This is also the case in other realms of life, there has to be a selling point' (Interview, 18 June 2009).

In the past, apparently one of the ways of creating this so called selling point was basically spreading rumours, most of which were rather hollow, about companies where these speculators took positions beforehand. The above former day-trader/broker had worked with the problematic speculator who had received a dozen or so CMB trading bans based on the CMB statute number 47. This speculator was the mastermind behind the Investor Ali scheme briefly mentioned in Chapter 4. His former broker tells the following story about the Investor Ali scheme in the mid 1990s and onwards, which helped them become a formidable speculator group in the ISE:

Broker: Let me tell you how X Abi<sup>111</sup> [the speculator] became so powerful in the ISE...We agreed with the editor of Borsamatik for the column 'Investor Ali' [I remind them that there was an academic study by Yazici and Muradoglu (2002) on this Ali!]. By then there was so much interest in these investment magazines, we had a lunch with X Abi to discuss what to do. I told X Abi that I would find the company on Thursday and write the column for it and we would tell the friend [the editor of the magazine] to publish it on Monday. Of course the friend would spread this privately to his broker/dealer and investor friends. Then on Monday when it [share price] went up 20 per cent and more investors come to the board after reading the magazine, we would sell it...it was not big money we invested [initially], it was like today's 30,000 lira but we got loan leverage like 3 or 4 times the collateral X Abi deposited. After we made the profit, a part of it would go to the friend, well that friend made a hell lot of money thanks to us... after a year or so, he became an investor, resigned from the magazine... sometimes the rumours we created would come back to us, I remember about Mardin Cement. By then Lafarge, the French company was interested in buying a plant in Turkey, so we knew that, and we decided it was going to buy Mardin!

Tarim: I see, so it was not just a hollow rumour, it was about a public story but you

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<sup>111</sup> Abi means elder brother in Turkish. It is used among friends and colleagues to informally address and refer to an older person.

kind of added your imagination on it

Broker: Yes, of course but I was looking at the cement companies and selected Mardin randomly. So we had an Investor Ali article written about this, and before that was published, we started collecting shares. Three months later we exited Mardin, someone in the house from downstairs tells me “look Lafarge is going to buy Mardin”, then I tell X Abi [they were in the trading session room of a brokerage house] “look they are going to buy Mardin” he tells me “did not we write it sport!” well you see we totally forgot about it! So you had funny stories like this on the way to becoming a big speculator.

The former broker then goes on to give the name of another investment magazines in which he wrote with another alias ‘the Bear, the Bull and the Fox’. He adds that there were other speculator groups who had anonymous columns in investment magazines, and that it was like partition of magazines’ columns among speculators. Apparently, one of the sidekicks of a speculator wrote under the alias of ‘Roaring Bull’. According to the former broker, the 1990s was a period of unsuspecting DRIs and weak control or lack of regulation by the CMB and the ISE. But unsuspecting DRIs eventually realized the game and then the CMB banned such columns in these magazines in 1999. Most of those tainted magazines gradually ceased to publish.<sup>112</sup> Nowadays, investment ideas are given in investment magazines and national newspapers by quoting chart analysts’, economists’, and research analysts’ commentaries or inviting them to write weekly columns in these magazines. Most of these market professional pundits are from domestics-only brokerage houses. These commentaries are always published with disclaimers about their non-investment advice status.

As for Investor Ali, Yazici and Muradoglu (2002) looked at all the available issues of Paramatik between 1993 and 1998 and the 206 buy recommendations by Investor Ali. Interestingly (!) there was no sell recommendation by Investor Ali. They concluded that if one was a ‘preferred investor’, namely someone who joined the trading move ‘five days’ before it was made public, one could ‘earn more than 5% per week in excess of the index’s return. Compounded annually, the excess return of a preferred investor would be more than an amazing 1500% per annum.’ (2002:29). Yazici and Muradoglu (2002) were well-aware of the fact that this was an orchestrated abuse which had its antecedents and contemporary examples in London and New York. The name of the magazine in that study, Paramatik and

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<sup>112</sup>The last public news about such an organized attempt was published in July 2006 after the police under a public prosecutor’s order investigated a trading group for more than six months and found out that this group was collaborating with editors in an investment magazine. Funnily, a rival investment magazine was the first to blow the whistle on this group. Apparently at least 20 million TL was made by abusing investors outside the group (*Haber 7*, 9 July 2006). More recently, it was revealed in the popular press that the CMB had summoned some newspaper pundits with significant portfolios (one apparently had 15 million TL) to gently warn them not to sway investors by their columns

what the former broker used, Borsamatik, are not the same but it is highly probable that the former broker did not remember the name accurately as he could not remember other things during the interview and decided not to insist on remembering with accuracy. In fact, he mentioned Paramatik later in the discussion but Investor Ali from the very beginning as the column's nickname. It was this scheme that helped them make X Abi's initial 30,000 lira investment tens of million liras in the 1990s.

Despite the crack down on unscrupulous magazine columns which spread 'the selling points' to unsuspecting investors, the *modus operandi* of manipulation groups in the ISE seems to stay the same. This consists of commanding control over the share trading by initially collecting shares, and then attracting more DRIs with rumours and news spread to networks, and 'flashing lights' or top performer indicators on the screen, and finally realizing profits gradually at significantly higher prices. Once a cycle is completed with a dump of shares on the last batch of DRIs who joined the game at a higher price level, another cycle begins (Informal discussion with the former speculator, H 24 July 2008). If there is low liquidity in those manipulated shares, the chances of 'board wars' and territorial marking is high among 'problematic people': 'there can be wars, retaliations; these are not very patient people' (Interview, head of domestic sales, House C 4 August, 2008). The former speculator, H adds that 'problematic people' do have a very strong grasp of the boards where they are active with the help of various screen-based and network-based means, such as checking settlement figures and contacting brokerage houses to learn who is who on the board. One can add on these attempts to acquire this type of 'information' from the very source, namely the Takasbank or the Central Registry Agency. Although I heard vaguely from an interviewee that when one is in the market for many years as a committed speculator, one increases his/her information source and can get very minute details of who is doing what with ease (Interview, flow trader 24 June 2009). Another informant who used to work as the operations manager in one of the Houses I observed said that this was usually done via contacts in the Takasbank or the CRA (email correspondence 10 October 2010).

Moreover, it is not unknown among the domestic speculator circles that these speculators, whether or not one deems them 'problematic', are still using the notion of 'selling point' in trying to control shares or justify significant trading moves but seemingly with more cautious manner by using publicly available news and over a longer period of time. The former broker of X Abi gives the following example about a new breed of speculator group who were engaged in 'board-making', the vernacular term for controlling a share, for a considerable

time, in the above manner:

Broker: Now there is a share called Besiktas [one of the four biggest football clubs in Turkey which are also floated in the ISE], I know the guys who do it, the Bear Mehmet and his team

Tarim: I know the Besiktas story from BorsaGundem but they say the Besiktas board has been made by the Muslim Brothers.<sup>113</sup>

Broker: No, it is Bear Mehmet, and I know the guy... [picks up the phone]...where was I?

Tarim: the Bear Mehmet

Broker: Yes, I know the guy, he is a friend of my brother-in-law...so yeah Bear Mehmet, they started [collecting shares in Besiktas] from 2 lira, well first they got it from 3 lira but then it fell to 1 lira, the financial crisis hit them. But they bought very sizable amounts initially; when the Bear Mehmet was skint then those Muslim Brothers gave him a hand and accumulated more shares.

Tarim: So the Muslim Brothers are like the sidekicks of the Bear Mehmet?

Broker: Well, when you are in difficulty you approach another group and offer them to do the board together or you go into their board and ease their hand and they return the favour, so it often works like that. So when Mustafa Denizli made Besiktas the Turkish league champion, they took the share price up to 12, 13, 14... and their average buying cost must have been around 3 or 4 lira maximum. Now look at the price, it is just around that average cost, around 5, it doesn't go below that because that won't be profitable because they still have a lot of shares because they couldn't sell them all with profit. So what now, you have the Champions League games, maybe Besiktas will win a game there and then it will be like 'oh they won!' and the UEFA pays Besiktas money, so these guys will take the price up, they won't exit the shares until they have zero cost...<sup>114</sup>

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<sup>113</sup> BorsaGundem is a news portal which, among others, disseminates gossips about speculators, company bosses, and so on. According to one of my informants, it is unofficially run by a large domestic-only brokerage house. The Muslim Brothers refer to two domestic speculator brothers who are apparently a bit religious. They were mentioned several times in House A Branch as M, who was one of the day-trading investors, had a personal connection with them and told me why they were given this nickname.

<sup>114</sup> The Besiktas shares are not in the ISE 100 index but with a price level around 11 lira, the market capitalisation of the company goes up to 300 million USD. Its trading volume is approximately around 5 million TL a day which is quite significant for a non-ISE 100 share. In 2009 with 4.26 billion TL annual trading volume the share contributed to 0.44 per cent of the ISE's annual trading volume in 2009 (968 billion TL). The alias of the speculator has been changed but the nickname "bear" belongs to the interviewee.

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