

"Things are only going to go downhill from here," Aleksei Belkin, who helps manage about \$4.5 billion in assets as chief investment officer at Kapital Asset Management LLC in Moscow, said by phone. "The Turkish market now combines investors' worst fears: political uncertainty and the current-account deficit."

The government projects the current-account deficit will widen to 7.1 percent of gross domestic product for 2013 from 6.1 percent a year earlier. When the gap jumped to a record 10 percent in 2011, the lira tumbled 18 percent.

Greater Volatility

Erdogan said the probe is backed by international forces uncomfortable with the speed of Turkey's economic development. He replaced 10 ministers in his 26-member cabinet earlier this week, parting ways with those implicated in the probe. He appointed his deputy minister Bekir Bozdag as justice minister to lead the legal battle as tension increases between the government and followers of a U.S.-based imam, Fethullah Gulen, who fell out with Erdogan lately and who are influential in the judiciary and police forces.

"People like to have stability and they have to like predictability in what's going to happen," Pablo Cisilino, a money manager at Stone Harbor Investment Partners LP which oversees \$55 billion in emerging-market debt including Turkey bonds, said in a telephone interview from New York. "So all of this volatility, accusations and stuff like that going on are obviously not a very helpful environment."

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