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EMTA Special Presentation: The Eurozone Dilemma - What Can Be Learned from Emerging Markets?

Inside

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Following a number of recent credit rating downgrades, and the announcement of an EU/IMF support package for Greece, on June 2, 2010, EMTA presented a panel on The Eurozone Dilemma - What Can Be Learned from Emerging Markets? This event was hosted by Bank of America Merrill Lynch and held at its offices in NYC.

This Special Presentation included a discussion of the most recent events surrounding Greece, their implications for the international financial markets, and what can be learned from historical sovereign debt restructurings in the Emerging Markets.

The panel was moderated by Daniel Tenengauzer (BofA Merrill Lynch Global Research), who cautioned at the outset that "Greece was no Emerging Market." Other panelists (and their topics of interest) included:

Lee Buchheit (Cleary Gottlieb Steen & Hamilton) - How Will a Restructuring of Greece's Debt -- if and when it comes -- Differ from Previous Sovereign Debt Restructurings?

Alessandro Cocco (J.P. Morgan) - Overview of CDS Market Practice for European Sovereigns

Anna Gelpern (American University) - Implications of the Greek Crisis for Debt Policy and Regulatory Reform

Adam Lerrick (American Enterprise Institute) - Confusing Monetary Union with Fiscal Union: The Greek Insolvency and Bailout.

Repeating the sentiment that Greece was not an Emerging Market, EMTA Executive Director Michael Chamberlin, welcomed the audience, thanked Jane Brauer of Bank of America Merrill Lynch for her role in arranging the presentation and noted that there nevertheless were more then a few similarities between the Emerging Markets of old and what has been happening recently in Europe.

Eurozone (continued)

Daniel Tenengauzer opened the panel discussion by noting that the Eurozone nations generally could learn lessons from prior EM crises. He continued by distinguishing Greece from other EM countries in that its debt is mostly issued under Greek law with relatively few holders (in contrast to Argentina's debt) in a currency that it cannot print (in contrast to Russia's debt). He then introduced the panelists and a brief summary of their topics of discussion.

Anna Gelpern provided the legal and political context for the following lessons that could be learned from EM:

1. Law (in the guise of treaties, legislation and contracts) is not a substitute for political and/or economic realities. Examples of the Argentine convertibility law and a no bail-out clause demonstrate the possible over-using of hard and fast rules that may lead to credibility problems later on. She posited that the deeper the institutionalization of the rules, the more credible the local law will be treated in foreigners' eyes.

2. Who is exposed is all-important to designing the right policy response. There may be structural pressures and possibly asset valuation and contagion issues that will arise. It was important to note that in the early to mid-1980's, the commercial banks could not have absorbed the credit losses that it ultimately took to address what was then called the LDC debt crisis. In 2008, we learned that bank problems are government problems, and vice versa.

3. Contracts matter for <u>how</u> a restructuring is done, but not for <u>whether</u> it's done. Greece has very flexible debt contracts, but that doesn't tell us much about whether they will in fact restructure them.

4. Crises expose institutional shortcomings but also create an institutional fog. Some institutions (like the IMF) re-made themselves, while others (like the Asian Monetary Fund and the European Monetary Fund) were new creations, along with the SDRM idea. Does it make sense to create new regimes, or rather fix old ones?

Lee Buchheit noted that most of Greece's debt is in bonds (like Ecuador, Uruguay and Argentina, but unlike Iraq), about 90% of which are governed by local law. Changing local law to facilitate restructuring would be "thermonuclearly dangerous but it is there". Legal challenges could be made under the Greek constitution (such as the taking of property without proper compensation), Bilateral Investment Treaties or European rules. Greece's creditors are mostly commercial banks (akin to the situation in the 1980's prior to the Brady bond era), which creates a tense situation for the official sector that is concerned about systemic bank failures. If a restructuring is not orderly in the Greek context, it would put in jeopardy the financial well-being of many economies (at a time when such well-being is already fairly rocky). 30% of Greece's debt is held by Greek banks and, if not handled correctly, Greece's situation could severely destabilize its banking system.

Mr. Buchheit added that, because the Euro is Greece's current currency, it cannot print it and thereby devalue it (as other EM countries could do in times of crisis). There are no collective action clauses (CACs) in Greek law governed bonds and little of Greek debt is held in retail hands (unlike Argentina's debt). The IMF/EU support package is linked to an austerity program. If the performance criterias are not met, will the official sector ignore the conditions or push for their implementation? He noted that, if Greece received IMF funds, it could purchase collateral and possibly issue the Brady bond type instruments of

Eurozone (continued)

the early 1990's. He concluded by musing that, since the European Central Bank was the largest Greek creditor with the most votes, would it decide to buy Greek and other European bonds, would it restructure Greek debt today or in the future, and/or would it take the position that it was a preferred creditor (to the detriment of other holders of Greek debt)?

Alessandro Cocco explained that Greek debt is considered for CDS purposes as European (not EM) sovereign debt. The operative CDS provision is whether a Credit Event was triggered (and there is no differentiation between debt that is governed by Greek law vs. other countries' law). The Credit Events that may be triggered are: failure to pay when due, repudiation/moratorium (but there must exist a technical failure to pay) or restructuring (a voluntary exchange is not a restructuring; a restructuring may be in the form of a reduction in interest or principal or delay in payment of debt in a way that binds all holders). The possible issues for a Greek restructuring are whether the Greek law governed bonds are modified due to a change in Greek law that would bind all holders and whether the UK governed bonds with CACs would bind all holders. Mr. Cocco also explained that, once a Credit Event is triggered, counterparties in a CDS transaction either settle by cash or physical delivery of the reference entity's debt paper.

Adam Lerrick led his presentation with the basic premise that there is confusion between monetary and fiscal union in the Eurozone countries. Germany's recent attempts to impose fiscal discipline has been rejected by Greece, Spain, Portugal and Italy. He posited that Greece is insolvent but easy to restructure with 90% of its debt in a single currency, an overwhelming majority of its debt governed by Greek law and held by institutional holders, minor CDS trading activity and strange cross-default and acceleration provisions. So, why hasn't Greece restructured its debt yet?

Mr. Lerrick suggested that bail-outs are political, not economic, phenomenon, where perception is more important than reality, and governments are eager to control markets and legislate the problem away (while not being particularly accountable since it's not the politicians' own money at stake). However, the possible Greek restructuring package by the official sector was not deemed sufficient by the market and it reacted badly. See page 4 for official information about the Greek Financing Plan. The European Union, the US and the IMF seem to be more fearful of a Greek restructuring than Greece is. Politicians do not want to be blamed for the "Great Collapse", they want to deal with the crisis at hand, and if it gets "out of hand" they'd rather proceed with the bail-out route (although Germany and France face a hard choice – bail out Greece or their own banks). The bail-out route is the course that every government (no matter what the current political party) would take in any country.

Mr. Lerrick thinks the likely path for Greece will be continued, rolling lending by the official sector (which will become a preferred group of creditors through no real legal basis, although it is probably enjoying that status now already), with more than 50% of Greece's debt moving from private creditor hands to the official sector. When will Greece gain more from paying than not paying its debts when due? When the political costs are too high if it doesn't comply with official sector conditions to lending (although less than

Eurozone (continued)

20% of such IMF conditions are ever met, as waivers and exemptions are applied continuously). Until then, the official sector will probably continue to lend until Greece's debt is sustainable, during which time Greece's population will go through a long, painful process filled with high inflation and unemployment. Mr. Lerrick ended with the supposition that maybe North Europe will bail-out South Europe en masse as contagion risk spreads.

Mr. Tenengauzer concluded the panel discussion by suggesting that (1) the official sector may lend to banks that are creditors of the insolvent Greek sovereign (instead of to Greece directly), (2) the focus of the markets will be in segregating between countries that can print their own money (with the attendant concerns of possible devaluation of such currency) and those that can't, and (3) the biggest present contagion risk is Spain (with the US situation not presenting a risk for many years to come).

Copies of the materials made available to the audience are available by Clicking Here.

Greece

Official information about the Greek Financing Plan is available at:

- Europe and IMF Agree €110 Billion Financing Plan With Greece.
- ECB announces change in eligibility of debt instruments issued or guaranteed by the Greek government.

Argentina Exchange Offer

The long-awaited second (and possibly final) round of Argentina's exchange offer for most of its existing Brady bonds and Eurobonds was finally announced in the middle of April. This exchange offer contains terms that are similar, but not identical, to those contained in Argentina's 2005 exchange offer. Bondholders that exchanged their eligible debt in 2005 can also exchange their 2005 bonds for new bonds that are somewhat similar economically, but have different ISIN numbers (hence the 2005 bonds will not be traded fungibly with the new bonds). As part of the new exchange offer, GDP-linked securities will also be delivered, but these instruments will not be attached to the new bonds (as they were in the 2005 Exchange).

The SEC filing of the Prospectus Supplement, which contains pertinent information about the terms of the bonds and GDP-linked securities, can be found at http://www.sec.gov/Archives/edgar/data/914021/000090342310000252/roa-424b5_0428.htm, and Argentina's website to provide investors with information, including regulatory documents and a list of eligible securities, can be located at https://www.argentina2010offer.com/default.aspx.

Market reaction from Credit Suisse, Goldman, HSBC and The Royal Bank of Scotland to this new exchange offer can be found by clicking on the aforementioned firm's name.

Argentina announced an extension of the early tender deadline and change of schedule, as well as an extension of the expiration date for the second tender deadline, to provide for more participation by eligible bondholders.

On May 24, Argentina announced the preliminary results of its Exchange Offer - holders had tendered nearly US$8.5 billion in eligible debt. The reconciliation for the first tender period has been completed, and bondholders received most of their new bonds on June 22, 2010.

On July 1, Argentina announced the final results of its Exchange Offer - holders had tendered nearly US$13 billion in eligible debt, with over US$10 billion selecting the Discount Option and more than US$2.5 billion selecting the Par Option.

In order to facilitate when-issued trading of the new bonds and GDP-linked securities, EMTA recommended when-and-if-issued confirmation forms, as well as bilateral netting agreements, for these securities:

> EMTA Memorandum, Confirmations, Bilateral Netting Agreement for Bonds and Bilateral Netting Agreement for GDP-Linked Securities.

At the same time that Argentina was launching its new exchange offer, a group of plaintiffs in the Southern District of New York were also attempting to enjoin the exchange offer, but the most recent ruling by Judge Griesa was that the exchange offer would not be so enjoined at this time (see these documents relating to the class action against Argentina: Various Retail Bondholders v. Argentina and Various Bondholders Seek to Enjoin Argentina Exchange Offer).

Argentina Exchange Offer (continued)

Also, concurrent with Argentina's launch of its exchange offer, some individuals testified on April 23 at a public hearing at the New York State Senate Standing Committee on Banks on the "Argentine Bond Default and its Impact on New York State". Information regarding this hearing can be located at http://www.nysenate.gov/event/2010/apr/23/argentine-bond-default. Click Here for the Agenda.

The testimonies and other related materials can be accessed by selecting each panelist's name below:

Mark Botsford, an Argentine creditor (and U.S. taxpayer)
Robert Cohen, a Partner at Dechert LLP
Dr. Thomas Halper, Political Science Department Chair at Baruch College
Dennis Hranitzky, Counsel at Dechert LLP
Carolyn B. Lamm, a Partner at White & Case LLP
Dr. Claudio Loser, Senior Fellow at Inter-American Dialogue, President of Centennial Group Latin America LLC and former Western Hemisphere Director for the IMF
John Missing, a Partner at Debevoise & Plimpton LLP
Dr. Arturo Porzecanski, Distinguished Economist-in-Residence at American University School of International Service
Robert Raben, Executive Director of American Task Force Argentina and The Raben Group
Dr. Richard W. Rahn, Chairman, Institute for Global Economic Growth
James M. Roberts, Research Fellow for Economic Freedom and Growth, Center for International Trade and Economics (CITE), The Heritage Foundation
Dr. Robert Shapiro, Co-Chair of American Task Force Argentina
Alexander Yanos, a Partner at Freshfields Bruckhaus Deringer

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For further information, please visit the New Developments area of EMTA's website (http://www.emta.org/newdev.aspx) or contact Aviva Werner at awerner@emta.org.

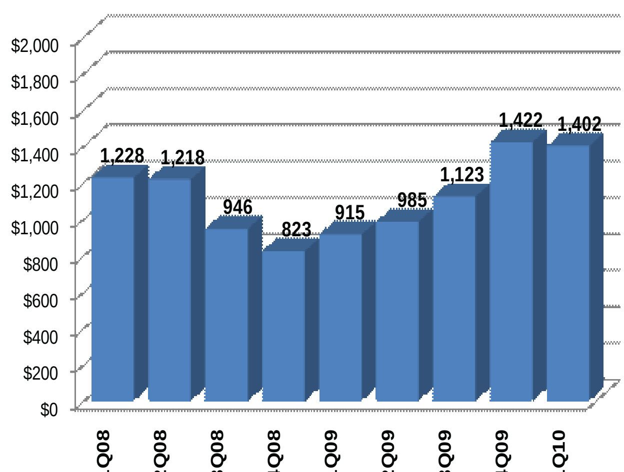
EMTA Survey: Emerging Markets Debt Trading At US$1.402 Trillion in First Quarter 2010

Volume Up 53% Compared to First Quarter 2009

Emerging Markets debt trading volumes stood at US$1.402 trillion in the first quarter of 2010, according to a report released by EMTA on May 20, 2010. This represents an increase of 53% compared to first quarter 2009 volumes of US$915 billion, during the trough of the global recession, and a slight decline from the US$1.422 trillion traded in the fourth quarter of 2009.

Jane Brauer, Director and Senior Quantitative Strategist at Bank of America Merrill Lynch, commented "Risk appetites were high in both the fourth quarter of 2009 and first quarter of 2010, and bonds rallied. However, recent concerns about Greece, the Eurozone and possible contagion have resulted in a more difficult trading environment now, adversely affecting bond issuance and liquidity."

Aggregate Trading Volume
(in US$billions)



Local Market Instruments at 69% of Volume

Turnover in local market instruments stood at US$960 billion in the first quarter of 2010, according to Survey participants. This represents a 46% increase compared to trading of US$656 billion in the first quarter of 2009, and a small decrease from fourth quarter volume of US$965 billion.

Local markets turnover accounted for 69% of total Survey turnover, compared to 72% in the same quarter last year. Brazil instruments were the most frequently traded local markets debt, at US$196 billion. Other frequently traded local instruments were those from Mexico (US$153 billion), South Africa (US$97 billion), Poland (US$63 billion) and Turkey (US$61 billion).

"The large inflows into local markets should continue to generate increased trading of local market debt," noted Brauer.

Eurobond Volumes at US$426 Billion

Eurobond trading stood at US$426 billion in the first quarter of 2010. This compares to US$252 billion in the first quarter of 2009 (up 69%) and US$428 billion in the fourth quarter (a less than one percent decrease).

60% of Eurobond activity involved sovereign debt issues (US$255 billion in turnover, compared with US$168 billion in the same quarter last year, representing a 52% increase). Sovereign Eurobond activity accounted for 18% of overall Survey volumes.

Corporate bond trading stood at US$159 billion, compared to US$76 billion in the first quarter of 2009 (a 109% increase). Turnover in corporate debt accounted for 11% of overall Survey volume.

Volume Survey (continued)

The most frequently traded individual EM Eurobonds in the first quarter included Russia's 2030 bond (US$13 billion in turnover), South Africa's new 2020 bond (US$8 billion), Brazil's 2040 bond (US$6 billion), Venezuela's 2027 bond (US$5 billion) and Turkey's 2040 issue (US$5 billion).

In contrast to expectations of strong local markets volume going forward, Brauer believes "sovereign trading volume could continue to decline slowly because investors are hesitant to sell bonds, even in a weak market, given the scarcity and thus difficulty of replacing them.

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$14 billion in option trades (1% of volume), US$2 billion in Brady trades (mostly from the Cote d'Ivoire restructuring; and less than one percent of volume) and less than US$1 billion in loan assignments (also less than 1% of Survey turnover).

Brazil, Mexico and South Africa Most Frequently Traded Countries

Brazilian instruments were the most frequently traded instruments according to the Survey, with US$254 billion in turnover. This compares with US$175 billion in the first quarter of 2009 (a 45% increase). Brazilian volumes accounted for 18% of total Survey trading.

Mexican instruments were the second most frequently traded instruments in the EMTA report, at US$181 billion, according to Survey participants. This represents a 308% increase on the US$45 billion reported in the first quarter of 2009. Mexican volumes accounted for 13% of total reported volume.

Third were South African assets, at US$115 billion in turnover. This compares to US$46 billion in the first quarter of 2009, a 148% increase. South African trading accounted for 8% of Survey volume.

Other frequently traded instruments were securities from Turkey (US$82 billion), Poland (US$76 billion), Hong Kong (US$73 billion) and Russia (US$69 billion).

EMTA's Survey includes trading volumes in debt instruments from over 90 Emerging Market countries, as reported by 50 leading investment and commercial banks, asset management firms and hedge funds. For a copy of EMTA's First Quarter 2010 Debt Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or +44 (0) 20 7996-3165.

EMTA's 20th Year - A Look Back to:

EMTA's Early Years (1992 and 1993): EMTA Emerges as an Independent Trade Association for the Emerging Markets Trading Industry

by Thomas Winslade*

[EMTA was formally incorporated in December 1990. To help mark its 20th anniversary, EMTA's Bulletin is featuring a series reprinting articles on the early periods of EMTA's history. Last Quarter's Bulletin included Bruce Wolfson's recollections of the informal trader meetings beginning in 1989 that led to EMTA's formation as the LDC Debt Traders Association. This issue features Tom Winslade's description of EMTA's early years, 1992 and 1993 (originally published in 2000). During this time, Tom served on secondment from J.P. Morgan as EMTA's first Executive Director, guiding EMTA's growing agenda of activities and building EMTA's credibility as an effective industry forum.

After beginning his legal career at Shearman & Sterling (where his assignments included several years in S&S's London office), Tom joined J.P. Morgan, eventually working with Nick Rohatyn as J.P. Morgan's internal lawyer for the EM trading area. Most recently, Tom worked for Bank of America in the Far East.]

1992 and 1993 was a visionary period for EMTA, as it developed into an established, independent trade association for the Emerging Markets trading industry. Led by a public board of directors of leading professionals in the industry and chaired by Nicolas Rohatyn from J.P. Morgan, the industry leaders took the initiative to promote the development of the Emerging Markets trading industry, as described by Mr. Rohatyn at EMTA's 1992 annual meeting…"to show leadership, and to ensure that our market continues to develop in an orderly and responsible manner, consistent with applicable laws and high standards of integrity, open to all participants, promoting growth in the capital markets, and increasing transparency in the marketplace". This effort coincided with a profound transformation in Emerging Markets trading, from a market for trading commercial loans of Emerging Markets obligors to a broadening and recognized market for Emerging Markets securities and related derivatives. EMTA's Board of Directors and rapidly growing number of member firms (more than 100 by the end of 1993) recognized that this presented an unusual opportunity for industry leadership.

In 1992 and 1993, EMTA's Board of Directors developed and implemented a strategy to pursue five major industry goals: continuing development of consistent market practices and standard trading documentation; establishment of a Code of Conduct; creating an on-going forum for industry issues; advancing market transparency; and providing leadership for industry advocacy. This effort culminated in the formation of EMTA's independent staff and headquarters in 1994.

Market Practices and Standard Documentation. Documentation and market practices were the core of EMTA's activities in 1992 and 1993. For documentation, EMTA's standard procedure was to prepare a detailed set of confirmation forms and related papers for the most frequently traded Emerging Markets instruments, together with explanatory material, and to distribute these widely to its members and other firms in the industry and hold a series of open meetings to answer questions and provide more details.

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*Mr. Winslade would like to thank J.P. Morgan, and especially Nick Rohatyn and Diane Genova, for their generous commitment and support throughout his tenure as EMTA's first Executive Director.

EMTA's 20th Year (continued)

Major documentation efforts in 1992 and 1993 included documentation for trading Brady bonds for Argentina, Brazil and Venezuela and related instruments. During this time, EMTA also continued to lead the development, adoption and distribution of voluntary industry market practices. A group of market professionals engaged in trading specific instruments would meet initially to identify the need for fair and transparent practices for those products, the proposed practice was then drafted and distributed for comment throughout the industry, subsequently adopted in final form by the EMTA Board, and then explained in open meetings and distributed to the industry and to the press. In 1992 and 1993, EMTA developed and issued a wide range of market practices for Emerging Markets instruments relating to Mexico, Argentina, Brazil, Venezuela, Eastern Europe, and for less widely traded instruments, usually relating to other Latin American countries. Long-time market participants will remember how many of EMTA's early meetings to develop and adopt market practices were chaired by Chase's Kathy Galbraith ("I think this should be the market practice...anyone disagree?").

Code of Conduct. One of EMTA's most significant initiatives in 1992 and 1993 was the development of a Code of Conduct for the industry. EMTA's Board of Directors determined that a voluntary industry code of conduct would not only respond to many of the concerns expressed by industry regulators but would promote the integrity and credibility of the industry. An EMTA working group developed and drafted the Code in 1992. Progress was slow, but steady, as many controversial issues were tackled by traders and lawyers. In 1993 the resulting Code was adopted by the Board of Directors, distributed to EMTA's membership, financial regulators and the press, and was the focus of a series of seminars and presentations during that year. The Code has two major components; broad industry standards, and more detailed trading principles for specific financial instruments. The industry can be justifiably proud that individual firms put aside their differences and achieved consensus on a Code of Conduct that was widely accepted by market participants and drew quiet approval from industry regulators and observers.

Market Transparency and the EMTA Volume Survey. Promoting transparency in the Emerging Markets trading industry was a major objective of the EMTA Board of Directors in 1992 and 1993. Although many of EMTA's activities (its market practices, its open meetings, many of the provisions of its Code of Conduct) are consistent with and provide greater transparency, in 1992 EMTA commenced a major initia¬tive, the first of its periodic volume surveys of trading volumes for Emerging Markets instruments, directly designed to promote market transparency. The initial survey, covering Emerging Markets trading during calendar year 1992, took a number of months to prepare and was tremendously welcomed in the industry and the press. 58 major firms participated in the initial survey, a substantial majority of the active participants in the industry at that time. The results were astounding and highly revealing of the extent and depth of Emerging Markets trading. Total volume of Emerging Markets assets traded in 1992 was US$733 billion, relatively small in the context of trading volumes in the 21st century, but at that time the equivalent of Brazil's GDP. Since the initial survey, EMTA's volume surveys have expanded and continue to be a leading source of information for Emerging Markets trading.

Forum for Industry Issues. Another of EMTA's major strategic goals in 1992 and 1993 was to establish an open forum for industry issues. EMTA launched a major expansion of its practice of having open "town hall" meetings for its members, and started a series of industry working groups, industry lunches and speaker presentations, both in New York and London. These groups, based on the Board of Directors' concept of EMTA as a "working democracy" of its member firms, served to raise relevant issues for the industry to consider, as well as produce much of the flow of market practices and other materials. A highlight was the EMTA 1992 annual meeting, where Domingo Cavallo addressed several hundred members of the industry and the broad financial press to review the details of Argentina's Brady plan.

EMTA's 20th Year (continued)

Industry Advocacy. The fifth major initiative for EMTA during 1992 and 1993 was to act as an industry advocate for important industry issues. The volume survey and statistics from EMTA's member firms showed that the Emerging Markets trading industry had grown exponentially since the late 1980's, and had created thousands of jobs, both in the United States and abroad, reaching the point where a trade association could be an effective industry advocate. EMTA's efforts as an advocate began in 1992 with EMTA informally participating in the Emerging Markets debt restructuring process, providing input to the creditor steering committees in creating tradable and more liquid debt securities in the Brady debt exchanges. In 1992, EMTA also assisted in issues such as obtaining licenses permitting expanded trading of Yugoslavian instruments, and a proposal to the U.S. Treasury Department for relief from some of the onerous compliance requirements under TEFRA. In late 1992, EMTA also started an ongoing press relations program, involving press releases, interviews with both the industry press and the broader financial media, and a series of articles and presentations. EMTA's advocacy efforts expanded in 1993 with briefings to government agencies such as the Federal Reserve System and the Comptroller of the Currency, and culminated with EMTA's active participation in the multi-industry effort to ensure passage of NAFTA, the landmark free trade agreement between the United States and Mexico.

Independent Headquarters and Staff. Early in 1992, it became clear that EMTA's aggressive industry strategy required full-time support. With Nick Rohatyn as EMTA's chair for those two years, J.P. Morgan seconded Tom Winslade to work full-time as the first Executive Director of EMTA, initially with a staff of only two. EMTA's staff grew slowly in 1992 and 1993, as member firms contributed additional staff. In late 1993, EMTA's Board determined that EMTA's successful initiatives had proven that EMTA was ready for a fully independent, more permanent infrastructure. Following an extensive search, EMTA named Michael Chamberlin as its independent Executive Director, and in 1994 EMTA acquired independent office space at 63 Wall Street and additional staff.

Greek Crisis Weighs on London Summer Forum

EMTA's 13th Annual Summer Forum took place in London on Thursday, June 24, 2010. 200 EM market participants attended the event, which was hosted by Bank of America Merrill Lynch. Discussion of the Eurozone crisis continued to weigh heavily on the discussion, as EM fundamentals remained strong.

BofA Merrill Lynch Research's Danny Tenengauzer moderated the event's first panel discussion, emphasizing the themes of performance and contagion. He also discussed the potential for new issuance, describing the need to develop local debt markets as "probably the single most important issue to watch."

Jerome Booth (Ashmore Investment Management) noted that as interest rates in the G-10 would not be hiked in the near-term, there was potentially an attractive market for issuers, and that, medium-term, there would be plenty of demand for new issues. He noted that a longer-term development is the diversification of Central Bank reserves away from the US Dollar, which will add demand for the larger EM currencies albeit not overnight.

Tenengauzer asked for comments on redemptions, one of the frequent topics of 2008-09 events. Booth responded that, post-Lehman crisis, Ashmore's long-only, institutional funds have witnessed inflows. Booth emphasized a change in perception of developed countries has occurred. "It is fiction that there is a risk-free asset; EM is risky but G-10 is riskier," he asserted. Central Banks are now large investors in EM, and these large amounts of inflows are sticky. In addition, the investor base has broadened with both corporate treasurers and insurance companies also now investing in EM assets.

David Dowsett (BlueBay Asset Management) asserted that EM has continued to perform well, despite occasional contagion and mini-sell-offs from developed country events. Dowsett expected this trend to continue. He added that for the 2H of 2010, investors will continue to discriminate between EM assets. "In 2008, everything went down; in 2009, everything went up; but in 2010 there will continue to be more differentiation between credits."

Dowsett observed that "now I encounter the least resistance I have ever heard [to the EM story]." However, he believed that the acceptance of EM as an attractive asset class was not yet matched by the amount of EM assets held by pension plans etc., implying there is still much potential for EM. "We could still be at the early stages of inflows to EM; maybe in a two or three years all value will be squeezed out, but I don't think we are there yet."

Alex Garrard (BTG Pactual Asset Management and a new EMTA Board Director) and ING Investment Management's Rob Drijkoningen concurred that institutional investors remain under-allocated in EM. Garrard added that local currency exposure still makes sense as a diversification tool. Drijkoningen viewed local markets as somewhat prone to herd behavior, and which could warrant a more strategic view but could provide great opportunities.

Booth argued that in the current global economic climate, EM countries are in a good position to grab market share from their developed country counterparts, and increasingly they will be price setters. He acknowledged that pension funds are prone to move in herds, but rejected the suggestion that EM was in a bubble. "Bubbles are in the developed world," he countered. Looking more broadly at the global economy, he noted that we are heading toward a multi-currency reserve system.

The panel discussed China, and its efforts to promote a more domestic-consumption driven economy, rather than an export-driven economy. Dowsett described China as the hardest country to analyze, but one whose importance to the global economy cannot be understated given its contribution to global growth and boost to commodity prices. "Headlines in China," he said "could end up being big problems here."

London Summer Forum (continued)

Discussing concerns over the Eurozone, Dowsett voiced his opinion that Greece will restructure sovereign debt within twelve months but would not abandon the euro. Booth and Garrard largely agreed, with Booth commenting that there was “massive cognitive dissonance” about the pricing of Greek bonds; “the level of denial is fascinating.” Dowsett and Garrard both thought that the EU’s SPV would eventually be activated for the Spanish banks.

Turning to favored trades, Drijkoningen spoke positively on Russian and Brazilian quasi-sovereigns, corporates and financials as well as Qatar, Argentina, Ukraine, and Asian currencies. Garrard labeled Argentine GDP warrants as cheap; and advised that a local restructuring will unleash value in Kazakh banks. He also recommended Chinese property, the MXP and TRL.

Dowsett seconded the Argy GDP warrant recommendation, and recommended shorting Jamaican bonds. Booth suggested India and South Korea, Venezuelan external debt and infrastructure stories. Finally, moderator Tenengauzer included Poland and Mexico among his trade recommendations.

Brett Diment (Aberdeen Asset Management) moderated the event’s panel of sell-side speakers. Diment initiated the discussion by polling panelists for their 2H 2010 forecasts.

Barclay Capital’s Matt Vogel agreed with earlier comments that G-10 interest rates would remain low for longer than previously expected. He expected Asian currencies to outperform, and suggested recent price weakening made Russian paper attractive. He also recommended Turkey as a long-term structural trade.

David Lubin (Citigroup) noted that his firm was now forecasting 800 bps of rate hikes in 21 EM countries, compared to a previous forecast of 1400 bps in hikes. He expected EM currencies generally to gain strength in 2010.

Deutsche Bank’s Marc Balston asserted that the perception that the global crisis was a developed-country crisis would lead to additional EM inflows. Balston also expressed his relatively positive view of the direction of EM sovereign spreads, although he expected corporate debt and FX to prove more potentially rewarding.

Michael Marrese (JPMorgan) calculated that, based on his firm’s house view on 10-year UST returns, the EMBI should return 4.2% for the rest of 2010. Investors should buy select corporate issues for best performance rather than the corporate index, he advised. He also acknowledged that JPMorgan’s house view did not include a Greek sovereign debt restructuring, in contrast to other Forum speakers.

Lubin was among those who predicted an eventual Greek restructuring. The Latin debt crisis of the 1980s suggested that the speed of the resolution could depend on how quickly creditors were able to recognize losses. In addition, past experiences also suggest that a sovereign which realizes default was inevitable has an incentive for “bad behavior” which would depress pricing of outstanding debt.

“I can’t see how Greece can avoid a restructuring,” echoed Balston. He pointed out that as the IMF and EU gradually replace private investors as Greece’s creditors, the remaining private investors were likely to take a large hit if traditional seniority rules apply.

Panelists also discussed Chinese wage growth (an important indicator of China’s move to promote domestic consumption’s share of GDP, noted Balston) and the risks of capital controls in EM countries (Lubin noting that India, Peru, Chile, Russia and Israel meet the IMF’s conditions for when controls are an acceptable policy).

The London Summer Forum concluded with its traditional drinks and networking reception.

Paris Club Meets with Private Sector Creditors

The Paris Club and the Institute for International Finance (IIF) organized the 10th annual meeting between Paris Club and private sector creditors on June 16, 2010. Starla Griffin attended on behalf of EMTA, and was joined by a number of EMTA members including EMTA Board Director Alex Garrard (BTG Pactual S.A.), William Ledward (Franklin Templeton), Mark Franklin (EMSO Partners Ltd.), Richard Segal (Knight Libertas), Steve Hawkyard (Standard Bank) and Stuart Culverhouse (Exotix Limited), among others.

The meeting was co-chaired by Delphine d'Amarzit, co-chairperson of the Paris Club and Hung Tran, Deputy Managing Director and Counsellor for the IIF. The agenda covered a range of specific debt issues in the wake of the international financial crisis, including the Icelandic banking crisis and the restructurings of the Kazakh banks. There was a discussion of litigation against HIPC's, an update of the IMF's Debt Sustainability Framework, and a debate about the U.K.'s recently passed Debt Relief Act (2010). Participants were then briefed on the IIF's working group on the role of Trustees in sovereign bond indentures. Following the Paris Club's round-up of recent debt treatments, Starla Griffin made some remarks about the recent Cote d'Ivoire debt restructurings and issues raised by it (see Discussion Draft-Issues Presented by the "Cote d'Ivoire Debt Restructurings" on EMTA's website). The meeting ended with a conversation about Argentina.

For more information about the meeting, please contact Starla Griffin at sgriffin@emta.org.

Commonwealth Secretariat Discusses Small Vulnerable Economies

In late June, the Commonwealth Secretariat held a roundtable "experts" discussion about the looming debt problems of the small vulnerable economies (SVE's) within the Commonwealth. SVE's are for the most part middle-income countries (although some low income countries are included as well) that are particularly vulnerable to economic shocks due to their relatively small size, location (often island states), lack of economic diversification or susceptibility to natural disasters. The roundtable, which included representatives from the Commonwealth, international bodies such as the U.N., civil society, academia and, for the private sector, Michael Chamberlin and Starla Griffin of EMTA, was asked to explore innovative ways to address the growing debt issues of these countries from the official sector and private sector perspectives. The roundtable featured presentations on international sovereign insolvency procedures (like the SDRM) and other potential international policy initiatives for debt relief.

In addition to offering some of the growth-oriented views expressed in EMTA's previous African Forums, the EMTA representatives emphasized that the SDRM had previously been withdrawn because it was a "fundamentally bad idea" and that it still was a bad idea.

EMTA will be following up on some of the suggestions for more action by the private sector, in particular the promotion of more counter-cyclical financial instruments (for example GDP-linked bonds), that could be useful, in particular, to ease financial stress in SVE's. These instruments – their utility from the issuer perspective and appeal from the investor perspective – were already the subject of an EMTA Roundtable in 2006, and were discussed in the context of Sub-Saharan Africa at the EMTA Africa Workshop in 2007. At the time of these discussions, market participants expressed concerns about liquidity and pricing issues associated with these, and similar other risk-bundled instruments, but acknowledged that they could be useful for certain issuers and appealing to certain niche investors. We look forward to continuing the private sector dialogue about these instruments. For more information about this, please contact Starla Griffin at sgriffin@emta.org or Leslie Payton Jacobs at lpjacobs@emta.org.

Cote d'Ivoire Discussion Paper

EMTA recently published a discussion paper on "Issues Presented by the Cote d'Ivoire Debt Restructurings," which, among other things, raised concerns about extending Paris Club comparable treatment to local markets instruments. For a copy of this paper, please Click Here.

Gulf Bond and Sukuk Association and EMTA Sign Memorandum of Understanding to Collaborate

The Gulf Bond and Sukuk Association (GBSA) and EMTA announced on May 25, 2010 that they have signed a Memorandum of Understanding (MoU) to work together in actively promoting the fixed income markets in the Middle East.

The agreement was signed by Michael Grifferty, President of GBSA, and Michael Chamberlin, Executive Director of EMTA. Diego Gradowczyk of Barclays Capital, one of EMTA's Co-Chairs, also signed and witnessed the MoU.

The two organizations pledged to cooperate and collaborate on activities that will further their mutual goals of promoting the development of local markets and integrating emerging countries into the global financial system.

"As the organization exclusively devoted to promotion and development of the region's fixed income markets, we are delighted to partner with EMTA," stated GBSA President Grifferty. GBSA Chair Andrew Dell added, "'GBSA welcomes this MoU with EMTA, which has operated as a highly reputable EM trade body over many years."

EMTA Co-Chair Gradowczyk commented, "EMTA and GBSA share a common goal of promoting greater transparency and efficiency in the trading markets in Emerging Markets, and by combining forces, we will be able to make further progress towards these important goals in the Gulf region." Michael Chamberlin added, "EMTA is pleased to support the development of the fixed income markets in the Gulf region and their eventual integration into the global capital markets."

The two trade organizations began informal collaboration in recent months, and decided to formalize their collaboration following EMTA's Forum in Dubai in March 2010.

Special Events

EMTA Forum Focuses on Central America and Caribbean

EMTA's first Central America and Caribbean (CAC) Forum was held on Wednesday, June 9, 2010, in New York City. Scotia Capital hosted the event, which drew 100 interested EM debt market participants, at its downtown Manhattan office. Both sell-side and investor specialists discussed their views on tourism, remittances and investment opportunities.

EMTA Executive Director Michael Chamberlin opened the session with a reminder that after recent financial market scrutiny of Eurozone countries, including EMTA's own seminar on the beleaguered currency zone a week earlier (see story on page 1), the trade association was pleased to return the focus to Emerging Market countries, and in particular to an often-overlooked area.

Joe Kogan (Scotia Capital) moderated the event's panel discussion. Kogan noted that with tourism accounting for 10% of GDP in Caribbean countries and 5% in Central American nations (excluding indirect effects such as construction), the session should logically start with a discussion of the hospitality industry's outlook.

Royal Bank of Scotland's Boris Segura pointed out that tourism would depend on consumer spending, and voiced particular enthusiasm for the Panamanian tourism industry. "Panama is where Costa Rica was ten years ago," he suggested. As a frequent traveler to the country for many years, he observed that hotel rooms were becoming increasingly scarce as interest in the country expands. He also singled out the Dominican Republic as a "bright spot" attracting investor spending.

Carl Ross (Oppenheimer and Co.) expressed concern on the increasing dependence by CAC countries on tourism, with increased reliance most notable in the Caribbean. "Countries that get tourism right will be ok, but there is not a lot else for many of them to hang their hats on," he stated, calling attention to unfortunate decline of the manufacturing sector. With US consumers tightening their pocketbooks, value will play a stronger role in vacation decisions; this will favor Jamaica and the Dominican Republic at the expense of Bermuda, Barbados, the Bahamas and the Cayman Islands, he reasoned.

Ross added that retirement home construction, which had boomed during 2004-07 in countries from Costa Rica to Grenada "has come to a complete stop," and interest in new homes for both North American retirees and CAC diaspora was now in jeopardy. This was due to both a lack of financing from reluctant-to-lend Caribbean banks and the increasing attractive pricing of homes in rival Florida. The eventual opening of Cuba will also, at least initially, take market share away from other CAC neighbors.

The panel discussed what sectors in which CAC countries could potentially be competitive. Sean Newman (GE Asset Management) reminded attendees that remittances and agriculture also play major roles in CAC countries. In addition, some countries have mineral resources, Trinidad and Tobago has its natural gas industry and Belize will benefit from recent oil discoveries.

TIAA-CREF's Karina Bubeck emphasized that Trinidad and Tobago also has a presence in the petrochemical sector. She also expressed interest in additional sectors; the Costa Rican telecom sector is likely to be privatized, opening a potentially lucrative opportunity in licenses, and the dependence on food imports also means improvements in that sector would be attractive to investors.

Central America/Caribbean Forum (continued)

Following up on remittances, which account for as much as 17% of GDP in El Salvador, participants discussed the outlook for cash inflows from CAC nationals working abroad. Ross voiced “reasonable optimism” for their recovery, underscoring that the 10% drop in 2009 vs. 2008 was actually much an improvement over his original forecast of a 25% decline. “The main themes are that remittances are resilient, they have recovered since late 2009, they will probably rise 5% in 2010, and I expect they will be back to 2008 levels next year,” he summarized.

Bubeck concurred, while arguing that academic studies which conclude that remittances are countercyclical were not in fact supported by the data emanating from the most recent economic cycle. She also observed that many CACs did not benefit from the currency-depreciation effects of the Tequila Crisis. Bubeck pushed the audience to also consider social factors. “Kids raised without their parents working abroad could have undesirable social effects, such as them finding their ways into gangs in El Salvador, etc., so these factors should also be considered,” she advised.

Given the current market environment, the panel did not expect many new issuances from the region in 2010. According to Ross, Barbados was preparing an issue that got shelved because of market conditions; and while countries such as the Dominican Republic, Jamaica, Panama and Guatemala were all potential issuers, “bottom line is that they probably won’t.”

Segura noted that, in many countries, government approval for debt issuance is needed. He hoped the Dominican Republic would do a “no-brainer” Brady bond liability management operation.

Franco Uccelli of JPMorgan reviewed the performance of CAC countries in 2010 since January. Total return on CAC bonds was approximately 8% year-to-date, outpacing the EMBI Global’s 3% return. “Paradoxically, as the world focuses on other countries, CAC credits have outperformed,” he stated. Uccelli specified that CAC returns have been driven by lower-rated high-yielding credits such as Jamaica and Belize. Strong local sponsorship of the bonds (locals sell based on local factors rather than on global financial factors, he explained), and the lack of liquidity (international investors sell more liquid bonds from larger countries to meet redemption demands, for example) have also proven supportive of pricing levels.

Kogan solicited views on the outlooks for several CAC nations. Newman expressed a near-term constructive view on his Jamaican homeland, citing the completed domestic debt restructuring and improved fiscal discipline, while acknowledging long-term structural challenges such as over-reliance on tourism, a contracting agriculture sector, and recent international headlines on crime (although the latest episode has boosted the government’s confidence in attacking similar criminals, he opined).

Ross agreed, and recommended that investors view Jamaica opportunistically rather than as a long-term play. His recommendation of Jamaican paper earlier this year, when yields stood at 12%, was no longer valid, with yields at approximately 9%. Domestic debt was well-supported, he commented, with no new supply expected (as funding is available from multilaterals), and banks, reluctant to lend to “real businesses” sit on cash. Yet the current “aggressive IMF program has a significant probability of failure…if this doesn’t work, Jamaica will then have to restructure its foreign debt, making it hard to look at Jamaica past the next six months,” he cautioned.

Central America/Caribbean Forum (continued)

Segura stressed that the Dominican Republic, often used as a regional benchmark, was attractively priced, and praised the country's decision not to issue the full $1 billion authorized in the recent over-subscribed bond offering. Segura questioned official government statistics, "but you can feel the growth in the DR, and they are actually benefiting from the earthquake in Haiti." Bubeck also saw growth, and commended the Central Bank for improving disclosure.

The DR's outlook is "stable" according to Uccelli and the credit was "fairly valued." Structural issues (e.g. the electrical industry) remain, and there is a tendency to miss fiscal targets. "However, we forgive them because they always seem to outperform on growth," he noted, while calling attention to investor skepticism of official growth statistics.

"Unfortunately for the DR, whenever things seem to be going well, something happens, and often that is due to internal mismanagement," he warned. Sadly, "only a couple of people really know what they are doing."

What CAC corporates should investors investigate? Bubeck noted her interest in companies such as Cable and Wireless in Panama and AES El Salvador in El Salvador as well as the Caribbean wireless company Digicel. Newman spoke positively on Trinidad's quasi-sovereigns Petrotrin and National Gas of Trinidad and Tobago.

The panel concluded with speakers discussing their most bullish regional recommendations. Uccelli liked market-darling Panama (which had just received its third investment grade rating) on a long-term fundamental basis, while viewing the bonds as rich at current levels. He offered his assessment that, "if you want to sleep at night, buy Panama, or possibly Costa Rica…if you want high-yield, buy Belize which is reasonably safe, or for the more adventurous, Jamaica short-term."

Ross largely agreed, preferring Costa Rica over Panama based on price. He ventured that that the Bahamas, Barbados and the Cayman Islands appeared cheap relative to their ratings. Newman viewed Aruba and the Cayman Islands as "single A credits at BBB prices." Belize, Grenada and Air Jamaica should appeal to those with strong stomachs. Segura spoke enthusiastically that Costa Rica "no longer just manufactures computer chips, but is now designing them."

The panel also took questions from the audience, with speakers admitting their concern for the political future in the Dominican Republic, and debating what scenario would be "the lesser of evils."

In addition to host Scotia Capital, support from JPMorgan, Oppenheimer and Co., and the Royal Bank of Scotland also made the CAC Forum possible.

EMTA Presents Panel on Mexican Bankruptcy

On June 1, 2010, EMTA hosted a panel on Mexican Bankruptcy – Legislation, Practices, Trends and Cross-Border Issues. This event was held at EMTA's offices at 360 Madison Avenue in NYC.

This Special Presentation included a discussion of the following topics: how Mexican courts apply Mexican bankruptcy legislation (while taking practices and trends into consideration), the advantages and disadvantages of bringing a bankruptcy case in the US or Mexican courts, how Chapter 15 would work with Mexican insolvency proceedings, how intercompany loans are treated under Chapter 11, out-of-court reorganizations, and other cross-border issues.

The panel was moderated by Howard Seife (Chadbourne & Parke LLP), and the other panelists were Luis Enrique Graham (Chadbourne & Parke LLP), Karen Wagner (Davis Polk & Wardwell LLP) and José A. Rosado (Royal Bank of Scotland).

The materials relating to the presentation can be accessed below:

- Agenda
- Mexico's Legislation, Practices and Trends - Bankruptcy Law (Luis Enrique Graham, Chadbourne & Parke)
- Chapter 15 and Mexican Concurso Mercantil (Karen Wagner, Davis Polk & Wardwell)
- Out of Court Restructurings in Mexico (José A. Rosado, The Royal Bank of Scotland)
- Guide to Mexican Bankruptcy Law (Chadbourne & Parke)

Five Former Central Bank Directors Discuss Brazilian Economic Outlook at São Paulo Forum

Attendees of EMTA's Third Annual Sao Paulo Forum heard a high-caliber discussion of the Brazilian economy by five former Central Bank directors. The event, which was held in Portuguese with simultaneous English translation, was hosted by Banco Itau BBA on Tuesday, April 13, 2010. Approximately 200 market participants attended.

EMTA Board member Rudi Fischer (Banco Itau BBA) opened the event by reminding the audience of the poll taken at last year's Forum predicting 2010 variables. Attendees had forecast a BRL/USD fx rate of 2.07 compared to the actual rate of 1.76 in April 2010. While the audience prediction of the SELIC rate was quite close to the rate in force at the time of the 2010 Forum, Fischer noted that the highly erroneous Bovespa call (which underestimated the stock market's recovery by 15,000 points) demonstrated that "we are all debt players who know nothing about the equity markets!"

Former Central Bank President Affonso Pastore (1983-85) delivered a keynote presentation addressing Brazilian growth, inflation and the balance of payments. Pastore noted the "bizarre" situation of the world economy of the past 18 months with the US and Europe falling into a deep recession while Brazil was relatively unharmed, suffering a downturn of only two quarters. The major contagion to EM markets from events in developed countries, so pronounced and predictable in the past, was in this most recent instance limited. Pastore specified, for example, that unemployment in Brazil grew for a short period then returned to historic lows.

Pastore attributed Brazil's relatively strong performance to its relatively conservative banking system. "We had our banking crisis in the past; it made us very cautious and so we had comparatively low leverage," he observed. He praised Central Bank oversight of the banking system. "While people were sometimes critical and called our system 'boring' or 'not sexy,' this actually proved to serve us well during this crisis," he concluded.

In addition, improved economic fundamentals allowed for the adoption of counter-cyclical economic policies, which EMTA Spring Forum panelists had emphasized as an important new development (see related story). Pastore highlighted the increased ratio of BRL-denominated debt vs. foreign currency exposure, increased fx reserves and the Central Bank's de facto independence since the adoption of its inflation-targeting regime as major accomplishments.

Pastore, who viewed himself conservative in his forecasts, predicted 6% GDP growth in 2010. However, he raised doubts that such a rate of growth was sustainable over the long term, arguing that growth might be constrained at 4-4.5% per annum unless domestic savings rose. Pastore illustrated the correlation between investment rates and net exports in a graph, and argued that unless reforms were enacted to promote domestic savings, Brazilian growth would be hindered. (Pastore declared "I hate foreign debt," in dismissing the alternative source of financing a current account deficit.).

São Paulo Forum (continued)

Addressing inflation in the aftermath of fresh new government data, Pastore reviewed the IPCA inflation rate during 2008-09. He noted that the non-tradable sector was much greater than the core rate, and was offset by lower tradable good costs as a result of lower commodity prices. Going forward, he acknowledged that there would undoubtedly be increased political pressure on the Central Bank in an allusion to upcoming elections. However, thus far the independence of the Central Bank has been maintained and "I expect that to continue."

Following Pastore's presentation, fellow former Central Bank directors, led by Ilan Goldfajn (Banco Itau BBA), joined in the discussion of the outlook for Brazil. Goldfajn praised Pastore's analysis while noting a slightly more optimistic medium-term view, arguing growth could be maintained at a 5% rate, assuming a savings rate of 22%.

BTG Pactual's Eduardo Loyo declared it was not reasonable to assume that developed country downturns would not in some way affect nations such as Brazil; yet in his view, more than the global business cycle fluctuations, the conditions for continued financing of Brazil's current account deficits would be the key theme. He agreed that progress had been made in the country's development, which should make financing more stable than in the past, but challenges remained. "The question is: if financing falters in one occasion or another, will the Central Bank act as it did in 2008 to provide US dollar liquidity to the market (as it saw the drying up of credit as a temporary issue) or would the Central Bank wait for the market to correct itself," he noted.

Luiz Fernando Figueiredo (Maua Investimentos) called attention to the "unprecedented transfer of debt from the private to the public sector." What happens next was open for debate. European creditors now often ask to be paid in advance because of the bleak outlook, especially in countries such as Greece or Ireland. He added that only now are European nations addressing the lack of safeguards of the euro system. Figueiredo concurred that Brazilian growth would depend mostly on domestic factors.

Goldfajn estimated that 1Q 2010 growth was probably above 8% with no immediate signs of deceleration. Thus, if Pastore's 6% annual forecast proved correct, that would imply decelerating growth in coming quarters which was not currently obvious.

Goldfajn asked speakers if they were concerned about inflation, now that it has superseded the 4.5% official forecast. "Yes," answered Alexandres Schwartsman of Banco Santander, who remarked that whenever Brazilian inflation rises, there is a popular explanation tying it simply to one factor such as the price of tomatoes, or too much rain. Instead, the truth is more complicated and is more systemic. What would the future hold? He relayed his regret in saying he didn't know the answer and "we will have to see how it goes."

São Paulo Forum (continued)

Schwartsman, after referring to his article in O Folha do Sao Paulo discussing inflation in depth, referred to Goldfajn's recent article on Central Bank independence, published in O Estado de Sao Paulo. Schwartsman declared that it was important to remove doubts about Central Bank independence, and despite "full evidence of its maturity in 2002/03," questions unfortunately still linger. Addressing concern on its independence would be an important task for the next Presidential administration, he noted.

During the session, Goldfajn regularly paused to invite audience participation in the debate. When one attendee asked if there were negative surprises in store for the market, Goldfajn replied that the unpleasant shocks had already been revealed in some European countries, while also pointing out the unknown ramifications of the withdrawal of global stimulus measures.

As for the SELIC, Figueiredo admitted the chance of forecasting this correctly was low, but he expected the Central Bank to continue its work of the past decade and "act according to its mandate." He added, "certainly we will not see a relaxation of the 4.5% [inflation-targeting] rate and I expect a 300 bp increase in the SELIC over time," though expressing that he had no strong convictions on the exact increments of each hike. With the Central Bank already taking additional steps such as raising reserve requirements, it has shown it will also use other measures to address an overheating of the economy, he stated.

Schwartsman largely concurred, while predicting 25 bps more in total hikes than Figueiredo. Goldfajn saw 300 bps as being "in the ballpark" of likely rate hikes but voiced concern "this will not be enough." He asserted that Brazilian analysts were wrong in January when consensus was that a rate hike had not been necessary. "Rates should have already gone up, and we are now late in the game," he declared.

Before adjourning to a cocktail session, the panelists discussed the BRL exchange rate given the expected appreciation of the Chinese yuan vis-à-vis the US dollar. Panelists largely concurred that an appreciation of the yuan would favor Brazil as commodity prices subsequently rose. Figueiredo noted that it wasn't long ago that only exotic hedge funds would hold BRL-denominated assets. "Now the real is just another currency in world finance," he stated.

In keeping with tradition, attendees were polled for their financial forecasts for the next twelve months. The average forecast for the BRL stood at 1.87, the SELIC was predicted to be at 11.41%, and the BOVESPA was expected to rise to 75,348.

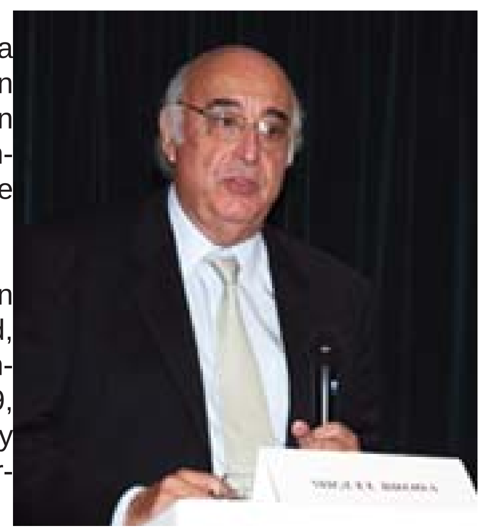
Argentina's Future Growth Debated at Buenos Aires Forum

EMTA's third annual Forum in Buenos Aires, hosted by Banco Itau Unibanco, was held on Thursday April 15, 2010. The event featured presentations from political columnist Carlos Pagni of La Nacion, well-known economist Miguel Broda, and a panel of top Buenos Aires strategists and investors. 150 market participants attended the event, which was conducted in Spanish with simultaneous English translation.

In his remarks, Pagni discussed the current political environment in Argentina. The country has "obviously been going through a huge political crisis," he stated, and it was unclear if there were any signs of an improved future.

Pagni discussed the government's dismal public relations, both at home and abroad, a problem exacerbated in recent months with the dismissal of Central Bank President Martin Redrado. Pagni described the Argentine political situation as one of "asphyxia, lacking any air at all." The 60%+ disapproval rating for President Fernandez de Kirchner actually does a disservice to the Argentine people as it allows for the political opposition to escape having to develop a real alternative, "it is enough for them simply to untie the Kirchner demons." Thus Argentina, for the third time since the end of the military juntas, could be electing a new leader without really knowing what the new government would do. The vote will be more focused on "punishing" an unpopular government than on the future direction of the country, Pagni feared.

Pagni discussed in detail the intricacies of Argentine politics, including tensions between the various Peronist factions. The President had adopted a strategy of playing for time with other Peronists, although the speech delivered at the opening of Congress appeared to indicate the President would resort to "buying back approval" via an increased number of new subsidies. Thus, the Kirchners are becoming parodies of themselves, with a sort of "don't worry about the Central Bank fiasco, here is more money" message to the hoi polloi.



Miguel Broda delivered a wide overview of the Argentine economy. Broda noted the asymmetry of the economic downturn and recoveries between developed and emerging countries. The strong recovery of most Latin countries was impressive and "it is very hard to be pessimistic" for the immediate future. He affirmed the "graduation" of EM countries during the most recent downturn.

Broda expects the Argentine economy to deliver 5.5% to 6% growth in 2010, vs 3.5% in 2011. The country is experiencing a favorable tail wind, with GDP growth of approximately 6% to 7% in recent quarters. This compares to the official (and highly questionable) growth rate of 0.9% in 2009, or more likely a decline of 2.5% to 3% in growth according to preliminary forecasts by private economic analysts, Broda stated. Inflation is accelerating although Broda was optimistic that it would not spiral out of control.

The unfortunate news is that the economy is probably peaking. "This cannot go on…we might stay at the top of this cycle for a while," stated Broda, while also warning investors to be on the lookout for an eventual downturn.

Buenos Aires Forum (continued)

Broda added to the criticism of the current administration. "The fact that they are running the Central Bank is like putting a fox in charge of the henhouse," he commented.

A panel discussion followed Broda's comments. Fernando Ferrari (Banco Itau Unibanco) reminded attendees of the poll taken at the Buenos Aires Forum in 2009, displaying the average economic predictions submitted by attendees at the event last year. The audience had not been far off with its consensus estimate of a 2.2% decline in GDP in 2009, compared to the 3% decline private analysts have recently estimated. The 4.18 ARP/US$ exchange rate predicted at the 2009 Forum compares to a 3.81 ARP/US$ exchange rate on the date of the 2010 event.

Ferrari asked speakers for their thoughts on how the economy would react following the planned debt swap. Ricardo Maxit (Galileo Argentina) opined that a successful completion of the swap would likely lead to "Argentina becoming connected to the world again," and no longer just a high-yield market play. Maxit argued that the structural underpinnings of the economy are strong – with relatively high commodity prices including soy, and with the expected changes in the presidential administration in 2011. Maxit believed that spreads on Argentine issues would compress substantially.

HSBC's Javier Finkman expressed concerns that even a very successful debt exchange could be hindered by additional judgments in favor of holdout creditors. The government has a strategy in mind to avoid an asset seizure by holdouts, although its success in avoiding attachments cannot be guaranteed. Finkman recommended a more "wait and see" approach. TPCG's Claudio Achaerandio highlighted Argentina's comparative advantages and the huge potential it offers from a macro-economic perspective.

Discussing the potential contamination from the Greek debt crisis, Juan Veron (HSBC Global Asset Management) noted that other eurozone countries remained vulnerable, and the potential for a dramatic return of risk aversion could not be ruled out. The effects of a return to large-scale risk aversion on Latin countries were impossible to predict.

The panel also discussed the exchange rate for the ARP. Finkman warned that the upcoming elections 2011 could lead to greater volatility.

Buenos Aires Forum (continued)

All attendees to the event were asked to submit their forecast of the ARP/USD exchange rate, Argentine GDP growth and other economic variables during the Forum. The average forecast was a 5.35% rise in GDP in 2010 with 4.19% growth in 2011. Attendees also predicted, on average, a 4.14 ARP per USD exchange rate for December 2010.

Following the event, attendees sampled some of Argentina's best-loved export during a wine reception.

Spring Forum Speakers Stress Risk is in Developed Countries, Not EM

Continued optimism on the EM asset class—as well as pessimism on developed countries--reigned at the EMTA Spring Forum, hosted by HSBC Securities (USA) Inc., on Wednesday April 7, 2010. The event drew 150 market participants and was held in New York City.

Pablo Goldberg, repeating as the event's moderator, compared the current atmosphere to that of the Spring Forum of last year and observing that last April, investors had just turned the corner towards a much greater risk appetite. Goldberg also highlighted Latin American nations being able to ease monetary policy during the financial market meltdown of 2008/09, a new development in the history of international financial crises. This year, he noted, GDP growth forecasts for EM (6.2% according to HSBC) were approximately three times the growth forecasts for developed countries (1.9%).

Goldberg asked the Forum's four additional panelists to comment on the current appetite for risk and in what direction was it headed. Jim Valone (Wellington Management Company) began by seconding comments that EM had "passed a graduation test by enacting countercyclical policies" during last year's economic downturn. He reasoned that most buy-side firms are thus seeing strong inflows to the asset class at a time when sovereign supply is limited, thus currently there is great technical support for prices. Going forward, Valone believed that policy makers are more likely to err on being "too loose for too long" rather than "removing the punch bowl early;" while warning that any premature tightening moves are likely to be poorly received by the market.

Jose Luis Daza of QFR Investment Management agreed that there are both technical and fundamental reasons for EM asset strength. When adjusted by ratings, spreads are not at record tights, he argued, and there is still room for further compression. With Japan "likely to be in deflation for our lifetime," and Europe pressured to avoid rate hikes because of "the periphery," the question boils down to the direction of US rates, and Daza viewed current information as indicating that rates would not be raised in 2010.

Bulltick Capital's Alberto Bernal concurred that the US FOMC is unlikely to increase US rates this year. Bernal surmised that at best the US will create 1.5 million new jobs for the 8.5 million workers who have lost their jobs, and thus removing any impetus for tightening. He concluded "it is illogical then to short Brazil when you have low rates in the US."

Finally, Guillermo Mondino of Barclays Capital observed that, based on a recent investor road show, even in the current environment of easy monetary policy and low opportunity cost, fund managers are not yet "maxed out on risk." Mondino listed a number of potential events that could derail current risk appetite – including a worsening of the Greek economic situation and, as a result, a renewed focus on G-3 fiscal imbalances; policy mistakes such as a potential mishandling of Greece by the EU; and a potential bubble bursting (including possibly an EM bubble if current strength continued).

Can EM debt continue to outperform if developed countries show only gradual growth, asked Goldberg? "EM will outperform the developed world under almost any scenario," declared Daza.

Spring Forum (continued)

The panel also discussed the extent to which Latin America, via commodity pricing, was linked to China. Mondino noted that in addition to commodities, the linkages also included Chinese financing of development projects as well as FDI. Bernal pointed out that despite such arrangements, China had made clear in countries such as Ecuador that loans would be on commercial terms and with the appropriate conditionality.

Several panelists agreed that the top Latin macro performances in 2010 would be from Brazil and Peru. Views on Argentina differed. “Argentina will likely grow the most in 2010…but no one will believe them,” asserted Bernal, who cited record crop levels and demand from its larger neighbor. Bernal forecast Argentine growth of 6-7%, although admittedly from a low base. Mondino disagreed, expecting Argentine growth of 4-4.5%, and below the 5% he anticipated from other Latin economies.

Goldberg also asked speakers where they would position themselves on interest rate swaps. Panelists preferred to receive rates in Latin America, with Mexico and Brazil cited most often specifically. Almost equal was the consensus that speakers would prefer to pay rates in India, with Daza adding Taiwan.

Is the default risk of the Latin high-yielders overestimated? Again speakers agreed, seeing that, at least for the near term, Argentina and Venezuela have both the ability and willingness to pay. “Medium-term, though, in Argentina is absolutely unpredictable,” Daza cautioned, adding “what the current administration has done to destroy institutionality in that country is extraordinary.” Mondino summarized that “frankly, the macro fundamentals of Venezuela and Argentina are awful, but you get paid 800 or 900 bps when another awful story pays a lot less.”

Goldberg concluded by asking panelists for their picks for a currency to short and go long. Daza voiced confidence in a long position in most EM while shorting the G-3 currencies. Mondino and Valone expressed bullishness on the Kazakh tenge, with Bernal advising clients to buy the MXP (which he forecast would reach 11.5 per dollar by year-end.) Bernal would short the Colombian peso while Valone expected the Vietnamese dong would be vulnerable (“an overheating country fighting to keep the peg in place.”)

Following the formal presentation, the Spring Forum concluded with a cocktail reception.

EMTA Corporate Bond Forum Scheduled for September 22 in New York

EMTA’s Corporate Bond Forum will take place on Wednesday, September 22, 2010 at Le Parker Meridien Hotel in New York City, sponsored by ING Financial Markets LLC. This event follows EMTA’s London Corporate Bond Forum held in January.

David Spegel (ING Financial Markets) will moderate the event’s panel discussion. Panelists will include Anne Milne (BofA Merrill Lynch Research), Warren Mar (JPMorgan), Katherine Renfrew (TIAA-CREF Asset Management) and Robert Abad (WAMCo).

Invitations to be distributed shortly. Attendance is complimentary for EMTA members; non-member fee is US$495.

Emerging Market Benefit NYC Distributes Over $407,000 and Selects 2010 Charities

The Emerging Markets Charity Benefit (EMCB) Planning Committee distributed checks totaling over $407,000 at a cocktail reception on April 26, 2010 to the 2009 EM Annual Charity Benefit charities. Representatives of the EMCB as well as the five recipient charities attended the event, which was held at EMTA's midtown Manhattan office.

Funds raised from the 2009 event were distributed to NESST, Orphaned Starfish Foundation, Sri Lanka Care Foundation, Trickle Up and WorldFund. The proceeds will be used, among other purposes: to fund 850 micro-grants to women in Burkina Faso for start-up businesses; to provide scholarships for 80 Mexican students and 47 Sri Lankan students for one year; to build a technical and vocational training center for orphaned children in Aleitu, Ethiopia; to upgrade a school for deaf children in Rio de Janeiro, Brazil; to fund teachers' salaries at a school in Bahia, Brazil as well as improved training of Mexican teachers themselves in English-language instruction; to support social enterprises in Ecuador, Brazil, Peru, Romania and Chile; and to rehabilitate schools and homes for tsunami-affected families in Sri Lanka.

Turning immediately to this year's event, the EMCB Planning Committee also held meetings on May 11 and June 7 to decide on beneficiaries for the 2010 event, which is slated for Thursday, December 2, 2010 in New York City. After carefully reviewing candidates' financial statements, annual reports and proposals, the committee selected five final beneficiaries of the 2010 event:

- **Empower**, which connects the emerging markets community with local organizations providing tools and resources to enable at-risk young people to lead healthy and productive lives www.empowerweb.org;
- **Fonkoze**, which offers micro finance services aimed at improving the economic and social conditions in Haiti www.fonkoze.org;
- **NESST**, which provides financial and capacity-building support to social enterprises in Central Europe and Latin America www.nesst.org;
- **WorldFund**, which promotes education in Latin American www.worldfund.org; and
- **Orphaned Starfish Foundation**, which works with orphans and disadvantaged children throughout Latin America www.orphanedstarfish.org.

Invitations to buy tickets will be sent to all EMTA members shortly. In addition, the committee welcomes donations of auction items.

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

London Charity Ball Slated for October 1, 2010

The Annual Emerging Markets Benefit ball in London will be held on Friday, October 1, 2010. The black-tie event will return to the Grosvenor Hotel, and will feature live entertainment, dancing, silent and live auctions and more.

Tickets to the event will go on sale shortly. Every year since 2003, the event has sold out all one thousand seats, so those interested in attending are advised to book early to avoid disappointment.

At press time, TPCG Valores Sociedad de Bolsa had confirmed as an event sponsor. The committee expects additional sponsors to be confirmed shortly.

A number of prizes will be available for auction, including use of holiday homes in Bodrum, Turkey and Madeira, Portugal; tickets to Simply Red's final concert at the O2, a sky diving experience, and much more.

Proceeds from the event will be distributed to charities in Emerging Markets countries working to improve health and education. The event raised over £285,000 in 2009.

The Committee continues to welcome new sponsors and to speak with those interested in volunteering to help with the event. Please contact Judith Wheelan of Barclays Capital at Judith.Wheelan@barclayscapital.com to discuss sponsorship packages or Emma McClintock at emma.mcclintock@barclayscapital.com, Mike Cook at mcook@tradingaccount.co.uk or Jonathan Murno at jmurno@emta.org for more information, or visit the event website at www.emball.net.

Invitations to purchase tables will be sent to EMTA members shortly.

Bond & Warrant Trading & Settlement

BTA Bank

BTA Bank is expected to restructure its debt in the next few months. If anyone is interested in participating in the working group to review draft confirmation forms for when-issued trading, please contact Aviva Werner at awerner@emta.org.

Venezuela Oil Obligations Payment

The April 15, 2010 Oil Obligations payment was made to holders of record as of March 31, 2010, and EMTA recommended that trades be "ex-dividend" on March 29. Click Here for the Fiscal Agent notice regarding the calculation of payment.

Nigeria Payment Adjustment Rights Payment

Click Here for the Fiscal Agent notice regarding the calculation of the May 17, 2010 payment.

Uruguay VRR Payment

Click Here for the Fiscal Agent's notice regarding the July 1, 2010 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 in the FX Space --- Does A Look Back Show the Way Forward?

EMTA's developing role in the EM FX space over the last decade has been "organic", largely characterized by responding to market needs by creating specific solutions when it was helpful to do so. A look back at this process may be useful to help us assess what EMTA has done right (or not so right) and what EMTA still may need to do in the FX area. In other words, is EMTA on the right track here, and, importantly, do the current efforts need a stronger framework?

EMTA's work in the FX space has largely centered on NDF and NDO products (we started calling them "FX and Currency Derivatives" a few years back when "NDFs" and "NDOs" seemed too limiting to capture the potential for this part of the FX industry) and has included (a) building a market-acceptable documentation architecture, (b) recommending market practices, (c) providing necessary support in rate-fixings and (d) creating relationships with other industry service providers to help manage the fragmented "ownership" of the FX product among the various associations. Most recently, EMTA has, in conjunction with ISDA, focused on non-deliverable swaps, with EMTA providing expertise on non-deliverable products and ISDA providing natural support in the swap area. Important work has already taken place in this area; however, much remains to be done. Notably, the recent work on Latin American inflation-indexed swaps is a joint EMTA/ISDA effort (see description below).

As of 2010, EMTA members can now look to a documentation architecture that includes the 1998 FX and Currency Option Definitions (particularly, its Annex A, as well as the Compendium of Amendments to Annex A), NDF and NDO Template Terms for 17 separate currency pairs (all USD-settled), a number of currency-specific User's Guides which closely document the evolution of the NDF and NDO architecture and all of its legal terms, and a Master NDF and NDO Confirmation structure, responding to the industry's increasing automation of trade processing for non-deliverable transactions. A few new things are on the front burner (see more detail below), notably work on the African currencies and a long-overdue effort to document cross currency (i.e. non-USD settled) NDFs. Regionally, EMTA has addressed market needs in LatAm, Asia (with the notable exception of the Thai Baht) and Eastern Europe and has begun work on the Middle East/ Africa region. Some of these efforts have been partnerships and some have been EMTA acting alone. On-going work includes maintaining the documentation architecture and updating it, as needed, from time to time, as well as pursuing additional currency pairs to standardize.

Since 2000, EMTA has recommended 53 market practices in the FX and currency derivatives area. These market practices, developed in close consultation with EMTA members, have reflected the work of traders, lawyers and documentation personnel very much focused on developing a consensus-driven, responsible and transparent framework for the industry. EMTA's earliest FX-related market practices laid down the bricks for building the documentation architecture and with much of that foundational work now done, in recent years, EMTA members have been able to turn their attentions to finer-grained trading and market issues. Approximately two years ago, EMTA created an additional category of market practices – for non-deliverable swaps and credit derivatives -- reflecting, but also anticipating, the growing importance of these products. So far, these market practices have been recommended jointly with ISDA to reflect the overlapping interest areas of their respective memberships.

FX & Currency Derivatives (continued)

In the area of rate-fixings, EMTA has often stepped in to fill voids, making some calculated decisions about industry needs to address. Variously, over the last twelve years EMTA has worked with the Chicago Mercantile Exchange (now, "CME Group" or "CME") to develop a back-up rate for the BRL/USD PTAX rate (now defunct) and to develop and ensure the functioning of what has turned out to be the primary rate source for the RUB/USD exchange rate, as well as the ARS/USD exchange rate. More recently, EMTA reached out to Thomson Reuters to create an industry-acceptable rate fixing for the Ukrainian Hryvnia. Working under the umbrella of a Memorandum of Understanding, Thomson Reuters and EMTA designed, tested and launched an industry survey of Kiev market participants drawing on the prior experience of EMTA and on the expertise and infrastructure of Thomson Reuters. In addition, as part of the documentation architecture, EMTA has designed back-up survey rates for almost every currency for which it has produced Template Terms. No indicative survey has yet been activated, and thus none of these, substantively or administratively, has been market-tested; however, EMTA is keenly aware of the importance of the indicative surveys to the market and is frequently examining and re-evaluating the infrastructure needed to support them.

In many of these efforts, EMTA has forged necessary collaborations or sought the support of other industry groupfss or service providers in order to accomplish what has been necessary. Over the years, EMTA has worked under the guidance and with the support of the New York FXC, has collaborated with CME and Thomson Reuters and the Singapore Foreign Exchange Market Committee and, increasingly with ISDA, on products of common interests to avoid duplicating or conflicting efforts. EMTA and ISDA have also jointly produced successful industry seminars on non-deliverable products.

Cross-Currency NDFs To Be Addressed

At the request of the Chief Dealers Group for the New York FXC, EMTA is leading an industry group that is examining the prospects for developing standardization for cross-currency (i.e. non-dollar settled) non-deliverable forward FX contracts. The group has a representatives from the trading, legal and operations departments of several market participants in order to include the necessary spectrum of viewpoints on the topic. The group is considering a list of possible best practices and discussing the prospects for introducing standardized fixings for certain currency pairs as well as documentation issues.

Work Progresses in Latam Inflation Index NDS Working Group

This working group, comprising representatives from EMTA and ISDA member organizations, has met several times by conference call to identify issues and make proposals to advance the goal of standardization for Latin American inflation-indexed non-deliverable swaps. The inflation indices targeted by this group will include ARS-CER, CLP-UF, COP-UVR, PEN-VACU and MXN-UDI.

Different approaches to the indexed product in the market have been identified and some proposed resolutions are under consideration. Much discussion has taken place regarding the treatment of the index as a currency (or not) for purposes of the swap. The group will continue to examine this topic with a view toward developing an approach generally acceptable to the market. In addition, work is beginning on the development of standard definitions.

FX & Currency Derivatives (continued)

EMTA Updates and Re-Issues Market Practice #45 on BRL Barrier Options

The BRL Options Working Group substantially revised FX and Currency Derivatives Market Practice No 45, originally published in 2007. This revision was published on April 29, 2010 and recommends that barrier breach determinations be made with respect to BM&F futures prices.

Egyptian Pound NDF Architecture Published

On May 10, 2010 EMTA published its FX and Currency Derivatives Market Practice No. 45 which recommends the adoption of standard terms for EGP/USD non-deliverable forward FX and currency option transactions. Template Terms for NDFs and NDOs were published, along with a update to Annex A to the 1998 FX and Currency Option Definitions that included two new rate source definitions for the Egyptian Pound, and a published back-up survey rate methodology in event the recommended primary rate source fails. The architecture is similar to previously published EMTA Template Terms with two terms recommended by the working group for the Egyptian Pound market specifically. The first new term serves to reconcile the different week-end convention of the Egyptian market (Friday and Saturday) and the London and NY based markets (Saturday and Sunday) and the second new term introduces a price materiality measurement for the primary settlement rate option as measured against the indicative survey. This latter term has its genesis in some work previous done in the Brazil NDF context. For a fuller discussion of the new EGP terms, please see the EMTA User's Guide to EGP/USD NDFs and NDOs (located on EMTA's website).

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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:

- "The Time We Have is Growing Short." May 25, 2010 - Paul Volcker (The New York Review of Books).
- "How to Restructure Greek Debt." May 7, 2010 - Lee C. Buchheit (Cleary Gottlieb Steen & Hamilton) and G. Mitu Gulati (Duke University School of Law).
- "Greece: Logos, Pathos, Ethos." May 4, 2010 - Walter Molano (BCP Securities).
- "Many more chapters left in the Greece drama." May 3, 2010 - Mohamed El-Erian (PIMCO).
- "Greece and the Fatal Flaw in an IMF Rescue." April 2010 - Peter Boone and Simon Johnson.
- "The $100 Billion Question." March 2010 - Andrew G Haldane (Bank of England).

New Developments

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

- July 1, 2010 - Argentina Announces Results of Tender Offer.
- June 29, 2010 - EMTA's Holiday Schedule for EM Bond Trades for US Independence Day Holiday.
- June 25, 2010 - Calculations for Payments on Uruguay VRR's Announced.
- June 16, 2010 - Moody's Upgrades Chile's Government Bond Rating from A1 to Aa3.
- June 10, 2010 - Standard & Poor's Upgrades Estonia's Long-Term Foreign Currency Sovereign Credit Rating from A- to A.
- June 9, 2010 - Moody's Upgrades Panama's Government Bond Rating from Baa2 to Baa3 (Investment Grade).
- June 7, 2010 - Argentina Issues New FX Regulations (In Spanish).
- June 3, 2010 - EMTA Summer Forum in London to be Held on Thursday, June 24, 2010.
- June 2, 2010 - EMTA Special Presentation: The Eurozone Dilemma - What Can Be Learned from Emerging Markets?
  - Agenda
  - Materials
- June 1, 2010 - Argentina Announces Extension of the Expiration Date of the Submission Period and Change of Schedule.
- June 1, 2010 - EMTA Special Presentation: Mexican Bankruptcy – Legislation, Practices, Trends and Cross-Border Issues:
  - Agenda
  - Mexico's Legislation, Practices and Trends - Bankruptcy Law (Luis Enrique Graham, Chadbourne & Parke)
  - Chapter 15 and Mexican Concurso Mercantil (Karen Wagner, Davis Polk & Wardwell)
  - Out of Court Restructurings in Mexico (José A. Rosado, The Royal Bank of Scotland)
  - Guide to Mexican Bankruptcy Law (Chadbourne & Parke)
- June 1, 2010 - Moody's Upgrades Guatemala's Foreign Currency Government Bond Rating from Ba2 to Ba1.
- May 26, 2010 - Moody's Upgrades Nicaragua's Foreign Currency Government Bond Rating from Caa1 to B3.
- May 25, 2010 - Gulf Bond and Sukuk Association and EMTA Sign Memorandum of Understanding.

Website (continued)

- May 25, 2010 - Standard & Poor's Upgrades Panama's Long-Term Foreign Currency Rating from BB+ to BBB- (Investment Grade).
- May 24, 2010 - EMTA Special Presentation: The Eurozone Dilemma - What Can Be Learned from Emerging Markets? to be Held on June 2, 2010.
- May 24, 2010 - Argentina Announces Preliminary Results of Exchange Offer.
- May 24, 2010 - Various Retail Bondholders v. Argentina.
- May 21, 2010 - EMTA Recommends Confirmation Forms for When-And-If-Issued Trading in Argentina's New Bonds and GDP-Linked Securities: EMTA Memorandum, Confirmations, Bilateral Netting Agreement for Bonds and Bilateral Netting Agreement for GDP-Linked Securities.
- May 21, 2010 - ICMA Message on Sovereign Bond Markets.
- May 20, 2010 - Issues Presented by the Cote d'Ivoire Debt Restructurings.
- May 20, 2010 - EMTA Announces 1Q 2010 Debt Trading Stood at US$1.402 Trillion.
- May 19, 2010 - Holiday Schedule for EM Bond Trades for US Memorial Day and UK Summer Bank Holidays.
- May 19, 2010 - Fitch Issues Angola a Long Term Foreign-Currency Issuer Default Rating of B+.
- May 19, 2010 - Standard & Poor's Issues Angola a Long-Term Foreign Currency Rating of B+.
- May 18, 2010 - Venezuela Published New Foreign Exchange Regulation (in Spanish).
- May 18, 2010 - May 2010 - Official Information About the Greek Financing Plan is Available at:
  - Europe and IMF Agree €110 Billion Financing Plan With Greece.
  - ECB announces change in eligibility of debt instruments issued or guaranteed by the Greek government.
- May 17, 2010 - Standard & Poor's Upgrades Ukraine's Long-Term Foreign Currency Rating from B- to B.
- May 12, 2010 - Argentina Announces Extension of Early Tender Deadline and Change of Schedule.
- May 12, 2010 - Fiscal Agent Notice Regarding May 17, 2010 Payment on Nigeria Payment Adjustment Rights.
- May 11, 2010 - EMTA Central America & Caribbean Forum to be Held on June 9, 2010.
- May 11, 2010 - EMTA Special Presentation: Mexican Bankruptcy – Legislation, Practices, Trends and Cross-Border Issues to be Held on June 1, 2010.
- April 23, 2010 - New York State Senate Committee on Banks Hearing on Argentina's Default
  - Information Regarding Hearing
  - Agenda
  - Arturo Porzecanski Testimony
- April 22, 2010 - Moody's Upgrades the Dominican Republic's Government Bond Rating from B2 to B1.
- April 21, 2010 - Holiday Schedule for EM Bond Trades for UK May Day Bank Holiday.
- April 15, 2010 - Argentina Announces Terms of Exchange Offer. Market Reaction from Credit Suisse, Goldman Sachs, HSBC and The Royal Bank of Scotland.
- April 14, 2010 - Various Bondholders Seek to Enjoin Argentina Exchange Offer.
- April 14, 2010 - Moody's Upgrades South Korea's Government Bond Rating from A2 to A1.
- April 13, 2010 - "Five Former Central Bank Directors Discuss Economic Brazilian Economic Outlook at EMTA Sao Paulo Forum."
- April 13, 2010 - "Brazil: Growth, Balance of Payments and Inflation." Keynote Address by Affonso Celso Pastore, former President of Central Bank of Brazil at EMTA Sao Paulo Forum. (English version).
- April 13, 2010 - Moody's Upgrades Lebanon's Government Bond Rating from B2 to B1.
- April 7, 2010 - EM Ltd. and NML Capital v. Argentina.
- April 6, 2010 - EMTA's First Quarter Bulletin is Now Available in our Bulletin Section.
- April 1, 2010 - Calculations for Payments on Venezuela Oil Obligations Announced.
- March 31, 2010 - Fitch Raises Lebanon's Long-Term Foreign Currency Issuer Default Rating from B- to B.

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 +44 (0) 20 7996-3165 or at jmurno@emta.org. To post a summary resume, please contact Suzette Ortiz of EMTA at (646) 289-5414 or 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:

- **AB Svensk Exportkredit**
- **Fir Tree Partners**
- **Gleacher & Co. Securities Inc.**
- **Knight Libertas**
- **Newstate Partners**
- **Tudor Investment Corp.**

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, Jonathan Murno at jmurno@emta.org or +44 (0) 20 7996-3165 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.

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 +44 (0) 20 7996-3165. Individual Survey responses are kept strictly confidential.

EMTA Hotlines

Topic	Contact	Telephone
Asia	Jonathan Murno/Leslie Payton Jacobs	(44-207) 996-3165/(301) 838-4552
Bond/Loan Trading	Aviva Werner	(646) 289-5412
Clearing Corp.	Michael Chamberlin/Starla Griffin	(646) 289-5410/(44-207) 996-3165
Corporate Bonds	Jonathan Murno/Leslie Payton Jacobs/ Aviva Werner	(44-207) 996-3165/(301) 838-4552/ (646) 289-5412
Credit Derivatives	Leslie Payton Jacobs/Aviva Werner	(301) 838-4552/(646) 289-5412
EM Bond Charts	Aviva Werner	(646) 289-5412
EM Charity Benefits	Jonathan Murno	(44-207) 996-3165
EM Litigation	Aviva Werner	(646) 289-5412
EMTA Annual Meeting/Forums	Jonathan Murno	(44-207) 996-3165
EMTA Governance	Michael Chamberlin	(646) 289-54100
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
Local Markets	Aviva Werner/Leslie Payton Jacobs/ Starla Griffin	(646) 289-5412/(301) 838-4552/ (44-207) 996-3165
Market Information/Research	Jonathan Murno	(44-207) 996-3165
Membership	Jonathan Murno/Suzette Ortiz	(44-207) 996-3165/(646) 289-5414
Netting Facilities	Aviva Werner	(646) 289-5412
Paris Club	Starla Griffin	(44-207) 996-3165
Press Inquiries	Jonathan Murno	(44-207) 996-3165
Repos/Securities Lending	Aviva Werner	(646) 289-5412
Volume Survey	Jonathan Murno	(44-207) 996-3165
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).

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Leslie Payton Jacobs	lpjacobs@emta.org
Evelyn Ramirez	eramirez@emta.org
Aviva Werner	awerner@emta.org

EMTA Calendar

Fri., April 2	Recommended Market Close (London) Good Friday Recommended 12:00 noon (NYC) Early Market Close
Mon., April 5	Recommended Market Close (London) Easter Monday
Wed., April 7	**Spring Forum (NYC)** **Hosted by HSBC Securities (USA) Inc.** **452 Fifth Avenue, 11th Floor (at 40th St.)** **NYC**
Tues., April 13	**EMTA Forum - São Paulo** **Hosted by Itaú BBA** **Itaú Cultural Institute** **Av. Paulista n° 149 - São Paulo (Brazil)**
Thurs., April 15	**EMTA Forum - Buenos Aires** **Hosted by Banco Itaú** **Cerrito 740, 18th Floor (Argentina)**
Mon., May 3	Recommended Market Close (London) May Day Bank Holiday
Fri., May 28	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., May 31	Recommended Market Close (NYC/London) Memorial Day/Spring Bank Holiday
Tues., June 1	**EMTA Special Presentation: Mexican Bankruptcy – Legislation, Practices, Trends and Cross-Border Issues** **Global Financial Conference Center** **360 Madison Avenue, 17th Floor (NYC)**
Wed., June 2	**EMTA Special Presentation: The Eurozone Dilemma - What Can Be Learned from Emerging Markets?** **Hosted by Bank of America Merrill Lynch** **One Bryant Park (42nd St. and 6th Ave., 2nd Floor) (NYC)**
Wed., June 9	**EMTA Central America & Caribbean Forum** **Hosted by Scotia Capital** **One Liberty Plaza, 26th Floor (NYC)**
Thurs., June 24	**Summer Forum (London)** **Merrill Lynch** **2 King Edward Street** **London**
Fri., July 2	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., July 5	Recommended Market Close (NYC) Independence Day Recommended 12:00 Noon (London) Early Market Close

EMTA Calendar (continued)

Mon., August 30	Recommended Market Close (London) Summer Bank Holiday
September/October*	**Fall Forum (NYC)**
Fri., Sept. 3	[Possible Early Market Close (NYC)]
Mon., Sept. 6	Recommended Market Close (NYC) Labor Day Recommended 12:00 Noon (London) Early Market Close
Wed., Sept. 22	**Corporate Bond Forum (NYC)**
October/November*	**EMTA Singapore Forum Hosted by ING Wholesale Banking**
October/November*	**EMTA Hong Kong Forum Hosted by ING Wholesale Banking**
Fri., Oct. 1	**Emerging Markets Benefit London***
Mon., Oct. 11	Recommended Market Close (NYC) Columbus Day Recommended 12:00 Noon (London) Early Market Close
Thurs., Nov. 11	Recommended Market Close (NYC) Veterans' Day Recommended 12:00 Noon (London) Early Market Close
Thurs., Nov. 25	Recommended Market Close (NYC) Thanksgiving Day Recommended 12:00 Noon (London) Early Market Close
Fri., Nov. 26	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Dec. 2	**EMTA Annual Meeting Citigroup, 388 Greenwich Street (NYC)** **2010 Emerging Markets Benefit (NYC)**
Thurs., Dec. 23	Recommended 2:00 p.m. (NYC) Early Market Close
Fri., Dec. 24	Recommended Market Close (NYC) Christmas Day (observed)
Mon., Dec. 27	Recommended Market Close (London) Christmas Day (observed)
Tues., Dec. 28	Recommended Market Close (London) Boxing Day
Fri., Dec. 31	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Jan. 3, 2011	Recommended Market Close (London) New Year's Day (2011)

***Details TBA**