EMTA

Bulletin

2nd Quarter 2016 Volume 2016: No. 2

EMTA's 25th Anniversary Panels in London

EMTA's 25th Anniversary Panels "Emerging Markets - Then and Now" took place on May 16, 2106 at Allen & Overy's London offices, followed by a cocktail reception. As EMTA's old and new friends converged for the event, many remembered the past and appreciated the new lessons learned for the future.

Michael Chamberlin provided a warm welcome and introductory remarks, noting that "As a marketplace, we have been lucky when we most needed to be, but more importantly, the right people were in the right places and at the right times - at the banks, their regulators, in national capitals and in many of the EM governments and central banks. There have been inevitable surprises, few of which were entirely pleasant ones, but all of them were handled pretty well.

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19th Annual EMTA Summer Forum Held in London on June 21, 2016

EMTA's 19th Annual Summer Forum was held in London on Tuesday, June 21, 2016. The event was once again hosted by Bank of America Merrill Lynch at its office at 2 King Edward Street, beginning at 2:15 pm.

The Forum featured a panel discussion of EM investors moderated by David Hauner of Bank of America Merrill Lynch and included Jan Dehn (Ashmore Investment Management), Sergio Trigo Paz (Blackrock), Pierre-Yves Bareau (JPMorgan Asset Management) and Lupin Rahman (PIMCO).

Brett Diment (Aberdeen Asset Management) moderated the event's sell-side panel, comprised of Christian Keller (Barclays Capital), Luis Costs (Citi), Drausio Giacomelli (Deutsche Bank) and Luis Oganes (JPMorgan).

A summary of the panel discussions will be contained in the 3rd Quarter Bulletin.

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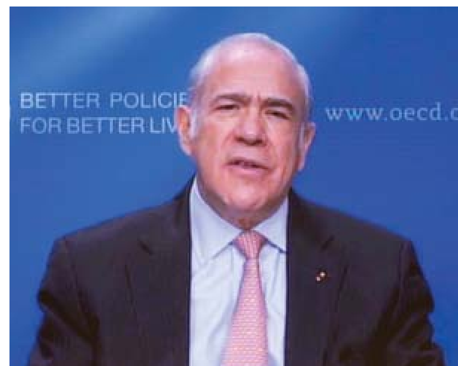
The less pleasant surprises provided, shall we say, buying opportunities, and all in all, we have much to be thankful for." The full text of his remarks can be accessed by Clicking Here. Martin Schubert (European InterAmerican Finance Corp.) provided a brief introduction to the beginnings of the EM debt trading market with his iconic "there is just too much debt" and "life after debt" coined phrases, which can be accessed by Clicking Here. A Special Video Message from Angel Gurria, former Finance Minister of Mexico and Secretary General of the Organisation for Economic Co-operation and Development (OECD), was played for the audience, which can be accessed by Clicking Here.



Panel One Discussion – EM Origins and Birth

Martin Schubert (European InterAmerican Finance Corp.) moderated the panel, with the following speakers: Lee Buchheit (Cleary Gottlieb Steen & Hamilton), David C. Mulford (Vice Chairman International, Credit Suisse and Former U.S. Under Secretary of the Treasury for International Affairs and Ambassador to India), Hans-Joerg Rudloff (Chairman, Marcuard Holding Ltd and former Chairman, Barclays Capital and ICMA, and Chairman and CEO of Credit Suisse First Boston) and Rick Haller. Panel One Questions can be accessed by Clicking Here.

In response to Schubert's question, "What was the most vivid experience of the 1980s you faced following the Mexican payments stoppage, funny or otherwise?", Mulford relayed a call from the Secretary of the Treasury relating to Saudi Arabia, imploring "you've helped create this mess in Latin America, come help us fix it". Buchheit described his junior lawyer days with the Mexican team in Mexico City when, on a conference call with Bill Rhodes, Buchheit failed to adequately unmute his side of the conversation, thus contributing to the possible "collapse of the financial system due to his IT incompetence". Rudloff recounts those years as a move away from the Social Democratic governments to leadership from Thatcher and Brady, who believed in globalization and privatization. This led to enormous hope; "one can't underestimate the importance of these developments…a huge move from the 1970s…markets develop in particular environments, not out of the sky. The problems of the LDC debt crisis trained a generation of bankers and lawyers". David [Mulford] moved the market forward, the Mexican restructuring was extremely well-done and disciplined; the 1990's solution would not have occurred without that good resolution. Since Mexico was close geographically to the US, the US team led the effort. Haller recalled how the UK group had to scramble to get to the meetings in time, with the Concord half-filled with bankers drinking champagne and appreciating the absurdity while dealing with the bankruptcy of Mexico. While there were possible contagion effects globally, Rick's firm, Morgan Grenfell, was also concerned with contagion within its building; but as EM grew, the firm appreciated the lessons that could be learned from EM.

EMTA's 25th Anniversary Panels (continued)

In response to Schubert's "What was your greatest fear or the most difficult problem you encountered in dealing with the Mexican government debt restructuring or others from the 1980's through the 1990's, including the Brady Plan?", Mulford was worried that the financial crisis would bring down the financial system. The Baker Plan hadn't failed, it was not intended to solve the bigger problem. The LDC debt crisis presented such large problems that it could only be managed over time. The bank syndicates were kept together, with banks advancing new money to keep themselves current. The Baker Plan "ran out of gas" when banks reduced their willingness to continue to do so. The serious problem of divergence of interests and behaviors within the bank group developed, discipline broke down, it was harder to do restructurings, countries found it more difficult to comply with IMF conditions and arrears started to build. The architect of the Brady Plan (using collateralized Treasury debt, the risk spread out over the world) understood that, unless something drastic was proposed, the financial system would be "beyond hope". The Brady Plan had to be implemented after the US elections at that time in order to be more palatable since it was difficult to advocate a reduction of Latin American debt without also reducing US citizens' debt. The time was then ripe to "face reality square on and deal with the problem". Poland was one of the success stories - with a 50% debt reduction, in three months' time positive GDP growth was reported and has ever since.

Buchheit explained that the banking community of 500-600 banks acted in unison with extreme cohesiveness during the immediacy of the crisis. The tactical error that was made was to assume that this cohesiveness would continue, by requiring unanimous consent to amend material terms. As the decade rolled on, cohesion decreased, banks no longer found it sensible to lend new money and there was also fatigue on the debtor side (e.g., Argentina and Brazil), with the relentless accretion and debt that became unmanageable. The minority vetos became untenable and restructurings took longer to complete. Larger banks bought out some of the other banks. The Brady Plan was introduced in that atmosphere; the exchange offer was a direct product of the fact that it was "fatuous to believe that one could get unanimous consent in debt agreements". As Bank Steering Committees (BACs), comprised exclusively of banks, gave way to diverse bondholders, it became increasingly difficult to restructure debt as new investors were willing to exit in the face of distress (while the banks of yesteryear were always willing to restructure), and distressed debt purchasers picked up the problematic debt. While banks did not mark-to-market their losses since it would destroy their balance sheets, they were more willing to restructure. On the other hand, writing off debt also allows restructurings to proceed.

Rudloff praised the earlier days of the remaining 80-90 banks (after the smaller banks were bought out since they could not carry the huge losses) taking collective responsibility to move forward, careful not to set bad precedents. Although big banks still have all the power today, that level of duty and responsibility is missing, he posited. An acute example is Greece, where the institutional framework in Europe has failed. If such collective responsibility is not taken, it will be imposed by law, with no choices, way out or equal treatment. In the guise of making the system better and more efficient, with less surprises, it will be

EMTA's 25th Anniversary Panels (continued)

"ruthlessly imposed on the market, and nation's populations will suffer". Haller cautioned that, once these laws are imposed, it will be a long time before countries can re-enter the capital markets. His biggest fear at that time was the time pressures would be imposed. "We wanted to deal with these problems, but not just yet. We needed time. Banks rebuilt assets and reserves and grew out of the crisis. We were afraid that we would run out of time."

Mulford believes that paying a higher price to reach a solution was still worth the effort, while he views investors today buying at a deep discount and wanting 100% payment as unreasonable. Discounts in the past were negotiated between banks and countries, not traders, with banks buying collateral (which didn't cost US taxpayers). Banks got better value on what they had left, and balance sheet problems were radically solved. He posited that Europe has a massive debt problem (even with high austerity) and high unemployment (structurally and youth-wise); unless European governments face debt reduction, "there is no way out, even if they don't want to use US-led solutions. They will need to go back to the drawing board".

Rudloff echoed Mulford's remarks, "Europe can't handle its debt problems, it's hit a wall, it's ridiculous to continue this way". Greece and other countries need to restructure their debt, "otherwise it will open the door to outsiders not to pay their debt at all and democratically elected governments will be out of power. If we advise governments that debt cannot be reduced, there will be no democratic solutions, just panic. Radical elements will move in and take over". "One can't get a united Europe unless people face reality. As long as distortions of free markets remain, we won't gain the right solutions. It's up to us to make sacrifices when they can be done in an orderly way". Haller's view is that with QE so much debt is centralized on the books, so the solution is not "private investors must be reasonable", but rather the public side should be reasonable and write off its debt. Mulford opined that the same message should be delivered to the US central bank. And, Buchheit concluded, "you can't run a financial system forever if you insulate investors from bad investment decisions".

EMTA's 25th Anniversary Panels (continued)

Panel Two Discussion – Our Market Grows and Develops

Martin Schubert (European InterAmerican Finance Corp.) moderated the panel, with the following speakers: William Ledward (Franklin Templeton Investments), Hans Humes (Greylock Capital Management), Carlos Penny-Bidegaray (Pennynvest) and Peter Bartlett. Panel Two Questions can be accessed by Clicking Here.

In response to Schubert's request to "share some funny stories coming out of your trading experiences over the years", Humes recalled trying to obtain a 75% waiver from banks for a restructuring and being reprimanded by his superiors for not being sufficiently diplomatic; Ledward commented on how Lloyds Bank sat in 5 out of the 6 banker spots on a deal and how Franklin Templeton was the sole other spot; Penny recounted how at 3 am at Citibank headquarters, with all members of Republic of Argentina's Steering Committee, while working with Bill Rhodes, he went to get expressos while successfully avoiding the press mounted at Park Avenue, outside of Citibank (Argentina was late in paying it's Banco de la Nacion debt, FED was open all night, luckily it did pay later that next morning after a full vigil night); and Bartlett surmised (while recalling his meeting with the Central Bank) that the price of North Korean debt would be lower if they weren't nuclear testing over Japan. Schubert told his story of how he advocated to read the Bank of Montreal loan agreement before signing it in his debt for basketball deal.

In response to Schubert's question "what have you learned from your trades of Argentine, Venezuelan and Brazil debt or others that you would do differently today?", Ledward cautioned against buying bonds issued through comfort letters signed by other companies; Humes recommended against making decisions on price alone (he waited until the second 2010 round of Argentina's offer (thinking that the 2005 price wasn't good enough and he underappreciated how Kirchner stuck to the Lock Law) and wished he had bought everything others hadn't tendered); Penny suggested that memories of past events be kept fresh to avoid making mistakes (although history repeats itself because of the "grid-fear symptom" in all traders); and Bartlett recalls the "lemming-like mentality and feeding frenzy of banks at seasonal auctions", which led to "crazy low point pricing everywhere".

EMTA's 25th Anniversary Panels (continued)

In response to "what are the biggest challenges facing Emerging Market debt trading going forward, including private and public sector debt, based upon your experiences of the 90's?", Humes thinks liquidity has deteriorated and there's a weakness in the market, and predicts a potential crisis if many firms have to abandon the market; Penny is worried about the declining commodity prices (especially in Latin America), ongoing social conflicts between agriculture and mining and the application of never-ending political changes to the environmental laws, making almost impossible new large projects; Bartlett sees the market changing, migrating to screens and crowdfunding (to a certain extent), but when the market starts to become dysfunctional, liquidity will suffer; and Ledward commented on how some public sector creditors lending to China think they're senior to private creditors and should get better restructuring benefits.

Commenting on Brazil, Humes thought Brazil with its "wall of debt" was the best opportunity for an EM investor (although better spreadsheets and "knowledge about the players and what's going on on the ground" was crucial); Ledward hopes the Brazilian government would turn things around, including instituting a bankruptcy regime for Petrobras, which is currently not subject to any bankruptcy law; Penny thinks many Brazilian companies, such as EMBRAER, are "super cheap" and large construction companies' related assets are an opportunity to look at; and Bartlett also sees "exciting opportunities". Commenting on Peru, Penny hopes the change in the coming government and the free trade agreement signed with the US will aid in settling Agrarian Reform debt and US Dollar Gold denominated, so-called Guano, Bonds pending to be paid to bondholders.

Responding to "what will be the next great Emerging Market default?" Humes thought Venezuela (given his fear if the opposition takes over), with a quick move to the court process; Penny stated there would be many variables for LATAM depending on whether Trump or Clinton wins; Bartlett had significant concerns in Europe and the Mideast (specifically Saudi Arabia and UAE with their "Sharia-compliant minefield"); Ledward mentioned PDVSA (as a corporate, but with linkages to the sovereign, so it may be a rare example of how the corporate veil may be pierced), China loans being repaid by oil and warrants generally being included in future restructurings since many are presently out of the money.

On Cuba, Ledward noted that with OFAC sanctions most firms can't invest yet and he would not be surprised if the sanctions were used a policy directive; Humes hoped that OFAC would communicate and integrate better if it intended to use sanctions as a weapon (since the Europeans were terrified of crossing OFAC); Penny mentioned the social and environmental responsibilities and political effects of the Panama papers; and Bartlett called Cuba the "last old school debt rescheduled with a mind-boggling large PDI trail", an "amazing potential" with debt forgiveness likely to be small, a good window of opportunity to reach a London Club debt deal; a debt to GDP ratio that is manageable and tourism that will dwarf the rest of the Caribbean's. And, while OFAC is unlikely to change its stance before the next election, there is a "huge opportunity to dismantle sanctions to bring standards of Western due diligence and regulations up to scratch (and same goes with Iran)".

EMTA's 25th Anniversary Panels (continued)

Panel Three Discussion – Our Market Matures and Mainstreams – Today and Tomorrow

Yannis Manuelides (Allen & Overy) moderated the panel, with the following speakers: Lee Buchheit (Cleary Gottlieb Steen & Hamilton), Mark Franklin (Emso Asset Management Limited), Stuart Culverhouse (Exotix Partners LLP) and Dean Menegas (Spinnaker Capital Limited). Panel Three Questions can be accessed by Clicking Here.

In response to Manuelides' query on the next problem areas in EM, Franklin predicted Puerto Rico. Rates and currencies, not just debt, will be at the forefront, and US and European tail risk should be watched. He suggested looking through the lens of an EM asset by its technical, economic, legal and political aspects. And, he suggested that more pension funds and other large mangers should be more involved in EMTA's projects.

Culverhouse viewed the EM asset class as more resilient and more correlated and integrated with other markets since it has grown, but productivity weakness, stagnation and potentially more corporate defaults must also be taken into account when viewing the "EM story". He had a "growing concern" that, for policymakers and the official sector, reform of the international financial architecture and policy response was increasingly based on "lessons" from the two most atypical crisis episodes of all – Argentina and Greece. Official sector involvement needs to be monitored regularly, he stated. He also thought that the role of China and the bilaterals will be an issue going forward. And, investors should be more questioning and demanding on the use of proceeds.

In response to Manuelides' query on EMTA contributions to EM over the years, Menegas suggested that how EMTA performed in the past is helpful to inform how it should operate in the future. "We can look backwards at our huge successes, and then look forwards to where EMTA can have similar impacts in the present and future. EMTA has had enormous influence in ensuring an orderly market in difficult-to-settle EM assets. Key to that has been the creation of market practices and standard forms of documentation (such as the 1995 Standard Terms for the Assignment of Loan Assets, lists of market practices for trading various assets, netting facilities and FX derivatives documentation)". Without the settlement architecture

EMTA's 25th Anniversary Panels (continued)

of trading documentation, trading volumes would not have skyrocketed, and the Russian commercial unsyndicated loans of the mid-90's could not have traded interchangeably. "Without EMTA's creation of standard terms for assignments and for participations, and its bilateral and multilateral netting facilities, the process of trading and settling Vnesheconombank loans would have collapsed". EM is a "state of mind", and Greece, for example, converted to EM status as it took up the EM-type characteristics of other countries.

Menegas posited three additional areas in which EMTA's skill set and expertise in building market infrastructure could be useful: (1) hard currency sovereign loans, which is a nascent market (since EMTA is used to dealing with messy sovereign loans general, is a useful intermediary and has contacts at OFAC), (2) local and frontier markets, which have not yet fully integrated with the global markets (work here would encompass standard documentation, monitoring of developments, interacting with legal counsel and local committees, market practices surrounding default and between domestic and international markets and providing guidance on new techniques (such as GDPs) and netting) and (3) bilateral amendments of FX and Argentine bond trading to facilitate smooth trading.

Buchheit discussed the official sector concern of whether the Argentine settlement will encourage litigious holdout behavior. In the last 10 years, there's been a movement to supermajority control through contractual obligations, such as CACs, and an increased use of the trust structure, whereby enforcement is centralized through trustees (which are "slothful and cowardly at this point", and will have to act more to protect the interests of the bondholders). The "central problem of sovereign debt is the pathological procrastination in admitting a problem and dealing with it", trying to defer to the last possible moment. Politicians contribute to this by their "profound belief in the efficacy of prayer", thinking that no country needs to listen to the IMF until a crisis occurs. And, the countries should also take prophylactic measures by seeking advice from the IMF and the sovereign's creditors preventively, and adhere to the conditions imposed by the IMF before they benefit from its programs.

Buchheit also suggested that there should be a centralized place to find trust indentures for sovereign and corporate debt; "Argentina has taught us that names and coupons are not only what's important – trading should not be blind".

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FX Currency & Derivatives

Ruble NDF and NDO Transition Nearing Completion

On June 13, 2016, EMTA issued its FX and Currency Derivatives Market Practice No. 77 recommending new standard terms for RUB / USD Non-Deliverable FX forward and currency option transactions ("NDFs" and "NDOs"). The effective date for the new EMTA Template Terms for NDFs and NDOs is July 18, 2016. This Market Practice reflects the culmination of the work done by EMTA to implement a transition away from standard terms that reference, among other things, the CME-EMTA Ruble rate (RUB03) as the recommended primary settlement rate option for the valuation of Ruble / US Dollar non-deliverable FX forward and currency option transactions to a rate published by the Moscow Exchange. The CME-EMTA Russian Ruble Reference Rate Survey, published daily since August 1998, will be permanently discontinued, with the last scheduled day of the Survey being July 15, 2016.

The Market Practice was published together with amended Template Terms for NDFS and NDOs, amendments to Annex A to reflect new and revised rate source definitions and certain other documentation. An Implementation Protocol was also published to assist EMTA Members with the transition from one primary settlement rate option to another. This Protocol provides a complete list of the new or amended documentation, addresses timing considerations and provides for mechanisms to facilitate the amendment of outstanding NDF, NDO and other contracts that reference the rate produced by the Survey. In consultation with ISDA, language was added to the forms of amendment to include certain types of outstanding swap transactions that rely on, or otherwise reference, the CME-EMTA Ruble rate.

EMTA Members may CLICK HERE to view FX and Currency Derivatives Market Practice No. 77.
EMTA Members may CLICK HERE to view the Implementation Protocol and other related documentation.

ECB Rates

On March 23, 2016, EMTA, in consultation with both ISDA and the Global FX Division of the Global Financial Markets Association, published a form of amendment agreement to be used by market participants to address contracts potentially affected by the announcement of the European Central Bank (the "ECB") that its foreign exchange reference rates that should be used only for "informational" and not "transactional" purposes. Some of these rates, and ECB37 in particular, may be in current use by the market in connection with certain kinds of transactions, including cross-currency non-deliverable forward and FX transactions. The form of amendment agreement, designed to be used on a bilateral basis by market participants, has been published on EMTA's website and have also been distributed by ISDA and the GFMA. Currently, market participants appear to be working toward the July 1, 2016 deadline of the ECB.

EMTA Members may click here to see the original ECB press release: http://www.ecb.europa.eu/press/pr/date/2015/html/pr151207.en.html.

EMTA Members may CLICK HERE to view the form of Bilateral Amendment Agreement for Certain Financial Transactions Referencing European Central Bank Foreign Exchange Reference Rates.

FX Currency & Derivatives (continued)

Annex A Restatement

On March 29, 2016, EMTA and ISDA, cosponsors of the 1998 FX and Currency Option Definitions (the "Definitions"), circulated a draft restatement of the Definitions to their respective constituencies for comment. The draft restatement reconciles the Compendium to Annex A and the last physically-published draft of the Definitions (2000), makes a number of structural changes and attempts to update all Annex A content. EMTA and ISDA held three joint work sessions for their respective memberships (by conference call) to give an overview of and to answer initial questions about the proposed changes. As of May 3, which was the deadline for initial comments, insufficient responses had been received to warrant the production of a revised draft and, accordingly, EMTA Members continue to be invited to review and comment on the draft. Comments on the draft may be directed to Aviva Werner (awerner@emta.org) or Leslie Payton Jacobs (lpjacobs@emta.org).

EMTA Members may CLICK HERE to view the March 29 Draft Restatement of Annex A and related guidance materials.

EMTA Monitors European Union Benchmark Legislation and Ramifications for NDFs

On December 4, 2015, the final compromise text regarding the Regulation of the European Parliament and of the Council of the European Union on indices used as benchmarks in financial instruments and financial contrasts was issued. This legislation may have implications for EMTA Members who are end users of certain benchmarks and for administrators of certain benchmarks used by EMTA Members. EMTA will continue to monitor this legislation and to assess its implications for EMTA and its Members. In February, EMTA met in London at the offices of EMTA Member Clifford Chance with a working group of EMTA Member EU-based lawyers to focus on this topic, with a view to developing appropriate recommendations and, in May, met with a group of Singapore-based EMTA Member lawyers to discuss the same.

Argentine Advisory Council Meets

On April 27, 2016, coinciding with the EMTA Forum held in Buenos Aires on April 28, 2016, the Argentine Advisory Council held its second annual meeting at the offices of Banco Itaú Argentina.

Attended by the appointed Council members or their delegates, the Council reviewed old and new business, including the recently issued EMTA Bonds Recommended Market Practice No. 150 for Trades of Argentina's Sovereign Bonds dated April 26, 2016, upon which several of the Council Members had worked extensively.

The initial Chair of the Council, Juan Pablo Werner, stepped down and Fabio Saraniti, Treasurer of Banco Itaú Argentina (of EMTA Member Itaú Unibanco), was unanimously elected as the next Council Chair. One seat on the Council remains open and steps are being taken by the Council to identify and fill the vacancy.

Bond & Warrant Trading & Settlement

New Argentine Bond Market Practice/Record and Payment Dates Announced for Exchange Bondholders

Following consultations with EMTA's Advisory Council for Argentina, as well as major market participants, EMTA recommended that, for all trades entered into on or after April 27, 2016, Argentina Bonds should, unless otherwise agreed, trade "clean", with, upon settlement, an additional payment in respect of accrued interest.

EMTA Members may Click Here for the full text of this Market Practice recommendation.

EMTA also posted various notices from BNY Mellon, the fiscal agent, in connection with the record and payment dates for the Argentine exchange bondholders' coupon payments that were stayed as a result of Judge Griesa's injunction. Click Here for the notice relating to the record date and Click Here for the notice related to the payment date.

EMTA Notifies Members of Warrant Payments

For many years, EMTA has routinely monitored information on various warrants issued in Brady bond exchanges.

During the second of 2016, EMTA notified its Members of the payment amount and payment date of May 16, 2016 in respect of Nigeria warrants, as well as the zero payment amount in respect of Uruguay warrants.

This information can be found on EMTA's website in the New Developments area (http://www.emta.org/newdev.aspx), as well as in the individual relevant countries' Market pages (http://www.emta.org/markets.aspx).

For further information, please contact Aviva Werner at awerner@emta.org.

2016 Holiday Schedule

The 2016 Holiday Schedule can be accessed by Clicking Here.

EMTA Survey: EM CDS Trades at US$363 Billion in First Quarter

Reported Volumes Down 5% Compared to 1Q 2015

Emerging Markets CDS trading stood at US$363 billion in the first quarter of 2016, according to a Survey of 13 major dealers released on June 14, 2016 by EMTA. This represented a 5% decrease on first quarter 2015 volume of US$383 billion, while demonstrating a 43% jump in volumes compared to the US$254 billion in reported transactions in the final quarter of 2015.

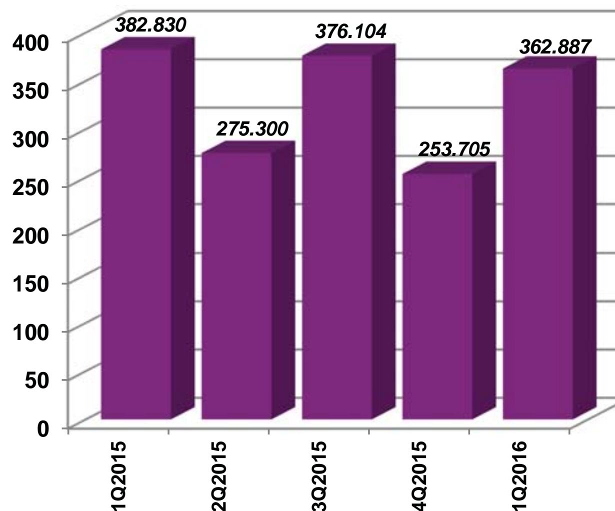
"The high volume this quarter should alleviate concerns that CDS is a shrinking market. The large increase this quarter brings trading volume to levels similar to those of 2014 and 2015, and still far above the volumes in 2012 and 2013, despite the regulatory limitations of trading some European credits," noted Jane Brauer, Director and EM Sovereign Strategist at Bank of America Merrill Lynch. Brauer added that EM CDS volumes were likely to grow as Argentine CDS contracts resumed trading last month.

The largest CDS volumes in the Survey during the quarter were those on Brazil, at US$57 billion. EMTA Survey participants also reported US$41 billion in Turkish CDS; Mexican volumes followed at US$35 billion.

The EMTA Survey also included volumes on nine corporate CDS contracts, with the highest reported quarterly volume on Pemex (at US$3 billion).

For a copy of EMTA's First Quarter 2016 CDS Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or + (1) 646 289-5413.

Figures in Billions of US Dollars



EMTA Survey: Quarterly EM Debt Trading at US$1.299 Trillion

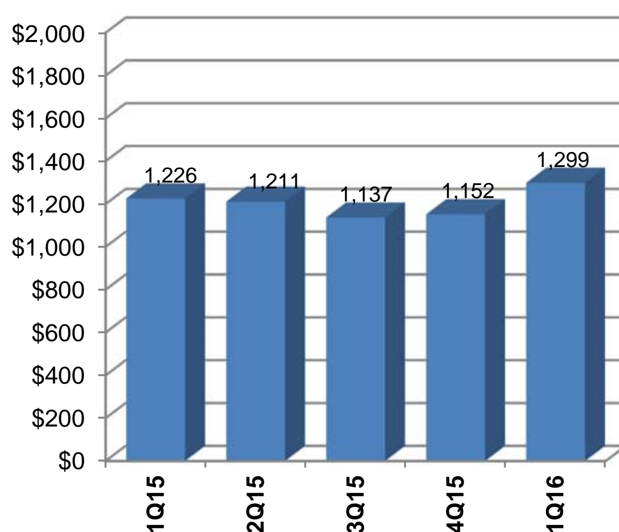
Emerging Markets debt trading volumes stood at US$1.299 trillion in the first quarter of 2016, according to a report released today on June 16, 2016 by EMTA. This compares with US$1.226 trillion reported for the first quarter of 2015, a 6% increase, while up 13% from US$1.152 trillion reported in the fourth quarter.

Gordian Kemen, Global Head of EM Fixed Income Strategy at Morgan Stanley, commented that the first quarter of 2016 was divided into two distinct periods. “Up to the middle of February, the market was very weak on fears of capital outflows from China, a Fed intent on multiple rate hikes, and low oil prices; and these factors weighed significantly on trading volumes. However, as the Fed turned decidedly more dovish, China fears abated, and oil prices rose, asset prices recovered in the second half of the quarter.” Kemen underscored that, “with the more positive market backdrop, as well as the eventual pick-up in EM bond issuance and with an increasing share of DM government bonds trading at negative yields, EM trading volumes rebounded later in the quarter as investors search for yield.”

Local Markets Instruments at 63% of Volume

Turnover in local markets instruments stood at US$819 billion in the first quarter, accounting for 63% of total reported volume. This compares to US$652 billion in the first quarter of 2015, a 26% increase, and US$740 billion in the fourth quarter, representing an 11% percent increase.

Mexican instruments were the most frequently traded local markets debt in the first quarter, at US$179 billion. Other frequently-traded local instruments were those from India (US$167 billion), Brazil (US$74 billion), South Africa (US$65 billion) and China (US$61 billion).



First Quarter 2016 Survey (continued)

Eurobond Volumes at US$471 Billion

Eurobond trading stood at US$471 billion in the first quarter, down 17% compared with first quarter 2015's US$571 billion, while up 16% vs. US$406 billion in the fourth quarter.

53% of Eurobond activity involved sovereign debt issues in the first quarter with Survey participants reporting US$249 billion in sovereign Eurobond turnover. This compared to a 54% share of Eurobond activity in the previous quarter, when such volumes stood at US$219 billion.

Corporate Eurobond trading stood at US$207 billion in the first quarter, accounting for 44% of total Eurobond activity (vs. a 42% share in the previous quarter). Sovereign Eurobond activity accounted for 19% of overall Survey volumes, with corporate trading at 16% of total turnover.

The most frequently traded individual EM Eurobonds in the quarter included Brazil's January 2025 bond (US$5.6 billion in turnover), Pemex's 2026 bond (US$4 billion), Brazil's 2045 bond (US$4 billion), Brazil's January 2021 bond (US$3.1 billion) and Argentina's USD Discount Bond (US$3.1 billion).

In addition to local markets bonds, and sovereign and corporate Eurobonds, the Survey also includes turnover in warrants, options, loans and Brady bonds. Survey participants reported US$9 billion in warrant and option trades during the quarter, US$275 million in loan assignments and minimal trading of the industry's few remaining Brady bonds.

Mexican, Indian and Brazilian Instruments Most Frequently Traded Overall

Mexican instruments were the most frequently traded instruments overall, according to Survey participants, with US$234 billion in turnover. This represented an 11% decrease from the US$264 billion reported in the first quarter of 2015, while up 3% vs. fourth quarter volumes of US$227 billion. Mexican volumes represented 18% of overall volumes.

Indian instruments were the second most frequently traded instruments in the EMTA report, at US$176 billion, according to Survey participants. This represents a 278% increase on the US$47 billion reported in the first quarter last year and a 31% increase on fourth quarter volumes of US$135 billion. Indian volumes accounted for 14% of total reported volumes.

Third were Brazilian assets, whose volume stood at US$134 billion. This compares to US$188 billion in the first quarter of 2015, a 29% decrease, and a 4% increase on fourth quarter volume of US$128 billion. Brazilian instrument trading accounted for 10% of Survey volume.

Other frequently traded instruments were securities from China (US$97 billion) and South Africa (US$77 billion).

EMTA's Survey includes trading volumes in debt instruments from over 90 Emerging Market countries, as reported by 48 leading investment and commercial banks, asset management firms and hedge funds.

For a copy of EMTA's First Quarter 2016 Debt Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or +44 (207) 996-3165.

Peru Land Reform Bond Case Debated at EMTA Seminar

EMTA hosted a Special Seminar, "The Peru Land Reform Bond Case", on June 2, 2016 at its NYC offices, with support from BakerHostetler. Arturo Porzecanski (American University) moderated the panel, with the following panelists: Mark Cymrot (BakerHostetler), Charles Blitzer (Blitzer Consulting), John Coffee (Columbia University Law School) and Mark Friedman (Debevoise & Plimpton). Relevant documents addressed during the panel discussion can be accessed by Clicking Here, including a brief statement by Peru.

Peru's Land Reform Bonds have been in default for over 20 years. The Seminar provided background, analysis and commentary by leading legal and academic experts on the case, including a review of a key court decision issued by Peru's highest court and the prospects for future arbitration claims.

Arturo Porzecanski provided some background on the arbitration case being brought by Gramercy against Peru by referring to his article "Peru's Selective Default: A Stain on Its Creditworthiness": http://www.emta.org/WorkArea/DownloadAsset.aspx?id=9811.

"In the 1970s…one-third of Peru's total agricultural acreage…were expropriated…The compensation provided to landowners was miserly…[and] about 85 [%] of total recognized land values were settled…with long-term Agrarian Debt Bonds, which committed future governments to honor fixed coupons on obligations maturing in 20 to 30 years. These bonds became worthless during the 1980s, however, because hyperinflation raged and the Peruvian currency lost most of its value. In the wake of the filing of hundreds of lawsuits seeking judicial redress, in 2001 the country's Constitutional Tribunal ruled that the government should resume payment of the land-reform debt after updating its nominal value on an actuarial basis. And yet, successive administrations did not act on this ruling, despite the fact that since the mid-1990s Peru has exhibited vigorous economic growth, significantly strengthened public finances, and substantially improved creditworthiness, such that governments have had more than the necessary ample fiscal resources to redeem the land-reform bonds at their full, original value. It was not until July 2013 that the Constitutional Tribunal reaffirmed the government's obligation to pay the current value of the agrarian debt and gave it six months to issue a decree-law regulating the procedure for payments on the land-reform bonds. The current (Ollanta Humala) government complied, but it put forth an adjustment formula which does not revalue the bonds correctly and leaves them nearly worthless, thus adding insult to long-standing injury. Evidently, we are now in the presence of a case of blatant unwillingness to pay, one which undermines Peru's claim to be a nation that is creditworthy, investor-friendly, and respectful of the rule of law".

Porzecanski also drew the audience's attention to the Gramercy Press Release and Financial Times article "Big Rating Agencies Steer Clear of Peru's Defaulted Debt", both published that morning.

Peru (continued)

Responding to "what is the appropriate disclosure of Peru's default in SEC filings", John Coffee provided the "bikini method of law teaching – covering key points, but just barely" – by explaining that Peru has repeatedly filed registration statements, but has not disclosed its default relating to the payment on the land reform bonds, which can be viewed as a material omission that may be actionable. While the default may not threaten the solvency of the nation, it is a default on a large amount of debt (possibly $4-5 billion, based on the Consumer Price Index (CPI)). Peru's stance is that the bonds were issued under local law, so the materiality requirement is not triggered and there is, in fact, no dispute. Coffee posited that that makes it even more material for Peru to so selectively default, discriminate against foreign investors and secondary market purchasers, and "is a bad sign" for its future bond issuances in the US generally. He also reported that Peru deems the non-payment as an "administrative resolution", with a supreme decree that adjusted the methodology for valuation of the payments on the bonds at a 99% discount from its original value. This default was seemingly made as a political choice, rather than based on insolvency or other reasons typically given by other nations. In addition, the integrity and authority of the judiciary has been brought into question by allegations that a recent decision by the Peruvian Supreme Court was altered through "whiting out" of one of the judge's opinions. This suggests to investors that the Executive has authority over the courts and can influence their outcomes, thus making enforcement of creditors' rights tenuous.

In response to Porzecanski's question on why the SEC has been fairly passive about Peru's registration statements' omissions and/or misstatements, Coffee explained that, for large issuances, the SEC policy is to permit shelf registrations, which are not reviewed carefully until registration goes effective (thus focusing their resources on smaller issues and IPOs, which have expected problems with creditworthiness and volatility). In addition, the SEC's enforcement division likely reviewed the potential investor base, which it probably deemed sophisticated types who can fend for themselves and pursue any claims through private arbitration, so there was no priority to particularly review these Peruvian bond non-disclosures. Moreover, the SEC may have received some friendly advice from the State Department or Treasury not to push too broadly on a friendly state such as Peru. Nevertheless, all the above does not mean that the SEC will not act in the future. What's material should relate to what investors really care about – does the rule of law apply or not?

Mark Cymrot posited that the SEC does not view the lack of registration statement disclosure as a violation because this 50 year old debt was a local political issue and should continue to be handled as such, and does not belong in an international forum. As Peru's economy shriveled up, the bonds became worthless in the 1980s and, thus, the resolution of their future continues to be a local matter.

In response to how the ratings agencies should incorporate the default into their credit analysis, Charles Blitzer explained that the general view was not to put countries on selective default for these types of matters since the agencies don't look at every single potential default. "It all hinges on what's material"; whereas this topic was "not on [the rating agencies'] radar, that may begin to change with the announcement of the Gramercy arbitration. The agencies may continue to view this as a contingent liability. Blitzer thinks Peru should settle this matter privately and that it is not a material event. While the underwriters' lawyers should have probably disclosed this topic in the prospectuses, any litigant under such non-disclosure may be "hard-pressed to show damages" (and the statute of limitations may also be applicable).

Porzecanski pointed out that markets are now commingled, with foreign investors buying local debt and vice versa, so this topic is not just a local matter. For valuation, Peru has committed in the past to use the traditional CPI approach of Colombia and Chile (as opposed to the informal indexing to the exchange rate of $ as Argentina, Brazil and Uruguay have used). Blitzer's view was that CPI was vague, needing weights, with the calculation of which goods would be included in the consumer basket inherently hard to pin down. Therefore, the end result of this matter (including valuation) will likely be brought about by negotiation. Porzecanski countered that CPI changes from time to time in countries with a history of indexation, but monthly mortgage payments and salaries are clearly indexed.

Peru (continued)

Mark Friedman summarized the events leading up to the $1.6 billion claim by Gramercy related to the arbitration filed that morning. With the Constitutional Tribunal's early 2000 decision that the bonds be paid at the "current value" at the rate they would have been when issued, with Peru's heretofore accepted tradition of using the CPI and with the country's own evaluation of $5 billion+ 1-1/2 years ago (and $7.9 to $10.5 billion from expert Professor Edwards from UCLA), it is highly unlikely that the number for valuation purposes should be a nominal or 99% discounted amount or effectively zero (as Peru has recently claimed).

Friedman explained that the Gramercy arbitration was brought under an investment treaty between the US and Peru, and claimed violations of international law obligations related to rights against expropriation without due process, fairness and equitable treatment. The neutral remedy is not governed by local law since the rights arise under international law. When Gramercy purchased the bonds from 2006-2008, there was an expectation that the bonds were lawful and valuable until the 2013 Constitutional Tribunal opinion (which, as previously described, is subject to criminal allegations brought by the Peruvians themselves on the 11th hour majority opinion reversal) based on "false premises of Peru's inability to pay these bonds and the economic impact on its population". The administrative process of valuation is a "total sham…pretending payment at full value and then paying zero is problematic". Gramercy wants an amicable solution and has tried to engage in substantive, good faith negotiations with Peru, touting a restructuring that would benefit all bondholders, but thus far Peru has not responded to scheduling a meeting. Friedman reported that Peru did claim that it may not pay at all if doing so adversely affects the Peruvian economy, or it may pay differing valuation amounts depending on who the creditor is, and Gramercy in any case would get paid last. In addition, any creditor that wants to get paid must submit to Peru's internal process and waive all rights and other remedies. However, Friedman states that proper enforcement of creditors' rights is crucial.

Cymrot echoed his earlier comments that this was a political (not international judicial) issue related to the Peruvian economy and how best to handle those that had their land expropriated. The political considerations included the losses by those whose property was expropriated in 1969, but also the damage done to many poor landowners when US banks panicked in the 1980s, as well as many other considerations. In the 1980s, US banks were permitted by their regulators to carry defaulted sovereign debt obligations at full value (not mark to market) for fear of a market collapse. Nobody suggested that the US banks were engaged in securities fraud, which suggests that Coffee is looking at the issue of Peru's current disclosures too narrowly. The impact of a 50-year old default on Peru's current financial condition is unlikely to be material to current buyers of Peruvian bonds.

Coffee countered that these bond obligations were validated by the country's own Supreme Court, thus rendering them not a political issue. Moreover, the bonds traded in the secondary market, which also made the topic less political. Cymrot believed that Peru did not market the so-called bonds to the public, they were internal sovereign obligations; hence, they were understood to be subject to a political process, not an international arbitration one. He believed that Gramercy was attempting to "boot-strap" the 2013 judicial decision and "back into events that happened over 50 years ago" to buttress its argument for payment. Blitzer raised the example of revolutionary bonds given to soldiers as furthering the pari passu argument, where each holder should be treated similarly regardless of his nationality, as well as the international law precedents of the Italian bondholder suit in ICSID and Russian domestic law treasury bonds.

Blitzer predicted that the arbitration will "peter out", the tribunal decree will be thrown out and negotiations with the new government will result in a settlement of the case. He recommended that a creditors' committee be formed on day one of the new administration so that the negotiations can more easily be accomplished. Friedman predicted that either candidate will be more likely to take this topic more seriously than their predecessor. Porzecanski concurred and reminded the audience that Argentina matter was finally successfully settled by the new administration, not by the court system.

EMTA Panel in Hong Kong Examines Accepted Wisdom on Chinese Economy

The focus on the Chinese economic outlook continued at an EMTA Special Seminar held in Hong Kong on Thursday, May 26, 2016. ICBC Standard Bank again sponsored the event, which was attended by 100 market participants. Deutsche Bank and MarketAxess provided additional support.

ICBC Standard's Jinny Yan noted that the accepted wisdom among China economists included a belief that Chinese leverage was excessive, that bad debts were cause for alarm, that the CNY had to depreciate, that the housing market was in a bubble, and that a restructuring of the economy was elusive, among other factors. Yan returned to such themes during the panel discussion, asking speakers if such "givens" were valid.

Anthony Chan (AB) immediately questioned another idée recue: the characterization of President Xi as a reformer. "When he came to power, the reform program was the most comprehensive we had seen. We thought if he could accomplish half of that, it would be great…but the things we see now are all [occurring] under his rule," and thus, Chan pondered if the moniker of "reformer" was accurate.

Deutsche Bank's Zhiwei Zhang agreed that it was "hard to read the true color of the leadership," and that "very confusing signals" were being emitted. The leadership transition next year could provide investors with greater clarity. He cautioned that the regime's reliance on credit to stimulate the economy may work for "one to two more years," and the strategy becomes increasingly risky beyond 2017.

Tim Condon of ING discussed the controversy regarding the May 9, 2016 People's Daily article, in which an "authoritative person" warned against over-reliance on debt to fuel the economy, and which analysts viewed as indicative of a political battle over Chinese growth policies. In Condon's estimation, it was a "hopeful sign…that they published this debate. It is clear that there is uncertainty, but it's encouraging that they are thinking about the right things." Condon concluded that, as the transformation to a consumption-based economy remained the regime's goal, it would be a "miserable time for manufacturing for a long while, but that the bailing out of Chinese firms will not continue as it has in the past."

J.P. Morgan Asset Management's Stephen Chang agreed that the article should be an encouraging sign for investors, while anticipating an official near-term "muddle through" approach, as Beijing's massive resources bought Chinese leaders some time. He highlighted the improved communication to the market since the 8/11 CNY sell off.

HK (continued)

Chan, however, expressed a less sanguine view. "I'm concerned that the political infighting signaled by the article might last the next couple of quarters." This could stymie economic growth, as "uncertainty at the top leads to a lot of confusion in business planning."

Despite speculation that Beijing's progress in closing zombie factories was slowed by a concern over social unrest, panelists agreed that the Chinese labor market was running close to its full potential. "It looks like people who want a job can get one, though not necessarily a great one," stated Zhang. The strong labor market meant that China could afford to cut its official growth target, he added.

As at EMTA's Seminar in Singapore two days earlier, most panelists agreed that China would announce its official growth target. However, Hong Kong investor panelists were less optimistic in their assessment of growth as measured by non-official proxies, with Chang estimating 5 to 5 1/2 % growth and Chan's forecast at "below 6%."

Deleveraging was also a panel focus. "It is a legitimate concern, it's high…but it's not super high," observed Chang, who believed that leverage would increase rather than decrease. He recommended investors focus on China's funding costs, and whether the yuan could remain steady. One potential pitfall was greater-than-expected US rate increases, he warned.

Chan concurred that Chinese indebtedness would increase, rather than abate. "The best case is that the debt/GDP ratio stays the same at 250%; it could grow to 270%, or in a worst case scenario 300%," he stated. Only an economic crisis would force a deleveraging, in his view.

Turning to China's non-performing loans, Condon was adamant that the "solving such a large problem would require a variety of approaches –write-downs, securitization, debt-equity swaps–but not likely QE, which would lead to a weaker yuan." Chang expressed his own reluctance to invest in the country's bad assets. "There are enough legal issues to worry about in onshore Chinese corporates before they go to the default stage, such as the attempt to call bonds without call features, or change of control protection; I don't think the international investor wants to jump into bad assets yet."

Chan highlighted onshore corporate rating concerns, which in the minds of many investors were overinflated. However, he noted that a few clients were nonetheless making strategic decisions to invest in RMB-denominated assets, and were doing so before index inclusion made this more widespread.

Estimates on the yuan/dollar exchange rate varied. Zhang maintained a 7.0 forecast, while Chan stood out of consensus with a 1% *appreciation* view.

EMTA Panel in Singapore Expect Less Turbulent 2H in China

EMTA held a Special Seminar focusing on the Chinese economy in Singapore on Tuesday, May 24, 2016. ICBC Standard sponsored the event, which drew a crowd of approximately 100 market participants. Additional support for the event was provided by Barclays and MarketAxess.

Speakers predicted a quieter market in the rest of 2016 for Chinese assets, as Beijing worked to avoid a repeat of August 2015 and January 2016 market turbulence, especially in the run up to its party congress next year.

Moderator Jinny Yan (ICBC Standard), in opening remarks, reviewed the much-discussed May 9, *People's Daily* article--and its subsequent analysis in *The Economist* magazine--in which an "authoritative person" questioned the use of easy credit to promote Chinese growth, and argued that policy changes were needed to avoid a future financial crisis. Yan noted that the story illustrated the current battle between reformists in Beijing, led by President Xi Jinping, and proponents of the status quo, represented by Prime Minister Li Kiqiang.

"It's really hard to read the document and not think that the reformers have the upper hand," opined Tim Condon of ING, who discussed market speculation and who had actually authored the article. Roland Mieth (PIMCO) noted that his firm did, in fact, see it as a political criticism of the Prime Minister by the President's camp, and believed that political infighting would continue until the next party congress when each side would try to assume dominance. He was unsure which side would ultimately win out, while venturing that some sort of accommodation could be negotiated.

In a discussion of Chinese debt levels, David Fernandez (Barclays) stressed that Beijing wanted to avoid repeats of the episodes such as 8/11, and thus would avoid dramatic moves, but "whether deleveraging is forced upon them is another matter…if it happened, it would be the result of a policy mistake, the unintended consequence of perhaps a regulatory move." Rajeev De Mello (Schroders) lamented that, "countries by themselves don't reform; it will be difficult for China to reform gradually. There is a policy put; all will be done to keep growth up until the next party congress."

Investor speakers agreed that another policy-error related sell-off could provide buying opportunities. However, in the view of De Mello, "no one wants one…the CNY crisis had an impact on *all* risk assets—that volatility was too much, even if it presented opportunities." Mieth added that investors feared "radical uncertainty" and that the events such as 8/11 "make it hard for firms like us to make decisions based on fundamentals." He anticipated that there would be "pockets of volatility" going forward. Underscoring the assumption that Beijing's focus was to avoid any shock waves, panelists agreed that China would meet its official growth target (an indicator that many investors treat with skepticism).

Yan explored the theme of yuan depreciation. Mieth's base case was that the CNY would be depreciated in a gradual, controlled manner in accordance with the desire for stability. He saw the CNY as potentially weakening by 5% based on a number of factors, including Chinese demand for offshore assets.

Singapore (continued)

Fernandez announced his forecast of the CNY at 7/USD, similar to his call made at EMTA's Singapore Forum in October 2015. He explained the weaker CNY would primarily result from US rate hikes causing the dollar to strengthen ("7 is not really aggressive when you see how other currencies are expected to depreciate versus the dollar"). Condon didn't expect any movement in the CNY in 2016, also similar to his October 2015 EMTA Forum prediction. Condon cited both the country's massive reserves and, in his estimation, a G-20 accord not to depreciate currencies, which he believed China had accepted. He added that, "outward capital flows have fallen to a manageable pace; any sudden movement on the currency will trigger greater outflows and get the G-20 on China's case, and who needs that?!" De Mello's view was in the middle, forecasting 6.75 CNY per dollar, acknowledging that, "I'm not a super dollar bull."

Yan asked for thoughts on the gradual opening of the Chinese onshore market to foreign investors. De Mello deemed current spreads on Chinese onshore corporates to be insufficient to reflect risk, "although top-rated SOEs might be fine." Mieth anticipated continued gradual moves to open up the market, "but the ultimate test is whether Chinese debt will be added to fixed income indices." He cautioned that India's government had thus far failed to get Indian debt added to global indices despite an active official campaign, and that "there is a history of market expectations running ahead of reality [with regards to] China; that has been a pattern." He suggested that sell-side firms might be more confident on Chinese debt inclusion in industry indices than investors. De Mello responded that even speculation of index inclusion would promote greater confidence in Chinese debt by institutional investors, and ventured that the process "won't take too long."

Finally, Yan asked speakers for any advice they would offer Chinese officials. Fernandez and De Mello urged that Beijing scrap its official growth targets. Mieth recommended a speedier "removal of the put on some corporates." Condon, on the other hand, stated "I have nothing to advise them; they have an unparalleled record of delivering good growth." Yan herself believed that Chinese officials could learn more by listening to the market, while equally recommending that investors read the country's news in Chinese rather than waiting for stale translations.

EMTA has held events in Singapore since 2006. Its annual Singapore Forum, which features a broader discussion of Asian investment themes, will be held on October 21, 2016 and will be sponsored by ING Commercial Bank.

Panel at EMTA Spring Forum Review Impact of US Rates, China and Oil Title

EMTA's Spring Forum was held on May 19, 2016, sponsored by HSBC Securities (USA) Inc. The event drew 100 market participants. Spring Forum speakers generally agreed that the EM debt asset class seemed less precarious than it did in the first six weeks of 2016, while cautioning that the recent rally was not guaranteed to continue.

HSBC's Murat Ulgen moderated the event's panel discussion. Ulgen opened the session by asking for views on the global economy, and asked for opinions on whether the rally was technical in nature, or was there support for EM assets on a fundamental basis.

Citi's Guillermo Mondino suggested that three forces have determined market direction recently—the US Fed/interest rate policy, the Chinese economy and oil. Mondino outlined how each of the factors have affected financial markets in recent months, and how, since the lows of January and February, they had "aligned into a more benign outlook--the probability of a Fed hike declined, there has been a couple of good months in China, and there was a rebound in the oil price." However, in the weeks immediately preceding the Forum, the three factors had begun to diverge, "leading to more doubt and increased volatility," while Mondino underscored that the effects on individual EM countries varied. Technical factors (e.g., bottom fishing leading to short covering) added "pepper to the cocktail," and volatility was likely to continue.

Oppenheimer Funds' Chris Kelly (an EMTA Board Director) argued that, "extreme and experimental" monetary policies in recent years have had a distorted effect on the global economy." In his analysis, "DM liquidity went to the natural resource sector; but when aggregate demand didn't materialize, there was a sharp drop in commodity prices." At the end of 2015, turmoil in China and commodity weakness began to affect DM countries. The current rally was sparked by the doubling-down by DM countries on easy monetary policy, with the US contributing by seemingly further delaying rate hikes. The weaker dollar and stronger commodity pricing have helped support the rally, and the US FOMC has lots of "outs" they can currently use to justify non-action. "I don't think we will go back to as precarious a situation as we were in before," he opined, even with recent weakness in Chinese economic data.

Spring (continued)

Jim Barrineau (Schroders) also described the factors creating the "vicious cycle" confronting EM earlier this year as the result of the European and Japanese central banks weakening their currencies, while the US prepared the market for eventual rate hikes. EM was "crushed" as the dollar strengthened. The cycle ended as the ECB refocused on asset purchases rather than weakening the euro, and China's January yuan debacle. This then led to a "mini-virtuous" cycle, although the current situation is less clear as the Fed apparently was pushing the market to assume resumed interest rate action. "I can't sit here and not be nervous about the Fed's intentions; if they insist on pushing the gas pedal of rate hikes, then you have to be a bit worried about a return to the 2014/2015 risk-off, stronger dollar dynamic," he concluded.

Turning to country specifics, Casey Reckman of Credit Suisse described a slightly negative overall view on Latin America, while observing that the continent was, in general, turning away from leftist policies. Recently, she had become more comfortable that Venezuela could avoid a debt default in 2016, even if it were unable to conclude a liability management operation. However, questions remained, such as the social response to dramatically reduced imports. "The situation is a tinderbox, and there are several potential sparks," she cautioned, adding there was potentially much volatility in the country's debt prices. Kelly preferred to stay on the sidelines, assuming, "it will be disorderly."

The diagnosis for Brazil's fiscal ills was clear, but the chances of reforms being passed in Congress was not, in Reckman's view. Her firm, along with most Wall Street houses, remained bearish on Brazilian growth prospects, although "we could be reaching a turning point." Barrineau saw a sea change in the country's treatment of Petrobras as a piggybank, and expressed a bullish view on the Brazilian company despite its "sloppy" May issuance. Mondino believed the COPOM would cut interest rates faster than the market expected.

Reckman believed that the rally in Argentine debt could continue, although the "big positive movements" on the holdouts and the currency were done. No growth and high inflation were now "the reality" facing the Macri administration, and there was increasing concern that the government's honeymoon period was slipping away. Reckman maintained a positive outlook, and listed it as her top recommendation, although "we are at the trickiest part of the process." Kelly added that Buenos Aires had benefitted from good timing; "all the stars aligned for them to get their paper out in April; it was lucky they didn't issue in January or February."

Spring (continued)

Mexico's currency continued to trade unlinked from Mexican fundamentals, in Mondino's view, who noted its liquidity and low carry, which made it easy to trade. The Mexican economy was growing "nicely," despite disappointment that the oil reform process has not led to stronger FDI flows and weak oil prices. The Mexican peso's irrationality caused Kelly to avoid the currency.

Growing reserves, a weaker ruble, a potential bottoming in economic growth and the fact that sanctions have stymied new supply all supported the case for Russian debt, in Barrineau's view. "It's a great story if you think oil will stabilize," he added, specifying it was a six-to-twelve month play, rather than a turnaround story. Mondino praised the country's macroeconomic policy makers as being "heads and shoulders" above many EM peers in how they have responded to economic issues.

Panelist views on Turkey varied. Mondino saw increased risk of a policy accident, and declared that risks were not reflected in current yields. Barrineau highlighted positive growth, a lower current account deficit, and a prediction that Turkish leader Erdogan would go "no further than what the market would bear" in his consolidation of power, which he declared was "the same story as the last ten years." A ratings agency downgrade based on politics didn't seem logical in his assessment, as nothing had changed.

Speakers at EMTA Forum in Zurich Discuss Durability of EM Rally

BNPParibas' Wike Groenenberg opened EMTA's Third Annual Forum in Zurich on Thursday, May 12, 2016, by observing that, despite a difficult January, mainstream EM debt indices had performed relatively well year to date. A dovish Fed, along with stimulus from EU and Japanese Central Banks, had created a "fairly positive picture," although the question remained whether EM debt could maintain its recent rally.

Vontobel's Luc D'hooge agreed that after a run of approximately 6% returns ytd, portfolio managers should question the sustainability of EM performance. January EM debt prices had reflected a "panic state," but D'hooge asserted that there were "definitely" reasons to remain long EM debt. Gonzalo Borja (Credit Suisse Asset Management) cautioned attendees that, over the past two years, EM corporates had generally performed well in the 1H but ran out of steam in the second half of the year. However, improvements in commodity pricing, dollar weakness and tighter US yields could also provide support to EM debt, especially corporates.

Olgay Buyukkayali, an EM desk strategist from Goldman Sachs' securities division, reasoned that recent EM strength could be traced to the "pull factors" of low DM rates, the growth scare in developed countries, and major Central Bank liquidity actions. In his view, a neutral stance on external debt was warranted, while there was value in selective local debt, and overweight EMFX positions could be reduced. Voya Investment Management's Jean-Dominique Butikofer announced his firm had not changed their stance on local market debt, and has remained underweight for the past two years.

Groenenberg introduced the Chinese economy as a panel topic. Defaults have thus far been limited, but were starting to increase, she noted, and signals have emerged that market assumptions of implicit sovereign guarantees might be overly-optimistic. Butikofer noted that Chinese reform progress would take years, and the government has "'given amphetamines to the old companies that support the social system in China." He praised Standard & Poor's for "digging further, and looking into which companies China will support [to avoid default]," underscoring that analysts would now be forced to do much more homework in their analysis of Chinese companies. D'hooge stated he was underweight Chinese quasi-sovereign debt, and that, in portfolio selection, it was key "to look at those firms which are essential for the sovereign, and which we think the government will support."

The dramatic turn of events in Brazil was also analyzed. BNPParibas was among those firms that expected a significant cut in interest rates in the post-Dilma government. Borja opined that Brazilian firms which sell dollar-based products with local-currency costs were attractive, while eschewing Brazilian financials ("even though their involvement in the *lavajato* scandal is probably quite low").

Zurich (continued)

"Lavajato is far from being over," declared Butikofer, who added that "the second national sport in Brazil is corruption." Butikofer expressed concern that it would take time to change Brazilian business culture in the country, while also questioning how the Temer administration would experience growth if its initial emphasis was on government spending cuts. "Now that the common demon [of Rousseff] is gone, what will put Brazil back on track, and how will the political parties position themselves?" he pondered. He recommended a "wait and see" view, although noting there could be "a lot of work for market-friendly ex-bankers if Brazil follows Argentina's recent path."

Comparing other major EM countries, Buyukkayali viewed South Africa as a potentially more rewarding trade than Turkey, "because expectations for South Africa are so low. Rating downgrades [to junk] are sort of factored in, although debt dynamics are stabilizing…and fundamentals are starting to turn the corner." He specified that the ZAR was undervalued vis-à-vis other EM currencies.

Butikofer argued that the market was underpricing political risk in Turkey, and there could be incidents of resistance to the concentration of power by President Erdogan. He described the country's liquidity indicators as "poor," citing low FX reserves and a lower export cover ratio, and speculated that the country might benefit from some investment-grade flows fleeing Brazil, or other potential downgrade candidates. D'hooge concurred in a bearish view on Turkey, acknowledging he had no exposure to Turkish external issues.

D'hooge addressed frontier markets. Congo-Brazzaville had missed out on the recent EM rally, as had Grenada, and yields could be attractive. "But don't give them a massive allocation," he quickly added. Moderator Groenenberg outlined a positive case for Angola, which she believed had fallen from favor with other oil exporters, despite "taking action earlier than others to address its budget deficit."

Other topics covered by the panel included MENA credits, a need to be selective in buying Argentine new issues, Venezuela's continued debt servicing and the effects of the US elections on EM debt. The event was sponsored by MarketAxess. Additional support for EMTA's Zurich Forum was provided by BNPParibas and Goldman Sachs.

US Election, Brexit and Other Risks Reviewed at EMTA Forum in Frankfurt

EMTA's Third Annual Forum in Frankfurt was held on Tuesday, May 10, 2016, with over 50 EM marketplace participants in attendance. MarketAxess sponsored the event, which was also made possible by the support of Societe Generale and Nomura.

Societe Generale's Guy Stear moderated the panel discussion, and opened the session by asking for speaker views on the reasons for the EM debt rally, which started in mid-February. Allianz Global Investor's Andreas Hahner attributed EM strength to a number of factors, including the possible bottoming of commodity prices, stimulus from major Central Banks, expectations of a more dovish US FOMC policy, and decreased market volatility. "In a low yield environment, there is a move to riskier assets… and EM fixed income looks very interesting," he stated.

DEKA's Peter Schottmueller agreed, observing that market "tail risks" had moved center stage in January, but now had again retreated. Fears of $15/barrel oil and a greater-than-expected Chinese slowdown had become serious concerns at the beginning of 2016 before abating.

Nicolas Schlotthauer of Deutsche Asset Management warned that, despite the waning of such issues, not all EM countries were "out of the woods yet." He preferred the external sovereign debt "of countries where policies remain on track," while seeing local currencies as more vulnerable. Finally, Tim Ash (Nomura) cautioned that EM debt had priced in much of the more benign environment. He didn't foresee any additional good news emanating from major EM economies, such as Brazil, Russia or South Africa in the near-term.

Ash went on to discuss additional risks, such as the US presidential and Brexit votes, which he argued had not been factored into current price levels. A victory by US presidential candidate Trump could result in increased protectionism, and a "yes" on Brexit "could be the nail in the coffin of the EU." Hahner expressed a more sanguine point of view, speculating that fears of protectionism and isolationism by the US in a Trump victory could be overdone (while acknowledging potential market volatility). Schottmueller reflected that Asian budgets would change dramatically if Trump withdrew US security guarantees, while rationalizing that it was probably "too late to reverse NAFTA."

Frankfurt (continued)

Hahner justified his positive stance on EM by observing that many potential events, such as a default by Venezuela, or South Africa being downgraded to junk-bond status—as well as other credit downgrades —would not surprise the market. "There would have to be a new catalyst for me to become negative on EM debt," he stated.

Stear steered the panel to specific credits. Russia could benefit from a Brexit vote, reasoned Ash, because a British exit would weaken the EU. On the other hand, Ash declared that, "there are no structural drivers for growth in Russia at all…the reforms that Russia would need in order to grow would erode President Putin's power, and he doesn't want that." Ash urged investors to trade Russia on a tactical basis only, as "there is no fundamental basis for buying Russian debt." Schottmueller expected sanctions on Russia to continue, and predicted that either US election candidate would adopt a more rigorous foreign policy, "which would not be positive for Russia."

Schlotthauer discussed the need to tackle structural topics in China (i.e. dealing with the so-called "zombie companies"), which he anticipated could make headlines again in the second half of the year. "We don't expect China's economy to fall off a cliff," he added. Hahner saw the Chinese economy as being "very important for risk sentiment." Schottmueller admitted a bearish stance towards China, which, he acknowledged, colored his view on other Asian credits as a result.

"We have thought of Turkey as a fairly sound credit," opined Ash, who highlighted the country's 4% growth last year, despite political unrest. The vast majority of EU-destined migrants were not, in fact, segregated in refugee camps, but were now participating in, and boosting, the Turkish economy. The resignation of Prime Minister Davutoglu created a new challenge, which analysts would need to evaluate; "short-term weakness [related to politics] may have been overdone because the long-term story is still ok, even if it is not a good rule-of-law story," he concluded.

The panel also reviewed Indonesia's "market darling" status. "Perhaps expectations might have been too high," speculated Schottmueller, who noted the slow reform process and red tape delays. Hahner remained upbeat, predicting a third investment grade rating to be awarded this summer.

EMTA Forum in Buenos Aires Considers the New Argentina

EMTA's first Buenos Aires Forum since the settlement of the holdout litigation took place on Thursday, April 28, 2016, with over 200 market participants in attendance. TPCG hosted the event, with the additional support of AdCap Securities and Thomson Reuters. The event was moderated by TPCG's Fernando Alvarez de la Viesca, who asked each panelist to focus on a specific theme regarding Argentina's economic direction.

Eduardo Levy-Yayati (Elypsis Partners and former Central Bank Chief Economist) led off, describing the "quadri-lemma" facing the country—the four juxtaposed issues the new administration must tackle, i.e., reducing the high inflation rate, FX policy, boosting economic growth and addressing the fiscal deficit. "Argentina is trying to balance a variety of goals," he stated. The government would emphasize large infrastructure projects as a means of boosting the economy, he added.

Former Under Secretary of Finance Daniel Marx (Quantum Finanzas) followed up with a review of Argentina's "entering a new phase of managing ourselves as a 'normal' country." The country's challenges also include lowering stagflation and debt sustainability, which at approximately 40% of GDP is not entirely comfortable, in his view. For Marx, it was not a given that there was sufficient appetite for expected provincial debt issuance; "we will have to wait and see," he stated.

Political risks were analyzed by former Central Bank President and former Vice Presidential candidate Javier Gonzalez Fraga. "The challenge is to change our history," he emphasized, noting that, for the past six decades, the election of non-Peronist presidents has always been followed by a "retrenchment," i.e., losses in both subsequent mid-term and presidential elections. President Macri's speed in increasing tariffs and concluding a holdout settlement was an attempt to use them as springboards to a new economic policy, which he hopes will result in victories in the next elections. "I am very optimistic," declared Fraga, who argued that the policy of promoting private investment and public works could gain popular support from traditional Peronist strongholds.

In order for Macri to succeed, the government would also need declining nominal interest rates, the hiring of "young, talented" people, and the passage of a tax amnesty law "that won't be cheap or generous," but which could encourage the return of capital currently stashed abroad back into the country. Risks foreseen by Gonzalez Fraga included a Peronist opposition ready to leap on any administration fumbles, the economic slowdown in trade partner Brazil, and potential Chinese military action in disputed island territory.

Buenos Aires (continued)

Global factors were reviewed by former EMTA Board Member Daniel Canel (AdCap Securities). European issues that could affect the world economy included the upcoming Brexit vote and the continued economic malaise in Greece. As for China, Canel didn't view it as a major concern, given the government's new focus promoting economic growth rather than supporting the currency. Oil remained worthy of monitoring, and Canel pointed out that the strong correlation between US equities and oil of recent months has decreased. A potential victory by Donald Trump in the US elections should be of concern for EM investors "because we don't know what he thinks," Canel stated. Finally, Canel noted heightened expectations of a US rate hike by the summer.

Ricardo Maxit (Galileo Argentina) concluded the panel with ideas on specific trade strategies. "The good news is that Argentina is a place to make money because of the financial assets it has to offer," he affirmed. Maxit alluded to a recent survey which listed Argentina as attracting the greatest interest by EM investors. Maxit preferred Argentine equities (anticipating a return to the MSCI EM index from "frontier" status in June 2017), while still expecting spread compression in sovereign and corporate debt.

Sao Paulo Forum Addresses Political Transition in Brazil

The impending impeachment of Brazilian President Rousseff was like an airplane crash that wasn't due to a single pilot error, but instead a result of a series of bad decisions and errors that, combined, produced a disaster, according to noted political analyst Murilllo de Aragao. De Aragao analyzed the fall of President Rousseff in his keynote speech at EMTA's Forum in Sao Paulo, Brazil on Tuesday, April 26, 2016.

In his discussion, De Aragao described the series of steps that had ultimately led to the president's expected ouster. "She lost control of her administration; she didn't pay attention to the dialogue that had existed under President Lula with Brazilian society; she lost the support of labor unions; she lost credibility with the financial markets." By the time the president realized some of her mistakes, it was too late, and her attempts to save her government were in vain. De Aragao admitted he had never doubted that she would be impeached, and that "only an extraordinary event could reverse the present course, despite the administration's trying to buy more time."

Speculating on a potential Temer administration, De Aragao stated that first, the new president must forge a coalition in Brazil's splintered Congress. "Dilma had the support on paper, but she didn't know how to use it…Temer does," he said. The new president must also put together a strong economic team. He must also be prepared for a backlash from both Dilma and former President Lula. And the *lavajato* scandal still remains a cloud over the new administration, De Aragao added.

The actions that a president Temer would take to revive the economy would "mostly hurt civil servants; that is where the job cuts will be made." In addition, the number of government ministries would be cut. However Temer would avoid a large devaluation of the BRL which would antagonize the middle class and would not adopt the CPMF banking tax.

A window of 18 months was likely open for Temer to make reform progress (before House members go into election mode). Brazil would be boosted by Central Bank autonomy, and even what De Aragao called "the worst make up in the House in 30 years" would be prepared for "new measures without anesthetics."

De Aragao predicted that May, June and possibly July would be turbulent months in the country. "We will fluctuate between euphoria and depression." Despite expected volatility, De Aragao remained optimistic long-term, with the financial markets "the country's greatest driver…which will lead Brazil to modernity."

The Forum also featured a panel discussion moderated by Zeina Latif (XP Investimentos). "There is broad consensus that the impeachment of the president is not the solution for the economic crisis, because at the root of it is the fiscal issue," she stated. Latif asked speakers for their views on whether a new administration would be able to bring growth back in line with Brazil's potential, and if inflation could be tamed.

Mario Mesquita (Brasil Plural) believed the odds were "greater than 50 percent" that a new government would be able to reverse the decline in growth and reduce inflation. Price adjustments on gas and power were all enacted last year, and there was consensus that fiscal policy must be addressed. "Politicians are disagreeing less than in the past on raising taxes, so I am optimistic that some—not all—reforms could be passed."

Sao Paulo (continued)

Fitch Ratings' Peter Shaw reminded attendees that his agency retains a negative outlook on Brazil's rating. "We see a consensus both on the root causes of the current mess, and consensus on what steps should be taken, but what is less clear is the political ability to implement those measures; we must see it to believe it," he stressed. In Shaw's view, the crystal ball was cloudier than ever before, and it was very unclear when growth could resume.

A more pessimistic note was sounded by former Central Bank official Alexandre Schwartsman (Schwartsman & Associados). "There is no room to increase taxes; and if we could cut spending by some sort of magic, we would," he stated. In his view, "what we must do is change the rules of the game…there are far too many agents today but constitutional reform is unlikely." Schwartsman feared that "we couldn't have a worse administration than we have today, but I don't see how we can get on a better track; we risk making the same mistake when [former Finance Minister] Levy had the job, and we were only able to do one-third of the fiscal adjustment that was needed." Summarizing, he added "we will have a new president, but not a new society."

Western Asset Management's Adauto Lima provided an additional pessimistic view. He believed that Brazilians were "not ready to discuss the recession that has gone on for years." While there had been much ado about Brazil's rise as a nation and an economy a decade ago, "we later saw that there was no maturity."

The failure to achieve the inflation target rate served as proof of Brazil's under-development, in Mesquita's view. Overdue Central Bank independence will help but will not in itself solve every problem, and it should work harder to bring inflation down to target levels. Schwartsman noted that many of the candidates rumored to be under consideration for Central Bank roles had long histories of fighting inflation, and they probably could reverse the erosion on the Bank's credibility. In addition, the Central Bank could do better in its communication to the market, he argued, although its greatest achievement would be to deliver inflation at the target level.

The panel also addressed Brazil's corporate sector, Central Bank intervention in the FX market, and prospects for Brazil's equity market. The Forum was sponsored by MarketAxess, with the additional support of Fitch Ratings and XP Investimentos. Approximately 100 market participants attended.

Boston Forum Speakers Focus on Global Risks and Post-Settlement Prospects for Argentina

In her opening remarks at EMTA's Forum in Boston on April 19, 2016, moderator Siobhan Morden (Nomura) noted that the EM debt asset class appeared to be at an inflection point. After a difficult beginning of the year, investor fears of worsening conditions in the US, China and commodity markets had more recently abated, although low commodity prices and credit downgrades were affecting many. Morden led speakers through a series of topics at the event, which was sponsored by MarketAxess, with additional support from Balanz Capital and Nomura.

Morden asked Peter Marber (Loomis Sayles) for his views on global risks. Marber summarized that concerns over China, a potential Brexit, US elections, global terrorism and US rates were all "known unknowns," and suggested that an "unknown unknown" risk could prove far more nefarious. However, "China has the potential to be one of the biggest problems because the situation is so opaque," he declared. Marber believed the Brexit vote result probably won't surprise the market, and speculated that a buying opportunity might arise in sterling if, in fact, the UK votes to leave the EU. Marber added that the market had absorbed recent incidents of terrorism, "if not become desensitized to it." Finally, a victory in the US elections by Donald Trump would probably not benefit EM investors.

In Marber's view, EM debt was likely at the upper end of a trading range at the time of the Forum. "I'm mostly constructive on the asset class," he concluded.

Fidelity's Heather Hagerty explained that, for the crossover investor, "fundamentals will always trump technical factors…the crossover investor will always look at where country risk will be in three years, not where it is now." The crossover investor needed both a convincing fundamental story, as well as the potential for return, and she cited the recent joint Mexican-Pemex roadshow as an example of a nation demonstrating that it is "willing and able to address the challenges facing them."

It was not clear to Hagerty whether it was only political gridlock that prevented the needed fiscal reforms in Brazil, and whether a new administration would prove able to enact the reforms that former Finance Minister Levy had failed in promoting. On the other hand, neighboring Argentina could potentially have the "best policy mix out there in EM; the question is can they execute it?" She urged caution for the near term, citing the difficulty the government might face in rolling back populist measures.

Boston (continued)

Balanz Capital's Walter Stoeppelworth was more outspoken in his recommendation for Argentina. "We think there is a deeper bench in the country than at almost any other in Latin America; the new officials are talented people, who have gone back to Argentina on a patriotic basis." In Stoeppelworth's view, Finance Minister Prat Gay was deliberately under-promising on the hope of being able to over-deliver. He believed that reforms would continue to be enacted, and cited anecdotal evidence of "significant" graft that changed hands under the last government that could now be saved under the new administration. Inflation would fall quickly after June or July, in his analysis, and FDI could start to return to the country following the settlement to holdout creditors. An investment grade rating was not impossible in three to five years, he added.

Tom Cooper, of GMO and an EMTA Board Director, reviewed his long history as an Argentine creditor. Cooper acknowledged that he had been a holdout investor a decade ago ("because of an inadvertent position"), but stated that he had tendered in the more recent restructuring, "except for Bradys with collateral, where we got judgments." Cooper revealed that he had participated in the new offering, and saw the most value in the longer-term bonds.

Morden recalled Cooper's 2015 Boston Forum comment that Venezuela was "a train wreck." Cooper admitted that Venezuela had surprised him; "I never thought they would make it this far, and I hope they can pull it out." Although the default probability remained high, he didn't rule out some way for the country to avoid such a scenario if oil remained above $40/barrel. Finally, he quipped that his history as a warrant-owner was like that of a lottery ticket holder; "you know someone is going to win it, but you know it won't be you."

Editor's Note: EMTA salutes Tom Cooper as an outstanding exemplary ambassador of the EM asset class for over two decades, and wishes him the best in his retirement.

EMTA Panel in Los Angeles Reviews Global Economic Background and EM Opportunities

EMTA's Third Annual Forum in Los Angeles took place on Thursday, April 7, 2016. The event was sponsored by MarketAxess, with the additional support of Deutsche Bank.

Moderator Drausio Giacomelli of Deutsche Bank described recent market conditions, and asked speakers to provide assessments of the global financial backdrop. Kristin Ceva (Payden & Rygel) reviewed the dramatic Central Bank activities in early 2016, from negative interest rates in Japan to dovish US FOMC policy. Ceva opined, however, that concerns about weakness in the American economy were overdone. "The Fed will go slow, but that doesn't mean it won't go at all…we believe there will be resilience in the US," she stated. Ceva added that, while stable US rates have boosted EM, eventual hikes won't necessarily cause a repeat of the May 2013 "taper tantrum."

Doubleline's Bill Campbell analyzed Fed Chair Yellen's March speech; "she is very worried that, if US growth declines, she won't have the tools to fully address it." He questioned whether ECB bond purchasing was the appropriate policy tool when the "real issue is a supply glut in commodities." Blaise Antin (TCW) found it "questionable" whether US rates could be hiked in June, especially with the unknown implications of a potential Brexit; and he expected the Fed to proceed very cautiously thereafter, as US elections approached.

Turning to Europe, Antin criticized the ECB for not being more aggressive earlier with its QE policies, while speculating that President Draghi's tolerance for greater euro appreciation was limited. Most speakers concurred that Berlin's strong desire for a balanced budget was not the best policy, and argued that accelerated German spending (e.g., on infrastructure) would be wiser. In addition, several panelists warned of the potential consequences by those Central Banks (including Japan) that had adopted negative interest rate policies.

Giacomelli directed the speakers to EM-specific topics. Campbell argued that China's desire for a stable exchange rate, while also pursuing looser monetary policy, were in conflict. He feared that China could, "add volatility to the market at unknown points for the foreseeable future." In Ceva's view, the deleveraging of China's corporate sector, and the pace of SOE reforms, were worthy of monitoring. Chinese data on the transformation of the economy towards a service economy was a positive factor, according to Antin, who cautioned that the process would not be completed quickly; investors would be wise to remember that political stability remained the paramount goal in Beijing, and thus economic reforms were always subject to social tension.

Los Angeles (continued)

"Low for longer" commodity pricing was the base case for panel speakers, although panelists sensed that oil prices seemed to have found a bottom early this year in the mid-20s. Ceva expressed greater bearishness on metals than oil. EM corporates have generally outperformed DM because many issues were quasi-sovereign issues—with greater support than private sector debt—and have EM currency costs with sometimes hard currency income.

Antin lamented the "knee-jerk" response of some investors who have indiscriminately sold off *all* EM debt on commodity weakness, rather than analyzing which issuers in fact benefited from lower commodity costs. In addition, investors should also recognize that the policy responses by oil exporters, for example, differed. For example, Russia had allowed the ruble to depreciate early; Kazakhstan and Azerbaijan held on before eventual recognition of the need to devalue their currencies; while Nigeria continued to solider on with a strong naira; and GCC sovereigns maintained pegs, but with much stronger reserves.

Giacomelli also made capital flows a panel topic. "We all know that institutional investors remain under-allocated in EM," affirmed Antin, who continued that, while EM inflows had ended its run in 2014, institutional investors had not "thrown in the towel," and would remain enticed by EM yields. Ceva had recently observed greater institutional investment in local currency debt.

As the Argentine debt saga neared its conclusion, Ceva spoke enthusiastically about the initial accomplishments of the new administration, as well as the potential performance of its debt. "Argentina is probably one of the few stories where an investor can get yields above 8%, without the debt being an oil or mining issue," she stated. Over-supply concerns were overdone, and Ceva speculated that sovereign wealth funds may be large purchasers. "Argentina is the kind of clear reform story that we don't see a lot of in EM or DM these days," added Antin.

Antin expressed a negative view on Turkey's policy mix and politics, although he underscored that a large industry under-weight to Turkey could be a favorable technical factor. Campbell described Ankara's Central Bank as having "lost credibility so many times."

A downgrade for South Africa by 2017 was likely, in Campbell's assessment. Structural issues were impeding growth, and recent government corruption cases wouldn't help South Africa retain its investment-grade status. Ceva and Antin foresaw market rallies on any indication that President Zuma would leave office before the end of his term.

Venezuela had fewer and fewer tricks up its sleeve, assessed Ceva, after having restricting imports, selling assets and floating the concept of a market-friendly debt exchange. Antin speculated that any revelations from the "Panama Papers" could potentially prompt dramatic changes.

Finally, moderator Giacomelli was prompted to give his own view on Brazil. "Impeachment [of President Rousseff] is the most likely scenario," he stated, while warning that a new president would still inherit the same problems of inflation and lack of growth. A lesson could be for the president "not to tinker with the economy; give it to the technocrats."

Economic Decline of Venezuela Addressed at EMTA Seminar

Speakers at a special EMTA Seminar on the economic and political outlook for Venezuela re-emphasized the Maduro administration's willingness to service its external debt, while discussing a seemingly-inevitable capacity to pay crisis. The event was held at EMTA's New York City headquarters on Tuesday, April 12, 2016, and was sponsored by BancTrust. Additional support for the program was provided by JP Morgan and Scotiabank. Over 100 market participants attended.

Hernan Yellati (BancTrust) initiated the Seminar by requesting panelists' assessments of the likelihood that Venezuela (and PDVSA) would service its debt in 2016. Robert Koenigsberger (Gramercy) commented that, while willingness to pay remains, capacity has become an issue over the last two years. "The sad reality is that they don't have enough dollars for minimal imports," and thus he expected a balance of payments crisis to occur. Koenigsberger argued that, even with oil at $50 a barrel, Venezuela would "still have a problem." AB's Marco Santamaria agreed, underscoring that "the direction is clear; Venezuela was already heading into trouble with oil at $100/barrel."

Speakers speculated on the possibility of regime change. "Although President Maduro is unlikely to finish his term, he may well make it through this year," commented JPMorgan's Ben Ramsey. He did not expect the country's legislative branch removing the president, "unless 'bottoms-up' social-tension mechanisms change the circumstances," citing, among other factors, Maduro's control of the Supreme Court. Ramsey noted that only if the president were removed in the first four years of his term would new elections be triggered; thus, there is an incentive to survive politically until at least January 10, 2017.

On the positive side, the opposition has adopted a long-term strategy using existing institutions, observed Ramsey. "It's frustrating," he acknowledged, while noting that two lessons learned in recent years were that elections were still respected in Venezuela, and that the Chavistas can no longer win elections.

Koeningsberger added that regime change could unleash "all sorts of multilateral financing" for Caracas. Santamaria noted that, while the MUD opposition has stressed its support of democracy and human rights, it hasn't clarified its economic approach. He raised the possibility that, once in power, it might not adopt the orthodox economic policies normally consistent with an IMF program, although a MUD administration "might not have a choice." Finally, Ramsey pointed out that, while most regime change scenarios could deliver a better policy mix, a military dictatorship could trigger international sanctions and could be a deterioration rather than an improvement.

Venezuela (continued)

Scotia's Joe Kogan addressed recovery value in the case of a credit event. Kogan listed assets such as Citgo and Caribbean refineries totaling $5 billion, plus FX reserves that were likely to be depleted in the run-up to a default. (The panel later compared these assets to as much as $130 billion in total debt.) At current oil prices, Venezuela's oil revenues fall $5 billion short of just the costs associated with keeping the oil industry producing oil plus minimal non-oil imports, he estimated. Kogan calculated that oil must be at least $46 /barrel to allow for debt service. He also estimated recovery value at only $20, while adding that the addition of oil warrants (which must be an improvement on the "small, illiquid, settlement–problem plagued VRRs" -- and which must have more strictly defined terms than Argentine GDP warrants) in a restructuring could push recovery value up to $50. Koeningsberger seconded the appeal of including warrants in a restructuring.

The treatment of Chinese loans was also a focus of the panel. Koeningsberger noted the topic was ripe for debate, comparing it on some level to the current imbroglio involving Ukrainian securitized debt owned by Russia. Ramsey argued that, "without a lot of transparency," the Chinese likely took steps to protect their economic interests. In a practical sense, Beijing could argue that it is the country's largest creditor and the only potential source of new money.

Panelists did not foresee a drawn-out Argentine-type legal drama, even with PDVSA bonds not including CACs. Koeningsberger expressed optimism that, "the right instruments can bridge the negotiating gaps." After all, what could Argentina show as a benefit for 15 years of legal fighting with creditors, he questioned.

Santamaria ventured that one of the lessons learned from the Argentine restructuring could be that holdout creditors who got the first legal judgements received the highest recovery value. "Thus, in the case of a PDVSA default, it could be a race to the courts." Koeningsberger countered that the uniqueness of the Argentine case was such that creditors of other sovereigns might receive less judicial sympathy.

A maturity extension of Venezuela's outstanding external debt was unrealistic, in Kogan's view, because the coupon would have to be set at onerously high levels. CACs and exit clauses would have to be used to force maximum participation in a restructuring. Santamaria noted the idea of exchanging short-term debt for a greater amount of longer-term debt, but acknowledged that this might not appeal to creditors without a greater assurance of payment in the future.

Yellati invited audience questions on a wide variety of additional topics, after revealing his own assessment. "There is a high likelihood that the Maduro administration will remain in power until 2019; we see strong willingness to pay, but recognize the lack of dollars is a concern," in his view.

Iceland in the News

EMTA hosted a Special Seminar, "Iceland's Selective Default?", on June 29, 2016 at its NYC offices. James Glassman (American Enterprise Institute) moderated the panel, with the following panelists: Arturo Porzecanski (American University), Lee Buchheit (Cleary Gottlieb Steen & Hamilton) and Magnus Arni Skulason (Reykjavik Economics).

In recently passed legislation, Iceland has codified specific restrictions on particular króna-denominated assets, an unconventional decision that has alarmed members of the international financial community. The country has presented the holders of "offshore króna assets" – certain króna-denominated assets, such as deposits held by foreign retail and institutional investors – with a Catch-22 scenario: participate in a Central Bank of Iceland auction with unfavorable terms, or have their assets placed into locked, non-interest-bearing accounts.

This maneuver is drawing comparisons to "selective defaults", like that of Argentina. Broadly framed within Iceland's economic turnaround, the decision to segregate particular assets – and consequently, impact only certain asset holders – fits into a broader discussion around the challenges of both lifting capital controls and navigating relationships with international investors.

A summary of the panel discussion will be contained in the 3rd Quarter Bulletin.

UBS to Host EMTA Fall Forum on September 12th in New York

EMTA's Fall Forum, hosted by UBS, will take place on Monday, September 12, 2016. The event will take place at UBS' offices at 1285 Avenue of the Americas (at 51st Street) in New York City.

The event will include a panel of speakers moderated by UBS' Rafael de la Fuente.

Invitations will be sent to EMTA members, who may attend at no cost. There is an attendance fee of $695 for employees of non-member firms.

For more information, please contact Jonathan Murno of EMTA at jmurno@emta.org.

ICBC Standard to Sponsor EMTA's Fifth Sub-Saharan African Forum in London

ICBC Standard will host EMTA's Fifth Forum on Sub-Saharan Africa. The event will take place on Wednesday, September 21, 2016, at the ICBC Standard office at 20 Gresham Street in London.

Phumelele Mbiyo (Standard Bank) will lead a panel discussion on investment opportunities in the region.

Invitations will be sent to all EMTA members, who may register for the event at www.emta.org. Non-members may also attend, with a US$695 registration fee.

In addition to the panel discussion, the Forum event will also include a cocktail reception.

For more information, please contact Jonathan Murno of EMTA at jmurno@emta.org.

Emerging Market Benefit NYC Distributes Over $300,000 and Selects 2016 Charities

The Emerging Markets Charity Benefit (EMCB) Planning Committee has distributed checks totaling over $300,000 to four EM charities, representing the profits from last year's annual event in New York City. The event was held on December 3, 2015 at Marquee in New York City's Chelsea neighborhood.

350 members of the EM community attended to raise funds for charities in emerging countries.

Funds raised from the industry event were distributed to The Children of Peru Foundation, Containers 2 Clinics, The Miracle Foundation and The Orphaned Starfish Foundation. The proceeds will be used, among other purposes, to provide health and education projects.

For the twetlfh consecutive year, MarketAxess also sponsored the event with proceeds from its annual Charity Trading Day. MarketAxess' Annual Charity Trading Day has raised over $1 million for the annual New York and London Charity Balls since its inception in 2004.

Turning immediately to this year's event, which will be held on Thursday, December 1, 2016, the EMCB Planning Committee held meetings to narrow a list of beneficiaries down to a final selection. At its June 15, 2016 meeting, after meeting with finalists, the committee voted to select five charities as 2016 event beneficiaries:

- Children of Peru Foundation which makes grants to selected not-for-profit organizations to provide better healthcare and education for disadvantaged children in Peru www.childrenofperu.org
- Containers 2 Clinics, which provides containerized maternal and child health clinics in Haiti and Namibia to provide long-term, sustainable health service www.containers2clinics.org
- Miracle Foundation, which empowers orphans in India to reach their full potential www.miraclefoundation.org
- Trickle Up, which helps the poorest women and most vulnerable people in India, Africa and Latin America graduate out of extreme poverty by building sustainable livelihoods and accessing financial services www.trickleup.org
- World Connect, which invests in the community development projects of grassroots leaders in the Global South and in the process connects Americans with opportunities to learn, engage, and give. www.worldconnect-us.org

Invitations to buy tickets for the 2016 Charity Benefit will be sent to all EMTA members shortly. In addition, the Committee welcomes donations of auction items.

The Planning Committee continues to welcome new members, and is open to all members of the EM debt trading community. Please contact Jonathan Murno of EMTA at jmurno@emta.org if you are interested in joining the committee.

Membership Update

EMTA warmly welcomed 2 new members during the Second quarter of 2016. EMTA's members now include over 175 banks, broker-dealers, money management firms, hedge firms, law firms, other service providers and others.

Our most recent new members include:

- **Debevoise & Plimpton**
- **XP Securities**

EMTA membership benefits include access to the EMTA website and to EMTA's staff, invitations to EMTA's many events around the globe, eligibility to participate in working groups or other EMTA initiatives, and much more.

If you are interested in EMTA membership, or if you know of prospective members, please contact Jonathan Murno at jmurno@emta.org or (646) 289-5413 or Suzette Ortiz at sortiz@emta.org or (646) 289-5414.

Information on the different categories of membership and annual dues may also be found on the EMTA website at www.emta.org.

Stay Current to Stay in Touch!

If you have recently changed emails or moved offices, please update your information.

You can update your information at https://netforum.avectra.com/eWeb/DynamicPage.aspx?Site=EMTA.

EMTA is Your Forum

Questions arise from time to time about EMTA's policies regarding views expressed in items posted on its website or by speakers or panelists at EMTA events.

For the record, EMTA, by long-standing custom, does not necessarily endorse such views. Items posted on EMTA's website and speakers and panelists at EMTA events are selected because EMTA believes that they will be of topical interest to our Members and to the broader market and will contribute to the expression and free exchange of views and information in the marketplace.

EMTA is always interested in getting market feedback on the effectiveness of our website, events and activities generally. Please take the time to let us know whether or not you agree with what you see on our website or hear at one of our events and, most importantly, whether there is something that EMTA should be doing, or doing differently, to better serve the EM marketplace.

Website Updates and Additions

Key Industry Views

EMTA continues to recognize publications by leading research analysts and others that highlight noteworthy industry topics. In recent weeks, EMTA has made the following additions to the Key Industry Views area of EMTA's website:

To submit materials for posting to this area, please contact EMTA by email at jmurno@emta.org.

- "Iceland's Selective Default." June 14, 2016 - Arturo Porzecanski (American University).
- "Northern Europe's Argentina Imitator." June 13, 2016 - James Glassman (American Enterprise Institute).
- "An Opportunity for Puerto Rico: Bill Offers Orderly Way to Restructure Debts." May 24, 2016 - Mark Cymrot and Simon Johnson (The Agenda).

New Developments

These and other recent news items can be found in the New Developments area of EMTA's website.

June 29, 2016
- EMTA Special Seminar: Iceland's Selective Default?
  - Agenda
  - Magnus Arni Skulason PowerPoint
  - Relevant Links

June 23, 2016
- Calculations for Payments on Uruguay VRR's Announced.

June 21, 2016
- EMTA Special Seminar: Iceland's Selective Default? to be held in New York, on June 29, 2016.

June 16, 2016
- EMTA Announces 1Q 2016 EM Debt Trading Stood at US$1.299 Trillion.
- Bank Negara Malaysia Announces New MYR/USD Methodology.

June 15, 2016
- Holiday Schedule for EM Bond Trades for US Independence Day Holiday.

June 14, 2016
- EMTA Announces 1Q 2016 EM CDS Volume Stood at US$363 Billion.

June 13, 2016
- EMTA issues its Recommended FX and Currency Derivatives Market Practice No. 77 recommending, effective July 18, 2016, new standard terms for RUB Non-Deliverable FX Forward and Currency Option Transactions.

June 2, 2016
- EMTA Special Seminar: The Peru Land Reform Bond Case
  - Agenda
  - Gramercy Press Release
  - Brief Statement by Peru
  - Financial Times Article "Big Rating Agencies Steer Clear of Peru's Defaulted Debt"
  - Relevant Links

May 17, 2016
- EMTA Summer Forum in London to be Held on June 21, 2016.

May 16, 2016
- Fiscal Agent Notice Regarding May 16, 2016 Payment on Nigeria Payment Adjustment Rights.

May 14, 2016
- Moody's Downgrades Bahrain's Government Issuer Rating from Ba1 to Ba2.
- Moody's Downgrades Oman's Long-Term Issuer Rating from A3 to Baa1.
- Moody's Downgrades Saudi Arabia's Long-Term Issuer Rating from Aa3 to A1.

May 11, 2016
- EMTA Special Seminar: The Peru Land Reform Bond Case, to be held in New York on June 2, 2016.

May 10, 2016
- Fitch Upgrades Argentina's Long-Term Foreign Currency Issuer Default Rating from RD to B.

May 6, 2016
- Standard & Poor's Upgrades Argentina's Long-Term Foreign Currency Rating from SD to B-.

May 5, 2016
- Holiday Schedule for EM Bond Trades for US Memorial Day/UK Spring Bank Holidays.

May 3, 2016
- BNY Mellon Notice Regarding Argentina Bond Record Date of May 5.
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April 29, 2016
- Fitch Downgrades Mozambique's Long-Term Foreign Currency Issuer Default Rating from B to CCC.
- Moody's Downgrades Nigeria's Long-Term Issuer Rating from Ba3 to B1.
- Moody's Downgrades Gabon's Government Issuer Rating from Ba3 to B1.
- Moody's Downgrades Republic of Congo's Government Issuer Rating from B1 to B2.
- Moody's Downgrades Angola's Long-Term Issuer Rating from Ba2 to B1.

April 28, 2016
- EMTA Spring Forum in NYC to be Held on May 19, 2016.

April 26, 2016
- New Market Practice for Argentine Bonds.
- BNY Mellon Notice Regarding Argentina Bond Record Date of April 29.

April 25, 2016
- EMTA Special Seminar on China, to be Held in Hong Kong, on May 26, 2016.
- Moody's Downgrades Papua New Guinea's Foreign Currency Issuer Rating from B1 to B2.

April 22, 2016
- EMTA Special Seminar on China, to be Held in Singapore, on May 24, 2016.
- Moody's Downgrades Kazakhstan's Issuer Rating from Baa2 to Baa3.

April 21, 2016
- EMTA Forum in Zurich to be Held on May 12, 2016.

April 20, 2016
- Holiday Schedule for EM Bond Trades for UK May Day Bank Holiday.

April 19, 2016
- Moody's Downgrades Zambia's Long-Term Issuer Rating from B3 to B2.

April 18, 2016
- EMTA's 25th Anniversary Panels: Emerging Markets - Then and Now, to be Held in London on May 16, 2016.

April 15, 2016
- Calculations for Payments on Venezuela Oil Obligations Announced.

Reminders: Visit the *New Developments, Key Industry Views, Employment, Litigation, Responses to Market Conditions, Documentation* and *From the Market* areas

EMTA would like to remind its Members to visit the following areas of its website, which are updated frequently: New Developments, Key Industry Views, Employment, Litigation in the EM Background area, Responses to Market Conditions in the New Developments area, Documentation and From the Market in the Activities & Services area.

In the New Developments area, EMTA posts current information regarding EMTA projects and other matters deemed of interest to participants in the Emerging Markets trading and investment community. To submit materials for posting to this area, please contact EMTA by email at sortiz@emta.org. EMTA generally disclaims responsibility for the content of materials received for posting from outside sources.

The Key Industry Views area contains key industry perspectives and market commentary deemed to be of particular importance or relevance in understanding today's Emerging Markets. EMTA has obtained the information posted in this area from sources it believes to be reliable and credible, but EMTA disclaims any and all responsibility for the content of materials received for posting from outside sources. Neither EMTA nor the author of any publication posted in this area has assumed any obligation to update any materials posted herein, and each item is deemed to be dated the date of its publication as stated therein or, in the absence of a date, the date of its posting. To submit materials for posting to this area, please contact EMTA by email at jmurno@emta.org.

Website (continued)

The Employment area includes industry positions currently available around the globe for members of the EM trading and investment community. Because of the difficult employment environment resulting from the credit crunch, EMTA has revised the Employment area to include both:

- listings of employment opportunities posted (for a fee) by prospective employers (Click Here for Job Opportunities); and
- summary resumes posted (free of charge) by individuals seeking employment positions (Click Here for Jobs Wanted).

Postings may contain as much, or as little, detail as desired, and initial contact between prospective employers and employees may be arranged through EMTA. To post an employment opportunity, please contact EMTA by email at jmurno@emta.org. To post a summary resume, please contact EMTA by email at sortiz@emta.org.

The Litigation area contains various court decisions and related litigation materials (including amicus briefs) that may be of interest to the EM trading and investment community. Cases can be viewed alphabetically in the more comprehensive List of Cases, as well as by specific subject matter category, in reverse chronological order. A specific attempt has been made to collect as many cases as possible in the on-going litigation against Argentina so creditors are aware of the enforcement and collection challenges facing them. If you are aware of any pertinent information which would be useful to post here, please contact EMTA by email at awerner@emta.org.

In an inter-connected global economy, the various regulatory proposals to address the market turmoil of 2008/2009 provide important context to the activities of the EM trading and investment community. Because of the diversity of these proposals, and their sheer volume and complexity, EMTA has tried to maintain an area of its website Responses to Market Conditions that tracks regulatory developments. Included in this area are various items of interest generated by regulatory agencies, law firms and other trade associations, etc. This area will be updated from time to time as new information becomes available, and contains, among other sections, the sub-categories of Regulation of the Financial Sector, Europe, IMF and CDS so Members can access those topics more directly. To submit materials for posting to this Responses area, please contact EMTA by email at awerner@emta.org.

EMTA offers Market Practice recommendations and documentation relating to a range of EM activities as well as to EM generally. In the Documentation area, EMTA Members have access to EMTA Standard Documentation (including Bonds and Loans Documentation (which include Primers, When-Issued and Bond Confirmations, Standard Terms for Assignments and Participations and Bilateral Netting Agreements), FX and Currency Derivatives Documentation (which include Master Confirmation Agreements and Practice Notes, Template Terms for Non-Deliverable Forward FX Transactions, Template Terms for Non-Deliverable Options, Standard Definitions, Survey Methodologies, User's Guides and Multilateral Amendments and Documentation Protocols), Bond and Loan Market Practices, FX and Currency Derivatives Market Practices, Credit Derivatives and Swaps Market Practices, Industry Principles and Guidelines and EM Sovereign Bond Documentation Charts). Please contact Aviva Werner (awerner@emta.org) or Leslie Payton Jacobs (lpjacobs@emta.org) for any questions you may have regarding the documents in this Documentation area.

From the Market contains items submitted to EMTA that are deemed of general interest to the Emerging Markets trading and investment community. Decisions to post items are at EMTA's discretion, and the responsibility for content of each posted item lies solely with its author. Items in a variety of formats such as articles, opinions, transcriptions, and graphics, among others, are appropriate for this area. To submit postings to this area, please contact EMTA by email at sortiz@emta.org.

EMTA Hotlines

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Credit Derivatives	Leslie Payton Jacobs/Aviva Werner	(301) 838-4552/(646) 289-5412
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EM Litigation	Aviva Werner	(646) 289-5412
EMTA Annual Meeting/Forums	Jonathan Murno	(646) 289-5413
EMTA Governance/Board/Policy	Michael Chamberlin	(646) 289-5410
EMTA Membership	Jonathan Murno/Suzette Ortiz	(646) 289-5413/5414
FX Derivatives	Leslie Payton Jacobs	(301) 838-4552
International Financial Architecture	Michael Chamberlin	(646) 289-5410
Investor Rights	Michael Chamberlin/Aviva Werner	(646) 289-5410/5412
Legal/Compliance	Aviva Werner	(646) 289-5412
Library and Archive Requests	Evelyn Ramirez	(646) 289-5415
Local Markets	Aviva Werner/Leslie Payton Jacobs	(646) 289-5412/(301) 838-4552
Market Information/Research	Jonathan Murno	(646) 289-5413
Netting Facilities	Aviva Werner	(646) 289-5412
OFAC Sanctions	Aviva Werner	(646) 289-5412
Paris Club	Aviva Werner	(646) 289-5412
Repos/Securities Lending	Aviva Werner	(646) 289-5412
Volume Surveys	Jonathan Murno	(646) 289-5413
Warrants/VRR's	Aviva Werner	(646) 289-5412
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EMTA Calendar

Thurs., April 7	**EMTA Investor Forum in Los Angeles** **Sponsored by MarketAxess** **Wilshire Loft** **700 Wilshire Blvd.**
Tues., April 12	**EMTA Special Seminar: Economic and Political Update for Venezuela (NYC)** **Sponsored by BancTrust** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)**
Tues, April 19	**EMTA Forum in Boston** **Sponsored by MarketAxess** **The Langham Hotel – Chase Room** **250 Franklin Street**
Tues., April 26	**EMTA Forum in São Paulo** **Sponsored by MarketAxess** **Blue Tree Premium** **Av Brigadeiro Faria Lima 3989**
Thurs., April 28	**EMTA Forum in Buenos Aires** **Sponsored by TPCG** **Madero Walk** **Pierina Dealessi 1855, Dique 1** **Ciudad Autonoma de Buenos Aires**
Monday, May 2	Recommended Market Close (London) May Day Bank Holiday
Tues., May 10	**EMTA Forum in Frankfurt** **Hosted by MarketAxess** **Steigenberger Frankfurter Hof** **Am Kaiserplatz**
Thurs., May 12	**EMTA Forum in Zurich** **Hosted by MarketAxess** **Marriott Zürich** **Neumuehlequai 42** **8001 Zürich**
Mon., May 16	**EMTA's 25th Anniversary Panels: The Emerging Markets - Then and Now (London)** **Hosted by Allen & Overy** **One Bishops Square** **E1 6AD**
Thurs., May 19	**Spring Forum (NYC)** **Sponsored by HSBC Securities (USA) Inc.** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)**
Tues., May 24	**EMTA Special Seminar on China (Singapore)** **Sponsored by ICBC Standard Bank** **Raffles Hotel** **1 Beach Road**
Thurs., May 26	**EMTA Special Seminar on China (Hong Kong)** **Sponsored by ICBC Standard Bank** **Mandarin Oriental** **5 Connaught Road Central**
Fri., May 27	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., May 30	Recommended Market Close (NYC/London) Memorial Day/Spring Bank Holiday

Tues., June 2	**EMTA Special Seminar: The Peru Land Reform Bond Case (NYC)** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)**
Tues., June 21	**Summer Forum (London)** **Hosted by Bank of America Merrill Lynch** **2 King Edward Street**
Wed., June 29	**EMTA Special Seminar: Iceland's Selective Default? (NYC)** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)**
Fri., July 1	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., July 4	Recommended Market Close (NYC/London) Independence Day
Mon., August 29	Recommended Market Close (London) Summer Bank Holiday
Fri., Sept. 2	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Sept. 5	Recommended Market Close (NYC/London) Labor Day
Mon., Sept. 12	**Fall Forum (NYC)** **Hosted by UBS** **1285 Avenue of the Americas (at 51st Street)**
Wed., Sept. 21	**EMTA Forum on Sub-Saharan Africa (London)** **Hosted by ICBC Standard** **20 Gresham Street**
October*	**EMTA Forum in Singapore**
October*	**EMTA Forum in Hong Kong**
October*	**EM Benefit - London**
Mon., Oct. 10	Recommended Market Close (NYC/London) Columbus Day
Fri., Nov. 11	Recommended Market Close (NYC/London) Veterans' Day
Wed., Nov. 23	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Nov. 24	Recommended Market Close (NYC/London) Thanksgiving Day
Fri., Nov. 25	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Dec. 1*	**EMTA Annual Meeting (NYC)** **Hosted by Citi** **Emerging Markets Benefit (NYC)**
Fri., Dec. 23	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Dec. 26 (observed)	Recommended Market Close (NYC/London) Christmas Day
Tues., Dec. 27 (observed)	Recommended Market Close (London) Boxing Day
Fri., Dec. 30	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Jan. 2, 2017 (observed)	Recommended Market Close (NYC/London) New Year's Day (2017)

*Details TBA