E M T A

# Bulletin

4th Quarter 2006 Volume 2006: No. 4

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# Central Bank of Brazil's President Henrique Meirelles to Deliver Keynote Address at EMTA's Annual Meeting

The President of the Central Bank of Brazil, Henrique de Campos Meirelles, will deliver the keynote address at EMTA's Annual Meeting on Wednesday, December 6, 2006. Citigroup will once again host the event at its headquarters at 388 Greenwich Street in downtown Manhattan. Invitations were sent to EMTA members in mid-November.

Previous keynote speakers at EMTA's Annual Meeting include Peru's Finance Minister Fernando Zavala, Venezuela's Finance Minister Tobias Nobrega, Argentine's Finance Secretary Guillermo Nielsen, U.S. Treasury Undersecretaries for International Affairs John Taylor and Tim Geithner, Mexico's Finance Ministers Francisco Gil-Diaz and Guillermo Ortiz, Brazil's Central Bank President Arminio Fraga, Brazi's Finance Minister Pedro Malan, Panama's Finance Minister Guillermo Chapman and Argentina's Finance Minister Domingo Cavallo.

The Annual Meeting will also include two panel discussions focusing on current events in the Emerging Markets. Participants will include James Barrineau (AllianceBernstein), Simon Treacher (BlueBay Asset Management), Don Hanna (Citigroup), Kasper Bartholdy (Credit Suisse), Piero Ghezzi (Deutsche Bank), Paulo Leme (Goldman Sachs), Joyce Chang (JP Morgan), Dave Rolley (Loomis Sayles), Tulio Vera (Merrill Lynch) and Art Steinmetz (Oppenheimer).

For more information, please contact Jonathan Murno of EMTA at (646) 637-9105 or at jmurno@emta.org.

# EMTA Survey: Emerging Markets Debt Trading Remains at Near-Record Levels

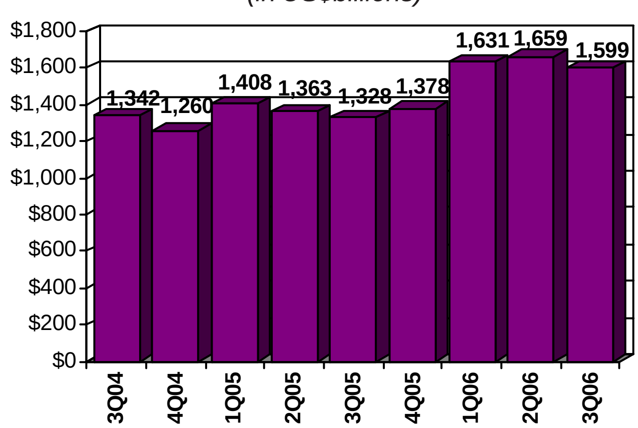
## Local Markets Instruments Account for 64% of Reported Volumes

Trading in Emerging Markets debt instruments remained at near-record levels in the third quarter of 2006, according to EMTA. Participants in EMTA's Third Quarter Debt Trading Volume Survey reported trading of US$1.599 trillion, an increase of 20% compared to the US$1.328 trillion in the same quarter last year. This represents a 4% decline from the second quarter of 2006, however, when EMTA Survey participants reported their highest-ever quarterly trading level of $1.659 trillion.

EMTA noted that 64% of reported trading occurred in local markets instruments, a dramatic rise from a 57% share of volume in the previous quarter and 48% of transactions in the first quarter. Nearly all local markets instruments tracked in the Survey are denominated in local currencies.

Jerome Booth, Head of Research at Ashmore Investment Management, acknowledged that some of the move into local-currency debt is a "function of global liquidity," but stressed that "pension funds, central banks and other long-term institutional investors are now looking to invest in local-currency debt not as a second investment into the asset class but as part of their initial investment, together with dollar-denominated debt."

**Aggregate Trading Volume**
*(in US$billions)*




Booth added that countries with improved economic fundamentals that have allowed them to build up significant financial cushions against external shocks have been issuing more local-currency debt while decreasing their reliance on foreign-currency bond issues. "While this is not a panacea, this shift is the result of a decision by issuers to take on more short-term vulnerability to external shocks in exchange for the long-term development of local debt markets, which will provide the country with less exposure to external shocks in the long run and enable the development of local capital markets."

## Mexican Instrument Volume at US$403 Billion

Survey participants reported trading US$403 billion in Mexican debt instruments. This compares with US$196 billion in the third quarter of 2005 (a 105% increase) and US$431 billion in the second quarter of 2006 (a 7% decrease). Local markets volume, at US$360 billion, accounted for 89% of total Mexican volume, an increase from 77% of Mexican instrument trades in the same quarter last year and from 84% in the second quarter of 2006. Booth cited domestic demand as driving much of the Mexican local markets volume. Mexican instruments remained the most frequently traded instruments overall, with a 25% share of total Survey volume.

## Brazil Volume at US$314 Billion

At US$314 billion in turnover, Brazilian debt instruments were the second most frequently traded instruments in the Survey. Brazilian activity decreased 23% from US$407 billion in the third quarter of 2005 and 19% from US$389 billion in the second quarter of 2006. EMTA noted that much of the volume decrease could be attributed to a decline in Brazil 2040 Bond transactions. This bond remained the most frequently traded individual instrument, although volume declined to US$103 billion in the third quarter from US$144 billion in the third quarter of 2005 and US$157 billion in the second quarter of 2006. Brazilian activity accounted for 20% of total Survey volume.

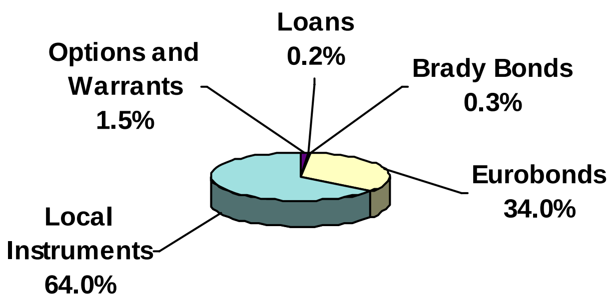
# EMTA Volume Survey (continued)

## Local Instruments at US$1.024 Trillion

For the quarter, total local markets volume stood at US$1.024 trillion, compared with US$628 billion in the third quarter of 2005 and with US$941 billion in the second quarter of 2006 (63% and 9% increases, respectively). In addition to the US$360 billion in Mexican local instruments, Survey participants also reported trading US$133 billion in Brazilian local instruments, US$111 billion in South African local instruments ("due to uncertainty over South African interest rate policy," Booth opined), US$83 billion in Polish treasuries and US$73 billion in Turkish local instruments. (The last of these, Booth noted, was, among other factors, "spurred by clarification of whether a withholding tax would be levied on foreign investors").

Eurobond volumes stood at US$544 billion for the third quarter, down 14% from US$635 billion in the third quarter of 2005 and down 20% from US$680 billion in the second quarter of 2006. Eurobond market share fell in tandem with the rise of local instrument trades, accounting for 34% of third-quarter volume, down from 48% in the third quarter of 2005 and from 41% in the second quarter of 2006. In addition to the Brazil 2040 bond, the most frequently traded Eurobonds included Russia's 2030 bond (US$35 billion), Turkey's 2030 bond (US$26 billion), Venezuela's 2027 bond (US$21 billion) and Brazil's 2018 bond (US$13 billion).

**Volume by Type of Instrument, 3Q 2006**




Survey participants also reported US$24 billion in options and warrants trading. Brady bond trading and loan assignments stood at US$4 billion each.

## Institutional Demand Remains Strong

Booth asserted that there is "unquestionably" more demand for the Emerging Markets debt asset class. "Institutional investor demand from pension funds, central banks and other long-term investors remains at strong levels," he stated, adding that this demand is not only driving traditional trading activity but also leading to increased interest in the "whole range of bonds and tradable instruments."

EMTA's Survey includes secondary market trading activity in sovereign and corporate Eurobonds, local treasury bonds and other instruments (Brady bonds, debt options, warrants and loans) from over 90 Emerging Markets countries. 65 major dealers, banks and investment firms worldwide participated in the Survey.

For a copy of EMTA's Third Quarter 2006 Debt Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or +1 (646) 637-9105.

# EMTA Board Meeting on October 4, 2006

EMTA's third Board Meeting for 2006 was held on October 4 at the offices of J.P. Morgan Chase in New York City and Merrill Lynch in London, with the usual video and teleconferencing links.

Elected to the Board at the beginning of the meeting were David Spegel (ING Financial Markets LLC), who replaced his colleague, Marcy Swank, Matthew Clinton (Lehman), who replaced his colleague, Mohammed Grimeh, and Ruth Laslo (UBS), who replaced her colleague, Steve Kenny.

In addition to reviewing EMTA's preliminary results for the first six months of 2006 (which were on track with the 2006 Budget, which aims for a projected surplus of approximately $110,000), the Board also discussed at length the trade settlement backlog in Venezuela's Oil Obligations and EMTA's proposed Multilateral Facility (see page 9).

Mr. Chamberlin reported that the major dealers had made progress throughout the Summer in their intensive effort to reconcile their trading positions with each other, and some managed to effect some bilateral and trilateral nettings, beginning June 30, 2006. However, the earliest possible date for a Multilateral Facility is early 2007, and there are very significant issues that would need to be worked out before any such Facility could become feasible, including much more reconciliation work (especially with customers) and consensus on the structure and pricing methodology for any such Facility.

In view of pending litigation, and the increasing interest of the industry's regulators, it was the consensus of the Board that a Working Group be formed, composed of Board members and legal counsel, to discuss the Multilateral Facility (including its pricing methodology) and set deadlines. In view of the importance of resolving this long-standing and potentially contentious issue, the Board extended its discussion and deferred any action on several other pending agenda items.

The next meeting of EMTA's Board is scheduled to be held in late January, 2007.

# EMTA's Fall Forum Focuses on World Hot Spots

Hosted by UBS in its Sixth Avenue offices, EMTA's New York Fall Forum was held on Thursday, October 19, 2006. After a brief overview of the immediate future of the Emerging Markets, panelists looked in depth at three countries where much has been happening, both politically and financially: Brazil, Ecuador and Turkey.

Moderator Filippo Nencioni of UBS opened the discussion by asking each panelist to describe what he sees happening in the EM over the next 3-6 months, and also to reveal his favorite trade. First up was Amer Bisat of Rubicon Fund Management, who, using a baseball analogy, said "we're somewhere in the eighth inning." At some time in the next few years, the current cycle will turn, and "you do not want to be in risky assets. You might as well go out and find another job." Until then though—"I don't believe in a gradual bear market," declared Bisat—over the next 6-12 months the market will be doing fine, and "I will continue to play it on the long side," he announced. Bisat plans to change his trading strategies, placing more attention on liquidity. Credit—sovereign debt—will have lower returns but will also have lower volatility. "Within that, I have a particular preference for Turkey, which has seen a disproportionate dislocation in its risk assessment" he noted. "It should continue to be a good credit player over the next 6-12 months. I'm enamored of Venezuela, even though I've been completely wrong about it the last 3 months. The big play in 2007 is going to be Turkish rates—local markets. The third thing for me is inflation linkers in Brazil."

Guillermo Mondino of Lehman Brothers stated that the market drivers over the next 3 months would be, first, the behavior of U.S. rates markets; the Fed will not be cutting rates soon, which will lead to a correction in the rates market. When it happens, it will "take some of the steam out of our market," he noted. Global equity markets will continue to perform well, providing some additional support to EM, benefiting from the soft landing in the U.S. Second, real-money investors are having a decent year, while hedge funds are very uneven; those who are down will be adding volatility to the market. Third, continued Mondino, "while assets are pricey in general throughout the EM, we don't think this market will sell off in the near future." Low-risk, low-yield credit is a favorite asset. Mondino believes that "perhaps the biggest trade in the next year will be the convergence of real rates across the EM, especially Brazil and Turkey." Finally, "GDP warrants are the most underpriced asset remaining in the EM spectrum."

Piero Ghezzi of Deutsche Bank noted that he also believes there is an 80% chance the US economy is in for a soft landing, without the housing market pulling it down, which is a good scenario for the EM overall. Rates are likely to do better than currency and credit. "In LatAM, local rates continue to be the most attractive play," he asserted, whereas FX is neutral—positive for Peru and Brazil—and CDS should be used more as a hedge instrument. In terms of specific favorites, GDP warrants are the ones with the biggest upside right now in EM. "Real rates in Brazil, at least over the next 6-12 months, and rates in Mexico and Colombia, also make a lot of sense," observed Ghezzi.

Bracebridge Capital's Mike Rashes' key point was that external debt trading now in EM reflects the extreme level of liquidity in all financial markets. "Recently we've seen rallies in rates and equities in the US, which is driven by the perception that the Fed is done and on the way to reversing itself; we'll have soft landings in housing and in the economy, inflation will come down." But Rashes himself disagrees: "I think recent comments by the Fed indicate that further hikes, not cuts, are expected—not in the next 3 months, but by the end of 2007." On a more optimistic note, Rashes concurred that "there are certain countries where one can imagine positive surprises in the coming year." And he agreed that "positive news could cause a

# EMTA Fall Forum (continued)

rally in Turkey, both locally and externally." The credits that will outperform in the next 6-12 months are some of the more highly rated credits like Pemex and El Salvador, he predicted. Rashes also agreed that "local markets will present a lot of opportunities going forward; the next great trade is probably something that's not denominated in dollars." There are also opportunities in non-dollar external debt, as well.

The moderator then asked Ghezzi to speak about the Brazil presidential election. With less than 10 days before the election, and incumbent President Lula about 20 points ahead in polls, it seemed unlikely at conference time that he would be unseated. *[Lula did in fact win the Brazilian election on October 29 with over 60% of the vote—Ed.]* Thus, Ghezzi focused his remarks on what will happen in a second Lula administration. He feels Lula's goals will be to enhance growth while keeping inflation low, but this may be difficult, as he will face more opposition in Congress this time around. Ghezzi predicts that monetary policy will not change, but "pension reform must be addressed; the pension system generates a deficit of 2% of GDP, a level that is projected to remain that high even within the most optimistic of growth forecasts." Ghezzi does believe that Brazil will go investment-grade over the next few years, provided that debt-to-GDP ratio continues to decline. "The equity market has been a major underperformer when measured against, for example, the Mexican equity market, because it is heavily weighted toward commodities, and the mortgage market is ripe for a boom as well," he concluded.

"From my angle," chimed in Mondino, "it's a pity we've come to this position," with Lula likely to win, perhaps even by a landslide. However, he agreed with Ghezzi that Brazilian macro policies are unlikely to change. He views the country's overall outlook in terms of debt sustainability. It has had great success in reducing its level of external debt, and improving its flexibility in debt management, since debt moved from the Central Bank to the Treasury, and this should continue. Mondino believes that Brazil may sustain a growth rate of 5-6% over the short term, driven by the decline in interest rates; mortgages, real estate and construction, and the overall Brazilian economy, will all benefit greatly from this decline. Thus, debt sustainability should continue to improve. "But they will have to introduce some changes in fiscal policies, just to keep what they have in place," asserted Mondino. But he holds out no hope for structural reforms, however, and fears that the corruption scandals of the last year will continue as well, possibly even leading to Lula's impeachment.

Rashes' contribution to the Brazil discussion was to wonder what—if anything—the future will hold for Lula's party without Lula at the head of it. "All indications are that Brazil will continue to be an improving credit story in the short to intermediate term," he said. But "four years from now, will we be looking back at Brazil as a strong investment-grade credit, or a former investment-grade credit?"

Bisat eagerly jumped in to take the other side of the argument: "Over the past four years, Brazilian society has shown a level of maturity that has surpassed that of most other Latin American countries. The recognition that the left can be fiscally responsible represents a huge paradigm shift." Bisat continued, "The responsible center left of Brazil has proved that you can have your cake and eat it too; if you have good fiscal policy, you can at the same time care about social infrastructure, without which long-term development is impossible." So, now that Lula has "proven his colors" in the economic area, Bisat expects him to do even more in the areas of health, education, and security. "I am more optimistic about the second Lula administration than I was about the first," he concluded.

# EMTA Fall Forum (continued)

Staying within Latin America, moderator Nencioni then asked the panelists for their analyses of the upcoming Ecuador run-off election and its impact. Mondino opened by quoting a first-round election loser's comment on the two winners: The Ecuadorians are choosing between two undesirable outcomes. Rafael Correa has frightened people with his policy statements; Alvaro Noboa is center-right and a supporter of dollarization who has used his various public offices over the years to further his private business interests and has often abused his suppliers. "He's a traditional Latin American populist politician," stated Mondino, who gave Noboa a 60-65% chance of winning. The economy will probably not flourish under either candidate. Mondino believes that, if elected, Correa might indeed make good on his threat to default: "He's made a lot of campaign promises, and one of the easiest to fulfill might be to restructure foreign debt."

Ghezzi pointed out some added complexities of the election in Ecuador: opinion polls there have a poor record for accuracy, and also the interesting fact that the poorest citizens seem to be supporting the rightist Noboa rather than the leftist Correa. "I would agree with Guillermo that Noboa is the favorite, but this is 60-40 odds," at best, declared Ghezzi, who also agrees that a default is possible. "The market really should not move over the next six weeks based on polls," given their unreliability, "but in general I see more downside here than upside," he concluded.

Asked to speak about Turkey, Bisat opened with this volley: "People in New York love to hate Turkey. There's this massive aversion—I don't know why." "If there's one thing we know," he continued, "it's that Turkey's balance sheet has been cleaned up." From a credit quality standpoint—five or six years of 6%+ primary surplus, sharply declining debt-to-GDP ratio, a strongly dynamic and entrepreneurial corporate sector, a well-run banking sector—"Turkey is the kind of story we love to love" if it happens to be in Latin America, declared Bisat. "It has no business trading so much wider than our favorites." Clearly there are political issues that must be watched, but Bisat feels that the AKP should be regarded as an Islamic Democratic party—similar to the Christian Democratic parties of Western Europe—rather than as a threat.

Turning to the short term, Bisat posed the question of why Turkish interest rates have been so high; they recently peaked at 25%. Subtracting an inflation rate of between 6% and 9% leaves a real interest rate of 17–18%, "which does not correspond to the balance sheet story," he emphasized. Bisat's explanation: a "perfect storm," a confluence of four factors that all hit at once. Treasury bills were overbought, especially by Londoners, in anticipation of the locals doing so; local banks had stopped buying Treasuries, causing a liquidity crunch and a duration mismatch; because the government issued many bonds between July and September, there was a lot of supply in the system. These three things have already improved, but one has not: The Central Bank is "sucking liquidity out of the system," keeping interest rates extremely tight. "I thought at one point this was a mistake," stated Bisat, "but no longer." Why? He believes that the Bank is wisely putting the brakes on an overheated economy, which should slow down over the next three to four months, allowing liquidity conditions to ease. "At that stage," Bisat concluded, "I expect a rally in local interest rates of many hundreds of basis points, which makes it a super-attractive opportunity next year."

# EMTA Fall Forum (continued)

Rashes agreed that "Turkey is potentially one of the most promising places to invest over the next six to twelve months," though his reasoning differed somewhat from Bisat's. There are several pockets of uncertainty there, and therefore "you'd expect a higher return; finance theory tells us that," he noted. Rashes argued that the election is producing fiscal and inflationary pressures that preclude the imminent rate cuts Bisat predicted, so rates are "a better trade with a 24-month horizon than a 12-month horizon." In addition, way too much of the GDP is going toward interest payments; this is coupled with a poor technical position in which the locals are close to "being full to the gills with paper," though this situation has begun to improve, admitted Rashes. Many observers believe that Turkey will ascend to the EU soon, and some own Turkish credit because they think it will be a convergence credit, but Rashes is less sanguine. "Truth be told, I think 20 years from now the EU is going to realize they need Turkey—which has a young, vibrant economy—more than Turkey needs the EU," he declared.

Ghezzi added that Turkey's inflation target for next year is 4%, "which is extremely ambitious." Deutsche Bank's own prediction is a more relaxed 8%. "In general, it's a trade we like," Ghezzi affirmed.

Finally, Mondino contributed two more points about Turkey: "Their budget for next year stinks," he proclaimed. Both spending and revenues are projected to increase 20%, "which is unthinkable without a significant tax increase." Secondly, Turkey needs to increase foreign direct investment quickly to finance its current account deficit and EU accession is critical to such investment. If there were suddenly news that "the EU is not happening," the currency would take a hit, local markets would trade off, equities will not do well, and "there will be a mini-replay of May of this year"—although Mondino himself forecasts that the EU will happen and the issue will not be as much of a hurdle as people think.

# Multilateral Facility for Venezuela Oil Warrants

EMTA announced in the first Quarter of 2006 that it was proposing to sponsor a Multilateral Facility for Venezuela warrant delivery obligations and for Venezuela warrant cash payments to address the long-standing backlog in the settlement of transactions in Venezuela Oil Obligations entered into before January 2, 2002 (the "Warrants"). Eventually, the Facility is expected to clear the existing backlog of Warrant settlements, which dates back to the early 1990's.

The first phase of this project has been an intensive effort by the dealer community to reconcile their warrant positions internally, with the clearing systems and with each other. The second step (begun at June 30, 2006) was for the major dealers to initiate a series of coordinated bilateral netdowns with each other and with their clients (without settlement). This series of bilateral netdowns is expected to continue, as needed, until the industry is ready and able to complete the multilateral process early in 2007.

EMTA has hosted weekly conference calls to encourage such reconciliation and netting among the participants on the calls (including custodians and buy-side clients), and has distributed a suggested form of Bilateral Netting Agreement (together with a User's Guide). A form of Trilateral Netting Agreement (together with a User's Guide) is also available upon request.

In the interests of an orderly settlement of any netting arrangements between counterparties relating to the Warrants, EMTA has calculated that the total dividend payments to date on each Warrant are $12.013356085. For the full text of this Market Advisory, which sets forth the basis for this calculated amount, Click Here.

EMTA wishes to remind all market participants that substantial efforts should be made, and sufficient resources should be devoted, to continue to fully reconcile positions with their counterparties (including with custodians) so that the reconciliation effort can be completed in a timely manner. In the meantime, in the interests of an orderly market, a certain amount of patience and forbearance in dealing with counter-parties is likely to contribute a great deal more to the successful resolution of the overall settlement backlog than the aggressive pursuit of individual payment and settlement claims.

For further information about the Warrants, please Click Here for EMTA's Revised Primer (February 22, 2006); questions and comments concerning bilateral netting or the proposed Facility may be directed to Aviva Werner at awerner@emta.org or (646) 637-9110.

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The October 15, 2006 Oil Obligations payment was made on October 16 to holders of record as of September 29, 2006, and EMTA recommended that trades be settled "ex-dividend" on September 27. Click Here for the Fiscal Agent's notice regarding the payment's calculation.

The Oil Obligations came "into the money" for the first time as of October 15, 2004. That payment was made on March 3, 2005 to holders of record as of March 1, 2005. The April 15, 2005, October 15, 2005 and April 15, 2006 payments were made on time.

# Bond & Warrant Trading & Settlement

## Nigeria Payment Adjustment Warrants

Fails in settlements of Nigeria's Payment Adjustment Warrants ("Warrants") have also been a continuing problem, similar to the VRR fails in Mexico and the Oil Obligations fails in Venezuela. These difficulties have now become more acute with the recent increase in world oil prices, payments made on the Warrants, and increase in their market value, and are unfortunately compounded by the unavailability of some settlement system position reports. Past experience with other instruments (including Venezuela's Oil Obligations) also tends to show that market-wide settlement backlogs often cannot be effectively addressed piecemeal, but instead require market-wide solutions.

As a result, the dealer community, acting through EMTA, is engaged in developing an action plan to reduce these settlement difficulties and to clear the resulting settlement backlog. Adequate and accurate reconciliation among market participants continues to be the key to resolving disputes regarding failed Warrant transfers.

Following the model of Venezuela, the first step in developing this plan for Nigeria is an intensive effort by the dealer community over the next several months to ensure that their trading positions are reconciled internally and with the applicable clearing firms and settlement systems.

The second step (begun at November 30, 2006) was for the major dealers to initiate a series of coordinated bilateral netdowns with each other and with their clients (without settlement). This series of bilateral netdowns is expected to continue, as needed, until the industry is ready and able to complete the multilateral process early in 2007.

EMTA has hosted bi-monthly conference calls to encourage such reconciliation and netting among the participants on the calls (including custodians and buy-side clients), and has distributed a suggested form of Bilateral Netting Agreement (together with a User's Guide). A suggested form of Trilateral Netting Agreement (together with a User's Guide) is also available upon request.

In the interests of an orderly settlement of any netting arrangements between counterparties relating to the Warrants, EMTA proposed a draft Market Advisory, which includes the following calculation:

For trades entered into before November 1, 2002:

- For those trades entered into with a contractual settlement date on or before October 31, 2000, the total dividend payments to date on each related Payment Adjustment Right are $78.934706.
- For those trades with a contractual settlement date on or after November 1, 2000, parties should consult the Record Dates in the draft Market Advisory for guidance as to what payments should be included.

For the full text of this proposed draft Market Advisory, which sets forth the basis for such calculated amounts, please contact Aviva Werner at awerner@emta.org.

EMTA wishes to remind all market participants that, as in the case of Venezuela, substantial efforts should be made, and sufficient resources should be devoted, to continue to fully reconcile internally and with their counterparties (including with custodians) their individual accumulated failed Nigeria Warrant transfers, so that net bilateral positions can be ascertained and settled and the reconciliation effort can be completed in a timely manner. In the meantime, in the interests of an orderly market, a certain amount of patience and forbearance in dealing with counterparties is likely to contribute a great deal more to the successful resolution of the overall settlement backlog than the aggressive pursuit of individual payment and settlement claims.

This reconciliation process is necessary as a precondition to permit the development and implementation of any comprehensive solution (such as a global multilateral facility) to the settlement backlog. Though the ultimate strategy to address the overall settlement and payment backlog has not been finally decided, EMTA expects to operate a multilateral facility for the Nigeria Warrants as soon as substantial progress has been made on a comparable netting facility for the Venezuela Warrants.

# Bond & Warrant Trading & Settlement (continued)

Also, to aid the market in its efforts at reconciliation, EMTA is requesting that firms send EMTA contact information (including telephone number and e-mail address) for their customers and custodians, as well as for the person(s) at their firm responsible for the reconciliation. EMTA's compiled list of such contacts will be distributed to the firms that contribute such information.

To assist market participants in better understanding the Nigeria Warrants, and the background of the settlement and payment backlog, EMTA has prepared a Revised Primer (February 22, 2006) which includes the formula for determining the number of Warrants related to the Bonds and a history of prior payments.

The Warrants came "into the money" for the first time on November 15, 2000 and then again on May 15, 2001. The May 15, 2001 payment was made on November 15, 2001 with default interest (no separate payment was due for the November 15, 2001 period). No further payments were due until November 15, 2004. The November 15, 2004 payment was made (with default interest) on April 14, 2005 to Payment Adjustment Warrant holders of record as of March 30, 2005. The May 15, 2005 payment was made on May 16, 2005, the November 15, 2005 payment was made on time, the May 15, 2006 payment was made with interest, and the November 15, 2006 payment was made on time.

Click Here for the Euroclear DACE notice regarding the November 15, 2006 payment's calculation.

## Argentina GDPs

The December 15, 2006 payment is expected to be made to Euroclear holders of record as of December 14 (other than for the YEN GDP Warrants, which have a record date of December 1), and EMTA has recommended that trades be settled "ex-dividend" on December 12 (other than for YEN GDP Warrants, which are 'e-dividend' on November 29).

## Nigeria Redemption

Nigeria redeemed all of its outstanding Brady bonds on November 15, 2006. Click Here for the Fiscal Agent's notice.

## Philippines Redemption

Philippines is expected to redeem its Principal Collateralized Interest Reduction Bonds on December 1, 2006. Click Here for the Fiscal Agent's notice.

## Mexico VRR Payment

The September 30, 2006 payment was made on October 2 to Series E VRR holders of record as of September 15, 2006, and EMTA recommended that trades be settled "ex-dividend" on September 13. Click Here for the Fiscal Agent's notice regarding the VRR payment's calculation.

The December 31, 2006 payment is expected to be made on January 2 to Series E VRR holders of record as of December 15, 2006, and EMTA recommended that trades be settled "ex-dividend" on December 13. (A copy of the Fiscal Agent's notice regarding the VRR payment's calculation will be published in the New Development's area of EMTA's website as soon as it is made available.)

The VRRs have been "in the money" for the last 17 consecutive quarterly payment periods (the last time no payment was due on the VRRs was September 30, 2002).

Click Here for EMTA's Revised Primer on Mexico VRR's.

## Uruguay VRR Payment

Click Here for the Fiscal Agent's notice regarding the July 3, 2006 VRR payment's calculation of zero. To date, no payments have ever become due on the VRRs.

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For further information, please visit the New Developments area of EMTA's website or contact Aviva Werner at awerner@emta.org or (646) 637-9110.

# FX & Currency Derivatives

## NDF Master Confirmation Scheduled for Q4 2006 Publication

The EMTA FX and Currency Derivatives Working Group met several times in the third quarter of 2006 to review and comment on drafts of the NDF Master Confirmation, as well as to clarify timing and process in connection with its implementation. The NDF Master Confirmation project, reported on in this section numerous times, is a product of the FMLG/FXC, and is jointly sponsored by the FXJSC and EMTA in order to ensure its broadest possible acceptance among market participants. Most members of the EMTA FX and Currency Derivatives Working Group strongly support the publication of a Master NDF Confirmation and anticipate a significant reduction in back office and settlement backlog as a result of the reduced use of long-form confirmations. The proposed form of the Master NDF Confirmation is intended to be used directly between two market counterparties and includes standardized terms, the incorporation of EMTA Template Terms on an ongoing basis and a form of addendum that can be used by the parties to incorporate individually negotiated terms. The Master Confirmation will be published with Practice Notes to assist parties in their use of the form.

## Minor Amendments Made to PHP and INR Rate Source Definitions and Template Terms

Also during the third quarter of 2006, minor amendments were made to the rate source definitions found in Annex A for the Philippine Peso and the Indian Rupee.

In early October, Reuters moved its PHP/USD rate quotation from Reuters Page PHPPESO to Reuters Page PDSPESO. In addition, it was noted that the posting time for the PHP/USD rate is actually 11:30 a.m., Manila time, and not the previously stated time of 12:30 a.m., Manila time. As a result, minor amendments to Annex A and to the PHP Template Terms were made on October 25, 2006. Click Here for EMTA FX and Currency Derivatives Market Practice No. 41.

In addition, during the Summer it was noted by one particularly observant EMTA Member that the posting time set forth in the definition of the INR RBIB (INR01) rate read 2:30 p.m., Mumbai time, instead of the actual posting time of 12:30 p.m., Mumbai time. This correction was also made on October 25 and involved a minor amendment to the INR RBIB rate source definition and a minor amendment to the Endnotes of the INR Template Terms. Click Here to see these amendments.

## Updates Made to FX and Currency Derivatives Documentation Section of EMTA's Website

The FX and Currency Derivatives Documentation section of EMTA's website has been updated somewhat to make it more user friendly. Please take a look and let us know what you think.

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For further information regarding the above, as well as FX and Derivatives matters generally, please contact Leslie Payton Jacobs at lpjacobs@emta.org or (646) 637-9103.

# Special Events

*You may have noticed that EMTA is presenting more (and more varied) special events these days, particularly in the area of Local Markets. This is in response to the high level of interest EMTA Members are expressing in Local Markets and other special topics. Recent and future EMTA events are described below.*

Consistent with EMTA's mission to promote the development and integration of Emerging Markets economies into the global capital markets, in late 2005 EMTA initiated a series of events aimed at providing the market with a forum to explore various local markets issues. Early presentations included, on October 19, 2005, **"Opportunities and Pitfalls in Emerging Markets Restructurings"** with Steve Kargman as guest speaker; and on January 25, 2006, **"Mexico Mortgage-Backed Securities—Should Mexico Adopt the Danish Model?"** with Alan Boyce of Soros Fund Management and John Rogers of Strasburger & Price as guest speakers.

## Focus on Brazil

On May 12, in view of Brazil's recent debt reprofiling activities, and increasing investor interest in Brazilian local markets, EMTA hosted a panel presentation entitled **"Brazil's Capital Markets"**, with presenters from ANDIMA (Brazil's National Association of Financial Institutions), EMTA's new Brazilian members—Banco Pactual, Banco Itaú and Banco Votorantim—and CETIP (Brazil's central security depositary).

The panel discussion began with a comprehensive overview of the Brazilian financial markets and led into more specific discussion by the panelists of local instrument liquidity in Brazil, clearing and settlement issues, and legal and tax issues. The presentations were well-received by an overflow audience, and enthusiastic feedback from EMTA Members has led to the scheduling of a follow-up meeting in London.

The second meeting in this Brazil Local Markets Series was hosted by UBS at its offices in London on October 16, with ANDIMA, Banco Pactual, Banco Itaú, Unibanco and CETIP as panelists, and addressed issues similar to the first panel in New York, as well as derivatives and futures issues in the Brazil local markets. Click Here for copies of the agenda and presentations.

# Special Events (continued)

## Focus on Africa

As part of its Focus on Africa series of programs, EMTA presented a seminar in London on November 9 2006 focusing on Nigeria's financial markets. The seminar, which was sponsored by Standard Bank and held at Simpson's-in-the-Strand for a standing-room only crowd of bankers and investors, featured presentations by representatives of Nigeria's official and regulatory sector, followed by a panel discussion by local and international practitioners.

EMTA Vice Chair Dean Menegas of Spinnaker Capital made the initial welcoming remarks followed by Brad Koen, Head of Global Markets for Standard Bank. The introductions highlighted that this is Africa's decade for growth and opportunity.

The official sector presentations began with remarks by Dr. Mansur Muhtar, Director General of the Debt Management Office of Nigeria (delivered by his colleague Yakubu Aliyu), discussing how Nigeria can build a liquid yield curve to meet long term demand for Nigerian government bonds and assist in the pricing of other fixed income assets. This was followed by a presentation by Dr. Sarah Alade, Director of Banking Operations for the Central Bank of Nigeria, who discussed how the country was managing its monetary policy to keep inflation in check in the face of excess liquidity resulting from windfall oil profits. Next, Bode Agusto, Director General of the Office of the Budget of the Nigerian Ministry of Finance, explained how fiscal policy was made, highlighting the fact that the oil price used for budgeting was significantly lower than real oil prices, and projecting the likely effect of elections planned for the Spring of 2007 on spending. The final speaker of the first part of the seminar was Mr. Bolaji Shenjobi, President of the Money Market Association of Nigeria, who gave a report on the state of the banking consolidation program that was undertaken in Nigeria just about one year ago.

# Special Events (continued)

Each presentation highlighted that Nigeria is in the midst of reforms, which, even with a change of government, or lessening of the ruling party's majority, will very likely continue. Issues of concern to the audience, which were brought out in the Q&A session following the official presentations, focused on how Nigeria could meet demand for more fixed-income assets in the current environment of excess liquidity and improve its infrastructure and legislation to support a growing domestic fixed income market.

Nigeria is currently looking at permitting securities lending and repo transactions to improve liquidity in the domestic market.

The private practitioners panel was moderated by Francis Beddington, Head of Research at Standard Bank, and included Dan Agbor, a local Nigerian lawyer from the law firm Udo Udoma & Belo-Osagie; Vicente Pons, Credit Derivatives trader with Citigroup; Konrad Reuss of Standard & Poor's; Godwin Obaseki of Afrinvest West Africa Ltd.; Jan Dehn of Ashmore Investment Management; Segun Agbaje of Guaranty Trust Bank and John Oshilaja of Standard Bank.

This eclectic and highly distinguished panel covered a number of important and provocative topics including special regulations of importance to foreign investors, a recent interruption of trading in the local market that caused consternation amongst foreign participants, the upcoming elections and the role of political risk in evaluating Nigerian exposure, whether Nigeria should raise money in the international bond markets to provide investors with a pure credit exposure void of currency risk (despite its current buy-back program of London Club debt) and which countries it could be compared to in the roster of Emerging Markets.

During the cocktail party which closed the event, local and international seminar participants continued the lively debates.

Copies of presentations from the seminar, as well as a paper by Eyamba Henshaw of the National Pensions Commission (who was unable to attend the seminar), an analysis by Standard Bank, and a paper outlining FAQs on investing in the Nigerian financial markets prepared by Udo Udoma & Belo-Osagie are available on EMTA's website (www.emta.org).

# Special Events (continued)

## EMTA Panels Explore Implications of Partial Restructurings

On June 7, EMTA initiated a series of investor-oriented panel presentations designed to explore issues of relevance to investors in today's Emerging Markets and to promote greater transparency and efficiency in the EM trading and investment marketplace. The June 7 panel presentation in New York focused broadly on the Implications of Partial Sovereign Restructurings. A London panel took up this same broad discussion on October 12. Other presentations next year, in NYC and London, are expected to explore Balancing the Rights of Debtors and Creditors, Does Enforceability Matter, and Whither the Restructuring Process.

The panel in NYC on October 5 focused on Enforcement Under the Foreign Sovereign Immunities Act. Panelists included Whitney Debevoise (Arnold & Porter), Jonathan Blackman (Cleary Gottlieb), James Kerr (Davis Polk), Michael Straus (Straus & Boies) and Carolyn Lamm (White & Case). For a copy of Introductory Remarks by Michael M. Chamberlin (EMTA's Executive Director), Click Here; For a copy of a Summary of the Panel Discussions, Click Here.

The panel on October 12 was hosted by Clifford Chance at its offices in London and focused broadly on the Implications of Partial Sovereign Restructurings, with some discussion of alternate dispute resolution mechanisms. The panel was moderated by Andrew Yianni (Clifford Chance) and included Derrill Allatt (Houlihan Lokey Howard & Zukin), Gavin Bingham (BIS), Peter Griffin (Baker Botts), William Ledward (Franklin Templeton), Rae Lindsay (Clifford Chance) and David Riley (Fitch Ratings). For a copy of Introductory Remarks by Michael M. Chamberlin (EMTA's Executive Director), Click Here; For a copy of a Summary of the Panel Discussions, Click Here.


The panel in NYC on December 6 is expected to focus on the Official Sector Role, and will include as panelists Whitney Debevoise (Arnold & Porter), Hal Scott (Harvard Law School), Michael Straus (Straus & Boies) and Benu Schneider (United Nations).

# Special Events (continued)

## Heng Swee Keat Discusses Asian Bond Market Development at EMTA Singapore Forum

In November, EMTA inaugurated a new series of Forums held in the Far East, sponsored by ING Wholesale Bank. EMTA's Forum in Singapore was held on November 1, 2006 and attended by 150 market participants. The event featured a keynote address by Heng Swee Keat, Managing Director of the Monetary Authority of Singapore (MAS), as well as investor and sell-side panels. Two days later, 100 Emerging Markets professionals participated in a lunchtime Forum in Hong Kong (see page 22). As a result of the interest in these events, EMTA expects to host similar forums in the Far East in 2007.

### Singapore Monetary Authority Managing Director Cautions "Still a Work in Progress"

Heng's topic was the still-youthful Asian bond market. He reminded his listeners that, before 1997, "outside of Japan, Asian domestic bonds did not exist as an asset class." Thus, Asian corporations were forced to rely for most of their debt financing on bank loans, often in foreign currencies, which exposed them to exchange-rate risk. During the financial crisis of 1997, "the contagion spread rapidly across sectors and countries, resulting in bank failures and corporate insolvencies."

As a response to the crisis, Heng continued, many Asian nations "built the basic infrastructure for a bond market—a robust government yield curve, a primary dealer system, public offering processes, and settlement and custody facilities." The new markets were integrated through the Asian Bond Market Initiative (AMBI). Today, the overall market stands at US$2.7 trillion, or 45% of Asian GDP, of which US$360 billion is domestic corporate bonds.

"Have we therefore succeeded in building a vibrant Asian bond market?" asked Heng rhetorically. His answer: Not yet, characterizing it as "still a work in progress."

Currently, government bond liquidity varies widely, from 2-3 basis points for Korea and Singapore to more than 10 basis points in Indonesia—"better than most Emerging Markets in Latin America and Eastern Europe," Heng pointed out, but still leaving much room for improvement. Greater price transparency will support liquidity by drawing in more participants; several Asian nations are encouraging this by moving their bond markets to multilateral platforms, especially e-platforms.

Heng is in favor of the ability to sell short. "Some regulators are still wary of the whole notion," he admitted, but he believes that "a market that has both long and short positions is deeper, and ultimately more stable, than one where everyone is long." He also supports an active derivatives market, either in futures or in swaps. And he feels strongly that Asia "should be actively facilitating foreign participation, and integrating our markets into the global system." To accomplish this, Heng suggested that Asia should establish a clearing and settlement mechanism, like Euroclear or DTCC; remove withholding taxes; and improve credit rating agencies for corporate bonds, both by increasing access for international agencies and encouraging local ones to be more transparent in their methodology.

# Special Events (continued)

Turning to future developments, Heng predicted that the Asian bond markets will collectively grow 10–15% annually over the next 10 years, bringing them to about US$10 trillion in 2015, about half the size of the US bond market. Growth will come from corporate financing needs, from the additional mortgages and consumer loans that arise from increased affluence, and from the substantial infrastructure financing needs that lie ahead. Foreign participation in bonds should also increase, declared Heng, since “foreign investments today are overly concentrated in equities.” Finally, he expects multi-market bond vehicles, such as bond mutual funds or index-linked notes, to proliferate. Heng concluded that he expects Singapore to be a key player in the burgeoning Asian bond market.

## Sell-Side Panel Debates Global Economic Backdrop

EMTA’s first panel of the Forum, *Prospects for the Emerging Markets*, was moderated by Tim Condon of ING Wholesale Bank and included John Stuermer of Bear Stearns, Lee Boon Keng of DBS Bank, Martin Hohensee of Deutsche Bank and David Fernandez of JPMorgan.

To set the backdrop, Condon directed his co-panelists to assess the importance of the US economic condition to global credit spreads. Fernandez noted that an internal client survey at JPMorgan indicated that a slowdown in the US economy is expected, including a possible rate cut by the United States Federal Reserve Bank but stopping far short of a hard landing. Fernandez conceded, however, to a more bullish outlook than his clients, predicting GDP growth of as much as 3%. He finished by forecasting that the slowdown in the US housing market would not adversely affect the overall picture, and predicted that investors will stay in EM because US prospects, while stable, are slower.

Lee asked whether the market needed to adjust its thinking. “We sit here in Asia, but we talk a lot about the US!” he exclaimed. Concurring with Fernandez, he predicted that the Fed will indeed lower interest rates. Lee opined that the flow into Asia will be a result of a flattening of the US economy, and that the most likely play in Asia will be FX, “but there is a lot of upside potential in other asset classes.” Hohensee agreed with the other panelists that he did not see any systemic risk, and indicated his preference for credit as an asset class in the current environment.

Condon invited panelists to voice their opinions on whether spread compression was being fueled more by global liquidity or by improvements in fundamentals. Stuermer identified export consumption as the future driver of growth in Asia. He admitted to being bullish on the Philippines, but conceded that growth there is still disappointing. Turning to Thailand, he predicted 5-6% growth, and noted that the recent coup had brought stability to the country. (He quipped that Thais “do coups very, very well—it’s just elections they can’t handle!”)

## Panelists Debate Ascendancy of Local Markets

Noting that “many of us have been working on local markets guides” recently, Condon asked for panelist comments on the recent drive into local market investments. Hohensee observed that he was seeing flows moving into Asian local markets now that access to them is no longer hampered. He added that his positive take on these investments was driven by the compression of local credit spreads, while noting that there is “no original sin left”.

# Special Events (continued)

Lee agreed with Hohensee on the attractiveness of local market investments. While "dollar bonds won't become a collector's item, they will probably come close to it," he affirmed. Stuermer largely concurred with his fellow panelists, but stressed the existence of several "speed bumps on the way to Local Currency Paradise," and predicted that dollar-denominated bonds would continue to be an important asset class for the foreseeable future.

Turning to the topic of China, Fernandez indicated that while investors are consistently bullish on Chinese growth ("the number of China bears is close to zero"), confidence in the regime is not yet universal. He added that JPMorgan's forecast of 7.75 for the Chinese renminbi by year-end is still conceivable.

## Panel Identifies Top Picks for 2007

Condon concluded the panel with a request for the speakers' top picks for 2007. Stuermer noted he had recommended Pakistan until recent tightening, and would like to see Pakistani and Vietnamese corporate issues in 2007. Lee identified Thailand FX as his top pick for 2007, while Hohensee recommended an overweight in Asia generally, with Indonesia and Philippines as specific picks. Fernandez also chose Philippine local markets, conceding that in the current environment "he was looking for trouble and having a hard time finding it." He added that an internal survey indicated Philippine ownership was at a four-year high, with investors willing to "experience withholding tax pain in order to get the exposure." Moderator Condon closed out the panel with his eye on long-dated local Indonesian bonds.

## Investor Panel: Positive Outlook on US Economy Spills Over Into Asia

Aaron Low (Lumen Advisors) moderated the event's investor panel, leading off the discussion by asking speakers for their general outlook for the EM asset class, and for their opinions on how sustainable the current global background is. Tung Siew Hoong (Government of Singapore Investment Corporation) responded that he saw a positive outlook for the EM asset class, due in part to the similarly positive outlook for the US economy. Chew Soon Gek (ING Private Banking) concurred, predicting growth of 2.5 to 3% in the US, 2.7% in Japan and 2.1% in Europe, and voicing her opinion that the US Federal Reserve will suspend its rate-cutting campaign.

The Rohatyn Group's Goetz Eggelhoefer also predicted a positive outlook for US growth, although he is concerned about US rate hikes in 2007. "However, as this is likely to be prompted by labor costs, such hikes would be associated with stronger growth" and thus not lead to a market sell-off similar to the one in May 2006, he asserted.

## Importance of BRICs to other EMs Discussed

Low next solicited viewpoints on what spillover effect the popularity of the BRICs will have on the rest of the EM asset class, and whether the BRICs will be a supplementary pillar of global growth support for EM markets as US growth slows. Tung asserted that while BRICs grab headlines, there are actually more investment opportunities in local markets. Eggelhoefer noted that he was not "a subscriber to the economic de-coupling theory; the events of last spring's sell-off bear that out as there were global ramifications." He added that while the outlook for Asian domestic demand is positive, it would not be robust enough to act as a buffer to a slowdown in US growth.

# Special Events (continued)

Chew responded to Low's next question on which country had made the most improvements in fundamentals by placing Brazil ("some expectations are so low they could be surpassed") and Russia ("it's come a long way") in the forefront. Chew emphasized the potential upside to the Russian story, predicting that there will even be room for a ratings upgrade in the not-too-distant future. Specifically, she sees the corporate ends of the asset class in Russia and Brazil as offering the most value, followed by OTC plays in each.

## Overview of Local Markets Promises and Challenges

The panelists then turned their attention to local bond markets in Asia, following the earlier comments of the MAS's Heng. Low noted that liquidity is frequently an issue across the region—in EM and developed markets alike. Ng responded to Low's question of whether the local markets were attracting a greater number of players by observing that "we expect a mix of both Asian and non-Asian investors, but we still haven't seen a lot of interest from US participants."

Tung predicted positive experiences with the local market EM class as a whole, noting the trend among EM sovereigns such as Brazil, Mexico and Russia to retire foreign indebtedness in order to reissue in local currency markets. He added that New York and London sell-side firms have been quicker to adapt to this change than their Asian counterparts.

Eggelhoefer concurred that local markets are the next phase of development in the EM asset class. Large pension and domestic mutual funds will create demand for duration and pressure to extend the local yield curves.

Turning to specific countries, panelists were asked to discuss whether recent progress in the Philippines and Indonesia could be sustained. Eggelhoefer professed a sanguine view of both countries. He mentioned that both governments need to press for structural reforms, remarking that at least part of Philippine performance could be attributed to Manila's "forgetting to spend!" He praised the country's "credible economic team" and its "improving political situation."

As for Indonesia, Eggelhoefer noted with approval the recent reduction in government subsidies, to positive market response. He highlighted the need for labor, infrastructure and structural reforms, and expressed disappointment that they had not led to the increased foreign direct investment he had hoped for. "The Indonesian government will have to address structural reforms if they want to continue to be market darlings," he cautioned, adding, "the jury is still out on that." Ng seconded Eggelhoefer's comments on the country's need for infrastructure improvements.

## Panelists Identify 2007 Picks

Rounding out the discussion, Low polled the panel for their 2007 recommendations. Tung admitted to a preference for the Turkish local market and added that his top pick in Asia for 2007 is India, based on an anticipated appreciation of the Indian rupee against the US dollar.

Chew, acknowledging a more defensive posture, said she was leaning toward investments in the Russian corporate sector—excluding the banking sector—"where you can still see double-digit returns." She added that her favorite Asian play in 2007 will come from the long-dated Indonesian paper market.

# Special Events (continued)

Eggelhoefer focused instead on key themes in 2007, describing the divergent monetary policies of countries such as Indonesia ("in the forefront of rate-cutting policy"); Thailand and the Philippines ("which might be on the verge of cutting rates"); and India and South Korea ("which might not be done with their rate hikes.") His second investment theme for 2007 is the "rebuilding of Asia"— Indonesian infrastructure projects, for example. Low added his own recommendations of equities and Turkish locals, and revealed that he is "looking at Vietnam."

Ng indicated he would be keeping his eye on currency appreciation in Asia, particularly the Chinese renminbi, and conceded he had been surprised by the performance of the Thai baht in 2006. Local bond markets in Indonesia and the Philippines also look attractive to Ng in 2007.

Queried about risks for 2007, the panelists almost uniformly described the risk of a major market disruption in 2007 as somewhat low level. Tung and Ng pointed out that a US economic slowdown remained the most important risk to the asset class. Chew opined that the key risk to the market is greater-than-expected monetary tightening and a withdrawal of global liquidity.

Eggelhoefer did not foresee any events which could derail Asia as a whole, and thought there were enough safeguards in place to prevent a specific market event from leading to pan-Asian contagion. "We focused on election risks in Latin America earlier this year, but the 'political theatre' in Thailand and the Philippines proved to be more important," he declared, surmising that domestic events might have more aftereffects than exogenous variables.

# Special Events (continued)

## Hong Kong Investor Panel: Prospects for the Emerging Markets

EMTA presented its first forum in Hong Kong on November 3, 2006. Hosted by ING Wholesale Bank, the lunchtime forum was held at the Ritz Carlton Hotel. In contrast to the almost universally positive outlook expressed by EMTA panelists over the past couple of years, one of the Hong Kong forum participants expressed some strong notes of dissent and caution.

Moderator Tim Condon of ING Wholesale Bank introduced his co-panelists, Qing Q. Wang (Bank of America), Ken Hu (First State Investments) and Eugene Kim (Tribridge Capital Management), and led off by asking them to comment on whether the current sustained period of global economic stability would continue. Wang cited three main reasons for the stability of the asset class: global economic strength, abundant liquidity, and the excessive savings glut in Asia, which has been recycled into EMs. Wang addressed the likelihood that each of these factors would continue to be supportive, stating that a "soft landing" in the US could decrease support, while US rate cuts and large current account surpluses in Asia could continue to promote liquidity and recyclable funds.

Condon next asked Hu to comment on whether, in light of the current low US yields being the rule of the day, market expectations on EM credit yields should be readjusted. Hu replied that he saw the "very long disinflation trend," which he attributed to productivity gains such as outsourcing to low-cost countries, as supportive; he also predicted that real interest rates will be lower due to slowed growth in the US, China and Europe in the future, but emphasized that any slowdown will be very moderate.

Condon asked Kim if the recent history of market dips proving to be buying opportunities would continue. "Partially yes…and no!" Kim replied, explaining that "the weighting of EM in global portfolios will increase going forward, and that will support the asset class." However, Kim warned that spreads are currently at levels not "necessarily supported by fundamentals," but are more likely attributable to the "global carry trade." Kim continued, "There are companies that are coming to market which really should not be able to," and advised attendees that "the internet bubble has taught us to be wary of talk of new paradigms."

Condon pressed Kim to describe what could precipitate a turn in the market, to which the portfolio manager replied that a rise in US rates could serve as the catalyst for a bear market. Kim underscored his point by reminding the audience that the May "tremble" had been set off largely by a BoJ rate hike.

How robustly would EM stand up to a contraction in liquidity or a correction in commodity prices? "Overall the asset class should be OK, especially those countries with strong economic policies," according to Wang. He specified that, based on their strong fundamentals, Asian EMs were better positioned than others to withstand a global downturn.

# Special Events (continued)

## Focus on Local Markets?

Condon also polled panelists for their thoughts on the drivers of the move into local markets. Hu indicated that much of this has been sparked by the decreasing supply of external debt. Condon pressed further, "but has "original sin" been absolved?" According to Kim, the attractiveness of local market investments was more a reflection of dollar weakness than anything else; local markets remain underdeveloped as well. "Again, things are overdone. At some point, the music will stop; the Fed will raise rates and local markets will lose their appeal," he predicted.

Following up on this, Condon asked if CDS might replace sovereign issuances, and asked for comments on the implications of current explosion of interest in credit default swaps. Kim again voiced concern at market developments, and identified increased counterparty risk as something investors should consider. Hu then raised the issue of political risk, pointing out that despite political upheaval and disruption in many EM countries, investors have tended to look beyond those events to the underlying fundamentals. Kim later cautioned that the market is probably underestimating the possibility of war due to North Korea's nuclear actions.

## Addressing the Gorilla in the Room

Condon directed the panel's attention to China. Wang observed that China's reserves are very high but that its exchange rate policy is a "policy of last resort". He noted that while Chinese officials recognize that the country would benefit from a more flexible exchange rate regime, they are loathe to make a drastic move; current policy could continue for two or three years. Wang voiced his opinion that "this issue has gotten more attention than it deserves; equally undervalued is the Japanese yen."

Condon described the lower "LBO risk" in Asia issue, noting that it is low in Asia because of the number of significant family-owned businesses— in contrast to Europe, where the risk is higher. Condon raised the topic of the impact of newer types of investment vehicles entering the market, predicting that hedge funds and private equity investment will increase their presence because mutual funds will not be able to perform like hedge funds.

## Top Picks and Top Risks for 2007

To conclude the discussion, Condon asked each panelist to share his top pick and his top risk for 2007. Wang reiterated his bullish outlook for EM in Asia, based on a soft landing scenario in US. Currency plays will be less interesting in 2007, and he did not see much opportunity for currency appreciation in Asia, with the possible exception of the Indonesian rupiah. He targeted the Chinese renminbi at 7.148 in 2007.

Hu identified the 2007 risk as inflation. He remains overweight on inflationary countries, and agreed with Wang on the potential for Asian currency devaluation. Hu noted he is more optimistic on the Korean won than on Indonesia rupiah. Kim, echoing his earlier concerns, sees the contraction of global liquidity as the major theme of 2007. The focus of the market will be safe havens such as South Korea, Singapore and Hong Kong, at the possible expense of current "high flyers" Indonesia and the Philippines.

# Special Events (continued)

## London EM Benefit Breaks Attendance and Fundraising Records

A record 1,000 Emerging Markets professionals crammed the Grosvenor House Hotel's Great Room on Friday, October 6, 2006 for the annual London EM Benefit Ball. The "Tango Argentino" gala marked the third consecutive year the benefit has sold out—despite the number of available seats being increased from 750 to 1,000!

Entertainment at the black-tie ball included a d.j. and—back by popular demand—a performance by the band Rain. Several in attendance surprised the crowd with their vocal talents, performing as guest artists on hits such as "Stand by Me," while other EM-ers demonstrated terpsichorean skills by joining the event's professional tango dancers for a spin on the dance floor. Guests also had the opportunity to score a goal past semi-professional goalies and ride in a simulated horse race.

Channel Five sportscaster Johnny Gould won universal acclaim as the evening's auctioneer. Attendees bid a total of over £106,000 ($201,000) at the live and silent auctions, breaking the previous record for the EM charity events in London and New York. The evening's top prize—a ten-day excursion through Argentine Patagonia and Buenos Aires – fetched £13,000 ($24,700). Other notable items included dinner at The Ivy with BBC World Affairs Editor John Simpson (which raised £10,000 ($19,000) for the second consecutive year), as well as one-week use of luxury villas in Spain and St. Lucia, which raised £9,000 ($17,100) and £7,000 ($13,300) respectively. A signed copy of Nelson Mandela's autobiography, the opportunity to record a single produced by Roxy Music's Phil Manzanera, and a day aboard a racing yacht for fourteen also brought in considerable sums for charity.

Proceeds from the evening will be donated to Cotlands, www.cotlands.org, which provides support for children affected by the HIV/AIDS pandemic in South Africa; Task Brasil, www.taskbrasil.org.uk, which provides shelter and vocational training for street children in Rio de Janeiro; and Health Unlimited, www.healthunlimited.org, which provides basic health care to rural communities around the globe.

In his remarks to the crowd, EMTA's Jonathan Murno praised his co-chairs Elaine Skinner-Reid (Royal Bank of Canada) and Emma McClintock (Blue Bay Asset Management) for their "infectious enthusiasm and endless dedication, which never fail to inspire and amaze." Judith Wheelan (Barclays Capital) was also saluted for her work on behalf of the Benefit committee. The event was sponsored by Barclays Capital, MarketAxess and Standard Bank. Additional support was provided by Royal Bank of Scotland and West LB.

# Special Events (continued)

## Sold-Out NY Industry Benefit Returns to Capitale

The New York Emerging Markets Charity Benefit 2006 fundraiser will be held at Capitale on Wednesday, December 6, 2006, immediately following EMTA's Annual Meeting. Although the event has traditionally changed venues each year, the Benefit Committee received many compliments on the 2005 location and decided to return to the elegant site.

The Committee is delighted to announce that all 500 tables have been sold out in advance. Between the ticket sell-out and the enticing array of auction items available, the event is expected to surpass the $341,000 raised last year.

Live auction items range from a ladies' Omega Chronograph watch to collectible 1906 Argentine bearer bonds, and include a variety of travel packages. There are week-long private cottage stays in Maui, the Hamptons, and the Isle of Mull in the Hebrides (Scotland), plus getaways to Rio de Janeiro and Bahia, a Pennsylvania luxury spa, a members-only Soho hotel, and to Chicago for the Notre Dame vs. USC football game.

The silent auction items are even more varied. Potential donors can bid on ballroom dancing lessons, a global wine sampler, catamaran sailing, an original painting or a dog lover's picnic basket. Broadway show tickets, sporting event tickets, day spa packages, a gym membership, and lunch, brunch or dinner at assorted well-known restaurants are offered as well.

The fundraiser's beneficiaries, selected by a Committee vote in the spring, are:

- EMpower, which funds a number of health and education programs around the globe www.empowerweb.org
- NESsT, which provides financial and capacity-building support to social enterprises in Central Europe and Latin America www.nesst.org
- Trickle Up, which works to alleviate poverty by providing seed capital for people in EM countries to start small businesses www.trickleup.org
- Water Partners International, which works to promote health in LatAm, Africa and Asia by increasing access to safe drinking water www.water.org

The 2006 benefit is sponsored by ING Financial Markets, JP Morgan, Lehman Brothers, and by MarketAxess through their Charity Day of Trading on September 27, 2006.

For more information, contact Jonathan Murno (EMTA) at (646) 637-9105.

**EMTA Members: To obtain the password for the Members Only area, please e-mail sortiz@emta.org**

# 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:

- "Emerging Markets Outlook and Strategy for 2007." November 22, 2006 - Joyce Chang (JP Morgan).
- "Nigeria: Main Findings from the EMTA Conference in London." November 10, 2006 - Stephen Bailey-Smith and Francis Beddington (Standard Bank).
- "The True Impact of Commodity Prices on Emerging Markets." October 13, 2006 - Marcel Cassard, Michael Spencer, Marc Balston, Gustavo Canonero, Piero Ghezzi, Martin Hohensee and Arend Kapteyn (Deutsche Bank).
- "Sovereign Debt Default: Cry for the United States, not Argentina." September 2006 - Hal S. Scott (Harvard Law School, published by Washington Legal Foundation).

## New Developments

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

- November 29, 2006 - List of Live and Silent Auction Items for EM Benefit to Be Held in New York on December 6, 2006 Now Available.
- November 28, 2006 - Argentina GDP Warrants Record Date of December 14 (Other Than for YEN Warrants, Which Have a Record Date of December 1) and Payment Date of December 15 Expected. Trades are 'Ex-Dividend' on December 12 (Other Than for YEN Warrants Trades, Which Are 'Ex-Dividend' on November 29).
- November 22, 2006 - Moody's Upgrades Pakistan's Foreign Currency Bond Rating to B1.
- November 21, 2006 - EMTA Announces 3Q 2006 Debt Trading Volume Stood at US$1.599 Trillion.
- November 20, 2006 - Standard & Poor's Raises Peru's Long-Term Foreign Currency Rating to BB+.
- November 17, 2006 - Mexico VRR, Series E, Record Date of December 15 and Payment Date of January 2 Expected. Trades are 'Ex-Dividend' on December 13. Calculations for Payments on the VRR's will be Announced by the Fiscal Agent Shortly
- November 15, 2006 - Payment on Venezuela Oil Obligations - Euroclear DACE Notice.
- November 13, 2006 - Henrique de Campos Meirelles, President, Central Bank of Brazil, to Deliver Keynote Address at EMTA's Annual Meeting on Wednesday, December 6, 2006.
- November 10, 2006 - EMTA's FOCUS ON AFRICA: The Nigerian Financial Markets [Proceedings Subject to the Chatham House Rule]:
    - Remarks by Dr. Mansur Muhtar (Debt Management Office) delivered by Mr. Yukubu Aliyu
    - Remarks by Dr. Sarah Alade (Central Bank of Nigeria)
    - Remarks by Mr. Bode Agusto (Budget Office, Nigerian Ministry of Finance)
    - Remarks by Mr. Bolaji Shenjobi (Money Market Association of Nigeria)
    - Paper by Miss Eyamba Henshaw (National Pensions Commission) [unable to attend in person]
    - "Nigeria: Main Findings from EMTA Conference in London" Francis Beddington and Stephen Bailey-Smith (Standard Bank)
    - "FAQs on Investing in the Nigerian Bond Market" provided by Udo Udoma & Belo-Osagie
- November 8, 2006 - EM Ltd. and NML Capital v. Argentina.
- November 6, 2006 - Philippines to Redeem Interest Reduction Bonds – Fiscal Agent Notice.
- November 2, 2006 - Standard & Poor's Upgrades Kazakhstan's Long-Term Foreign Currency Rating to BBB.
- November 1, 2006 - Keynote Address by Heng Swee Keat, Managing Director of the Monetary Authority of Singapore, Delivered at EMTA's Singapore Forum.
- October 26, 2006 - Standard & Poor's Raises Bulgaria's Foreign Currency Rating to BBB+.

# Website (continued)

- October 25, 2006 - EMTA, ISDA and FXC update Annex A to the FX and Currency Option Definitions with an updated rate source definition for the Indian Rupee and a new rate source definition for the Philippine Peso. EMTA, SFEMC and the FXC issue updated PHP Template Terms for Non-Deliverable FX Transactions. EMTA issues FX and Currency Derivative Market Practice No. 41 in connection therewith.

- October 25, 2006 - EMTA Advisory Regarding Venezuela Oil Obligations and Their Related Payments.

- October 18, 2006 - EMTA's Focus on Africa: The Nigerian Financial Markets to Be Held on November 9, 2006.

- October 17, 2006 - Moody's Upgrades Slovakia's Foreign Currency Bond Rating to A1.

- October 16, 2006 - Special Presentation on Brazil's Capital Markets
  - Presentation by ANDIMA
  - Presentation by Banco Itaú S.A.
  - Presentation by Banco Pactual
  - Presentation by Unibanco
  - Presentation by CETIP

- October 12, 2006 - EMTA Special Seminar in London on "'Partial' Sovereign Restructurings and Their Implications" [Proceedings Subject to the Chatham House Rule]:
  - Introductory Remarks by Michael M. Chamberlin, EMTA Executive Director
  - Summary of Panel Discussions by Michael M. Chamberlin, EMTA Executive Director

- October 11, 2006 - Nigeria to Redeem All of its Outstanding Brady Bonds - Fiscal Agent Notice.

- October 6, 2006 - Calculations for Payments on Venezuela Oil Obligations Announced.

- October 6, 2006 - EM Ltd. and NML Capital v. Argentina.

- October 6, 2006 - Moody's Upgrades Romania's Long-Term Foreign Currency Rating to Baa3.

- October 5, 2006 - EMTA Special Seminar on "Enforcement Under the Foreign Sovereign Immunities Act":
  - Introductory Remarks by Michael M. Chamberlin, EMTA Executive Director
  - Summary of Panel Discussions by Michael M. Chamberlin, EMTA Executive Director

- October 4, 2006 - Moody's Upgrades Credit Ratings on Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.

- October 2, 2006 - List of Live Auction and Silent Auction Items for EM Benefit to Be Held in London on October 6, 2006 Now Available.

- October 2, 2006 - Standard & Poor's Raises Argentina's Long-Term Foreign Currency Rating to B+.

- September 28, 2006 - Stipulation Order in EM Ltd. and NML Suits Against Argentina.

- September 28, 2006 - Standard & Poor's Upgrades Uruguay's Long-Term Foreign Currency Rating to B+.

- September 27, 2006 - Moody's Upgrades Hong Kong's Foreign Currency Rating to Aa3.

- September 25, 2006 - EMTA to Host Forum in Singapore on November 1, 2006. Dr. Heng Sweet Keat, Managing Director of the Monetary Authority of Singapore, will deliver the keynote address.

- September 25, 2006 - EMTA to Host a Forum in Hong Kong on November 3, 2006.

- September 21, 2006 - Save the Date for EMTA's Special Seminar "FOCUS ON AFRICA: The Nigerian Financial Markets" in London Sponsored by Standard Bank on November 9, 2006.

- September 20, 2006 - EMTA to Hold a Special Presentation on "Brazil's Capital Markets" in London on October 16, 2006.

- September 20, 2006 - EM Ltd. and NML Capital Suits Against Argentina Previously Under Seal.

- September 19, 2006 - Emerging Markets Benefit to be Held in New York City on December 6, 2006. EMpower, NESST, Trickle Up and WaterPartners International are 2006 Beneficiaries.

- September 18, 2006 - Calculations for Payments on Mexico VRR's, Series E, Announced.

- September 15, 2006 - Russian Ministry of Finance Announces Second Tranche of Former USSR FTO Debt Exchange Has Been Launched.

- September 14, 2006 - MarketAxess, in Partnership with EMTA, to Hold Third Annual Charity Trading Day on Wednesday, September 27, 2006. Proceeds to Be Donated to EM Benefit Charities.

- September 14, 2006 - EMTA Regrets the Passing of Andrei Kozlov and Extends Its Condolences to His Family and Colleagues.

- September 13, 2006 - AF-Cap v. Congo Petition for Rehearing En Banc.

- September 12, 2006 - EMTA to Host a Special Investor Seminar on "Enforcement Under the Foreign Sovereign Immunities Act" in NYC on October 5, 2006.

- September 12, 2006 - Moody's Upgrades Lithuania's Foreign Currency Rating to A2.

- September 11, 2006 - EMTA Remembers.

# Website (continued)

## Reminders: Visit the *From the Market*, *Litigation* and *Job Opportunities* areas

There are a few relatively new areas of EMTA's website: From the Market in the Activities and Services area, Litigation in the EM Background area and Job Opportunities.

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 Suzette Ortiz at sortiz@emta.org or (646) 637-9106.

The website's latest addition, Litigation, is where various legal cases are posted 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. If you are aware of any pertinent information which would be useful to post here, please contact Aviva Werner at awerner@emta.org or (646) 637-9110.

The Job Opportunities area includes positions currently available around the globe for members of the EM trading and investment community. We especially encourage you to pass along the address of this site to former colleagues who are currently seeking positions in the EM debt industry. If your firm is interested in posting a job listing on the website, please contact Jonathan Murno at jmurno@emta.org or (646) 637-9105.

# Miscellaneous

## 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 important, whether there is more that EMTA should be doing, or doing differently, to better serve the EM marketplace.

## Information for Volume Survey Participants

As a reminder, EMTA collects volume data from market participants for its Debt Trading Volume Surveys on a quarterly schedule. EMTA contacts its survey participants approximately one week before the end of each quarter. Look for the EMTA Volume Survey e-mails!

If you are not currently a participant in the EMTA Volume Survey and believe you can contribute data for this purpose, or wish to find out more about being a survey participant, please contact Jonathan Murno at jmurno@emta.org or (646) 637-9105. Individual Survey responses are kept strictly confidential.

## EMTA Membership Update

EMTA's newest Members include:

- **BlueBay Asset Management**
- **HBK Investments**
- **Loomis Sayles**
- **Macquarie Securities**

If you are interested in EMTA Membership, or if you know of prospective Members, please contact Michael M. Chamberlin at mchamberlin@emta.org or (646) 637-9101, Starla Griffin at sgriffin@emta.org or (44-207) 996-3165, Jonathan Murno at jmurno@emta.org or (646) 637-9105 or Suzette Ortiz at sortiz@emta.org or (646) 637-9106. Also, in the Membership area of EMTA's website, we offer information about our various Membership categories and benefits and about how to join the Association.

# EMTA Hotlines

| Topic | Contact | Telephone |
|---|---|---|
| Argentina | Aviva Werner | (646) 637-9110 |
| Burden-Sharing/CAC's/SDRM | Michael Chamberlin | (646) 637-9100 |
| Clearing Corp. (LCH.Clearnet) | Michael Chamberlin/Starla Griffin | (646) 637-9100/(44-207) 996-3165 |
| EM Benefit Events | Jonathan Murno | (646) 637-9105 |
| EM Bond Charts | Aviva Werner | (646) 637-9110 |
| EM Principles | Michael Chamberlin | (646) 637-9100 |
| EMTA Code of Conduct | Michael Chamberlin | (646) 637-9100 |
| EMTA Membership | Starla Griffin/Jonathan Murno/Suzette Ortiz | (44-207) 996-3165/(646) 637-9105 (646) 637-9106 |
| EMTA Website | Suzette Ortiz/Jonathan Murno | (646) 637-9106/(646) 637-9105 |
| FX/NDF's/Derivatives | Leslie Payton Jacobs/Starla Griffin | (646) 637-9103/(44-207) 996-3165 |
| Global Equities | Bruce Wolfson (Rohatyn Group)/Starla Griffin | (212) 984-2907/(44-207) 996-3165 |
| Investor Rights | Michael Chamberlin | (646) 637-9100 |
| Legal/Compliance | Aviva Werner | (646) 637-9110 |
| Loan Trading | Aviva Werner | (646) 637-9110 |
| Local Markets | Starla Griffin | (44-207) 996-3165 |
| Market Information/Research | Jonathan Murno | (646) 637-9105 |
| Market Practices | Aviva Werner | (646) 637-9110 |
| Market Price & Volume Data | Jonathan Murno | (646) 637-9105 |
| Netting | Aviva Werner | (646) 637-9110 |
| Paris Club | Starla Griffin | (44-207) 996-3165 |
| Repos/Securities Lending | Aviva Werner | (646) 637-9110 |
| Warrants/VRR's | Aviva Werner | (646) 637-9110 |

EMTA staff can also be reached through the general telephone number (646) 637-9100, at the following e-mail addresses or through EMTA's website (www.emta.org).

| | |
|---|---|
| Michael Chamberlin | mchamberlin@emta.org |
| Starla Griffin | sgriffin@emta.org |
| Jonathan Murno | jmurno@emta.org |
| Suzette Ortiz | sortiz@emta.org |
| Leslie Payton Jacobs | lpjacobs@emta.org |
| Aviva Werner | awerner@emta.org |

# EMTA Calendar

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|---|---|
| **Wed., Oct. 4** | **Board Meeting (NYC/London)** |
| **Thurs., Oct. 5** | **Special Seminar on "Enforcement Under the FSIA" - 12:00 noon**<br>**Global Financial Markets Conference Center**<br>**360 Madison Avenue, 17th Floor (NYC)** |
| **Fri., Oct. 6** | Recommended 2:00 p.m. (NYC) Early Market Close |
| **Mon., Oct. 9** | Recommended Market Close (NYC) Columbus Day<br>Recommended 12:00 Noon (London) Early Market Close |
| **Thurs., Oct. 12** | **'Partial' Sovereign Restructurings And Their Implications - 2:00 p.m.**<br>**Clifford Chance**<br>**10 Upper Bank Street (London)** |
| **Mon., Oct. 16** | **Brazil's Capital Markets - 2:00 p.m.**<br>**UBS**<br>**One Finsbury Avenue (London)** |
| **Thurs., Oct. 19** | **Fall Forum (NYC)**<br>**UBS**<br>**1285 Avenue of the Americas** |
| **Wed., Nov. 1** | **EMTA Singapore Forum**<br>**Raffles The Plaza Hotel**<br>**2 Stamford Street (Singapore)**<br>**Equinox Function Room (Level 69)** |
| **Fri., Nov. 3** | **EMTA Hong Kong Forum**<br>**The Ritz-Carlton Hotel**<br>**3 Connaught Road (Hong Kong)** |
| **Thurs., Nov. 9** | **Investor Seminar**<br>**Focus on Africa**<br>**Savoy Hotel (London)** |
| **Wed., Nov. 22** | Recommended 2:00 p.m. (NYC) Early Market Close |
| **Thurs., Nov. 23** | Recommended Market Close (NYC) Thanksgiving Day<br>Recommended 12:00 Noon (London) Early Market Close |
| **Fri., Nov. 24** | Recommended 2:00 p.m. (NYC) Early Market Close |

# EMTA Calendar (cont)

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|---|---|
| **Wed., Dec. 6** | **'Partial' Sovereign Restructurings: Official Sector Implications - 10:00 a.m.**<br>**Global Financial Markets Conference Center**<br>**360 Madison Avenue, 17th Floor (NYC)**<br><br>**EMTA Annual Meeting - 2:00 p.m.**<br>**Citigroup**<br>**388 Greenwich Street (NYC)**<br><br>**2006 Emerging Markets Benefit - 6:30 p.m.**<br>**Capitale**<br>**130 Bowery (at Bowery and Grand), NYC** |
| **Fri., Dec. 22** | Recommended 2:00 p.m. (NYC) Early Market Close |
| **Mon., Dec. 25** | Recommended Market Close (NYC) Christmas Day<br>Recommended 12:00 Noon (London) Early Market Close |
| **Tues., Dec. 26** | Recommended Market Close (London) Boxing Day |
| **Fri., Dec. 29** | Recommended 2:00 p.m. (NYC) Early Market Close |
| **Mon., Jan. 1, 2007** | Recommended Market Close (NYC/London) New Year's Day (2007) |
| **January*** | **Investor Series Panel (London)** |
| **Fri., Jan. 12** | Recommended 2:00 p.m. (NYC) Early Market Close |
| **Mon., Jan. 15** | Recommended Market Close (NYC) Martin Luther King Jr. Day<br>Recommended 12:00 Noon (London) Early Market Close |
| **Wed., Jan. 24** | **Board Meeting (NYC/London)** |
| **February*** | **Investor Series Panel**<br>**Global Financial Markets Conference Center**<br>**360 Madison Avenue, 17th Floor (NYC)** |
| **Fri., Feb. 16** | Recommended 2:00 p.m. (NYC) Early Market Close |
| **Mon., Feb. 19** | Recommended Market Close (NYC) Presidents' Day<br>Recommended 12:00 Noon (London) Early Market Close |
| **Thurs., Feb. 28*** | **Winter Forum (London)** |
| **March*** | **Focus on Africa: Part II (London)** |

* **Details TBA**