E M T A

# Bulletin

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# Finance Minister Carstens Discusses 2010 Outlook for Mexico at EMTA Meeting

Less than 24 hours before being nominated as the next President of the Mexican Central Bank, Mexican Finance Minister Agustin Carstens delivered a presentation on the Economic Outlook for Mexico at a special emta meeting on Tuesday, December 8, 2009. The luncheon event, which was attended by a capacity crowd of 125 EM professionals, was sponsored by BNP Paribas and held at the Marriott Marquis Hotel in New York City.

Cartens used his presentation to discuss the "significant progress" made by Mexico to promote macroeconomic stability and growth via both fiscal consolidation and an acceleration of the structural reform agenda. He acknowledged the past year was difficult for the world and for Mexico, but that "we have been able to overcome the challenges."

The Minister forecast GDP growth of 3% in 2010 following improved growth in the second half of 2009, according to the data currently available and which indicated expanded domestic and foreign demand. Growth was being promoted by the global economic recovery, improved Mexican consumer confidence, a depreciated real exchange rate, as well as the effects of countercyclical policies adopted by the government. Carstens noted that over 200,000 jobs have been created in recent months. "Six months ago we felt more vulnerable than we do now," he stated in affirming recent progress.

Growth next year will be driven both externally from a growth in global industrial production and domestically from improved consumption and investment. The Minister highlighted structural reforms such as the October closing of the money-losing state power

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# Dr. Carstens Presentation (continued)

company Luz y Fuerza del Centro as well as more competition in the telecom sector. Carstens warned, however that the risks of a weaker-than-expected US recovery remain.

The Minister emphasized that during his tenure, important structural reforms had been achieved such as the increase in non-oil tax revenues, which represented 9% of GDP in 2006 but are forecast to reach 12% in 2012. In addition, reforms to the public sector workers' pension system—plus the recent closing of Luz y Fuerza—have resulted in savings of at least 34.9% of GDP on an NPV basis.

In the future, competitiveness will also be boosted in a number of additional ways: (1) Reform in the energy sector should lead to efficiency gains in the state oil company PEMEX as well as a gradual recovery in oil production; (2) Afores pensions will be allowed to invest in infrastructure and other projects; (3) Legal uncertainty in public-private partnerships will be revised to remove uncertainty and increase flexibility; (4) There will be new auctions in the telecom sectors; (5) Reforms to increase out of court settlements and giving more power to the Federal Competition Commission; (6) Greater fiscal consolidation, and (7) An updating of the supervisory and regulatory framework of the Mexican financial system.

Following formal remarks, the Minister also entertained questions from EMTA members. In response to questions regarding the country's recent downgrading by the Fitch credit rating agency and its negative out look at Standard & Poor's, the Minister noted "we are not waiting for a ratings agency review to tell us what to do next…we have a clear idea of what needs to be done and we are implementing it."

# Murillo de Aragão Delivers Keynote Speech at EMTA's Annual Meeting

EMTA's Annual Meeting was held on Thursday, December 3, 2009, at Citigroup, 388 Greenwich Street in lower Manhattan.

Murillo de Aragão (Arko Advice and GlobalSource Partners) delivered the keynote speech at EMTA's Annual Meeting on the "Brazilian Elections: Challenges and Scenarios".

Murillo de Aragão serves as GlobalSource Partner's political advisor in Brazil and is the President of Arko Advice, a Brasilia-based public policy consulting firm which he founded in 1982. Dr. Aragao was a fellow at the Social Science Research Council in New York, and since 1988 has served on the board of the London-based International Federation of the Periodical Press. He was executive vice president of the Brazilian Magazine Association, and currently serves on the advisory boards of Instituto Ayrton Senna, Comgás and Embratel Participações.

Dr. Aragão is the author of "Grupos de Pressão no Congresso Nacional;" was publisher/organizer of the "Perfil Parlamentar Brasileiro;" and is a columnist for the monthly Revista Imprensa. He co-authored the book "Engaging Countries."

The Annual Meeting's traditional Sell-side and Investor Panels focused on EM prospects in the context of current market conditions. Joyce Chang (JPMorgan) moderated the Sell-side Panel, which included Piero Ghezzi (Barclays Capital), Kasper Bartholdy (Credit Suisse), Anne Milne (Deutsche Bank), Paulo Leme (Goldman Sachs) and Daniel Tenengauzer (Bank of America Merrill Lynch).

The Investor Panel was led by Citi's David Lubin, who polled leading fund managers on their expectations for 2010. Speakers included James Barrineau (AllianceBernstein), Tulio Vera (Bladex Asset Management), Hari Hariharan (NWI Investment Management) and Mark Dow (Pharo Management).

For further information concerning EMTA's Annual Meeting, please contact Jonathan Murno at jmurno@emta.org.

# Special Events

## EMTA and Thomson Reuters Africa Forum
## Return of the Frontier Markets: Is Africa Back in Business?

On Friday, November 20, panelists from the private sector, World Bank and IMF debated how the financial crisis has affected Africa and whether the worst is over. The prevailing view, underscored by the IMF's Deputy Director for Africa, Sharmini Coorey, was "cautious optimism" that growth had bottomed out and would be resuming to normal patterns in the coming months.

The Forum, which attracted over 180 attendees to Thomson Reuter's European Headquarters in Canary Wharf, began with a keynote address by Professor Njuguna Ndung'u, Governor of the Central Bank of Kenya, who joined the conference from Thomson Reuters' offices in Nairobi. Professor Ndung'u admitted that Kenya had suffered from the financial crisis, and due to the negative impact on tourism and export revenues, Kenya's growth forecasts remained low at 3%, as compared to the African Development Bank's average forecast for East Africa at 6%. He discussed Kenya's ambitious inflation target of 5% or below, which appears feasible after the implementation of a new calculation method approved by the IMF (October's inflation rate was at 6.6% using this new calculation), and appeared cautiously optimistic that the policies Kenya had implemented during the crisis were working. Of note, Professor Ndung'u also assured investors that Kenya was still planning to issue a sovereign Eurobond, which had been postponed due to the tightening credit environment, in the next year.

When asked what his government and others in Africa were doing to address the problem of corruption, Professor Ndung'u redefined the question in terms of weak government institutions, suggesting that so long as Africa (his country included) lacked robust institutions that could efficiently deliver services to their citizens, corruption would remain a problem. Other participants who weighed in on the corruption issue at different points during the conference also suggested that some corruption was tolerable and inevitable and that the real focus should be on accountability, and that overwhelming bureaucracy was also to blame for Africa's inefficiencies.

The first Panel, moderated by Matthew Tostevin, Reuters' Africa Editor, then examined the question of Africa Post-Crisis and how Africa was going to attract the kind and amount of financing necessary to meet its huge infrastructure and development financing needs. Panelists in London included Francois Ekam-Dick of Iroko Securities, Richard Segal of Knight Libertas, Stuart Culverhouse of Exotix and Michael Fuchs of the World Bank. Joining by video-link from Thomson Reuters' Washington, DC bureau were Sharmini Coorey, Charles Blitzer, and Sean Nolan, from the IMF.

The view from the panelists – with greater and lesser degrees of optimism – was that Africa is on the mend, but questions do remain about how financing needs will be met. The combination of concessional financing from the International Financial Institutions (IFI's such as the AFDB, IMF and World Bank), loans from China and other donors, and local and international capital markets offer African governments alternatives, but the balance, post-crisis appears to have tilted heavily towards the IFIs – query how would the balance be restored? Botswana, Africa's only A-rated country, which recently took a loan from AFDB rather than seek financing from market sources, was cited as an example of how even the best-positioned African governments continue to shy away from market finance. The IMF suggested that it was flexible in its entry and exit into these countries, and when conditions improved, it would scale back its increased involvement.

# EMTA and Thomson Reuters Africa Forum (continued)

The more controversial issue of the Cote D'Ivoire's Sphynx restructuring was the topic of a lively exchange between Mr. Ekam-Dick and Mr. Blitzer of the IMF, in which it was suggested that the IMF policy definition of External Debt (i.e., debt, regardless of whether it is issued externally or domestically, and regardless of whether it is denominated in domestic or foreign currency – is considered to be External Debt when its beneficial holders are off-shore residents), was discriminatory, as it unfairly differentiated between investors based upon their postal address, and created uncertainty with respect to all foreign investor participation in local capital markets. Mr. Blitzer responded that lenders had a responsibility to undertake due diligence and understand the risks involved in their lending, including as in the case of the Cote d'Ivoire, the risk that they could be corralled into a restructuring. He said that this was particularly true if a restructuring was forthcoming when investors went into the deal, as was the case with Cote d'Ivoire.

Mr. Fuchs, who was more cautious about Africa's recovery, took the view that local capital markets provided the best option for financing, in particular for Africa's corporations, and he described World Bank efforts to strengthen local capital markets. Some panelists expressed scepticism that the local markets were sufficiently deep to meet financing needs. They also raised the issue of the lack of large, liquid benchmark deals, which affected pricing and discouraged participation of foreign investors at a time when other opportunities in other Emerging Markets were abundant.

The IMF also discussed upcoming plans for a loan to Angola.

The second Panel, also moderated by Mr. Tostevin, focused more specifically on foreign investors' opportunities in Africa and featured Graham Stock of JP Morgan, Ade Adebajo of Standard Chartered Bank, David Cowan from Citi, Alisa Mujagic from Knight Libertas and Michael Hugman of Standard Bank. This panel debated how to improve liquidity in Africa's local markets, and whether the problem in attracting foreign investors lay in lack of supply of investable assets, or lack of demand. David Cowan suggested that African governments need to think strategically about what they need to raise money for, and what sources of finance best meet these needs, in order to provide a road-map for themselves and their investors. Michael Hugman discussed the Nigerian banking crisis and what lessons it provided to other governments – primarily pointing to difficulties presented by opaque ownership structures and over-reliance on the stock market. The involvement of China in Africa was also raised in this panel, as the presence of the Chinese, both official and private lenders, created further opportunities for African governments, and competition for their potential western lenders and underwriters.

A webcast of the event is available, courtesy of Thomson Reuters, in the New Developments area of EMTA's website www.emta.org. For more information about this event and EMTA's other Africa-related initiatives, please contact Starla Griffin at sgriffin@emta.org.

# Speakers at EMTA Forum in Hong Kong Discuss the "Sugar Highs" of International Stimulus Efforts

"All of us were surprised at how quickly the markets bounced back…the negativity of late last year is a distant memory," observed Tim Condon (ING) at the beginning of EMTA's fourth annual Forum in Hong Kong. The lunchtime event, which drew over 100 market participants, was held on Friday, October 30, 2009 and was sponsored by ING. Panelists debated the effects of global stimulus measures, the prospects for rate hikes, potential asset bubbles and their top investment picks.

Condon, who moderated the Forum's panel discussion, asked speakers for their reactions to the market rebound and thoughts on market direction. Cecilia Chan of HSBC Halbis noted that the recovery has been remarkably smooth while cautioning investors not to forget the past. She added that there was widespread assumption that governments were "doing the right thing" but such an assumption –which was supporting current sentiment—was quite a large one.

Citigroup's Johanna Chua observed that "we have never been through this sort of crisis…and we are all viewing a grand social experiment." She added to the vast debate on the shape of the global recovery by suggesting it could be "square root-shaped."

Income Partner's Jiffriy Chandra discussed the unprecedented coordination by Central Banks in their actions to stimulate the international economy. However, he warned that, "like being pumped up with steroids for a cold….we are not sure what the long-term effects will be." Chandra believed that Asia has returned to a more regular business cycle, and that the fundamental improvement in the Asian economies over the past 10-15 years has helped buttress the global EM recovery.

Vijay Chander of Standard Chartered added his own colorful metaphors, calling policy measures "sugar highs" designed to "pump up a flat tire." He underscored the inconsistent policy responses to the collapses of giant US firms as contributing to market uncertainty over the past year while acknowledging that policy makers "were making things up on the fly." He viewed debt instruments as being "priced to perfection" and expressed skepticism that current levels could be sustained.

Condon polled speakers for their thoughts on exit strategies, following rate hikes in Australia, hawkish posturing by India's Reserve Bank and speculation that other Asian central banks could move to tighten rates. Chan noted that while some Asian banks are concerned by potential property bubbles, rate hikes are not the best solution as they will hurt the real economy. Chandra expressed caution although he didn't expect a dramatic near-term change. "Everyone thinks they will get out in time….but I don't think so!" he stated.

Most speakers concurred that Indonesia was justifiably a "market darling". Chan saw the currency as a strategic play even before a pricing correction, while Chander believed most debt spread tightening had already occurred. Condon himself was perhaps the most bearish on a short term basis, though acknowledged he was a long-term bull.

How can investors make the most money over the next twelve months? Chan joked that betting on horses was probably more lucrative although she recommended the KRW and IDR vs. the dollar. Chua agreed on the won and rupiah, adding the INR and possibly the Philippine peso. Chander spoke positively on ICICI perpetual bonds, selected Chinese high-yield property issuers and Korean quasi-sovereigns KDB and KEPCo.

# Singapore Forum Speakers Discuss Potential Asian Central Bank Tightening

EMTA's fourth annual Forum in Singapore was held on Wednesday, October 28, 2009 at the Fullerton Hotel. The event, sponsored by ING, drew 150 Emerging Markets professionals. The panel discussed the "10-standard deviation" experience of the previous rocky eighteen months, which panelist Martin Hohensee (Deutsche Bank) noted could be a unique occurrence during the careers of all present.

ING's Tim Condon moderated the event's sell-side discussion, asking for thoughts on when Central Banks in Asia will reverse course away from current stimulative measures. Cem Karacadag (Credit Suisse) agreed that this was a major topic of speculation although he expects current policies to remain in place for a while. "Any central bank is going to play defense when inflation is not really a threat," he reasoned. Instead, the biggest question was when the US will move to hike rates, which he didn't expect until 2H 2010. Karacadag emphasized that if central banks move to tighten, it would be because of positive developments; and that policies will move from being accommodative to being less accommodative but will not go to tight mode.

Wai Ho Leong (Barclays Capital) added that the defensive posture adopted by Asian central banks was also based on concerns for the quality of growth, citing as a specific example Korea's positive GDP growth but which had resulted mostly from fiscal stimulus measures as well as correction in the inventory cycle. David Fernandez (J.P. Morgan) noted that there appeared to be a rolling market worry for the Chinese economy—"In 2009, the market was worried about 2010, not 2009; now everyone is worried about 2011 not 2010," he observed.

A discussion of whether Indonesia's status as flavor of the month was supported by fundamentals ensued. Condon himself stressed the maturing of Indonesian politics, with Karacadag seeing the country on a path to an investment-grade rating "in three to five years." Leong concurred, praising the country's recent structural reforms.

However, near term, Fernandez advised, "If you are bullish on Indonesia, don't go to Jakarta," as he described local disappointment with post-election decisions by the government. Fernandez discussed the "unrealistically high expectations, unfulfilled," of Indonesians, and the serious reassessment now apparently underway. He remained a long-term bull on Indonesia, however.

As for investment recommendations, Leong spoke positively on the KRW, Taiwan dollar and the ringgit as he expected the weak dollar theme to persist. Karacadag recommended Asian credits, "not the obvious trade like last year when we all thought Asian credit was cheap" but still potentially lucrative. Hohensee spoke enthusiastically on long-dated Chinese currency exposure and select Korean credits. Fernandez thought markets had priced in too much tightening in Korea and India, and had a longer-term positive view on CNY and INR.

Aaron Low (Lumen Advisors) led the event's panel of investor experts which followed. Ashmore Investment Management's Barry Field characterized 2008 as a year of "indiscriminate selling, with 2009 the reverse of that." The sweet spot for investors had perhaps ended in September, he ventured, and 2010 will prove to be a difficult year for investors. Field did expect EM equities and corporates to be the out performers.

# EMTA Forum in Singapore (continued)

"In many cases, you would scratch your head and ask why you would want to buy for the long-term at these prices," Liew TzuMi of the Government of Singapore Investment Corporation stated, while highlighting that during the 2008 EMTA Forum in Singapore, one could have created a basket of Asian high-grade credits yielding 10% (which would now yield 3-4%). Her firm will remain focused on local markets among other sectors, although she also viewed EM FX positively over the longer term. Investors needed to determine before they bought if the rate hikes being priced into the market were really going to occur, she advised.

The Rohatyn Group's Goetz Eggelhoeffer believed the US economy would "muddle through." He predicted that US rates would not be raised in 2010 despite a market obsession with it. Dollar weakness would continue as well. He concurred with Liew that a lack of Asian central bank hiking will disappoint the market, with government institutions remaining concerned about US growth (although he acknowledged that this could change once Q4 data is available).

How have Asia and EM countries emerged from the crisis? "The EM story has become even stronger," argued Liew after events of the past year and a half. Long-term, nothing has changed in the EMs, which just reaffirms that investors should have exposure to the asset class.

Field sparked controversy when he stated "EM stopped being periphery last November and became part of the core." He identified as a turning point the remarkable steps taken by the US Federal Reserve when it became concerned that countries such as Brazil and South Korea would sell Treasury bonds to raise dollars ("and the US needs them to keep on buying US Treasuries, not just to not sell them!") Pension funds have since realized that their asset allocation should be much higher than five percent, and he expected EM to be a growing part of all retirement funds. He reminded the audience that Asian countries were only affected by the crisis because of lower exports and the drying-up of trade finance.

A debate ensued on Field's comments on EM becoming core. Eggelhoeffer responded that while he was bullish on EM as well, it was "stretching" to describe EM as core because of the legal, political and financial systems unique to EM countries.

The panel concurred that EM equities and EM currencies were likely to be profitable investments in 2010. Field expressed interest in Argentina Discount bonds, while both he and Liew acknowledged they were looking at high-yield EM corporates.

Speakers also discussed large redemptions during the crisis (two of the firms noted that approximately 15% of assets had been withdrawn) and gating. Eggelhoeffer chided firms which forgot that gates are there "to protect investors from undue losses, not to save investment managers." He expressed hope that investors would one day differentiate between firms which gated during market downturns and those which did not.

Finally, Field added to the lexicon of EM bon mots when, in referring to Eastern Europe and its growing integration into the global markets, he defined a developed country as one in which the Finance Minister can be "fiscally profligate and the bond markets don't punish you for it!"

# EMTA Presents a Primer on the Foreign Sovereign Immunities Act

On October 21, 2009, EMTA hosted a Special Seminar "Foreign Sovereign Immunities Act - A Primer" intended to provide a comprehensive introduction to the topic of sovereign immunity and presented by James Kerr of Davis Polk & Wardwell, a well-known expert on the topic.

Underlying the value of a sovereign debt is its enforceability, and enforcing a claim against a sovereign, or defending a sovereign against such a claim, raises very sophisticated legal and policy questions. Simply put, recent developments in this area cannot be understood, and future trends cannot be anticipated, without a deeper understanding of the origin and evolution of the law of sovereign immunity than most market participants or their legal advisors now have. This Seminar was intended to provide the foundation that is needed to understand how sovereign claims can be successfully asserted (and collected) or defended.

This Seminar forms part of a series of meetings EMTA initiated in 2006 (the first of which focused on How a Ratings Agency Brings a Country Out of Default) designed to explore issues of relevance to participants in today's Emerging Markets and to promote greater transparency and efficiency in the EM trading and investment marketplace. (Later panels have focused on Enforcement under the Foreign Sovereign Immunities Act; Partial Sovereign Restructurings; Some Official Sector Implications; The Argentina Precedent: Will Others Follow and Ecuador's Tender Offer.) Rather than merely an introduction to the topic, this Seminar provided the key to understanding a critical aspect of what determines the underlying value of assets in our marketplace.

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

# “Something Has to Give” over Medium-Term in Venezuela, former Central Bank President Tells EMTA Fall Forum

Former Venezuelan Central Bank President Ruth de Krivoy delivered the keynote address at EMTA’s Fall Forum, held on September 30, 2009 in New York City. Barclays Capital hosted the event, which attracted over 100 market participants. In her remarks, de Krivoy stressed that although President Chavez continued to receive high approval ratings in polls, the Venezuelan economic situation is untenable over the medium to longer term.

In a discussion of the challenges to President Chavez’s leadership, de Krivoy noted that his approval ratings hover at the 55% mark, despite voters expressing their disapproval of key government initiatives in surveys. The opposition has not been able to gain traction although the number of political ‘neutrals’ is growing.

“President Chavez’s political footing is built on negative social capital –resentment, nepotism and corruption, and that makes it fragile,” she stated. While in the short term “money alleviates tension,” in the long term there is a high risk of turbulence according to de Krivoy. “Change of regime is not in question [for the short term] but if you look at Venezuela with a medium- or long-term outlook, you get the feeling that things are really not sustainable and something has to give,” she observed.

The 2010 National Assembly elections are important as Chavez will need a two-thirds majority to control a number of key government institutions and positions, a figure he did not obtain in the 2008 elections. Chavez has taken a number of steps to gain additional votes such as “hasty reforms” in education, increased control of the media, “aggressive attacks” on opposition leaders and students, a reorganization of the Cabinet (which de Krivoy deemed “largely immaterial in both policies and their ability to deliver”) and the announcement of a number of “ambiguous policies geared to revive the economy.”

Currently, a number of actions are being taken to balance the competing interests within the Chavez movement. CADIVI approvals (for FX transactions), which had fallen by 40% in the 1H of 2009, have been unlocked and have returned to previous levels. The government has acted to promote the Bolivar in the swap market in order to mitigate inflation. Measures to increase bank loans have been adopted, gasoline prices will not be raised, a devaluation of the official rate is not likely (although multiple rates are possible) and an increase in government borrowing is in the pipeline in order for the government “to create the mood for the 2010 elections.”

“Oil provides breathing space…but not enough,” de Krivoy stressed. Using US Department of Energy scenarios for oil pricing over the next decade, she declared that the Chavez government would have “little room to maneuver” in fiscal and balance of payments terms if oil is at lower or medium levels over the next decade (defined as up to $180 per barrel in 2019). There is some breathing space at a “high” scenario of $280 per barrel ten years from now but even that would “not be enough, would not be a bonanza” reminiscent of the 2004-7 boom years according to de Krivoy, and even if production increased to 4.1 million barrels a day from its current levels.

Tuning to the fiscal outlook, de Krivoy forecast that Venezuela will need to borrow 9% of GDP in 2009, growing to 12% in 2010. This will be covered by domestic debt as well as issues such as the new 2019 and 2024 bonds, which were being sold at the time of the Forum. While the government should have no problems obtaining financing in 2009, short-term the government’s funding strategy is inflationary.

She forecast inflation at 28% in 2009, which she noted was high compared to Latin America and other countries around the globe (with 41% core inflation which excludes goods subject to price controls); with similar forecasts for 2010. “That is high for Venezuela, it would be the third year in a row of inflation in the 30-35% range,” she highlighted.

Growth would contract by 2.2% in 2009 according to her forecast because of “volatile and declining real physical spending and because the system has exhausted its ability to grow. After five years of government-imposed structural changes hurting the private sector and private investment, it is much more difficult to obtain positive growth rates

# EMTA Fall Forum (continued)

and certainly impossible without strong fiscal spending." GDP will be flat in 2010 because of election-rated spending, and unemployment is rising with the informal sector accounting for an increasing percentage of jobs.

Going forward, de Krivoy discussed six key policy issues. (1) CADIVI approvals have become smoother for imports and dividends, but they have not become predictable. (2) Multiple exchange rates, which are not new to Venezuela, continue to be debated as a way to reconcile various objectives without devaluing (she quoted a former government official who had declared "talking about devaluation in government is like talking about abortion in church.") (3) The sustainability of the swap rate policy, (4) The future of price controls, which will likely be more flexible over the next 18 months because of the political cost—which the government recognizes—of shortages resulting from such measures. (5) Labor issues. Proposed changes to labor laws, which include an abolition of unions, retroactive severance payments (which could highly costly to Venezuelan firms) and a shorter workweek, are unlikely to be passed, de Krivoy specified while noting the increased importance of the government as an employer. "So now we are getting a signal of rationality in the field of labor-related issues," she remarked. (6) Expropriations are seen to have ended as the government has achieved its goal of controlling strategic industries such as telecommunications, steel, cement and electricity. Movements to nationalize other industries such as food are unlikely because potential shortages pose a political risk to the government.

Finally, de Krivoy entertained a series of questions from a highly-engaged audience, addressing such issues as tensions with Colombia ("the possibility of a war is zero…and despite all the noise, trade is flowing), its dangerous liaisons ("the issue of Venezuela's arms ending up with the FARC will not go away, it is going to get worse" and its alliance with Iran is also increasing risks), the potential of chavismo spreading (de Krivoy saw Chavez' influence limited to Bolivia, Ecuador and Nicaragua), international arbitration cases against Caracas, and why Chavez retains such high approval ratings while Venezuelans voice strong disapproval in the same polls ("his charismatic leadership in a void of leadership elsewhere" explains much of this, she hypothesized.) As for President Chavez's control of the armed forces, de Krivoy noted the military "was happy, they have their share of the fiesta, they don't have to go to war."

Following a lengthy Q&A interaction with the office, de Krivoy noted "we tend to say that the optimal policy stance in Venezuela is lite populism—being an oil country you can never get rid of populism—but if you do a lite version, the country can grow, you get foreign investment, you get wealth creation back into the system."

Following de Krivoy's presentation, <u>Barclays Capital's Michael Gavin</u> moderated a panel of sell-side analysts and investors, leading off by polling speakers for thoughts on the current recovery. <u>David Rolley</u>, who described himself as the panel's token crossover investor, observed that <u>Loomis Sayles'</u> view was that the recovery was real, with next year being more complicated than the preceding months which were categorized by a one-way movement in spreads across the asset class.

<u>Deutsche Bank's Drausio Giacomelli</u> thought that investors wont be able to tell if the recovery were sustainable for another three to six months, with a lot of the rebound "mechanical because of very low levels of consumption and the recent stimulus."

"One of the greatest risks is complacency," opined <u>Siobhan Morden of RBS</u> who expressed nervousness with both the Street in crowded trades and spreads at pre-Lehman failure levels. She concurred with Rolley's expectation of a more volatile trading environment in 2010 and predicted greater risk discrimination going forward.

Morden favored Argentina among the high-yielders on not only a short-term solvency view but also the country's raising "creative sources of domestic financing," its short-term ability and willingness to pay, likely policy changes including the possibility of a new administration in 2011 and a potential deal with hold-out creditors.

# EMTA Fall Forum (continued)

Eric Fine (Van Eck) believes more money will flow into EM FX as a result of the resilience of emerging countries during the recent downturn, though the risk of a reversal of the current "everyone hates the dollar" mentality remains. In addition, there will be greater differentiation between credits and investors more comfortable with longer tenors as a result of EM performance over the past year.

The crisis showed that "EM will survive anything," Giacomelli stated who added that it is a "misperception" that there is a bubble in the asset class.

"What's really going on," asserted Rolley, "is we are trying to move money from some markets that are really big that nobody likes, the G-4, to some markets that aren't so big that everyone likes, and that is everybody else besides the G-4. It is like moving a party from the Boston Garden into a small club and not everybody can fit, so you are getting prices driven higher." This issue could give you "bubble-like" price action.

Does it make sense to own the "awkward four?" Morden expressed that investors are almost forced to looking into Argentina, Ecuador, Ukraine and Venezuela with other EM credits trading at such tight levels.

For Rolley, the Argentine game plan was very obvious – Buenos Aires would make a deal with the holdouts and "make friends" with the multinational organizations in order to issue new debt. "We are a very forgiving group of people…people will say 'I'm not so sure about the policies, but at 900 over…'" He emphasized "this market will buy Argentina…if they just give us what they want…a little, not much…and we will buy their bonds…and they could tighten in from 900 over to 500 over." Rolley thought Ukraine could "also do all right" but saw it more of a trade than a long-term investment. A de-dollarization in Ecuador poses a risk to foreign investors. Giacomelli also agreed with the potential upside on Argentina.

Venezuela is on his firm's no-trade list, Fine stated, and despite the fact that it could be one of the best credits in Latin America, the country was poorly run. Fine admitted he wasn't comfortable thinking about Argentina with an investment horizon of more than twelve months. He spoke positively on Ukraine long-term, while expressing concern over upcoming elections; he also expressed unease about a weaker understanding by the US and the EU of the geopolitical importance of the country.

What will be the biggest surprise to EM market participants? Giacomelli ventured that inflation may become a concern sooner than expected. Rolley thought the market would be surprised if "nothing happens next year and we just spread-trade sideways." He discussed the risk of an additional decline in US housing prices (reasoning that home buying is largely seasonal in the US while foreclosure "knows no season").

Morden suggested that the tail-risks of a stronger-than-expected recovery or a severe interruption to the recovery are probably the greatest potential surprises to the market. For Fine, the biggest surprise would be for housing to have stabilized and stocks to have rallied over the next year, with 1H growth numbers better than expected. On the other hand, a surprise could be for US consumer demand to collapse.

Concluding with favored trades, Giacomelli spoke positively of the BRL, MXP and the Polish zloty as well as Colombian, Russian and Turkish debt. Rolley seconded Giacomelli's FX recommendations save Turkey (because of "euro-embedded FX risk.") Morden favored Argentine Pars and Venezuela '38s but warned of potential supply risk, as well as the BRL and CLP.

Fine saw Nakheel '09s as a potentially rich opportunity, opening up other potential Dubai opportunities, *but only* if the bond is paid. Fine also saw Argentina as a trading opportunity over the next year and thought certain Kazakh bank exposure made sense (though not BTA).

# Searching for Value at EMTA Corporate Forum in New York City

The search for value and whether the EM corporate bond market was overpriced were among the themes at EMTA's third annual EM Corporate Bond Forum. The event was held at EMTA's office in midtown Manhattan on Monday, September 21, 2009. ING Financial Markets sponsored the event, which drew over 100 attendees.

ING's David Spegel moderated the afternoon panel session, beginning by reminding the audience of the context in which the previous year's event had been held in the dramatic days of September 2008. Given the recent run-up in asset prices, Spegel asked speakers if current levels suggested a bubble, or whether further spread tightening was possible.

WAMCO's Robert Abad expressed strong concerns about prices being overly optimistic. "I don't think I have ever seen anything like I have seen now….the fundamental background is so uncertain and we are still waiting for a fundamental justification of current levels," he stated. In contrast, Anne Milne of Deutsche Bank and Warren Mar (J.P. Morgan) were less pessimistic, suggesting there were instances of value remaining.

Spegel broke down EM corporate default rates as calculated by ING, noting that EM High Yield had a 9.2% default rate thus far in 2009. He then requested speaker thoughts on the default rate in EM corporates and whether the majority of EM corporate defaults had already occurred. "The quick answer is 'no,'" replied Abad, who turned directly to the audience, asking "do you all really believe that systemic risk is almost gone?"

Mar noted that his firm's figures showed a 10% default rate year to date, while maintaining a 13% forecast for the year. Current CEMBI levels imply a 7% default forecast next year, he observed, and pointed out the comparatively better sovereign outlook now vs. the 1998 market crisis. Mar saw the underweight position of crossover investors and new money from Asia and other regions as potentially positive factors for the asset class.

TIAA-CREF's Katherine Renfrew viewed the recovery as "directly a function of where commodities go." She described herself as being in the more constructive camp, and added that "our sense is that most vulnerabilities have already been exposed."

Milne stressed that each region should be examined individually, and echoed earlier comments by Spegel that the highest default rates would be in CIS issues with lower instances of default in LatAm. However she added that investors are much more discriminating vis-à-vis B-rated deals from Latin companies, which consequently has kept the LatAm default rate lower.

Turning to credit ratings, Spegel's announced his analysis that credit ratings explained 70% of spread differentiation before the 2008/9 crisis but currently account for only 40% of differences in pricing. Did speakers believe there is less value in and greater uncertainty regarding credit ratings?

"Ratings agencies are good for an outside perspective, but we find it very important to do our own analysis," declared Renfrew, who noted her team includes a quasi-ratings agency in house. "No one can totally rely on credit ratings agencies," she continued.

Abad noted his "100% agreement." He described the agencies as providing "a valuable tool—a starting point, but the bottom line is you have to do your own work by talking to management, visiting the companies, etc."

Turning to the unexpected boom in EM corporate issuance in 2009, Milne reminded attendees the skepticism she faced for her relatively optimistic $30 bn corporate deal forecast made at the EMTA Annual Meeting in December 2008. She is now expecting $100 bn in deals for 2009. Mar concurred that issuance would reach $100 bn, with one-quarter of that remaining to be issued in the final quarter. Asian deals will dominate 2009 issuance, followed by LatAm and CEMEA offerings, he noted. Finally Mar expected new supply to be well-supported on a technical basis as reinvestment cash flows would roughly equal new issuance for the remainder of 2009.

# NYC Corporate Bond Forum (continued)

Spegel also asked for thoughts on how recent changes on both the buy- and sell-side would affect EM debt. Mar noted that sell-side firms have been increasingly turning toward a desk analyst model and away from a publishing model as a result of time-consuming regulatory hurdles.

Renfrew admitted her surprise at the number of exits in the buy-side in EM and added that she was also caught off guard by how quickly the US markets bounced back. And while it wasn't that long ago that there wasn't even liquidity in Pemex or Gazprom, new entrants are taking the place of more traditional players, she added. Finally some sovereign-only investors are looking at corporate debt for the first time recently. Abad, while reiterating his current bearish overview of the market, reaffirmed that "EM is here to stay and will drive the global economy."

As for investment recommendations, Milne saw the best value in non-investment grade paper. Generally she preferred second-tier Mexican issues as being cheaper than top-tier names. Cemex could benefit from momentum and improving numbers. Other recommendations included Banco de Galicia, the Provinces of Buenos Aires and Mendoza, China Fishery and Sino-Forest. Mar spoke positively on Globo and Vitro, while also suggesting investors focus on new issues for adding risk and duration to their portfolios.

Renfrew expressed caution on the China property sector and Kazakh banks. Abad favored telecoms, oil and gas, as well as industries that are proxies for economic growth. Spegel added Televisa and long-end CVRD paper.

# EMTA Corporate Bond Forum in London Set for January 26, 2010

EMTA's fourth annual Corporate Bond Forum in London will take place on Tuesday, January 26, 2010, hosted by ING Wholesale Bank.

The Forum will include a panel discussion moderated by David Spegel (ING Financial Markets). As of press time, confirmed speakers included Esther Chan (Aberdeen Asset Management), Polina Kurdyavko (BlueBay Asset Management) and Victoria Miles (JP Morgan). Additional speakers will be announced shortly.

Invitations will be sent to all EMTA members in early January.

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

# EM Community Digs Deep at London Benefit

The Emerging Markets community dug deep into its pockets despite the tumultuous year at its annual charity benefit held in London on October 9, 2009. The event, first slated for a smaller venue, was relocated to the Old Billingsgate market after the original 500 tickets sold out in just four hours…yet even at its final, larger location, all 900 seats were sold.

The black-tie event was sponsored by Standard Bank, UBS, TPCG Group and Promsvyazbank. MarketAxess also contributed half the proceeds of its Annual Charity Trading Day held in September 2009. The evening, one of the largest annual gatherings of the EM community, included guests from Buenos Aires, Colombia, Venezuela, Russia, South Africa, the US and Continental Europe in addition to London market participants.

The event, Ritmo Latino, was intended to have the feel of an underground Latin dance club with its painted corrugated iron décor. A squadron of conga drummers ushered guests from the cocktail hour to a seated dinner, followed by a classical guitar performance and an intense demonstration of capoeira by Brazil's Guarda do Ouro. By popular demand, the Rare Collective (a recent contestant on "The X Factor") played cover music to a crowded dance floor, followed by djs the It Girls and a live percussionist, who kept the crowd moving until the 1 am carriages.

Records for live auction item prices were shattered; with VTB's Stanislav Minsky winning a 'make your own wine in Provence' experience with a £33,000 (US$58,000) pledge after a dramatic bidding war that had the audience gasping. Insparo Asset Management's Mohammed Hanif purchased a classic guitar and box for 15 guests at Spandau Ballet's sold-out reunion concert for a total of £29,000 (US$51,000) while an employee of Spinnaker Capital will soon be spending a week in St. Lucia with 13 guests following his successful £21,000 bid (US$38,000). Channel Five sportscaster Jonny Gould conducted the auction once again in his classic style.

Proceeds from the event will be distributed shortly 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;
- **Health Unlimited,** www.healthunlimited.org, which provides basic health care to rural communities around the globe;
- **Downside Up**, www.downsideup.org, which provides support and education for children in Russia with Downs Syndrome and
- **EMpower,** www.empowerweb.org, a grant-making foundation which connects the Emerging Markets community with innovative grassroots organizations enabling young people to lead healthy, productive lives.

The event was chaired by Emma McClintock (Barclays Capital), Judith Wheelan (Barclays Capital), Mike Cook and EMTA's Jonathan Murno.

The EM Benefit Planning Committee has already begun the ground work for the 2010 event, tentatively scheduled for October 2010. Updates will be available at the event website at www.emball.net.

# New York Charity Benefit Held on December 3, 2009

The annual New York Emerging Markets industry charity benefit was held on Thursday, December 3, 2009, immediately following EMTA's Annual Meeting. This year's Benefit was held at a new venue, the Marriott Marquis Hotel in midtown Manhattan.

Based upon feedback from previous years' attendees, the 2009 event had a new, cocktail party format. The event's 36 tables sold out shortly after release, although "general admission" tickets were still available at press time. Nearly 500 EM professionals attended.

Items available in the Benefit's silent auction included use of a summer home in Maine, a catered event for 50 from the famous Wafels and Dinges Belgian waffle truck, tickets to sporting events and the Metropolitan Opera, Scotch tasting for a group of 15, golf outings, a day at the track at the Monticello motor club, a two-night stay in Santa Fe, fine Chilean wine, personal training sessions, children's packages and more.

In addition, a raffle was also held. The lucky winner will receive use of an apartment in Playa del Carmen, Mexico, with other prizes including a spa treatment and champagne. By popular demand, guest dj for the evening was Vladimir Werning of JP Morgan.

Last year, nearly $400,000 was distributed to the evening's beneficiaries. Proceeds from the 2009 Benefit will be distributed to:

- **NESST,** which provides financial and capacity-building support to social enterprises in Central Europe and Latin America www.nesst.org;
- **Orphaned Starfish Foundation,** dedicated to working with orphans and disadvantaged children throughout Latin America www.orphanedstarfish.org;
- **Sri Lanka Care Foundation,** which rebuilds and restores homes lost and damaged by the Asian Tsunami www.srilankacare.org;
- **Trickle Up**, which works to alleviate poverty by providing seed capital for people in EM countries to start small businesses www.trickleup.org;
- **Worldfund** provides funding to exemplary schools in impoverished Latin American neighborhoods, and creates and delivers intensive training programs for public school teachers and principals www.worldfund.org.

The EMCB continues to welcome new members. If you are interested in joining the Planning Committee, please contact Jonathan Murno of EMTA at jmurno@emta.org.

# Emerging Markets Debt Trading Increases to US$1.123 Trillion in Third Quarter of 2009

Emerging Markets debt trading volumes stood at US$1.123 trillion dollars for the third quarter of 2009, according to a report released by EMTA on December 15, 2009. This compares with US$946 billion reported to EMTA for the third quarter of 2008 (a 19% increase) and with US$985 billion in the second quarter of 2009 (a 14% increase).

**Local Market Instruments at 58% of Volume**

Turnover in local markets instruments stood at US$650 billion in the third quarter of 2009 according to Survey participants. This represents a one percent increase compared to trading of US$643 billion in the third quarter of 2008, as well as an eight percent increase on second quarter 2009 trading of US$600 billion.

Local markets turnover accounted for 58% of total Survey turnover, its lowest share in almost three years. Hong Kong instruments were the most frequently traded local markets debt, at US$147 billion. Other frequently traded local instruments were those from Brazil (US$100 billion), Turkey (US$53 billion), Singapore (US$48 billion) and Poland (US$35 billion).

**Eurobond Volumes at US$458 Billion**

Eurobond trading stood at US$458 billion in the third quarter, compared with US$293 billion in the third quarter of 2008 (up 56%). On a quarter-on-quarter basis, Eurobond volume rose 22% from US$374 billion.

Just over half of Eurobond activity involved sovereign debt issues (US$251 billion in turnover, compared with US$197billion in the third quarter of 2008). Sovereign Eurobond activity accounted for 22% of overall Survey volumes, versus a 24% share in the previous quarter.

Corporate bond trading stood at US$175 billion, compared to US$88 billion in the third quarter of 2008 (a 98% increase) and US$109 billion in the second quarter of 2009 (up 61%). Turnover in corporate debt accounted for 16% of overall Survey volume.

The most frequently traded EM Eurobonds in the third quarter of 2009 included issues from Brazil (US$55 billion), Turkey (US$46 billion), Russia (US$42 billion), Mexico (US$33 billion) and Venezuela (US$30 billion).

In addition to local markets bonds, and sovereign and corporate Eurobonds, the Survey also includes turnover in options, loans and Brady bonds. Survey participants reported US$10 billion in option trades (1% of volume), US$3 billion in loan assignments (less than 1% of volume) and just over US$700 million in Brady bond transactions (also less than 1% of Survey turnover).

**Hong Kong, Brazil and Turkey Most Frequently Traded Countries**

Hong Kong instruments were the most frequently traded instruments in the EMTA report, at US$158 billion, according to Survey participants. This marks the first time that Hong Kong debt has occupied the top spot in the survey. Hong Kong volumes accounted for 14% of total reported volume.

Brazilian instruments were the second most frequently traded instruments according to the Survey, with US$155 billion in turnover. This compares with US$204 billion in the third quarter of 2008 (a 24% decline) and US$188 billion in the second quarter (a 17% decline). Brazilian volumes accounted for 14% of total Survey trading.

Third were Turkish assets, at US$99 billion in turnover. This compares to US$115 billion in Turkish volumes in the third quarter of 2008 (down 14%) and US$104 billion in the previous quarter (down five percent). Turkish volume accounted for nine percent of Survey volume.

Other frequently traded instruments were securities from Poland (US$59 billion), Russia (US$57 billion), Mexico (US$56 billion), South Korea (US$55 billion), Singapore (US$54 billion) and Argentina (US$46 billion).

EMTA's Survey includes trading volumes in debt instruments from over 90 Emerging Market countries, as reported by 45 leading investment and commercial banks, asset management firms and hedge funds. For a copy of EMTA's Third Quarter 2009 Debt Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or +1 (646) 289-5413.

# EMTA Submission in Response to HM Treasury's "Ensuring Effective Debt Relief for Poor Countries", a Consultation on Legislation

EMTA submitted a formal response to HM Treasury's legislative consultation on "Ensuring Effective Debt Relief for Poor Countries" on October 9, 2009. We would like to extend our gratitude to the many market participants who assisted with this effort.

The legislative proposal would limit the enforcement of debts that were either governed by English law or enforced in the UK courts to an amount equivalent to that established by the Paris Club. In essence, EMTA's response stated that

(1) the underlying data relied upon by the HMT to make its case for the legislative proposal was out-of-date and misleading;

(2) the legislative proposal would undermine the fundamental principle of Q well-functioning debt market that contracts be honored and debts be enforceable;

(3) the potential costs resulting from the legislative proposal far outweigh any potential benefits; and

(4) the legislative proposal is questionable in its legality and not enforceable as a judicial matter.

A copy of the EMTA Submission is available on EMTA's website www.emta.org in both the New Developments and Africa areas. For more information about this initiative, please contact Starla Griffin at sgriffin@emta.org.

# CDS Clearinghouse Developments

EMTA continues to work with ISDA to standardize EM CDS Contracts in the event these are eventually included in a central clearing system. For more information about this initiative, please contact Starla Griffin at sgriffin@emta.org or Aviva Werner at awerner@emta.org.

# EMTA Provides New Forum for EM Global Corporate Bondholders

It is critically important to the proper functioning of the EM capital markets that global investors have a mechanism to permit them to discuss their concerns about particular corporate credits, especially in an era where the willingness of some debtors to honor their obligations, apart from their capacity to do so, is under question. To that end, EMTA has recently launched a new forum for corporate investors, which has been used by investors in bonds issued Asia Aluminum, Independencia and, most recently, Davomas.

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If you would like more information, are interested in understanding more about EMTA's initiative to provide a forum for global holders of corporate bonds, or would like to request EMTA's assistance with a particular credit or corporate action, please contact Starla Griffin at sgriffin@emta.org or Aviva Werner at awerner@emta.org.

# Policy Responses to Market Conditions

While the recent turmoil in the financial markets has been global in nature and effect, its epicenter was largely in the US and, fortunately for our segment of the market, not in the Emerging Markets. Nevertheless, in an inter-connected global economy, these current global market conditions, and the various policy responses to it, provide important context to the activities of the EM trading and investment community.

In light of the various proposed legislative, regulatory and other policy responses to this recent market turmoil, EMTA launched in late September 2009 a new area of its website "Responses to Market Conditions" that includes various items of interest and other communications from regulatory agencies, law firms, other trade associations, etc. This area will be updated from time to time as new information becomes available, and contains, among other sections, the sub-categories of "US Rescue Package and Related Measures", "Iceland", "IMF", "Lehman" and "Fannie Mae/Freddie Mac" so Members can access those topics more directly. EMTA Members may Click Here to access the new Responses to Market Conditions area.

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# EMTA London Lawyers Group

EMTA is inviting London and other European-based lawyers to join a newly created EMTA London Lawyer's Group. This group is open to lawyers who work in-house at EMTA-member institutions or in outside firms that are EMTA members. The group will meet on an ad hoc basis to discuss legal and regulatory developments affecting the Emerging Markets industry in the EMEA time zones, and also link-up for meetings of the New York-based EMTA Legal and Compliance group on issues of relevance to EMTA members on both sides of the pond. For more information, please contact Starla Griffin at sgriffin@emta.org.

# Bond & Warrant Trading & Settlement

## Ivory Coast

Recently, the Republic of Côte d'Ivoire announced its London Club deal. For further information, please contact the Republic of Côte d'Ivoire c/o the Republic of Côte d'Ivoire Financial Advisor, Lazard Frères:

Michèle Lamarche
Tel: + 33 1 44 13 03 40
e-mail: michele.lamarche@lazard.fr

or

the Steering Committee's Chairman Thierry Desjardins or Véronique Lebault at BNPParibas:

Tel: 00 33 1 42980544 or 00.33.1.42981206
e-mail: thierry.desjardins@bnpparibas.com or veronique.lebault@bnpparibas.com.

Click Here for the full Press Release.

The Republic of Côte d'Ivoire also recently launched its offer for Sphynx Noteholders. Click Here for the full Press Release.

## Argentina

The Economy Minister has announced that Argentina has accepted a proposal to restructure its untendered debt. Click Here for the Press Release in Spanish and Click Here for Commentary by Credit Suisse.

## Ecuador

Ecuador has announced its Italian tender offer for its 2012 and 2030 bonds. Click on the following links for the Press Release in English, Italian and Spanish, together with the Communiqué required by Consob and published in Sole 24 Ore.

## Bosnia

EMTA is working with some major firms to clarify with Societe Generale, the Fiscal Agent for the GDP Performance Bonds Series B, whether the trigger for payment was, in fact, reached in 2006, thus requiring payment in 2008 (payment is required in June of the year succeeding two consecutive years of triggers being met, and the Fiscal Agent has already confirmed that the trigger was met in 2007).

EMTA will update the market as soon as it receives confirming informationx from the Fiscal Agent.

On July 15, 2009, the Fiscal Agent confirmed that payment was due in 2009 since the trigger had been met in 2007 and 2008. Click Here for the Fiscal Agent's notice. EMTA will continue working with the Fiscal Agent to determine if the payment was, in fact, triggered in 2006, thus requiring payment in 2008.

## Venezuela

The October 15, 2009 Oil Obligations payment was made to holders of record as of September 30, 2009, and EMTA recommended that trades be "ex-dividend" on September 28. Click Here for the Fiscal Agent's notice regarding the payment's calculation.

## Nigeria Payment Adjustment Rights Payment

Click Here for the Fiscal Agent notice regarding the calculation of the November 16, 2009 payment.

## Uruguay VRR Payment

Click Here for the Fiscal Agent's notice regarding the July 2, 2009 VRR payment's calculation of zero. To date, no payments have ever become due on the VRRs.

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Please note that all EMTA Documents may be found in the Documentation area of EMTA's website (http://www.emta.org/doc.aspx), including EMTA Primers for Warrants and Market Practices. For further information, please visit the New Developments area of EMTA's website or contact Aviva Werner at awerner@emta.org.

# FX & Currency Derivatives

## EMTA and ISDA Joint Working Group To Address Non-Deliverable Swaps For Latin American Inflation Indices

After the July 21, 2009 publication of the EMTA and ISDA joint market practice for CLP Camara (CLP TNA) interest rate swap transactions, certain members of that working group raised questions regarding the lack of market practices for documenting CLP UDI non-deliverable swaps and suggested that a working group be formed to develop a standard form of non-deliverable swap agreement for "CLP UF" transactions. It was suggested that the lack of consistency in the market on a variety of issues had created problems in documentation transactions for this product.

A small group of interested EMTA and ISDA members convened by phone several times to assess the utility of this project. The preliminary conclusion of the group was to start by developing standard definitions for all of the Latin American inflation indices and examine market practices that would be appropriate generally for this type of product. The inflation indices currently identified by this group for possible inclusion in this exercise include ARS-CER, CLP-UF, COP-UVR, PEN-VACU and MXN-UDI.

## BRL Options Working Group Re-Opens Market Practice

In the fall of 2007, a working group of options traders sought to define and clarify a market practice for determining breaches in BRL barrier options. See FX and Currency Derivatives Market Practice No. 45 dated November 9, 2007 on EMTA's website. At the request of the EMTA membership, the group has reconvened to consider the addition of clarifying language to the market practice to remove possible ambiguity in one of the references in the market practice. The additional language is intended to serve as a clarification and not a change in recommendation. In addition, the group has been discussing the current status of the spot market in Brazil and whether additional changes need to be made to the market practice to update the reference to use of the spot market as a determination point for barrier option breaches.

## Egyptian Pound NDFs?

EMTA's new Middle Eastern Currency NDF Working Group has been organized and is currently working on to address standardization of market practices and documentation for EGP/USD NDF and NDO transactions. Issues that the group has identified include the mismatch of week-end day for Cairo and New York and London. Week-ends in Cairo include Friday and Saturday while New York and London week-end days include Saturday and Sunday. The working group is looking closely at the issue to determine how to recommend practices for business day conventions for valuation and settlement dates. In addition, the group is looking closely at the disruption events for other currencies for a suitable model for the Egyptian Pound.

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For further information regarding the above, as well as FX & Currency Derivatives matters generally, please contact Leslie Payton Jacobs at lpjacobs@emta.org or (301) 838-4552.

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 addition to the Key Industry Views area of EMTA's website:

- "Latin America - Abundance Forgives All." December 14, 2009 - Gray Newman and Team (Morgan Stanley).
- "The 2010-2011 Outlook for Latin America - The New Partner in Global Growth." December 11, 2009 - Paulo Leme, Alberto Ramos, Luis Cezario and Malachy Meechan (Goldman Sachs)..
- "EM Themes for 2010." November 25, 2009 - Bank of America Merrill Lynch Global Research Team.
- "Prospects for 2010." November 24, 2009 - David Lubin, Alberto Ades and Johanna Chua (Citi).
- "Africa Regional Overview: Return of Frontier Markets." October 6, 2009 - Razia Khan, Regional Head of Research, Africa (Standard Chartered Bank).

## New Developments

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

- December 3, 2009 - "Brazilian Politics: 2010 Elections Monitoring" Keynote Presentation by Murillo de Aragao (Arko Advice at GlobalSource Partners) at EMTA Annual Meeting.
- December 2, 2009 - Minister of Finance Carstens of The United Mexican States to speak at EMTA Special Presentation in New York, Tuesday, December 8, 2009.
- November 30, 2009 - The Return of Frontier Markets: Is Africa Back in Business? Webcast of EMTA/Thomson Reuters Forum.
- November 27, 2009 - Market Reaction to Dubai World Debt Restructuring from Credit Suisse, Moody's, RBS and Standard Chartered Bank.
- November 27, 2009 - Russian Finance Ministry Launches Third Offer of Eurobonds for FTO Debt.
- November 23, 2009 - List of Items Available for Silent Auction at Annual EM New York Charity Benefit Available Now!
- November 18, 2009 - EM Charity Benefit NYC – Raffle Information Now Available!
- November 18, 2009 - Moody's Downgrades Jamaica's Foreign Currency Bond Rating from B2 to Caa1.
- November 16, 2009 - Murillo de Aragão to Deliver Keynote Address at EMTA's Annual Meeting on December 3, 2009.
- November 15, 2009 - Moody's Downgrades El Salvador from Baa3 (Investment Grade) to Ba1.
- November 12, 2009 - Holiday Schedule for EM Bond Trades for US Thanksgiving Holiday.
- November 12, 2009 - Fitch Downgrades Ukraine's Long-Term Foreign-Currency Issuer Default Rating from B to B-.
- November 10, 2009 - Fiscal Agent Notice Regarding November 16, 2009 Payment on Nigeria Payment Adjustment Rights.

# Website (continued)

- November 6, 2009 - EMTA Submission in response to HM Treasury Legislative Proposal (October 9, 2009) Ensuring Effective Debt Relief for Poor Countries: A Consultation on Legislation
  Appendix 1: EMTA membership
  Appendix 2: EMTA Africa Workshop Report
  Appendix 3: EMTA analysis: Creditor Litigation in the Non-HIPC Sovereign Debt Restructuring Context
  Appendix 3a: EMTA analysis: Creditor Litigation in the Non-HIPC Sovereign Debt Restructuring Context Case Studies

- November 4, 2009 - Ecuador Italian Tender Offer Press Release for 2012 and 2030 Bonds: English, Italian, Spanish and Communiqué Required by Consob and Published in Sole 24 Ore.

- November 4, 2009 - Standard & Poor's Downgrades Jamaica's Long-Term Foreign Currency Rating from CCC+ to CCC.

- November 3, 2009 - EMTA Preliminary Analysis of Creditor Litigation in the Non-HIPC Sovereign Debt Restructuring Context.

- October 28, 2009 - Holiday Schedule for EM Bond Trades for US Veterans' Day Holiday.

- October 22, 2009 - Thomson Reuters and EMTA Africa Forum to be Held in London on November 20, 2009.

- October 22, 2009 - Economy Minister Announces Argentina Has Accepted a Proposal to Restructure Untendered Debt. Press Release (in Spanish). Commentary from Credit Suisse.

- October 15, 2009 - Aurelius Capital Partners v. Argentina.

- October 13, 2009 - Calculations for Payments on Venezuela Oil Obligations Announced.

- October 13, 2009 - Moody's Downgrades Barbados' Foreign Currency Government Bond Rating to Baa3 from Baa2.

- October 8, 2009 - Holiday Schedule for EM Bond Trades for US Columbus Day Holiday.

- October 5, 2009 - List of Silent Auction and Live Auction Items for Emerging Markets Benefit to be Held in London on October 9, 2009.

- October 2, 2009 - Press Release for Ivory Coast Sphynx Noteholders.

- October 2, 2009 - WSJ NEWS ALERT: Rio de Janeiro Selected as Host City for 2016 Olympics.

- October 1, 2009 - EMTA's Fourth Annual Forum in Hong Kong to be Held on Friday, October 30, 2009.

- September 30, 2009 - Venezuela Oil Obligations Record Date of September 30 and Payment Date of October 15 Expected. T are "Ex-Dividend" on September 28. Calculations for Payments on the Oil Obligations will be Announced by the Fiscal Agent Shortly.

- September 30, 2009 - "Venezuela: A Good Offense is the Best Offense." Presentation by Ruth de Krivoy, Economic Advisor to Global Source and Former President of the Central Bank of Venezuela.

- September 29, 2009 - EMTA's Third Quarter Bulletin is Now Available in our Bulletin Section.

- September 28, 2009 - Ivory Coast Strikes London Club Deal.

- September 28, 2009 - EMTA's Fourth Annual Forum in Singapore to be Held on Wednesday, October 28, 2009.

- September 28, 2009 - Moody's Downgrades Lithuania's Foreign Currency Rating from A3 to Baa1.

- September 23, 2009 - EMTA Special Presentation "Foreign Sovereign Immunities Act – A Primer" in NYC on October 21, 2009.

- September 22, 2009 - MarketAxess, in Partnership with EMTA, to Hold Sixth Annual Charity Trading Day on Thursday September 24, 2009.

- September 22, 2009 - Market Responds to Speculation of Argentina Reaching a Deal with Holders of Untendered Bonds. Commentary from Bank of America/Merrill Lynch, Barclays Capital, Bulltick Capital Markets, Credit Suisse, Goldman Sachs and RBS.

- September 22, 2009 - Moody's Upgrades Brazil's Long-Term Foreign Currency Rating from Ba1 to Baa3 (Investment Grade).

# Website (continued)

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

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

Because of the difficult employment environment resulting from the credit crunch, EMTA has revised the Job Opportunities area of its website to include both:

- listings of employment opportunities in the EM trading and investment community posted (for a fee) by prospective employers (Job Opportunities); and
- summary resumes posted (free of charge) by individuals seeking employment positions in the EM trading and investment industry (Jobs Wanted).

For the sake of accommodating individual preferences and sensitivities, postings may contain as much, or as little, detail as desired, and initial contact between prospective employers and employees may be arranged through EMTA.

The Job Opportunities/Employment area includes opportunities and applicants from around the globe in 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.

To post an employment opportunity, please contact Jonathan Murno of EMTA at (646) 289-5413 or at jmurno@emta.org. To post a summary resume, please contact Suzette Ortiz of EMTA at (646) 289-5414or at sortiz@emta.org.

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) 289-5414.

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) 289-5412.

# Miscellaneous

## EMTA Membership Update

EMTA's newest members include:

- **Franklin Templeton Investments**
- **Lim Advisors**
- **Newedge Group**

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) 289-5411, Starla Griffin at sgriffin@emta.org or (44-207) 996-3165, Jonathan Murno at jmurno@emta.org or (646) 289-5413 or Suzette Ortiz at sortiz@emta.org or (646) 289-5414. 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 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.

## Infomation 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) 289-5413. Individual Survey responses are kept strictly confidential.

# EMTA Hotlines

| Topic | Contact | Telephone |
|---|---|---|
| Asia | Jonathan Murno/Leslie Payton Jacobs | (646) 289-5413/(301) 838-4552 |
| Clearing Corp. | Michael Chamberlin/Starla Griffin | (646) 289-5410/(44-207) 996-3165 |
| Corporate Bonds | Jonathan Murno/Leslie Payton Jacobs/ Aviva Werner | (646) 289-5413/(301) 838-4552/ (646) 289-5412 |
| Credit Derivatives | Leslie Payton Jacobs | (301) 838-4552 |
| EM Bond Charts | Aviva Werner | (646) 289-5412 |
| EM Charity Benefits | Jonathan Murno | (646) 289-5413 |
| EM Litigation | Aviva Werner | (646) 289-5412 |
| EMTA Annual Meeting | Jonathan Murno | (646) 289-5413 |
| EMTA Governance | Michael Chamberlin | (646) 289-54100 |
| EMTA Quarterly Forums | Jonathan Murno | (646) 289-5413 |
| EMTA Rate Quotation Services | Leslie Payton Jacobs | (301) 838-4552 |
| FX and Currency Derivatives | Leslie Payton Jacobs | (301) 838-4552 |
| International Financial Architecture | Michael Chamberlin | (646) 289-5410 |
| Investor Issues | Michael Chamberlin/Aviva Werner | (646) 289-5410/5412 |
| Legal/Compliance | Aviva Werner | (646) 289-5412 |
| Library and Archive Requests | Evelyn Ramirez | (646) 289-5415 |
| Loan and Bond Trading | Aviva Werner | (646) 289-5412 |
| Local Markets | Aviva Werner/Leslie Payton Jacobs/ Starla Griffin | (646) 289-5412/(301) 838-4552/ (44-207) 996-3165 |
| Market Information/Research | Jonathan Murno | (646) 289-5413 |
| Membership | Jonathan Murno/Starla Griffin/ Suzette Ortiz | (646) 289-5413/(44-207) 996-3165/ (646) 289-5414 |
| Netting: Multilateral Netting Facilities | Aviva Werner | (646) 289-5412 |
| Paris Club | Starla Griffin | (44-207) 996-3165 |
| Press Inquiries | Jonathan Murno | (646) 289-5413 |
| Repos/Securities Lending | Aviva Werner | (646) 289-5412 |
| Volume Survey | Jonathan Murno | (646) 289-5413 |
| Warrants/VRR's | Aviva Werner | (646) 289-5412 |
| Website | Suzette Ortiz | (646) 289-5414 |

EMTA staff can also be reached through the general telephone number (646) 289-5410, at the following e-mail addresses or through EMTA's website (www.emta.org).

| | |
|---|---|
| Michael Chamberlin | mchamberlin@emta.org |
| Monika Forbes | mforbes@emta.org |
| Starla Griffin | sgriffin@emta.org |
| Leo Hsu | lhsu@emta.org |
| Jonathan Murno | jmurno@emta.org |
| Suzette Ortiz | sortiz@emta.org |
| Leslie Payton Jacobs | lpjacobs@emta.org |
| Evelyn Ramirez | eramirez@emta.org |
| Aviva Werner | awerner@emta.org |

# EMTA Calendar

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|---|---|
| **Fri., Oct. 9** | **Emerging Markets Benefit London**<br>**Old Billingsgate Market (London)** |
| **Mon., Oct. 12** | Recommended Market Close (NYC) Columbus Day<br>Recommended 12:00 Noon (London) Early Market Close |
| **Wed., Oct. 21** | **Primer on the Foreign Sovereign Immunities Act**<br>**Global Financial Conference Center**<br>**360 Madison Avenue, 17th Floor (NYC)** |
| **Wed., Oct 28** | **EMTA Singapore Forum**<br>**Fullerton Hotel**<br>**1 Fullerton Square (Singapore)**<br>**Hosted by ING Wholesale Bank** |
| **Fri., Oct 30** | **EMTA Hong Kong Forum**<br>**J.W. Marriott Hotel**<br>**Pacific Place, 88 Queensway (Hong Kong)**<br>**Hosted by ING Wholesale Bank** |
| **Wed., Nov. 11** | Recommended Market Close (NYC) Veterans' Day<br>Recommended 12:00 Noon (London) Early Market Close |
| **Friday, Nov. 20** | **Thomson Reuters and EMTA Africa Forum**<br>**The Thomson Reuters Building**<br>**30 South Colonnade**<br>**Canary Wharf (London)** |
| **Thurs., Nov. 26** | Recommended Market Close (NYC) Thanksgiving Day<br>Recommended 12:00 Noon (London) Early Market Close |
| **Fri., Nov. 27** | Recommended 2:00 p.m. (NYC) Early Market Close |
| **Thurs., Dec. 3** | **EMTA Annual Meeting**<br>**Citigroup, 388 Greenwich Street (NYC)**<br><br>**2009 Emerging Markets Benefit**<br>**Marriott Marquis Hotel**<br>**1535 Broadway (NYC)** |
| **Tues., Dec. 8** | **EMTA Special Presentation**<br>**Dr. Agustin Carstens, Minister of Finance, United Mexican States**<br>**Soho Complex, Marriott Marquis Hotel**<br>**1535 Broadway (NYC)** |
| **Thurs., Dec. 24** | Recommended 2:00 p.m. (NYC) Early Market Close |
| **Fri., Dec. 25** | Recommended Market Close (NYC/London) Christmas Day |
| **Mon., Dec. 28** | Recommended Market Close (London) Boxing Day |
| **Thurs., Dec. 31** | Recommended 2:00 p.m. (NYC) Early Market Close |
| **Fri., Jan. 1, 2010** | Recommended Market Close (NYC/London) New Year's Day (2010) |