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For Immediate Release

EMTA SURVEY: SECOND QUARTER 2003 EMERGING MARKET NDF AND CREDIT DERIVATIVE VOLUMES DOUBLE

NDF Volumes at US$320 Billion;
Credit Derivative Market at US$49 Billion

NEW YORK, August 18, 2003—Volumes in Emerging Markets Non-Deliverable Forwards (NDFs) and Credit Derivatives rose strongly in the second quarter of 2003, according to Surveys released today by EMTA. Survey participants reported trading US$320 billion in NDFs, an 84% increase from the US$174 billion reported in the first quarter. In addition, US$49 billion of Credit Derivative volume was reported, an increase of 111% from first quarter trading of US$23 billion[1].

Dramatic Rises in Several Latin NDF Markets

In EMTA's NDF Survey, market participants reported trading of at least double their first quarter volume in more than half the currencies surveyed. Increases in Peruvian Sol (US$8.5 billion) and Colombian Peso (US$5.9 billion) volume were most dramatic, with quarter-on-quarter volume surges of nearly 2400% and 1700%, respectively.

[1] EMTA's NDF and Credit Derivatives Surveys were initiated in the First Quarter of 2003, based upon volume reports from 18 and 22 Survey participants, respectively. For the Second Quarter, reports were received from 21 and 22 participants, respectively. Thus a portion of the significant increase in volumes in the NDF Survey was due to the addition of new Survey participants; while there was some variation in the firms which participated in both Credit Derivatives Surveys. Accordingly, while the basic credibility of the Survey results is improving, specific comparisons between time periods may not yet be wholly valid.

Volumes in several Asian currencies were comparatively weaker, but with several showing volume increases of approximately 20%. Volumes in two NDF traded currencies—the Indonesian Rupiah and Venezuelan Bolivar—declined.

South Korean Won NDFs remained the most frequently traded NDF, with US$109 billion in volume in the second quarter (vs. US$86 billion in the first quarter). Survey respondants also reported trading US$65 billion in Brazilian Real NDFs and US$49 billion in Chilean Peso NDFs.

NDFs are synthetic forward contracts for currencies that foreign investors are not able to settle in local forward markets due to illiquidity or regulatory, transferability or other restrictions. Unlike a conventional forward, an NDF is normally settled in US dollars, based on the difference between the contracted NDF forward rate and the prevailing spot rate, and involves no physical exchange of the underlying currency at maturity.

Credit Derivatives Market Buoyed by New Investors, New Index

Emerging Market Credit Derivative volumes increased almost without exception in the second quarter. South Korea dominated this market as well, with participants reporting US$8 billion in transactions, followed by US$7 billion in Mexican Credit Derivatives, and US$6.3 billion in Brazilian instruments.

Jonathan Bayliss, Managing Director and Global Head of Quantitative Strategy at J.P. Morgan, noted that the Credit Derivatives market is "broadening out, with more real money managers doing their first-ever Credit Derivatives trades." Bayliss added that investment managers are using Credit Derivatives to reduce their US interest rate exposure while maintaining their spread duration exposure, and volume has picked up because of the increased volatility in the US Treasury market.

Market participants also cited the recent launch of the EMDI Credit Default Index (since renamed as the TRAC-X EM) has given investors a new tool with which to take directional market views. Bayliss admitted that the unveiling of the EMDI triggered "more trading activity than we had expected."

EMTA's NDF Survey covered trading in 14 currencies by 21 major international broker-dealers, banks and investors. Its Survey on the Credit Derivatives market includes trading in 40 countries by 22 market participants.

For a copy of EMTA's Second Quarter 2003 NDF and Credit Derivatives Trading Surveys, please contact Jonathan Murno at jmurno@emta.org or at +44 (20) 7545-3196.

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NOTE TO EDITORS:
Founded in 1990, EMTA (formerly the Emerging Markets Traders Association) is a not-for-profit corporation dedicated to promoting the orderly development of fair, efficient and transparent trading markets for Emerging Markets instruments, and the integration of the Emerging Markets into the global financial marketplace. EMTA, with over 100 member firms worldwide, has published its Volume Surveys of Emerging Markets NDF and Credit Derivative Trading since the First Quarter of 2003.