EMTA

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EMTA Advisory Council for Argentina

On April 15, 2015, the EMTA Advisory Council for Argentina, the first local market Advisory Council established by EMTA, held its initial meeting at the offices of JP Morgan in Buenos Aires. Previously approved by EMTA's Board of Directors at its March 2015 meeting, members of the initial Advisory Council reflect a cross-section of Argentine market participants and include EMTA Member representatives from Banco Itaú Argentina, Black River Asset Management, Bunge, BNP Paribas, Citibank, JP Morgan and TPCG Valores. The Council reviewed its standing rules and began to develop an agenda of work for the upcoming year. The Council reports to the EMTA Board and is tasked with the mission of promoting the orderly development of fair, efficient and transparent trading markets for Argentine instruments and to helping integrate Argentina into the global capital markets.

Please contact Leslie Payton Jacobs at lpjacobs@emta.org for more information.

EMTA's 25th Year - A Look Back:

EMTA was formally incorporated in December 1990 in the wake of the so-called LDC Debt Crisis and the pioneering Brady Bond restructurings by Mexico and Venezuela. To help mark its 25th 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) and Michael Chamberlin's retrospective (originally published in the 4th Quarter 2005 Bulletin) on the evolution of the EM trading markets and the growth and diversification of EMTA's activities during the period 1994 through 1998.

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Trade Association for the Emerging Markets

EMTA's 25th Year (continued)

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

by Thomas Winslade*

[From its formation until the end of 1993, 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.

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

*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 25th Year (continued)

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.

EMTA 1994-98: The Golden Age of EM Debt Trading?

[Formerly a Partner at Shearman & Sterling with a law practice split between public and private sector Latin American debt restructurings and capital market transactions, Michael Chamberlin led Shearman & Sterling's representation of the international banking community in Mexico's Brady Bond restructuring and worked on many financings, refinancings and debt swaps in the 1980's and early 1990's. He became EMTA's principal outside legal counsel in 1990 and its Executive Director in early 1994.]

By Michael M. Chamberlin
EMTA Executive Director

The EMTA that I joined over the Christmas Holidays in late 1993 (tucked away in an unused corner of JP Morgan's rabbit warren at 37 Wall Street) could not have been more different in size or scope of activities from the one that existed by the time of the Russian debt debacle in August 1998. The rapid evolution in EMTA's agenda and staffing mirrored the substantial changes that occurred throughout the Emerging Markets and the EM debt marketplace in the mid-1990's.

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.

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.

EMTA 1994-98 (continued)

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.

Evolution of the EM Trading Markets. During the 1990's, the market for Emerging Markets debt rapidly grew not only in volume, but also in the types of instruments traded, the number of trading houses and investors involved, and the size of the market in relation to others worldwide. The investor base for EM instruments expanded from its traditional investors to include many cross-over investors from the more mainstream high-yield and high-grade investment areas.

Investors were drawn to the Emerging Markets during this period by high yields and high growth potential, as well as by a general market trend toward positive economic and political reforms and improving economic performance in many Emerging Market countries. Despite these encouraging trends, however, investments and trading opportunities throughout the Emerging Markets continued to share certain char acteristics that presented common risks. In addition to the customary risks stemming from the issuer's economic or financial performance and its capacity to service its payment obligations, these common risks included a variety of cross-border risks such as legal and regulatory uncertainties, enforcement difficulties, foreign exchange fluctuations and restrictions and changes in government or government policies, including the risk that a country's willingness might fall short of its capacity to honor its debt.

Despite a continuing trend that saw the transformation of most EM debt from the form of loans to bonds (first to Brady bonds and then to more traditional Eurobonds), with the creditor base shifting from commercial banks to other institutional investors, these risks and the volatility that they brought to the marketplace for EM debt, together with a number of weaknesses in trading infrastructure, in many respects kept the Emerging Markets separated from the trading and investment mainstream.

Market Events; Tequila Crisis. 1994 saw the completion of Brazil's Brady Plan restructuring, the last of the major Latin American restructurings coming out of the LDC debt crisis of the 1980's. Despite improving fundamentals in many EM countries (accompanied by numerous credit rating upgrades), the growth of the EM trading markets was punctuated by several market events that highlighted the potential volatility and riskiness of Emerging Markets investments. A long period of growth in both trading volumes and asset values was interrupted in 1994, first by the market's adverse reaction to rising interest rate levels in the Spring and then by the sharp decline in investor confidence that occurred after Mexico's peso devaluation in December. The Mexican devaluation, which now seems almost as long ago and remote as the LDC debt crisis and the Brady bonds that largely resolved it, set in motion a so-called "Tequila effect" of contagion that depressed market values throughout the Emerging Markets during early 1995. Following the massive rescue package organized for Mexico by the US and other G-7 nations, however, investor confidence in the Emerging Markets rebounded by mid-1995, and trading volumes and asset prices, as well as capital flows, showed considerable growth for the next several years.

EMTA 1994-98 (continued)

In reviewing the market events of 1994, and the market's reaction to them, EMTA's Annual Reports for 1994 and 1995 noted the distinction between market performance and the performance of the marketplace. Many investors were disappointed by the adverse effect that the events of 1994 and early 1995 had on asset values throughout the Emerging Markets. Performance of the marketplace was less easily measured, although one could make some judgments based on factors such as liquidity, efficiency, transparency and settlement risk. Looking at these factors, market participants responded well to the market's challenges by maintaining orderly markets and by processing higher transaction volumes with greater efficiency.

In the memorable words of Peter Geraghty (one of EMTA's founding directors and a Board member during much of the 1990's), the Emerging Markets established themselves in the mid¬1990's as more of a "state of mind" than a separate asset class, in which market events taught one to "expect the unexpected". Difficult market conditions throughout the Emerging Markets in 1994 and early 1995 helped build the case for why stronger systems were necessary and desirable, and why a substantial investment in market infrastructure was worth making. During a very difficult period, EMTA proved remarkably successful at mobilizing market participants to work productively on improving the performance of the EM debt trading marketplace. In its Annual Report for 1994, EMTA was able to point with pride, particularly during a year of market challenges, to the relatively smooth operation of the marketplace that was in significant part due to EMTA's projects and to the forum that EMTA provided to market participants to address pressing industry needs.

What had obviously been a crisis of potentially severe systemic magnitude was averted by decisive official sector intervention (at a particularly fragile time for the fixed income trading markets generally, because of the rising interest rate environment that prevailed during 1994), and instead of a systemic crisis, the markets treated it largely as a buying opportunity in what proved to be the start of an extended period of improving EM fundamentals and trading market and investment growth. Although a useful reminder of the inherent risks in EM investing, one of the most lasting legacies of the Tequila crisis was the unfortunate lingering perception in the official sector (eventually sowing the seeds of the IMF's Sovereign Debt Restructuring Mechanism proposal in 2001) that investors in the Emerging Markets expected to be 'bailed out' in times of financial crisis.

Asian Flu; Russian Debacle. Sovereigns and other EM issuers generally took advantage of favorable market conditions from 1995 through 1997 to refinance a portion of their stock of debt, and investors generally welcomed the higher yields available in local currency instruments and more market-oriented dollar-denominated assets. EMTA's Annual Report for 1996 noted the considerable progress that had been made toward the successful completion of the restructuring process throughout the Emerging Markets. As a result, by then three themes had become evident—the broadening of the investor base from to include cross-over investors, the broadening of the asset class, both in terms of geographical diversity and in the types of available instruments, and the transformation of the debt from Brady bonds to capital markets financings.

EMTA 1994-98 (continued)

Unfortunately, local currency asset values fell sharply following the onset of financial and economic difficulties in Southeast Asia beginning in mid-1997, leading to more general financial problems throughout the region. By the middle of 1998, market contagion had spread these difficulties to Russia (which in August experienced an abrupt and precipitous foreign exchange crisis and resulting default on its internal and external debt), which in turn led to a severe, and more general, contagion throughout the Emerging Markets in the latter half of 1998. The resulting loss of investor confidence eventually led to Brazil's devaluation of the Real in January 1999. These events, and their contagion effects, raised questions regarding the effectiveness of fundamental analysis in isolating potential investment opportunities in the Emerging Markets.

EMTA's Annual Report for 1997 noted that official sector support for the Emerging Markets had fallen short of market expectations, and that policymakers must appreciate that, "in today's world of interconnected global markets, their first responsibility is to provide a stable anchor for market expectations". What was most needed from the official sector was for it to review its role in monitoring economic performance, in encouraging and supporting the reform process, and, when appropriate, in taking decisive action to restore market confidence.

Market trading volumes (as measured by EMTA's Volume Survey) shot up in the mid-1990's from US $ 1.979 trillion in 1993 to a peak of nearly US $ 6 trillion in 1997, before falling off sharply after the Russian default in August 1998, as investors re-evaluated the volatility and returns on EM assets and dealers reduced their trading lines. During this time, face-to-face trading of EM debt between major dealers was almost entirely replaced by anonymous trading through the screens introduced by several interdealer brokers (IDB's) in the early 1990's.

EMTA Tackles Trading Infrastructure Projects as well as New Documentation. EMTA's activities during the mid-1990's responded largely to the needs of the dealer community, which were driven in large part by the increase in trading volumes that occurred as a result of the Brady Plan restructurings for Argentina in 1993 and for Brazil in 1994 and the large increase in investor interest in Russia Vnesheconombank loans. The expanded trading volumes tended to create a backlog in all stages of the processing of executed trades, which substantially increased counterparty risk for market participants. Although EMTA continued to support trading activity in these and other instruments with the recommendation of market practices and trading documentation, increasingly EMTA's agenda involved the development of trading infrastructure, such as multilateral netting facilities for loan trades, a trade confirmation and matching ser vice (Match-EM) and a feasibility study that led to the launch in 1998 of the Emerging Markets Clearing Corporation. These initiatives all tended to promote the continued expansion of the EM trading market, while improving trade processing efficiency and reducing settlement backlogs and related counterparty and systemic risks.

Standard Terms. With the exception of Russian loans, trading activity in loans, which had comprised almost the entire trading market until the first Brady Plan restructurings were completed in 1990, fell off sharply following the Argentina and Brazil restructurings, and it was replaced by a surge in bond trading. The increase in bond trading volumes, coupled with increased demand for Russian and various exotic loans, highlighted the relative inefficiency of the process of documenting loan trades. This led to the development of standard terms for the assignment of loan assets, which was recommended to the marketplace in 1995. The standard terms for loan assignments, which replaced a frustrating case-by-case

negotiation process, proved a great success, and quickly led to the development and recommendation of standard terms for loan participations (in 1996). Under these Standard Terms, counterparties were able for the first time to exchange confirmations that incorporated the standard terms into binding contracts, thus avoiding the need for negotiating the terms of individual trades. These projects were led by Bruce Wolfson (Bear), Kathleen Wells (JPM) and Bob Salvador (Chemical).

Multilateral Netting. As one might have anticipated, the increased efficiency in documenting loan assignments, coupled with high agent fees for processing individual assignments and increased counterparty risk as loan trading volumes in certain assets grew, also created additional pressure for greater efficiency in settling loan trades, especially after trading volumes surged in anticipation of the Russian rescheduling in 1997. In response to these needs, EMTA developed forms for bilaterally netting and, in 1994, a facility for multilaterally netting loan trades (with the assistance of Price Waterhouse). This facility became the accepted industry utility for reducing counterparty risk and, by settling a massive spike in trading activity for Russian loans trades, compressed months of painstaking settlement work into several difficult weeks in late 1997, thus facilitating the timely completion of Russia's massive loan rescheduling and continuing EMTA's long tradition of supporting the sovereign debt restructuring process. In connection with this rescheduling, the facility settled over 2,500 bilateral net positions aggregating over US$ 7.3 billion in Russian VEB loans, so-called 'when-restructured' trades of loans and when-issued trades of Interest Notes submitted by 160 market participants. In addition to reducing counterparty risk and expediting settlement, EMTA's multilateral netting facilities for loans also enabled market participants to minimize the payment of costly agent processing fees.

The development of multilateral netting was led by Marc Helie and Manuel Mejia-Aoun (Merrill Lynch), Kathleen Wells (JPM), Ellie Winberg (Chase) and Bob Salvador (Chemical).

Match-EM. Until 1995, loan and bond trades were primarily confirmed by fax, which tended to lead to delays in matching and other uncertainties in the confirmation process. These delays were tolerable in a relatively low volume trading environment, but became increasingly problematic as trading volumes increased, particularly as the trading markets approached the reduction of settlement time from T + 5 to T + 3. In 1994, EMTA began to explore technologies to automate the confirmation and matching of trades with representatives of TRAX, which serves the Eurobond markets out of London. Because EM trading was conducted largely from New York and London, these discussions were eventually abandoned in favor of a joint venture with General Electric Information Services (GEIS) to build a new electronic system that would be dedicated to the confirmation and matching of EM loan and bond trades. Called Match-EM, the new service, which was launched in May 1995, replaced the delivery of hardcopy confirmations with nearly instantaneous electronic matching and confirmation. Match-EM, whose development was led by Alex Rodzianko and Lou Bonavita (Chemical), became the first step toward more transparent and efficient (and less risky) clearing mechanisms and eventually was incorporated into the Emerging Markets Clearing Corporation as its original matching engine.

EMCC. By 1995, most 'face-to-face' trading directly between dealers had been replaced by trading through screens offered by a number of IDBs. These trading screens, which have remained the primary mechanism for trading in the interdealer market, are not 'live' in the sense of permitting instantaneous electronic execution, but rather anonymously indicate current market bids and offers that must be 'hit' or

'lifted' through oral communication with the IDB. Trades through these screens are generally executed on a 'no-name give-up' basis, with the IDB entering into offsetting transactions with the buying and selling dealers. Seemingly cumbersome, this process resulted in efficient price discovery and promoted considerable liquidity, especially in a number of benchmark instruments, as early as the mid-1990's.

Unfortunately, this increase in liquidity also tended to lead to a substantial concentration of counterparty risk in the private firm that provided clearing services to the IDB's, inasmuch as the private clearing firm became the common counterparty for substantially all of the trades entered into through the IDB trading screens prior to their settlement in Euroclear or Clearstream (formerly Cedel).

In 1995, EMTA's Board of Directors, in an effort to support the trading screens but address the resulting concentration of counterparty risk, authorized a working group (led by Joe Willing and Donna Reino of JP Morgan) to study the feasibility of developing a clearing corporation to assume and mutualize this counterparty risk. The resulting feasibility study, published in early 1996 and reviewed and debated for several months, recommended that EMTA sponsor development, in collaboration with the National Securities Clearing Corporation (NSCC), of an industry utility to clear Emerging Markets bond trades through the IDB trading screens. The resulting clearing entity, the Emerging Markets Clearing Corporation (EMCC), which began operations in April 1998, brought improved efficiency and reduced counterparty risk to the marketplace for Brady bonds and sovereign Eurobonds by assuming matched trades and delivering settlement instructions directly to the European settlement systems. EMCC was formed as a stand-alone corporation, subject to regulation by the US Securities and Exchange Commission, and owned primarily by leading market participants and with its own board of directors, while operated and managed as part of the NSCC family of clearing corporations.

From the outset, EMCC's trade matching rates were consistently high, with over 90% of trades successfully matched and assumed on trade date and settled on T + 3. Unfortunately, some of the expected benefits of EMCC (as well as anticipated economies) were never realized because of participation by less than all of the major dealer firms (and EMCC was eventually subsumed into the DTCC corporate structure in 2002 and then dissolved in early 2005).

Nevertheless, EMCC served the EM trading community well by bringing much greater administrative efficiency to the settlement of interdealer bond trades and by reducing counterparty and related systemic risk, particularly during times of real and potential market crisis. During its existence, EMCC's board of directors was chaired first by Joe Willing (JPM) and later by Paul Masco (Salomon Brothers).

New Directions for EMTA. At some point in the mid-1990's, EMTA's Board initiated a more or less continuous process of reviewing EMTA's own activities and performance against its original mission (to enhance market efficiency and professionalism) and market expectations. On several occasions (notably in EMTA's 1995 and 1996 Annual Reports), this somewhat introspective process seemed to lead almost inexorably to the conclusion (again in Peter Geraghty's memorable words) that it was not yet time for EMTA "to declare victory" over the forces of market inefficiency and disorder. There was an increasing appreciation, however, that EMTA's projects were no longer being undertaken solely in reaction to market events and to the resulting emergency needs of the marketplace, but rather, more often than not, more proactively to meet future needs. As the Emerging Markets had evolved, so had EMTA's role—from firefighting to architecture.

EMTA 1994-98 (continued)

From Fixed Income to FX Trading. The 1997 Asian financial crisis, which was for the most part quickly resolved, culminated in Russia's massive default in August 1998 (and a resulting wave of contagion) and pointed out the need for the Emerging Markets financial community to pay more attention to disruptions in the foreign exchange markets. In 1997, EMTA began collaborating with the Foreign Exchange Committee of the FRBNY (the FXC) and the International Swaps & Derivatives Association (ISDA) to develop what eventually became the 1998 FX and Currency Option Definitions, which provided the market with an architecture for documenting transactions in EM currencies. Among other things, the 1998 Definitions created a common vocabulary for addressing market disruptions, which enabled market participants to standardize documentation for, and reduce a growing backlog in the settlement of, forward trading in various non-deliverable currencies (NDF's).

Responding to the Russian Ruble crisis in August 1998, EMTA's experience in standardizing NDF language for market disruptions led to a joint project with the Chicago Mercantile Exchange (CME) to develop a back-up survey mechanism for valuing the Ruble/USD exchange rate, which later became the primary settlement rate for the market and provided a model for similar back-up mechanisms for other EM currencies.

EMTA's work in the FX area, which has led to the development of market practices, NDF templates and back-up valuation mechanisms for various EM currencies (as well as providing a forum for responding to market crises), has generally been led by Bill Arnold of JP Morgan Chase and other members of an NDF working group.

Local Markets Initiatives. Investor interest in local market instruments accelerated in the mid¬1990's, and EMTA responded with a number of initiatives designed to make the trading of local market instruments more transparent and efficient. Using EMTA's network of contacts within the global trading community and with governmental officials and regulators throughout the Emerging Markets, these projects included the review of local law in major EM jurisdictions relating to netting, bankruptcy and derivatives, as well as a variety of issues related to securities regulation and processing. One thing that EMTA discovered in the context of its work in various local markets was that expertise in one market was often helpful when another market reached a similar stage of development. As a result, EMTA was able to facilitate a certain amount of cross-pollination both within and across regions, with an overall goal of bringing not only better transparency to individual local markets, but also greater consistency of standards and practices among them.

While an interesting characteristic of EMTA's work in the EM local markets was the obvious need to pursue local projects in collaboration with existing trade groups in the relevant local market, another, less obvious, aspect was the constant tension that existed between investment banks that wanted to pursue projects in various local markets and commercial banks with extensive franchises throughout the Emerging Markets that did not want such projects to amount, in their view, to a transfer of expertise to institutions without such local franchises.

After a promising start (which lasted for several years), EMTA's local markets initiative, with the exception of the FX projects described above, was a casualty of the cutback in EMTA staffing and activities that resulted from trimming expenses in response to the declining trading volumes caused by the Asian crisis and Russian default.

EMTA 1994-98 (continued)

EMTA's Leaders during its Middle Years. There is a great tradition of change in the Emerging Markets and in the trading markets generally. The years from 1994 through 1998 were no exception. During this time, many of EMTA's founding directors stepped down in favor of a new generation of industry leaders.

In 1996, EMTA's first Chairman (and in many ways its guiding spirit), Nick Rohatyn (JP Morgan), resigned from the EMTA Board in favor of Guido Mosca (who by 1999 had become NYC Co-Chair).

Peter Geraghty (ING and ING-Barings) served as EMTA's Co-Chair or Vice-Chair from 1994-1996 and remained on the Board through 1997 (and later returned on behalf of Darby Investments and, more recently, Dresdner Bank).

Alex Rodzianko (Chemical Bank) served as EMTA's Chairman or Co-Chair in 1994 and 1995 and remained on the Board through 1997.

Rick Haller (Morgan Grenfell and later Deutsche Morgan Grenfell) served as Vice-Chair from 1994-96 and as London Co-Chair from 1997-98.

Paul Masco (Salomon Brothers) served on EMTA's Board throughout this period and was a Vice-Chair from 1995-98 (and was later an NYC Co-Chair in 1999).

Jorge Jasson (Chase and later JP Morgan Chase) served as EMTA's NYC Co-Chair from 1996¬98.

Other market leaders who served on EMTA's Board as officers during this period included Daniel Canel (JP Morgan Chase and later UBS) and Manuel Mejia-Aoun (Merrill Lynch)

And notably, Juan del Azar (Merrill Lynch) first joined the Board in 1998 (later serving as London Co-Chair from 2000-2005), Bruce Wolfson (Bear Stearns and now at Rohatyn Group) first joined EMTA's Board in 1995 (and reluctantly declined many opportunities to serve as a Vice-Chair) and Mark Coombs (ANZ, and now Ashmore) served on the Board throughout this period (and as a Co-Chair from 2001 to date).

A list of a few other names of individuals who at one time or another served on EMTA's Board during this period reads almost like a Who's Who in EM trading: Vince Perez, Abe Curdumi, Alex McLeod, Hugo Verdegaal, Joe Boyle, Alexis Habib, Jose Pedreira, Ignacio Sosa, Wayne Lyski, Americo DaCorte and Gail Segal, among others.

EMTA's Consensus Approach. EMTA was founded in 1990 on the principle that the size of the trading pie was more important than the size of the individual slices. Competitive positions were, for certain purposes, subordinated to the greater good of the industry (or at least it often seemed that way).

This principle, that all would prosper more as the trading markets became more transparent and efficient (and as a result expanded), evolved over the years into a somewhat unusual consensus approach toward decision-making, which was never itself articulated very transparently or written into any of EMTA's governing documents. Neverthless, it served to determine EMTA's decision-making process from the early 1990's (dating from the last time that Kathy Galbraith asked if there was any objection to her description of a proposed market practice, waited two or three seconds and then announced that the market practice had been adopted) until the present.

EMTA 1994-98 (continued)

Early on, EMTA's founders had determined that EMTA would not have any enforcement or regulatory authority, but would be a voluntary trade association with power only to recommend market practices and documentation, and this approach was reconfirmed several times during the mid-1990's. But the founders had not clearly provided for how EMTA's market recommendations were to be determined.

What ultimately evolved was an informal consensus approach toward decision-making, not unlike that often used informally to govern Bank Advisory Committees in the 1980's and early 1990's, that is neither majority rule nor a unanimous voting requirement, but something falling in between.

Quite intentionally, decisions are not made by a prescribed majority or super-majority vote (EMTA's by-laws are silent on the point). Rather, through a process of explanation and discussion, individual market views and concerns are expressed, considered and addressed, and the marketplace is encouraged through an informal polling process to reach a common view. Above all, reaching consensus within EMTA has always required a balancing of interests. The majority has never overridden a reasonable objection from a significant minority, and a minority has never insisted upon an objection if and when it became clear that it had been raised and fairly considered. Following a process of give and take, concerns are considered, objections incorporated or graciously dropped and consensus forms. While 'talking one's book' certainly occurs in the early stages of the process, it is expected to be set aside in the later stages.

Speed and certainty of result are sometimes sacrificed for the greater legitimacy that comes from a fair consideration of all views. Weighing factors such as the influence of a market participant and the strength of its conviction or the reasonableness of its views requires subjective judgment, and determining when consensus is reached (and sometimes guiding the process toward where consensus can be found) may be more art than science.

Is EMTA's consensus approach toward decision-making infallible? I doubt it, but it has never been challenged. Although EMTA recommendations are advisory only and not binding on market participants, they generally have been followed by the marketplace, in large part because the process has respected concerns and required consensus before any recommendation is made.

The Continuing Warrant Saga. While EMTA has had its share of successes, the exception that may prove the rule has been EMTA and the EM trading community's continuing inability to resolve longstanding difficulties in the trading and settlement of the commodity-oriented warrants that were attached to some of the early Brady bonds (most notably Mexico's Value Recovery Rights and Venezuela's Oil Obligations). Originally issued in 1990, these warrants were attributed little or no value for many years by the marketplace, which more or less ignored relatively clear market practices for Brady bond and related warrant trading and settlement. As a result, in a great many cases, the failure to submit separate settlement instructions in the early years of Brady bond and related warrant trading led to massive confusion in warrant ownership and a huge backlog in settlement, that only became pressing in more recent years when sharply higher oil prices triggered payments on them and moved them into the money.

Over the years, several EMTA working groups struggled (without much success) with how to reconcile their current ownership and minimize these trading and settlement difficulties going forward. Reconciliation efforts in the mid-1990's failed, and the original market practices (requiring separate settlement instructions) were reaffirmed in 1996, but again did not seem to prevent the proliferation of ownership

EMTA 1994-98 (continued)

confusion and settlement backlog. In 1997, EMTA began seeking new approaches to trading and settling warrants and their related Brady bonds that were designed to simplify settlement (eg, by bundling them into units that only required a single settlement instruction), but by then sufficient seeds of confusion had already been sowed to create reconciliation and settlement problems that have continued to the present.

The clear lesson from the warrant debacle is that, in designing market practices (particularly in the case of more exotic trading instruments such as warrants), front and back offices must work together to develop approaches that reconcile the preferences of traders with the practical realities of their back offices.

EMTA's Independence and Growth in Staffing and Activities. At the end of 1993, EMTA had four employees, three seconded from JP Morgan (including its first Executive Director, Tom Winslade) and one from Chemical Bank, on an annual budget of about $1.6 million (and 118 members). By early 1995 (as part of a plan to further confirm its independence), EMTA had moved from JP Morgan's offices at 37 Wall Street to its own space in the old Brown Brothers Harriman building at 63 Wall Street (where its offices, which included terraces with plantings, remained until late 2002), and by the end of that year had expanded to 18 employees on an annual budget of $4.8 million (with 146 members). As intended by its Board of Directors, EMTA had become a fully independent trade association with a diversified array of activities ranging well beyond the recommendation of market practices and standard documentation. In the midst of the severe market contraction that occurred as a result of the Asian crisis and Russian default, EMTA had a staff of 13 at the end of 1998 and had revenues of $4.7 million (but with expenses of only $3.3 million) and 147 member firms.

The Closing of the 'Cowboy' Market. Nick Rohatyn, Peter Geraghty, Kathy Galbraith, Stephen Dizard, Alex Rodzianko, Rick Haller, Manuel Mejia-Aoun and the rest of EMTA's founding directors and their firms hoped and expected that their new trade association would help make the EM trading markets more efficient, transparent and professional. By the end of 1998, eight years after EMTA's formation, the Emerging Markets trading industry was well on its way toward joining the trading and investment mainstream, with well-understood and widely observed documentation and market practices (other than those relating to warrants!) and trading infrastructure as safe and sound as that of any established market. Whatever early perceptions there had been that the Emerging Markets were 'cowboy markets' were by then a thing of the past, if not a fading memory.

EMTA's Annual Report for 1996 contained the following paragraphs, which pretty well describe the trends in the Emerging Markets and in the EM trading markets that were evident then (and have continued into the present):

"Years ago, it was fashionable to compare our marketplace to a frontier town. Recently, things have become a great deal more civilized. The frontiers of our marketplace are now in the Local Markets themselves, as sophisticated investors increasingly look directly to Local Markets for purer risk and higher yields. Many Emerging Markets countries are admirably meeting the challenges of reforming their economies and adapting their capital markets to meet the needs of foreign investors.

"…we [at EMTA] hope and believe that we are on the right path, but as has often been the case in the past, without a very clear map. As always, we need and welcome our members' input, involvement and support to make sure that we keep moving at the right speed and in the right direction."

All as true now as it was then.

EMTA 1994-98 (continued)

Seeds of the Burden-Sharing Controversy. As early as 1997, EMTA had advocated a stronger official sector role in the area of encouraging the economic reform process, monitoring performance and preventing sovereign crises. By 1998, concerns in the official sector about the potential budgetary and moral hazard implications of widespread ownership of sovereign bonds on the process of resolving sovereign crises began to be taken seriously by the EM trading and investment communities, as Ecuador's impending economic difficulties became clearly evident.

In its 1998 Annual Report, EMTA acknowledged the important role of the private sector's participation in crisis prevention and management, but expressed concerns that recent signals from the official sector suggested an under-appreciation of the risks, costs and difficulties in forcing such participation. Although rescheduling bonds may sometimes be necessary, EMTA cautioned that the bond markets were among the most stable sources of funds available to the Emerging Markets countries, and that great care should be taken to ensure that this flow of funds was encouraged and not driven away. EMTA further expressed its concerns that any policy that emphasized bond rescheduling more than the need for EM countries to take all measures to avoid them was likely to be counter-productive.

Future events (from 1999 continuing to the present) confirmed a lack of consensus between the official and private sectors on the appropriate balancing of interests among sovereign debtors, their private and public sector creditors and the official sector in resolving sovereign financial crises, but that is a story to be developed in a succeeding chapter of EMTA's history. Suffice it to say that the seeds of this lack of consensus were sowed in the mid-1990's beginning with Mexico's so-called Tequila crisis, and warning signals were apparent soon thereafter.

Conclusion. The Emerging Markets debt trading industry grew rapidly and began to mature in the early and mid-1990's. By 1998, it was apparent that the trading community's heavy investment in stronger systems and infrastructure had paid off. Market losses due to the roller coaster of market events in the mid-1990's were not compounded by systems failures or the breakdown of market practices or liquidity.

EMTA also grew rapidly in the mid-1990's in terms of staff, budget and scope of activities, and survived a severe market shock in 1998 and resulting contraction by shedding expenses well ahead of declining revenues and returning to its core missions of working to make the EM trading markets more efficient and providing a forum to enable market participants to identify, discuss and resolve industry challenges. During the mid-1990's, the EM trading industry began a process of mainstreaming, which has continued to the present, punctuated by occasional market events that have emphasized that wherever EM may seem to be from time to time in its evolution, it requires its own forum to deal with the twists and turns that make it unique.

By 1998, it had become clear that EMTA would continue to be that forum, but that it would increasingly function in collaboration with the trading and investment mainstream.

FX Currency & Derivatives

Updates to African Rate Source Definitions and Templates

Updates dated May 28, 2015 to several of the African rate source definitions contained in Annex A to the 1998 FX and Currency Option Definitions were published on the EMTA website. The rate source definition for the Nigerian Naira was updated to correct the publication website and to clarify that the rate is actually an average of the published bid and offer quotations, the rate source definition for the Kenyan Shilling was updated to correct the publication time from 2:00 p.m. to 12:00 p.m., Nairobi time, and the rate source definition for the Zambian Kwacha was updated to reflect a new publication time of 11:30 a.m., Lusaka time.

In addition to the changes to Annex A, in a final bit of documentation housekeeping, a few, non-substantive corrections to the Template Terms for KES/USD and ZMW/USD Non-Deliverable Forward FX and Non-Deliverable Currency Option Transactions NDF and NDO Template Terms have been made. The changes are very minor, are of a corrective or conforming nature and are as follows: Endnote No 4 in the KES and ZMW NDF and NDO Templates has been updated to refer to the updated publication time in the rate source definition, and, in all four sets of the Template Terms, "Currency Reference Dealers" in the first full paragraph of the term "Fallback Reference Price" has been corrected to simply refer to "Reference Dealers". Because of the minor nature of the changes, the original publication date of these Templates will not be changed.

In addition, and again based upon the minor nature of these updates to Annex A and corrections to the Templates, EMTA is not, at this time, recommending amendment of outstanding NGN, KES or ZMW contracts. Parties, in their discretion, may determine otherwise.

Compendium to Annex A Updated

An updated version of the Compendium to Annex A, incorporating the above changes in the African rate source definitions, has been posted on the EMTA website in the Documentation/Standard Documentation/FX and Currency Derivatives Documentation /Standard Definitions area.

EMTA Indicative Surveys – Time for a Change?

An EMTA Working Group continues to be in session to review the EMTA Indicative FX Rate Surveys (which, if activated, would provide back-up FX rates for 11 currencies, including the Argentine Peso, Brazilian Real, Chilean Peso, Colombian Peso, Peruvian New Sol, Egyptian Pound, Ghanaian Cedi, Kazakhstan Tenge, Nigerian Naira, Russian Ruble and Ukrainian Hryvnia). The effort is, at least initially, aimed at all currencies and seeks to address the issue of whether, following the substantial changes in the regulatory landscape for foreign exchange and the trickle-down effect of those changes, any changes in these carefully crafted disruption fallback methodologies are desired.

EMTA is liaising with the Singapore Foreign Exchange Market Committee and the Financial Markets Law Committee of the United Kingdom regarding this issue and will seek ongoing coordination with these entities.

Trading Hours for FX Options

The project to develop industry consensus around standardization of observation hours for barrier options is nearing completion and should be available to the EMTA Membership shortly.

FX Currency & Derivatives (continued)

The CME-EMTA Russian Ruble Reference Rate

The EMTA Ruble Traders Working Group recently has been meeting with regularity to address the topic of the CME EMTA Russian Ruble Reference Rate Survey (the "Survey") as the primary settlement rate option currently recommended by EMTA for the valuation of Ruble Dollar Non-Deliverable Forward FX Transactions. The Survey, developed and instituted in 1998 following the suspension by MICEX of its fixing rate in connection with the Russian financial crisis at that time, is derived from a poll of onshore banks that deal spot in the Moscow marketplace. The Working Group is looking at possible alternatives to the Survey as the primary rate-source option for these contracts and has been investigating all possible alternatives with a view to ensuring continuity and minimizing the potential for market disruption should a transition be recommended.

Deliverable Ruble Transactions

EMTA, ISDA and the Financial Markets Lawyers Group, which operates under the auspices of the Federal Reserve Bank of New York, are jointly examining a proposal to add certain additional provisions to deliverable Ruble FX transactions to address concerns regarding a possible risk of imposition of exchange control regulations. The proposal involves adding non-deliverable settlement language to deliverable Ruble FX transactions. This proposal raises a number of market risk and regulatory issues.

ISDA – EMTA Guide to Standard Documentation Published

EMTA and ISDA have issued a short guide to documentation published by EMTA and ISDA (individually or together) for deliverable FX transactions, and for both non-deliverable FX (forwards and currency options) and currency swap transactions. The guide is intended to aid market practitioners in identifying and locating the appropriate forms of standard documentation for these products that are available to them from both EMTA and ISDA. The Guide to ISDA and EMTA FX Derivatives Documentation and Currency Provisions can be located on the EMTA website in the Documentation/Standard Documentation/FX and Currency Derivatives/User's Guide area.

EMTA Reviewing New FRBNY Antitrust Guidelines

Effective January 7, 2015, the Federal Reserve Bank of New York published Antitrust Guidelines for the Foreign Exchange Committee and, on March 30, 2015, the Foreign Exchange Committees of a number of jurisdictions collaborated to publish an updated Global Preamble: Codes of Best Market Practices and Shared Global Principles.

EMTA is currently in the process of reviewing both of these documents with a view to providing it's FX and Currency Derivatives Working Group with conforming guidance on antitrust matters (adapted for the Emerging Markets).

EM+BRACE, New Global Mentorship Initiative Launched

On Monday, May 11, 2015, EMTA assisted in the initial launch of EM+BRACE, a new global mentorship initiative intended to match up pioneers of the EM asset class with younger, newer EM market professionals.

The effort is being led by Robert Abad (WAMCO), who stated that “Young professionals in our field and students across the world who want to become a part of our community are searching for guidance, insight and, in many cases, inspiration. I believe this is an opportunity for the early pioneers to fulfill our responsibility as leaders by ensuring that our knowledge, experience, networking strength and sense of community are kept alive.”

Members of the EM community who wish to know more about this initiative, or wish to volunteer as a mentor, should contact Robert Abad at robertabad@embracem.org.

EMTA Notifies Members of Warrant Payments

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

During the first half of the year, EMTA notified its Members of the payment amount and record date of March 31, ex-dividend date of March 27 and payment date of April 15, 2015 in respect of Venezuela warrants, as well as the payment amount and payment date of May 15, 2015 in respect of Nigeria warrants.

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

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

EMTA Survey: Emerging Markets CDS Trades at US$383 Billion in First Quarter

Reported Volumes Down 6% Compared to 1Q 2014

Emerging Markets CDS trading stood at US$383 billion in the first quarter of 2015, according to a Survey of 13 major dealers released on May 4, 2015 by EMTA. This represents a 6% decrease in volume compared to the US$409 billion in reported transactions in the first quarter of 2014, and a one percent contraction from fourth quarter's US$385 billion.

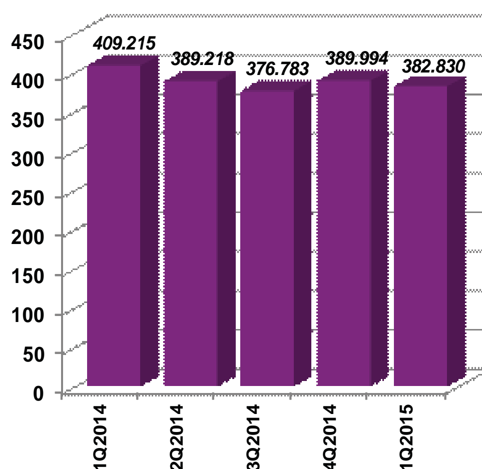
"Perhaps the most remarkable development in EMTA's Survey is that there was very little overall change in volumes; it is unusual because there were significant developments during the period, including the bottoming and recovery of oil prices and retracement of the US dollar," stated David Spegel, Global Head of Emerging Market Credit Research at BNP Paribas in London.

The largest CDS volumes in the Survey during the quarter were those on Brazil, at US$69 billion. EMTA Survey participants also reported US$55 billion in Russian CDS; Turkish volumes followed at US$53 billion. Ukraine CDS was down 55% on a year-on-year basis (and down 23% compared to fourth quarter volumes), as expectations for a debt restructuring mounted.

The EMTA Survey also included volumes on nine corporate CDS contracts, with the highest reported quarterly volume on Petrobras (US$3.5 billion). Participants also reported US$3.3 billion in Gazprom contracts and over $2 billion in Pemex CDS.

For a copy of EMTA's First Quarter 2015 CDS Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or +1 646 289 5413.

Figures in Billions of US Dollars



Central Bank Divergence to Remain a Key Theme, According to Los Angeles EM Investors

MarketAxess hosted EMTA's second annual Forum in Los Angeles, held on Thursday, May 14, 2015. The event drew 50 market participants, with Deutsche Bank providing additional support for the event.

Drausio Giacomelli (Deutsche Bank) began the session by observing that, in recent weeks, the EM debt asset class had suffered as an innocent bystander pushed around by global market events. He asked speakers to detail their "big picture" views to open the event.

Doubleline's Bill Campbell noted that Central Bank divergence remained a key global theme, with the dollar consolidating following the US FOMC change of language on March 18th. In his view, ECB QE was unlikely to end before September 2016, with the Bank of Japan and People's Bank of China also expected to continue easing.

Kristin Ceva of Payden & Rygel concurred, and expected both on-going dollar strength and euro weakness. "The upside to the euro is limited, as the EU needs a cheaper currency," she stated, adding that she had funded some FX positions via the euro. "Expectations [for positive economic data] had been so low that anything had surprised us on the upside, but this isn't likely to continue," she commented.

Blaise Antin (TCW) warned that the possibility that disappointing US Q1 performance could bleed into the second and third quarters remained a tail risk. Market expectations of a US hike in September were starting to fade, in favor of a December hike. "It is not our base case, but it is possible the Fed doesn't raise rates until 2016," while attributing the delayed rate hike for recent euro and EM FX strengthening versus the US currency. Antin added that, after minimal euro-denominated EM issuance in recent years, euro-denominated issuance would probably pick up in the foreseeable future.

Credit differentiation remained an important theme even among oil importers benefiting from reduced pricing, noted Chris Getter (PIMCO). "It is not a case where everything is now screamingly cheap," he affirmed. Antin admitted he had been surprised by the recent rebound in oil from a low of $45 per barrel, while noting the Street had been similarly flat-footed in its pricing forecasts. He underscored that it was important to identify countries with better macro factors and sounder policies, because "the outlook is not so rosy that you can just close your eyes and buy the asset class."

Ceva's firm had performed stress tests for exporters in the case of "lower for longer" oil prices. She praised the Mexican government's pro-active actions, while expressing reservations about Colombia using "accounting gimmicks" on their fiscal responsibility side.

Giacomelli asked if speakers were more concerned by idiosyncratic risks to individual EM countries, or by global themes. In Getter's view, most of the country-specific factors were well understood by the market, and analysts had been doing their homework to understand the risks in each case. Thus, external factors were of greater concern in his assessment.

Los Angeles (continued)

The rise of the middle class in EM countries, and their subsequent increasing expectations for better services and improved government--and growing intolerance of corruption--was a key theme in Campbell's view. Risks associated with disenfranchised EM middle classes, frustrated by the non-delivery of election promises, was important to monitor, and could trend to a more idiosyncratic risk. Ceva followed up that the recent Nigerian Presidential election and its transfer of power was well-received by the market, and the possibility of independent investigations in Mexico also offered hope that corruption could be on the wane in some EM countries.

Ceva noted that she had recently become slightly more positive in her assessment on Brazil, while maintaining limited expectations of structural reforms. The worst case in the Petrobras scandal had been avoided, and Brazil's credit rating was unlikely to be downgraded. The market would also be pleasantly surprised if Brasilia achieved anything near its 1.2% primary fiscal target [see discussion at EMTA's Sao Paulo Forum].

"Are we going to get everything we want in Brazil? No," summarized Getter. However, he noted he was probably more bullish on Brazil than other EM credits. President Rousseff was "extraordinarily astute" and didn't want to leave a tarnished legacy, while Finance Minister Levy was "very credible." Getter expected continued rate tightening "until the Central Bank wrings out inflation."

Campbell maintained a cautious outlook on Argentina. In his view, both candidates Macri and Scioli understand the country's economic issues, but the level of the mandate was an important factor [see EMTA Forum in Buenos Aires]. In addition, Central Bank funding of the deficit remained a concern ("lots of games are being played to get dollars to the Argentine treasury.").

"I'm not pounding the table, but at least there is the possibility of change in Argentina [compared to Ukraine and Venezuela]," stated Ceva. Scioli was the most likely victor in the presidential race, "but it's a black box…as he has been vague about his policies with the hold-outs."

The panelists were evenly divided on Russia. The economy was clearly entering into a recession, commented Campbell, and appeared to be moving to a more closed, Eastern-focused economy. With little signs of structural reform, and risks of further escalation, Ceva would sell Russia. "There are too many risks that you aren't being compensated for," she calculated.

In contrast, Getter noted his firm was overweight in Russia, while agreeing that, "Russian debt had had a decent run, and it is less interesting than it was two to three months ago." Antin voiced that, "the politics are ugly and the geopolitics are bad, but the economic team has made some good moves." His view was "more constructive" although he could not see a removal of sanctions and remained worried long-term.

On Ukraine, Campbell voiced concern that the likely extension of EU sanctions could result in less of an incentive for President Putin to rein in separatists. Giacomelli noted his firm's estimate of a 50% (market-implied) chance that there would be no haircut in the upcoming Ukraine restructuring.

Finally, Antin noted the market had been relatively bearish on Turkey for the first four months of 2015. "There are some improvements under the AKP government, and the economy always seems to grow." He described three possible election scenarios, with the market "seeming to want to believe" in an AKP victory without a super-majority, which would preserve Central Bank independence and no alteration in its mandate. Moderator Giacomelli noted his firm had become more constructive on Turkey in recent weeks.

Turkey's Central Bank Deputy Governor Kenc and Hungarian Monetary Council Member Pleschinger Speak at EMTA's Forum in Vienna

Deputy Central Bank Governor Turalay Kenc and Gyula Pleschinger, member of the Hungarian Monetary Council, participated in EMTA's first Forum in Vienna. The event, which was hosted by Unicredit on Tuesday, May 5, 2015, drew a capacity crowd of 80 EM investors and other market participants.

Erik Nielsen (Unicredit) led the event's panel session, and provided global context for the ensuing discussion. He noted that global growth was entering a "normalization story" with growth of 2 ½ to 4%. US monetary tightening continued to overhang the market, while in Europe there was "no chance" QE would end before September 2016. Finally, global investors were forced to navigate a more complex world in the aftermath of Russia's annexation of Crimea.

Deputy Central Bank Governor Kenc concurred that, while "surprises were always possible, things are generally getting better." Kenc stressed the importance of price stability, and highlighted Turkish Central Bank clarity about its intentions. He also noted that Turkey was preparing for the anticipated divergence between US and EU monetary policy. In his view, the current 10.75% overnight lending rate in Turkey was "the right interest rate for our price stability objective."

Pleschinger noted that Hungary was "a small open economy, so we have to accommodate to what is going on in international markets." He added that "our takeaway from the [recent] crisis was that, after a certain level, the market will solve problems, but in certain special cases the Governments/Central Banks should step in primarily as regulators, or even with intervention." Pleschinger recalled that the Hungarian Central Bank had been quite active in reducing rates between 2012 and 2014 and present market conditions provide the Central Bank with room for further easing; he expected inflation to hit target range in two years.

Fidelity's John Carlson reminded attendees that the US Fed has not raised rates in over a decade. He expected lower growth and lower rates "for longer," citing factors such as lack of consumer demand, and poor demographics (especially in Japan). While bullish on EM sovereigns, Carlson expressed concern that EM corporate Eurobonds could face an uptick in default rates, and cautioned that "too many EM corporate issuances have been with *'covenant-lite'* clauses."

Walter Reihsner of Uniqa Capital Management, acknowledged he also was in the "longer for lower" rates camp, at least for EU rates. Bank of America Merrill Lynch's David Hauner concurred that below-target inflation would result in European QE extending beyond 2016; he forecast two rate hikes in the US in 2015.

On oil pricing, Carlson repeated his comments at EMTA's Dubai Forum that high prices benefited the global economy, as petrodollars were likely to be recycled. In contrast, Nielsen viewed high oil prices as leading to "monopolistic money in a small amount of hands." Kenc noted that Turkey's current account deficit had declined in recent years, and was poised to improve further as lower oil prices fed into the country's accounts (explaining that oil contracts were usually longer-term).

Vienna (continued)

The panel debated investment in Russia. Reihsner worried that President Putin's ambitions could include other Russian enclaves in Europe, and he did not see a near-term political solution. He advised investors to use rallies to reduce Russian debt holdings, and predicted the ruble would trade in a range of 55 to 70 per dollar. Finally, he viewed the current Ukraine IMF proposal as insufficient to solve the country's debt problems.

Carlson took an opposite view, noting his small overweight in Russian sovereign paper (though not corporate debt). He praised the decision to let the ruble depreciate to offset the collapse of oil pricing, and hoped that German Chancellor Merkel could "show leadership [in reducing sanctions]." He concluded that either the US or Russia would "have to back down, and I don't have a clue how this will go."

Hauner did not expect an immediate rebound in oil pricing, and thus assumed Russian FX reserves would decline. In addition, external confrontation would likely be used to maintain domestic political support. Pleschinger recalled that a drop in food prices last year that contributed to negative inflation could be attributed to the sanctions took effect. He however, did not expect Russia to have further effect on Hungarian monetary policy, except that a worsening of the crisis may cause an increase in the risk premium in the whole region. Kenc seconded comments that the flexible ruble exchange rate had "really averted a more serious situation in Russia."

The panel concluded with a discussion of the spillover effects of a Grexit. Hauner feared the precedent of any country leaving the eurozone, while deeming it to be a tail risk. Nielsen agreed a Grexit was unlikely, and drew attention to linkages to Balkan countries; he imagined "the need for credit lines from the ECB, to avoid ripples, even to non-EU countries." In Carlson's view, the market was too complacent about Greece ("they have too much debt and no fiscal policy"), but Pleschinger noted that, nonetheless, Hungary would still one day join the eurozone.

Argentina Update Panels with Market and Legal Perspectives

A discussion of the latest developments in Argentina and its lawsuits in the US and UK took place at EMTA's offices in NYC on May 1, 2015. TPCG sponsored the event, with additional support from Jefferies, Moody's, Nomura, Shearman & Sterling and Skadden, Arps.

Market Panel

Fernando Alvarez de la Viesca (TPCG Group) moderated the market perspective panel and other panelists included Pablo Goldberg (Blackrock Financial), Siobhan Morden (Jefferies LLC), Elena Duggar (Moody's Investors Service) and Javier Kulesz (Nomura Securities International).

In response to Alvarez de la Viesca's questions regarding political scenarios, what to expect of each of the leading candidates, and how things will change generally at the beginning of next year, Kulesz predicted with a 55% certainty that Scioli will be the next President, increasing to 75% if there's a second round of elections. With 30% of the population supporting a Peronist candidate no matter what and another 30% voting the opposite, the remaining 40% was critical. The state of the FX market and China swap was also crucial to the election results, and he said that the country was stable, with consumption showing recovery and inflation not getting worse. However, Scioli will find it difficult to change policy in as radical a way as Argentina needs, with the market developing complacency about what to expect in Argentina.

Morden was positive on Scioli, who had a "decent economics team and a good track record as an executive [in the province of BA]". She suggested that the way to fix Argentina's economics problem was to reduce subsidies, which was more difficult to accomplish without additional supporters. She questioned Scioli's political commitment and used Brazil as an interesting comparison of a country with the party infrastructure to make necessary adjustments.

Goldberg posited that it was "all about timing", how long it would take the new administration to change what's needed, with market and social conditions at play and a significant amount of external shocks that could occur to affect Argentina. If change is too quick, it may lead to problems.

Responding to the macro challenges and risks before and after the election, the context and timing of curing the default, the impact on reserves and the tradeoff of financing or fixing the macro imbalances, Morden claimed the main focus was on hard currency, with Argentina muddling through to try to prevent a decrease in gross FX reserves. The market can forgive huge macro imbalances if they are temporary, credit relations are normalized and there is a modest degree of change at least. Sourcing through China will keep the reserves stable. Argentina can either fix its problems (with a high political cost and gradual macro fix) or finance its problems. There is a nationalist campaign against paying out the holdouts. Argentine prices have held relatively high because of the small number of investors involved who think the default will be cured. However, she thinks the interim stability engendered by this sentiment is only temporary. The threat of acceleration by exchange bondholders was more imminent now. If Cristina's successor does not deal with these challenges, the backlash will be severe.

Goldberg felt that Argentina was opening the restrictions to access money that was coming into the market, while the market was hopeful that a significant amount of supply will be available. What occurs in Brazil and with oil prices is relevant, and a significant investment in oil will be viewed as a positive. He doesn't see much political cost of a deal with holdouts if spun correctly.

Kulesz stated that Scioli knew the well-diagnosed challenges, but may not have much leeway to adjust policy if Cristina's supporters make waves, and will have difficulty dealing with the "hot potato" of the holdouts.

Argentina (NY) (continued)

Turning to investment strategies and the following questions posed by the moderator: What can surprise the markets? Are sovereign USD Argentine law bonds at risk? What are the risks of supply? How can an increase in supply impact holdout litigations and what repercussions will it have for the rest of the creditors? How will investors react? How to trade Argentina considering these risks? What are the bond strategies for convergence trades? Can and will Argentina issue debt before the elections as we've seen with the Bonars 24?

Goldberg stated that the market underestimated the amount of supply, with debt servicing at $9 billion in interest and amortizations in the next year. With $2 billion of holdout debt, $10 billion of "me, too" debt, $3-5 billion of distressed bondholders coming back into the market and $5 billion of pent-up demand, there is over $30 billion of new supply for real money managers. Some of the bonds are in indexes, while others aren't, so many will have to be governed by New York law and be subject to Judge Griesa's orders. "It's a question of timing, the longer it takes to resolve [the litigation], the higher the hurdles through compliance and credit to buy those bonds".

Morden posits that whether this supply can be absorbed also relates to price, with modern regime change as essential, but macro change to fix imbalances also a necessity. She views Kicillof being part of the team as a negative, as would Scioli being squeezed out by a leftist regime. She felt it difficult to assess the legal risks of the Bonar '24's being considered external indebtedness subject to Judge Griesa's injunction, but based on her reading of the last transcript of the hearings it probably wasn't a big risk since there didn't appear to be a commitment on the judge's part to include them.

Kulesz understands that in order to create stability the Central Bank is issuing dollar Lebacs to the financial sector at relatively high rates. A positive market surprise would be if Massa strikes a deal with Scioli and the opposition becomes united to run against Scioli. He too thinks the inclusion of Kicillof would be a negative. The risk that the Bonar '24s would be viewed as external debt is low (although not zero).

Duggar responded to the following broader Issues: What is the fallout from debt litigation in Argentina for other sovereigns? What are the direct implications from the discovery and *pari passu* case rulings? What is the impact of the IMF lending framework reform? What are the implications from a sovereign rating perspective of the recent ICMA modifications to sovereign bond contracts (CACs and *pari passu* clauses)?

She doesn't think there will be much of a direct impact of a precedent-setting nature for other countries because the *pari passu* court ruling seemed to focus on Argentina's unique set of circumstances and behavior. However, the discovery case may affect the sovereign debt restructuring framework more as bondholders may be permitted to seek information relating to a sovereign's foreign assets and global financial transactions (not just the US ones). The ease of obtaining this information, together with possible improved recoveries, will have broader implications for other sovereigns.

The indirect fallout from the *pari passu* case relates to two reforms – IMF's lending reform proposals (which provide for extension of maturities if the sovereign has lost market access and the IMF considers the debt sustainable but not with high probability, and upfront debt reduction if the IMF considers the sovereign debt unsustainable) and ICMA's modifications to CACs (by introducing aggregate CACs, requiring a majority vote across all series of bonds) and *pari passu* (stripping out the ratable payment interpretation to eliminate the Argentina-style litigation) clauses. The devil will be in the details of the final IMF proposals later this year. With respect to the ICMA clauses (supported by the IMF and IIF), an increasing number of new bond issuances contain such clauses, but the modified clauses are unlikely to impact significantly the occurrences of default, where the vast majority of cases hinge on capacity, not willingness, to pay, nor will there be many instances of recovery impacts (as litigation is lengthy, costly and risky). So, there will be no ratings impact of these modified clauses, with few exceptions.

Argentina (NY) (continued)

Legal Panel

Arturo Porzecanski (American University) moderated the legal panel, and other panelists included Matthew McGill (Gibson, Dunn & Crutcher LLP), Henry Weisburg (Shearman & Sterling) and Timothy G. Nelson (Skadden, Arps, Slate, Meagher & Flom LLP).

After Porzecanski summarized the main concern of the market panel (namely, "will the Boden 2015 bond get paid?", Weisburg provided a summary of the *Pari Passu* and Discovery decisions handed down by the U.S. Supreme Court last year, and the importance of their ramifications for the future. He reminded the audience that the 2014 injunction enforcing Section 1(c) of the 1994 Fiscal Agency Agreement (FAA), following the denial of certiorari by the Supreme Court in June 2014, only extended to exchange bondholders, and judges generally are not prone to extend their orders beyond what they're asked to do in the relevant filings. Argentina chose not to pay the holdout creditors, and thus its payments intended for exchange bondholders were blocked; a Special Master was appointed to mediate, but it was to no avail; Argentina was held in contempt in September; and Bank of New York was removed by Argentina in its role as trustee. Weisburg also summarized the decision under the Discovery case as stripping a post-judgment sovereign of its alleged protections under the Foreign Sovereign Immunities Act (FSIA) in connection with discovery requests.

At present, the issue raised by Citibank was whether USD-denominated Argentine law bonds fell within the injunction. Judge Griesa held that they do because (1) the bonds were offered on the basis of the 2005 and 2010 prospectuses and (2) he was enforcing the FAA in that these bonds were considered "external indebtedness" (i.e., they were not in the local currency and were offered to investors outside Argentina).

Meanwhile, the "me, too" litigants (reportedly, 525 plaintiffs holding more than $5 billion of unrestructured debt, 495 of which already have judgments in their favor) asked Judge Griesa for *pari passu* ratable-payment injunctive relief, and those cases were ripe for a decision. The archaic Merger Doctrine will probably be raised by Argentina as a defense against these "me, too" plaintiffs, as it provides that all rights under the FAA (including presumably any clauses within it, such as the *pari passu* clause) have been extinguished and merge with the judgments these plaintiffs have acquired through their previous lawsuits.

In response to Porzecanski's question -- what are the legal and other implications of Argentina's recent reopening of its Bonar 2024 bonds, by which the government raised about $1.4 billion at a yield of almost 9%, with about 85% of total allegedly provided by foreign investors? – Nelson found it difficult to provide predictions, but recognized the possibility that plaintiffs would attempt to investigate the issuance through their discovery rights. However, he also observed that the Supreme Court did not address whether the use of a subpoena to obtain worldwide discovery of assets outside the US was proper. He observed also that the March 2015 order by Judge Griesa concerning the scope of the *pari passu* injunction presented some important issues for custodians and other market participants concerning who may be viewed as acting in concert with Argentina.

Weisburg clarified that the injunction did not bar fund-raising, though it deals with payments, and he didn't think the sale of securities like the Bonar 2024 would be barred by the injunction or the *pari passu* clause.

McGill, who represents NML, explained that the Court of Appeals offered wide-ranging discovery powers (not meant to be punitive) against Argentina and third parties to ascertain where Argentina's global assets may be attached. He disagreed with Weisburg and thought that the Bonar '24 reopening did fall within the "external indebtedness" definition in the FAA, and was thus subject to the injunction because the bonds were not offered exclusively in Argentina and were not "domestic" for indebtedness purposes. Even if the intermediaries are the ones offering the Bonars outside Argentina, the definition of "external indebtedness" was not intended to exclude billion-dollar global offerings.

Argentina (NY) (continued)

Porzecanski asked the following questions: In light of this 2024 reopening and related holdout-creditor countermoves, does the repayment or refinancing of the $6 billion-plus in Boden 2015s which mature in October look more or less feasible now, at least from a legal point of view? And, even if there is an attempt to swap the Boden 15s for the Bonar 24s, how feasible is that, given that the 15s are held all over the world?

Weisburg stated that the issue of whether a certain debt was considered "external indebtedness" or not was purely a factual question, and he thought that the timing was rather short to litigate the issue before October, especially in light of Judge Griesa's proclivities to take time off during the summer.

Nelson was not prepared to make predictions as regards those particular bonds, but observed that there was still an argument that the bonds payable in pesos, in Argentina, are not presently subject to the injunction.

In response to Porzecanski's query -- Given that investors seem to be pricing-in a resolution of the Argentina holdout and default problems, what is your assessment of the status and prospects for and integration of the "me, too" litigation and for the arbitration cases pending before ICSID (at least 50,000 Italian retail bondholders are involved), including on the part of holdout bondholders? – McGill delineated two tracks: (1) "Me, too" *pari passu* litigants are independent of the settlement discussions since most of the legal motions have already been decided. The Merger Doctrine had applied in contract law, but he doubted that this is a situation of injunctions being stayed for years since the *pari passu* issue was resolved by the Second Circuit twice. (2) Regarding the settlement path, the Rufo clause was raised last year as a hurdle by Argentina, but, now that the clause has expired, it is necessary that all holdout debt be included in the injunction. However, Argentina has not disclosed information on who all those creditors are. The Special Master can resolve all these claims, the "me, toos" can be included, but it may be best for Judge Griesa just to resolve the causes of action brought by the original plaintiffs, at least for now.

Nelson posited that having the "me, toos" join the injunctive order might increase the risks associated with the order, in that it broadens the pool of bondholders who might seek to use the injunction against third parties. He observed that the Merger Doctrine operates such that, if a contractual debt is reduced to judgment, then the contractual obligations are merged into the judgment; if applicable here, this is an argument against the grant of the *pari passu* relief to judgment creditors.

Nelson also observed that there is the potential for certain Italian bondholders to obtain an ICSID award this year, in the arbitration proceedings brought under the Italy-Argentina investment treaty. ICSID awards, however, are generally issued as money awards, not as injunctive relief. Thus, while ICSID awards can be enforced as final judgments in member states, including the United States, it is difficult to say whether one additional money judgment will significantly change the current picture in New York.

And regarding Porzecanski's final question -- What are your reflections on the application of discovery powers since they were authorized last year against Argentina, both from a legal and a practical point of view? – Weisburg claimed that any judgment creditor was entitled to those discovery powers against financial institutions (regardless of the Supreme Court's decision), and that the discovery mostly focused on those financial institutions, not Argentina. Nelson agreed that, regardless of the legal debate, from a commercial perspective, this is what judgment creditors do, and it's a fact of life. McGill, on the other hand, emphasized that the Supreme Court decision regarding discovery against Argentina was very important, with the possible next step being sanctions for failure to provide information, and maybe even the next frontier cause of action brought on the grounds that government-owned banks and of companies which are not providing information are thereby the "alter egos" of Argentina.

EMTA Spring Forum Speakers Expect Markets to Absorb Eventual Fed Rate Hikes

HSBC hosted EMTA's Spring Forum in New York City on Tuesday, April 28, 2015. A capacity crowd of 150 EM market professionals attended the event, which covered global economic trends as well as country-specific topics.

Ben Laidler of HSBC moderated the event's panel discussion, first polling analysts for their views on the prospects for Fed hikes, as well as the notable reversal in recent days of the dollar. Schroders' Jim Barrineau suggested that the much-anticipated hiking cycle in fact already began (at least in its effects) during the 'taper tantrum' of spring 2013, when financial market participants first recognized the eventual demise of the low-rate, high liquidity global environment. The market will adjust to increased US rates because FOMC actions will be gradual, and the actions won't be aggressive, in his view. Paul DeNoon of AllianceBernstein concurred, adding that the reduced US liquidity would likely occur in the context of continued loose monetary policy in the Eurozone, Japan and elsewhere.

Alberto Bernal (Bulltick Capital) predicted that US rates would remain unchanged until December 2015 at the earliest, although future weakness in US employment data could still lead to a continuation of the 7-year "Goldilocks" scenario. "People are too bullish on the US economy," he stated, and underscored frugal consumer spending. Bernal retained a more dovish US$ forecast, with 1.15 euros per dollar (and 2.7 BRL per dollar) at year-end, with UST 10-years at 1.75% in December.

Fitch's Shelly Shetty praised Latin American sovereigns for both allowing their currencies to depreciate, and maintaining the financial buffers they have accumulated. However, dollar strength could have implications -- "we have to take a look at how local currency weakness will affect public debt dynamics," she stated.

The panel addressed the overnight announcement of additional Chinese measures to loosen monetary policy, with DeNoon labeling it a positive development and likely sufficient to quash "hard landing" fears. He anticipated 6.5% Chinese growth in 2015. "The Chinese move will stimulate the economy in ways that had not previously been expected," noted Barrineau. "While it isn't exactly QE or LTRO, it is a more aggressive use of monetary policy – and it makes Chinese assets more interesting," he concluded.

Laidler asked for panelists to address the slump in oil prices. Shetty observed that this shock affected sovereigns differently. Highly speculative, oil-dependent sovereigns were moved to negative outlooks (including Angola, Gabon and Nigeria); while investment-grade exporters have performed better, due to their fiscal buffers and pro-active policy responses. DeNoon argued that the oil price drop highlighted the importance of floating exchange rates as a buffer to external shocks.

Spring (continued)

Was political risk in the markets increasing? DeNoon acknowledged a sense of rising political concerns, while acknowledging that political risk was part of EM business. A change in client mandates arising from geopolitical or ESG concerns are factors that a portfolio manager had to consider. Venezuelan political issues were of greatest concern to Shetty, while protests in countries such as Chile were deemed to-be-expected “growing pains” of the country’s economic transformation.

Barrineau remained skeptical on Brazil, while allowing that the new economic team could potentially make huge headway. Despite recommending that “you have to be involved,” he wasn’t prepared to “bet the ranch on it yet.” DeNoon and Bernal believed that the government would be able to make sufficient fiscal progress to avoid a ratings agency downgrade. Shetty noted that Brazil, at BBB, was not at risk of losing an investment grade rating , although many of its economic statistics were weaker than comparably-rated credits.

Mexico’s energy reforms were a “historic transformation” in Shetty’s opinion, and Barrineau seconded that they would be President Pena Nieto’s legacy. Shetty praised the government for being proactive in cutting spending as a response to the oil price slump, and for considering 2016 cuts as well. Barrineau deemed oil weakness as less important than the reform measures, which will eventually lead to increased FDI flows to Mexico.

Most speakers echoed comments at EMTA’s recent Buenos Aires forum that regardless of the winner of Argentina’s October elections, progress would eventually be made in resolving the sovereign default situation. Barrineau, however, expressed concern at the market’s “over-bullishness,” and commented that “some in the market are under-estimating the scope of Argentina’s economic problems.” He also cautioned that Argentina tended to “jam the market” with huge supply whenever it could. Shetty noted that Argentina would likely emerge post-default with a highly speculative grade rating.

“People ask me when Venezuela will blow up,…but it already has blown up,” cautioned Bernal, who sited the country’s dramatic economic deterioration. He viewed the credit as a potential short–term trade but emphasized that the current situation “will end badly, and not on a democratic basis.”

Argentine Elections the Focus of EMTA Forum in Buenos Aires

EMTA's Annual Forum in Buenos Aires took place on Thursday, April 16, 2015, with over 200 market participants in attendance. Puente hosted the event, which was held in Spanish with simultaneous translation into English.

Alejo Costa (Puente) moderated the discussion. During the panel, Costa raised both global and Argentina-specific topics for his speakers to address.

Deutsche Bank's Gustavo Canonero suggested that 2015 would be a less interesting year for Argentina, but would foreshadow more important changes in 2016, when a new presidential administration takes office. US rate hike policy would obviously be the main global economic driver, he said, and the sustainability of US growth remained an important issue to be determined. Canonero expected US rates to be raised by 250 bps in the upcoming tightening cycle, but revealed he was more concerned about the effects of a stronger US dollar than worried about US rate hike spillover. He forecast world economic growth at 3.4% in 2016, with Europe and LatAm among the laggards.

Daniel Canel (Ad Cap) believed that the US FOMC itself remained confused about when rate hikes should commence, although he brushed off major concerns about ramifications; "the market will be able to absorb it," and he "would not be surprised" if the UST 10-year still yielded below 2% in December. Canel did, however, warn attendees about possible developments in Greece, with its upcoming debt payments and public statements from its anti-austerity government. Canel also stressed that investors should be up to date on developments in neighboring Brazil. Gabriel Arguissain (Consultatio) noted that, when the US finally raises rates, it would still occur in the context of great global liquidity.

The upcoming Argentine presidential election was discussed at length. In Canel's view, there was a risk that, if the opposition wins, changes might be too fast; if Peronists remained in power, changes could be very gradual. In any case, it would be premature to forecast what the new policies would be. Canonero surmised that all politicians, wanting to be re-elected, would be inclined to act quickly, so they can blame any changes as necessary corrections to an "inherited problem." Speakers largely agreed with Lionel Modi (Origenes) that the economic status quo would continue until October.

There was unanimity that resolving the hold-out issue should be its top priority for the incoming government, although it would also have to address inflation, fiscal policy, FX controls and labor issues, including a bloated public sector. Canonero believed that a strong mandate would greatly assist a new president in explaining changes in economic policies, and reducing social tensions.

Buenos Aires (continued)

Arguissain was unsure whether Argentine society might be ready for a shock solution, rather than a gradual approach. "If shock therapy means people will be poorer, taking away subsidies will not be popular." He argued that depreciation of the ARP should be part of a comprehensive program to restore growth and exit the "quasi-closed" economy that has resulted from Argentina's post-default isolation.

Other topics included the potential of a voluntary swap of Boden '15 bonds, the continued legal proceedings against the Republic in New York courts, the main risks to investing in Argentine bonds, and how asset prices would react to a victory by each candidate.

Brazilian Inflation-Targeting Regime and Prospects Under Finance Minister Levy Dominate EMTA Sao Paulo Panel Discussion

Following EMTA's New York seminar on Brazil, a panel of Brazilian experts gave their own perspective at EMTA's Annual Forum in Sao Paulo. The event was hosted by HSBC on Tuesday, April 14, 2015 and drew a standing-room only crowd of over 100 market participants. Simultaneous English translation was offered for the Portuguese-language panel.

Constantin Jancso (HSBC) returned to his role as leader of the panel discussion, covering such topics as credit ratings, inflation targeting, and fiscal adjustments. Jancso noted that when his firm had earlier predicted a 1.2% contraction in Brazilian GDP in 2015, the estimate had seemed pessimistic; but later, the Street had more or less come to a consensus around this figure.

Rafael Guedes (Fitch Ratings) provided commentary on the factors behind Brazil's credit rating, following his firm's recent adoption of a "negative outlook" on Brazil's BBB grade. Guedes noted that the country's fiscal account had deteriorated sharply in the run-up to the presidential election, but that new measures were being implemented in the new administration. This was a "challenging moment" for the new team, and was occurring in the context of weakness in the economies of Brazilian trading partners, such as the EU and China. "We need another agenda of economic reforms," he concluded.

Luiz Fernando Figueiredo (Maua Sekular) predicted a 1.5% contraction in growth, with a slightly positive growth figure in 2016 "if confidence improves." He added that 2015 was a year "when fiscal and quasi-fiscal adjustments, tariff changes and other measures must all be made, as well as a more active monetary policy." Figueiredo expressed concern that confidence measures remain low, and questioned whether they would be only temporary in nature.

Professor Afonso Bevilaqua (PUC-Rio) analyzed Brazilian inflation. "The economy is in a downturn, but that is no reason not to fight inflation," he emphasized, underscoring that "even in the context of small growth, inflation is a challenge because high inflation in recent years has lead to high inertia." The Central Bank needs to focus on the 4.5% inflation target "no matter what," and not allow it to rise to the upper band of tolerance levels as it did previously. "We all know the solution…monetary policies must be calibrated to achieve the 4.5% target," he asserted.

Figueiredo concurred that the Central Bank should focus on the inflation target, and saw renewed seriousness about this goal as a reason for optimism. While conceding that he had forecast inflation in 2016 at 5.6%, he didn't rule out that the Central Bank could achieve its target with proper policies. "There is uncertainty, but there are good signs that the Central Bank is taking steps to bolster its credibility," he concluded. Moderator Jancso noted his own forecast was similar, at 5.5% inflation.

Guedes also underscored the importance of being able to deliver on the inflation goal. "4.5% inflation is not an aggressive target at all…and has been a stable target over the last ten years, with the goal of reaching global levels," he stated. He also spoke on the need for Brazil to achieve at least 2% GDP growth, saying anything below 1.5% would not be enough to sustain the country's debt dynamics. Investment in technology was paramount.

Sao Paulo (continued)

In Bevilaqua's opinion, the appointment of Finance Minister Levy could be the turning point for the restoration of the growth process in Brazil, as the government was attempting to correct the fiscal deterioration of the last six years. Although the crisis phase seems to have ended, Levy would face political challenges that needed to be addressed before the recovery phase began, he believed.

Figueiredo also addressed risks to the Brazilian economy. Now that more sound economic policies were being enacted, the risk remains that these changes would be reversed, although chances of that were declining in his opinion. Congress' acceptance of the permanence of policy changes, including fiscal adjustments, would be a crucial factor. Bevilaqua noted that US rate hikes also remained a risk to Brazil, especially if the transition was abrupt.

The delay in US rate hikes has bought some time for Brazil's necessary adjustments, Guedes commented, but the new economic team knows it has work to do. Debt levels were too high, and short-term adjustment needs were of greatest importance. "Now that it isn't raining in the house, we need to fix the roof before it rains again," he asserted.

EMTA NYC Panel Contrasts Brazil's Petrobras Scandal with Well-Received Appointment of Finance Minister

A standing-room only crowd attended EMTA's Special Seminar on Brazil, held at EMTA's midtown New York office on Thursday, April 9, 2015. The event was made possible with the support of Bank of America Merrill Lynch, CIBC and Goldman Sachs. Alberto Ramos (Goldman Sachs) moderated the session, and led speakers through a discussion of Brazilian economic and political challenges, as well as the on-going Petrobras scandal.

John H. Welch (CIBC) described Dilma administration policies as a "lighter version of what Brazil did in the 1970s, when they ran the country into the ground." Left with no alternatives, the President had wisely appointed Finance Minister Levy and Planning Minister Barbosa, but the political situation was quite complicated as the President's own PT party would oppose their initiatives.

Welch added that there will be a "three-ring circus" in Brazil in the coming months, not only due to affaire Petrobras, "but because of other scandals you don't yet know about—in the railroads, the Brazilian tax authority, BNDES and even three large state pensions which have run a deficit over the past three years." On the other hand, Welch noted that he had become more constructive on Brazil though he was not ready to recommend it, noting among other factors that inflation was peaking and tightening monetary policy will support the BRL. "I do think we will get some decent recovery in Brazil next year," he concluded.

Corporate bond expert Anne Milne (Bank of America Merrill Lynch) pointed out that slower economic growth would hurt domestic demand, and thus be negative for many Brazilian firms. The weaker BRL was also a short-term negative factor for the majority of Brazilian corporate issuers.

"After four years of disastrous economic policy, the President has come up with a huge positive shock in her appointment of Minister Levy, and the Central Bank hike was a positive shock too….but these were stopped because of the Petrobras scandal, and this uncertainty overhangs everything," asserted Ruggero de'Rossi (Federated Investors). He added that, in an environment of low growth and falling confidence, the appropriate policy mix was one of fiscal tightening and monetary easing. Finally, a resolution of the Petrobras investigation was a prerequisite for greater investor optimism on Brazil.

Loomis Sayles' Dave Rolley, the self-described "token crossover investor" on the panel, lamented that Brazil was likely to face its worst GDP growth in 25 years, with a contraction of 1.5% in GDP possible this year. "For the first five years, policymakers could have done the right thing but didn't want to; now they want to do the right things, but we don't know if they can," he stated.

Brazil (continued)

Moderator Ramos concurred that Brazil now had a "super credible Finance Minister, but he doesn't walk on water; he will be challenged to deliver a significant adjustment against a backdrop of declining real activity and complex political reality." Ramos thought a 1.2% primary fiscal surplus was possible, although he warned that the quality of the adjustment could be poor if skewed excessively towards tax hikes and large cuts in public investment. Welch noted he was not yet convinced this target was achievable.

Rolley expressed disappointment that Brazil had little to show for the commodities boom of prior years. "They took the terms of trade gift and spent it; most of it was consumed…now they are going to have to channel their 'inner Germany'…and crush domestic demand," he asserted.

Brazilian corporations were no longer the lowest cost producers in the commodity business, and had overextended themselves according to Milne (who underscored that most companies had leverage of over 3 times, with the average gross leverage now being 4.8 times, excluding Petrobras which is over 5 times.) The weaker BRL and softening commodity prices were other concerns, while, on the positive side, most companies had high liquidity and non dollar-generators had largely hedged their interest rate exposures. She saw the pulp and paper and protein sector as likely outperformers.

If Petrobras can't produce its audited financials by April 30th, Milne expected credit downgrades and a potential technical default. Any bond acceleration would be a "huge negative for both Petrobras and Brazil," she stated. Petrobras needed a scaled-back business plan and higher domestic prices (due to the majority of their output being sold domestically).

In Milne's view, the market had priced in most of the good news but little of the bad news, and she believed Petrobras should be downgraded to sub-investment grade. De'Rossi provided a contrasting view, stating that the market was pricing in a 30% chance of a technical default, and suggesting that the market was in fact pricing in some of the potential negatives.

Moderator Ramos and de'Rossi concurred that fair value for the BRL was 3.1 to 3.2, with Ramos stating that the currency could well move towards a weaker level of 3.4 to 3.6 ("having a somewhat weaker than fair-value currency is quite frequent in the initial stages of a macro adjustment") and de'Rossi seeing 3.0 possible if the Petrobras affair was put to bed in a positive way. Rolley commented that the government needed to continue to let the BRL be a shock absorber.

Rolley warned the audience not to be complacent at the potential effects of credit downgrades to either Brazil or Petrobras. "Many large accounts, sovereign-wealth type size, have given investment-grade only mandates; and you will find many haven't already sold their bonds if Brazil or Petrobras gets downgraded [below investment grade]," he affirmed. Milne speculated that a downgrade of Petrobras could lead to a forced selling of up to $5 billion in the corporation's external debt.

The panel discussed how to trade Brazil. For Rolley, in an era of low oil prices, and a wide variety of additional corporate investigations, Brazilian equities might be an interesting trade, with Brazilian oil a potential contrarian recommendation. Milne favored the middle and long end of the curve for corporates for the biggest pick up over Brazilian sovereign debt.

Panelists concurred that an impeachment of President Dilma, despite the country's loose definition of what could lead to removal of a President, was not in the interest of the opposition. Instead, speakers agreed that political opponents would prefer that Dilma absorb the cost of lower living standards.

Importance of Reforms and Liquidity Debated at EMTA Investor Forum in Boston

Approximately 85 EM market participants attended EMTA's Investor Forum in Boston, held on Wednesday, April 1, 2015. The event was sponsored by MarketAxess, with additional support provided by Santander.

Alejandro Estevez-Breton (Santander) moderated the session through a discussion of global trends, as well as challenges for, and opportunities, in EM. In his introduction, Estevez-Breton highlighted the divergence theme between EM and DM, with EM growth decelerating vs. DM acceleration, US rate tightening vs. easing at most other Central Banks and the 'winners' and 'losers' of the oil price decline . Given such recent developments, it was impossible to pick an absolute bottom in the recent EM sell-off, and "it isn't over yet," according to Tom Cooper (Grantham Mayo and an EMTA Board Member).

Heather Hagerty (Fidelity) discussed the US rate outlook, which she considered unclear. "The dots have come down, as they should, because the data has disappointed. Weather clearly has something to do with the poor Q1 economic data, but how severe of an impact the USD has had is what concerns me."

Alex Kozhemiakin (Standish Mellon) argued that sanctions on Russia were unlikely to escalate. "The West doesn't have the stomach for sanctions that really bite; it reminds me of my own ineffective parenting skills as a father of four!" he lamented. In Kozhemiakin's view, greater pain had been inflicted on Russia by the decline in oil pricing. In response, Moscow has prudently devalued the ruble, "and President Putin has been able to do so without a dent to his popularity at home by convincing many Russians that the weaker Ruble is due to Western aggression." Kozhemiakin didn't anticipate Russia shaking its dependence on oil exports.

The slowdown in global trade and capital flows was also addressed. Estevez-Breton noted that intra–EM trade could be depressed by increased vertical integration in China, as well as by the move to regional free trade agreements rather than global treaties. Eaton Vance's Michael Cirami observed that much soul-searching for a new growth model was occurring in EM countries in the post-Washington Consensus era. Getting the right policy mix was a challenge for EM countries, and the emphasis on consumption-led growth and away from export-led growth was, in his assessment, a good decision.

Hagerty and Kozhemiakin discussed the importance of liquidity. "As a crossover investor, liquidity is paramount for me," Hagerty stated, while in Kozhemiakin's view liquidity was an important, but not supreme, factor in investment decisions. "Liquidity has evaporated, but not just in EM, it has dried up in other markets like High-Yield as well," he added.

The panel reviewed whether markets had been too sanguine in their assessment of reform prospects for countries such as Mexico. "I'm not disappointed at all in Mexico's reforms," Hagerty declared, and ruled out any backtracking on energy sector liberalization. She argued that the current administration remained committed to implementing energy sector reforms despite low approval ratings, and that Mexico deserved to be an A-rated country.

Cirami underscored that countries implementing economic reforms were welcome in his portfolio, and added India and Serbia ("local debt, not the greatly overvalued external debt") as potential buys. In contrast, Cooper affirmed that "India's spreads are so tight, it's hard to get excited about it; there is so much room for improvement and so much risk of backsliding."

Finally, speakers assessed a number of additional EM credits. Kozhemiakin saw the chance of a downgrade of Brazil at 30%, and "didn't see much value" in Ukraine which he noted he hadn't owned for two years. Cooper viewed Venezuela as "a train wreck…but the bonds have gone as low as they can before a default…so there is a lot of upside if they pay."

EMTA Russia/Ukraine Panel Debate Effects of Sanctions, Oil Pricing, Ratings and Ruble Depreciation

EMTA organized a Special Seminar on the Russia/Ukraine situation on Thursday, March 26, 2015. A crowd of 125 market participants attended the event at Skadden Arps' office in the Canary Wharf section of London. Barclays provided additional support for the event.

Andreas Kolbe (Barclays) moderated the discussion, and introductory remarks posited significant liquidity cushions, with current valuations on Russian fixed income products being "generous." He noted that the coming year would be a challenge, with most economists forecasting a 4% contraction in Russian GDP in 2015.

Kolbe polled investors for the possibility of a positive catalyst emerging to bolster Russia's fortunes in the near- and medium- terms, but neither Stan Gelfer (BlueBay Investment Management) nor Anna Shamina (JPMorgan Asset Management) expected any dramatic improvements. "In the near-term, oil will be the driver, fundamentally," argued Shamina who noted that the ruble's flexible exchange rate would mitigate some of damage in the Russian economy, although she didn't see depreciation as a panacea. Kaan Nazli (Neuberger Berman) stressed the importance of market technicals, such a strong local bank bid in Russia, which he saw as supporting Russian credits.

Jamie Boucher (Skadden Arps), the panel's legal expert, provided her assessment of current EU and US sanctions on Russia. She was more hopeful back in February that discussions would lead to progress, but that hasn't materialized. With the US and EU extending sanctions and leaders swearing there could be no roll-backs until all terms of the Minsk II Agreement were met, it was unlikely that sanctions will be diminished in the near-term. As a representative of many financial institutions that have been caught in the crosshairs, she emphasized that "in an era of $9 billion penalties being imposed on banks for violating other sanctions, the risk tolerance by institutions is not low… it's negative." The uncertainty of the future direction of sanctions not only fostered very low risk appetites, it also translated into increasing efforts by clients to analyze sanctions, "so it's not just business as usual…sanctions are having significant impacts."

Investor panelists expressed skepticism whether Russian officials would make progress in diversifying from their oil dependency even though a weak ruble could facilitate the promotion of other sectors. In Gelfer's assessment, the Ministry of Finance was trying to make the case for diversification, having learned from past crises. "Falling wages will open up room for investment, but real wages rise quickly in Russia," he stated.

Shamina admitted that she wanted to be optimistic about diversifying the economy; "it won't be quick or massive; but any small amount of change is progress." The ban on some food imports might give a boost to local food production, in her view. Nazli added that defense procurement would also be a robust sector in the current environment."

On potential spiral of future sanctions and triggers, Boucher noted the move by some US Congress members to adopt greater sanctions against Russia, although she personally saw unilateral US sanctions as less effective than a broader, multilateral approach. Boucher believed that the US administration would continue to focus on state-owned entities, and that the energy, financial and defense sectors had been most affected to date. However, if pressure were to be increased, Russian equities or reducing the tenor of permitted debt issuance could be future policy steps. She opined that greater, sectoral sanctions were difficult because of the size of Russia's economy and tend to have enough "grey in them" to be subject to interpretive risk, especially since they've never been implemented before.

Russia/Ukraine (continued)

With Kolbe observing that sanctions and reputational risk were “holding some investors back,” speakers reviewed the role of sanctions in affecting their investment decisions. “They have become an issue for every legal and compliance department; more questions are being asked about Russian exposure and the thought that the West couldn’t hurt Russia with sanctions was no longer prevalent,” affirmed Nazli, who added that any escalation to ban Russian corporate financing for under 30 days could have a huge impact. Gelfer’s firm had increased disclosure to clients to address any concerns, and commented that he saw the possibility of sanctions being strengthened was decreasing, and, in any event, sanctions didn’t seem to be affecting pricing as much as one would expect. Shamina argued that it was difficult to predict the “when and what” of sanctions changes, so as a portfolio manager her time was better spent on focusing on liquidity and fundamentals.

On credit ratings, Shamina stated that the sovereign downgrade to a sub-investment grade rating “makes my job easier; the worry about a downgrade is off the table.” Gelfer was now seeing increased European high-yield interest in Russia, although Russia being cut from industry indices “would be a different story,” and significant capital controls would “matter more.”In Nazli’s view, any Russian corporates that could avoid a downgrade were in a relatively good position.

Turning to Ukraine, Gelfer voiced optimism on the current IMF support program. “It is much better than the first time around, and the technocractic side of the government is more impressive in the Central Bank, Ministry of Finance and judicial branches than even six months ago,” he declared. Gelfer judged the current program would suffice for Ukraine to return to sound financial footing, provided that the “situation in the eastern part of the country is frozen.” Nazli expressed reservations on the political commitment to the program in Kiev, pondered whether a Greek-like movement of goal posts would occur and posited that “desperate times need desperate measures.” Shamina viewed the proposed debt operation as “ambitious and one big IF” and underscored that the Ministry had been adamant there was no back-up plan. Although it insisted that failure was not an option, the Minister would have a “struggle convincing investors.”

In Boucher’s view, a frozen conflict would not be enough to end sanctions. “Both the EU and the US have been clear that nothing is being rolled back until the Minsk II Agreement is implemented,” she observed; they are the “tool of choice and an alternative to sending troops and providing weapons,” which have greater consequences. On the question of whether investor’s perspectives would change if US sanctions became more stringent than the EU’s, Boucher remarked that big global banks have made commitments to adhere to the US sanctions laws, even if they were not technically obligated as non-US banks. Nazli speculated whether a Cyprus-like EU solution were possible, with one regime being applied to an occupied part of a country and a different one applied to the non-occupied area; although, he quickly added that Moscow would not welcome such a development.

Russian participation in Ukraine’s debt restructuring was important, in Shamina’s view, but more so was the acceptance of the terms by the Ukraine’s other creditors; “that is the first priority,” she declared. She found it unlikely for Ukraine to join the EU in the near- to medium-term future. Nazli viewed geopolitical ambitions as much more important to Russia than its $3 billion repayment prospects.

The panel also provided opinions on whether Ukraine would meet its IMF deadline. Gelfer was optimistic that a deal could be concluded in time, and believed that current pricing reflected likely exit yields. Shamina and Nazli considered the timing “challenging,” with Shamina seeing upside only if bond prices fell an additional 5-6 points to have upside potential.

All views expressed were those of the panelists, not their organizations.

EMTA previously hosted events addressing the Russia/Ukraine situation in New York on June 23, 2014 and February 11, 2015.

EMTA Dubai Forum Discusses Oil Pricing, Risk/Reward on MENA Credits and Global Economy

EMTA's Sixth Annual Forum in Dubai was held on Tuesday, March 17, 2015 and drew 100 market participants. The event was supported by BNP Paribas, Goldman Sachs, HSBC, Nomura and Standard & Poor's.

David Spegel (BNP Paribas) moderated the event's sellside panel. Spegel summarized recent events in emerging countries, and observed that global investors continued to focus on credit ratings (e.g. Turkey), the upcoming elections in Nigeria, the Ukrainian situation, a potential default by Venezuela, and oil pricing. Spegel asked speakers for their general market outlook and what they saw as asset class risks.

Goldman Sach's Ahmet Akarli recalled that his firm had adopted a cautious stance towards EM since late 2012/early 2013, as growth prospects--and benefits from the commodity boom--waned. For 2015, he predicted the main themes would be dollar strength/euro weakness, commodity pricing, and disinflation. In Akarli's view, FX remained the most vulnerable EM asset class.

In a generally weakening EM environment, GCC assets would prove resilient "because these are the wealthier countries….and these are the countries where you are going to get your money back," argued Simon Williams (HSBC). "You may not like the way the money is being used, but they will pay you back," he emphasized.

Walid Haram (Nomura) agreed that investors were not greatly concerned about the possibility of a Gulf sovereign default, although it was unclear to him whether current prices reflected the risks. Haram described a generally deteriorating political situation in the Middle East –the conflicts in Iraq and Syria, a destabilizing Yemen, and dramatic revenue declines in oil exporters—and concluded that the equity markets in the region had somehow corrected for some of the additional political risk and decline in oil prices, whereas this was not reflected on the fixed income side, where GCC credits remain trading at tight spreads.

Stuart Anderson (Standard & Poor's) reminded attendees that new regulations will be applied to ratings agencies in Saudi from September 1. He highlighted recent ratings downgrades of Bahrain and Oman; and the move to a negative outlook on Saudi Arabia; mainly as a consequence of lower oil prices and its impact on fiscal positions. In Anderson's assessment, Gulf sovereigns had performed well compared to their peer group, and he highlighted their strong Central Bank reserves which would be able to finance deficits "at least for now." Oil was likely to average $55 per barrel in 2015, trending to $75 by 2018, in S&P's view.

"I don't believe anyone who tells me they know where oil prices are going," stated Williams, who saw a market focusing on supply, while analysis of demand remained elusive. "Deflationary global pressures could keep oil at low levels for sometime," he speculated. Anderson noted that the "huge stresses" at the oil companies had resulted in an exodus of young talent. Spegel forecast oil reaching $73 in 2016, with euro-dollar parity boosting European demand and a continued US recovery; on the other hand, a nuclear agreement with Iran could lead to a new supply glut, he stated.

The panel addressed the implications of dollar strength on MENA credits. For Anderson, the question remained whether corporates would seize the opportunity to issue dollar debt while rates remained at low levels.

On potential defaults, Haram discussed the "social taboo" on defaulting, and noted that such a taboo was not as strong in some Gulf credits as in others. Anderson viewed the UAE real estate sector as potentially vulnerable, while underscoring that any problems would metastasize to banks as well. Williams remained concerned by Turkey, and asserted that oil savings had masked imbalances. Spegel forecast an overall default rate of 3.28%, declining to 3% in 2016.

Dubai (continued)

Among investment recommendations, Akarli believed there was value in Russian credits although geopolitical concerns remained an issue. Williams viewed long-dated Gulf paper as cheap; he spoke positively on Tunisia's recent issuance, although warned that there was "no natural bid" in an EM sell-off. Haram spoke positively on Dubai Holdings and bearishly on Turkey.

Dino Kronfol (Franklin Templeton) moderated the event's second panel of both local and international investors. The panel reviewed their predictions from 2014, with several acknowledging that they had not foreseen oil's dramatic decline in the second half.

As for how oil would affect their investment decisions, Van Eck's Eric Fine stressed that a continued cautious approach was warranted, not expecting a rebound in demand in the near-term. John Carlson (Fidelity) argued that high oil prices were good for the global economy, "because exporters used inflows for investments; when oil drops, people spend those savings in very small ways." Finally, Saeb Elzein (Spinnaker Capital) saw the supply/demand dynamics on oil moving in the right direction, and viewed growth outlooks as rising, although he first wanted to see volatility in the oil market decline. "We are in a new era; the call on OPEC is now a call on US shale," he underscored.

Discussing their overview of the market, Abdul Kadir Hussain (Mashreq Capital) expressed a "fairly bullish" stance, expecting slow and deliberate US rate hikes starting in September. Fine eschewed local currency bonds, expecting outflows, and corporates, because of liquidity, and favored liquid, high-duration sovereign bonds. He acknowledged interest in Brazilian ("already trading like it has been downgraded") and South Korean bonds ("very hard to find that paper now, however"), as well as Argentina on a post-election basis. Carlson agreed that he found it hard to make the case for EM corporates or locals at current levels, although he hinted at opportunities in distressed credits.

As for MENA credits, Hussain favored longer-dated regional issues. "I don't see any potential credit event for up to the next two years [in GCC credits]" he added. Hussain also spoke constructively on Egyptian and Saudi equities ("because of the technical factor of opening up the Saudi market"). Elzein seconded the recommendation on Egyptian equities, and also viewed select GCC bonds as cheap on a relative value basis. Fine summarized his view as "we were supposed to like Egypt, but we don't."

Panelist views varied on a number of topics. "Russian sovereigns and quasi-sovereigns are my favorite trade for next year; there may be a lot of value there," stated Carlson, who based his opinion on "clear willingness to pay, a hesitancy in some EU capitals to continued sanctions, and the devaluation of the ruble in order to absorb shocks." Hussain concurred that Russian debt could be a "solid performer." However, Fine announced that he would not invest in Russia currently based on a number of factors not limited to oil pricing.

In addition, Fine noted he was bullish on duration, while Carlson expressed a bearish stance, and announced that his portfolio had shorter duration than any time previously in his career. Hussain placed himself as in the middle. Fine and Carlson did agree that holding cash was an appropriate investment strategy if one didn't see value in the market.

Prompted by the audience for his own market commentary during the event's Q and A session, moderator Kronfol acknowledged he was underweight duration, and was not as bearish as some of the Forum speakers. He spoke positively on GCC high-yield credits, acknowledging idiosyncratic risk, and "didn't agree with the doomsayers [on EM growth]; I don't think China is falling off the cliff, and EM will continue to grow at twice or 3 times the pace of developed markets."

EMTA to Hold 2nd Annual Forum in Frankfurt, Germany

EMTA will hold its second annual Forum in Frankfurt, Germany on Monday, June 1, 2015. The event will be sponsored by MarketAxess, and will be held at the Steigenberger Frankfurter Hof. Additional support for the Frankfurt Forum is being provided by Nomura and Societe Generale.

Kit Juckes of Societe Generale will moderate a discussion of EM themes. Confirmed panelists include Andreas Hahner (Allianz Global Investors), Nicolas Schlotthauer (Deutsche Asset & Wealth Management), Dmitri Petrov (Nomura) and Frank Ehrich (Union Investment). 50 EM investors and market participants are expected to attend.

Invitations have now been sent to EMTA members, who may attend at a nominal registration fee. There is an attendance fee of $695 for employees of non-member firms. For more information, please contact Jonathan Murno of EMTA at jmurno@emta.org.

EMTA Forum in Zurich, Switzerland Scheduled for June 3, 2015

EMTA will hold its second annual Forum in Zurich, Switzerland on Wednesday, June 3, 2015. The event will be sponsored by MarketAxess, and will be held at the Kongresshaus Zürich. Additional support for the Zurich Forum is being provided by CIBC, ICBC Standard Bank and UBS.

Demetrios Efstathiou of ICBC Standard Bank will moderate a discussion of EM themes. Confirmed panelists include John H. Welch (CIBC), Gonzalo Borja (Credit Suisse Asset Management), Bhanu Baweja (UBS) and Luc D'hooge (Vontobel Asset Management). 75 investors and other market participants are expected to attend.

Invitations have now been sent to EMTA members, who may attend at a nominal registration fee. There is an attendance fee of $695 for employees of non-member firms. For more information, please contact Jonathan Murno of EMTA at jmurno@emta.org.

EMTA's Argentina Update in London

This Special Seminar will be sponsored by Balanz Capital and will take place at Allen & Overy's offices in London on June 5, 2015. Yannis Manuelides (Allen & Overy) will moderate the panel, and other panelists will include Walter Stoeppelwerth (Balanz Capital), Matthew McGill (Gibson, Dunn & Crutcher LLP) and Elena Duggar (Moody's Investors Service).

19th Annual EMTA Summer Forum to be Held in London on June 23, 2015

The Forum will feature a panel discussion of EM investors moderated by Alberto Ades of Bank of America Merrill Lynch. Confirmed panelists include Jan Dehn (Ashmore Investment Management), Sergio Trigo Paz (Blackrock), Pierre-Yves Bareau (JPMorgan Asset Management) and Lupin Rahman (PIMCO).

Brett Diment (Aberdeen Asset Management) will moderate the event's sellside panel. Speakers will include Christian Keller (Barclays Capital), Robert Burgess (Deutsche Bank), Ahmet Akarli (Goldman Sachs) and Michael Marrese (JPMorgan).

Complimentary invitations were e-mailed to EMTA members during the last week of May (there is a registration fee of US$695 for non-members).

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

EM Charity Ball in London to Raise Funds for EM Health and Education Projects

The trustees of the annual industry charity benefit in London have announced that this year's event will be held at the Marriott Grosvenor Square on Friday, October 2, 2015.

For the eleventh consecutive year, MarketAxess will sponsor the Benefit with proceeds from its annual Charity Trading Day. MarketAxess' Annual Charity Trading Day has raised over US$800,000 for the annual New York and London Charity Balls since its inception in 2004.

Argentine broker TPCG will also continue its historical support of the ball.

The EM Ball London has distributed over GBP 3.25 million since 2004 to organizations working to improve health and education in emerging countries. Proceeds from the 2015 event will benefit:
The EM Ball London has distributed over GBP 3.5 million since 2004 to organizations working to improve health and education in emerging countries. Proceeds from the 2015 event will benefit:

- **Children of the Andes**, which supports street children in Colombia www.childrenoftheandes.org,
- **Cotlands**, which provides support for children affected by the HIV/AIDS pandemic in South Africa www.cotlands.org,
- **EMpower**, a grant-making foundation which connects the Emerging Markets community with innovative grassroots organizations enabling young people to lead healthy, productive lives www.empowerweb.org,
- **Facing the World**, which provides life-changing craniofacial surgery to some of the world's most disadvantaged and vulnerable children www.facingtheworld.net, and
- **Health Poverty Action**, which provides basic health care to rural communities around the globe www.healthunlimited.org.

The Ball is a black-tie event, featuring a champagne reception, a seated dinner, a wide assortment of entertainment and a live band. A live auction will also be held; check the EM ball website at www.emball.net for the list of available prizes.

For further information please contact Clare Turnbull of Nomura at clare.turnbull@nomura.com, or Jonathan Murno of EMTA at jmurno@emta.org.

Emerging Market Benefit NYC Distributes Over $400,000 and Selects 2015 Charities

The Emerging Markets Charity Benefit (EMCB) Planning Committee has distributed checks totaling over $400,000 to five EM charities, representing the profits from last year's annual event in New York City. The event was held on December 4, 2014 at The Park in New York City's Chelsea neighborhood. 450 members of the EM community attended to raise funds for charities in emerging countries.

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

For the eleventh consecutive year, MarketAxess also sponsored the event with proceeds from its annual Charity Trading Day. MarketAxess' Annual Charity Trading Day has raised over $900,000 for the annual New York and London Charity Balls since its inception in 2004. The 2014 event was also sponsored by Sberbank.

Turning immediately to this year's event, which will be held on Thursday, December 3, 2015, the EMCB Planning Committee held almost monthly meetings to discuss a new venue, and to narrow a list of beneficiaries down to a final selection. At its May 18, 2015 meeting, after meeting with finalists, the committee voted to select four charities as 2015 event beneficiaries:

- **Children of Peru Foundation**, which makes grants to selected not-for-profit organizations to provide better healthcare and education for disadvantaged children in Peru www.childrenofperu.org,
- **Containers 2 Clinics**, which provides containerized maternal and child health clinics in Haiti and Namibia to provide long-term, sustainable health service www.containers2clinics.org
- **Miracle Foundation**, which empowers orphans in India to reach their full potential www.miraclefoundation.org, and
- **Orphaned Starfish Foundation**, which works with orphans and disadvantaged children throughout Latin America and Ethiopia www.orphanedstarfish.com.

Invitations to buy tickets for the 2015 Charity Benefit will be sent to all EMTA members shortly. In addition, the Committee welcomes donations of auction items.

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

Membership Update

EMTA warmly welcomed 3 new members during the Second quarter of 2015. EMTA's members now include over 180 banks, broker-dealers, money management firms, hedge firms, and others.

Our most recent new members include:

- **Debtwire**
- **FMDQ OTC PLC**
- **Julians Finance B.V.**

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

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

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

Stay Current to Stay in Touch!

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

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

EMTA is Your Forum

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

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

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

Website Updates and Additions

Key Industry Views

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

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

- "Argentina is in Checkmate and Must Negotiate a Way Out." March 27, 2015 - Arturo Porzecanski (American University).

- "Modifications to Sovereign Bond Contracts FAQ: Aggregate CACs and Modified Pari Passu Clause Do Not Materially Affect Sovereign Creditworthiness." March 17, 2015 - Elena Duggar (Moody's Investors Services).

New Developments

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

May 28, 2015
- The Ministry of Finance of Ukraine to Issue US Guaranteed Bonds Worth $1 billion USD.
- Moody's Upgrades Jamaica's Government Bond Rating from Caa3 to Caa2.
- EMTA, ISDA and the FXC Publish Amendments to Annex A to the 1998 FX and Currency Option Definitions.

May 25, 2015
- EMTA Summer Forum in London to be held on June 23, 2015

May 18, 2015
- Oschadbank Bondholder Disclosure Request.

May 11, 2015
- ICMA Press Release on New York Governing Law Model Collective Action, Pari Passu and Creditor Engagement Clauses.

May 8, 2015
- Holiday Schedule for EM Bond Trades for US Memorial Day/UK Spring Bank Holidays.
- Moody's Upgrades Lithuania's Government Bond Rating from Baa1 to A3.

May 7, 2015
- EMTA Forum in Zurich to be Held on June 3, 2015. Click Here to Register.

May 5, 2015
- EMTA Forum in Frankfurt to be Held on June 1, 2015.

May 4, 2015
- EMTA Announces 1Q EM CDS Volume Stood at US$383 Billion.
- EMTA Special Seminar: Argentina Update to be Held in London on June 5, 2015.

May 1, 2015
- EMTA Special Seminar: Argentina Update.
  - Agenda
  - "Fallout from Argentina's Debt Court Rulings for Sovereign Debt." May 2015 – Elena Duggar (Moody's Investors Services).
  - "Argentina is in Checkmate and Must Negotiate a Way Out." March 27, 2015 - Arturo Porzecanski (American University).
  - "Modifications to Sovereign Bond Contracts FAQ: Aggregate CACs and Modified Pari Passu Clause Do Not Materially Affect Sovereign Creditworthiness."

April 30, 2015
- Fiscal Agent Notice Regarding May 15, 2015 Payment on Nigeria Payment Adjustment Rights.
- Moody's Downgrades Trinidad & Tobago's Government Bond Rating from Baa1 to Baa2.

April 22, 2015
- Holiday Schedule for EM Bond Trades for UK May Day Bank Holiday.

April 20, 2015
- OFAC Updates FAQ about the Cuba Sanctions Program – Cadwalader, Wickersham & Taft Memo.

April 17, 2015
- Calculations for Payments on Venezuela Oil Obligations Announced.

Website (continued)

April 16, 2015
- Moody's Downgrades Bahrain's Long-Term Government Issuer Rating from Baa2 to Baa3.

April 10, 2015
- Standard & Poor's Downgrades Ukraine's Long-Term Foreign Currency Sovereign Credit Rating from CCC- to CC.

April 8, 2015
- EMTA Investor Forum in Los Angeles to be Held on May 14, 2015.
- Cancelled: Creditor Engagement Clauses - Pro's and Con's on April 13, 2015.
- Warrant Record Date of March 31 and Payment Date of April 15 for Venezuela Oil Obligations. Trades are "Ex-Dividend" on March 30.
- Statement from The Ad-Hoc Committee of Noteholders to Ukraine.

April 7, 2015
- Moody's Upgrades Egypt's Issuer Bond Rating from Caa1 to B3.
- Ukraine Ministry of Finance Newsletter #2: Minister Jaresko's US and UK Visit.

April 6, 2015
- Iran Sanctions: Where Are We and What's Next? – Cleary Gottlieb Memo.

March 27, 2015
- EMTA Spring Forum in NYC to be Held on April 28, 2014.

March 26, 2015
- Calculations for Payments on Venezuela Oil Obligations Announced.

March 25, 2015
- Holiday Schedule for EM Bond Trades for Good Friday/Easter Monday Holidays.

March 24, 2015
- Moody's Downgrades Ukraine's Long-Term Government Debt Rating from Caa3 to Ca.

March 20, 2015
- EMTA's First Quarter Bulletin is Now Available in our Bulletin Section.
- Moody's Upgrades Paraguay's Government Bond Rating from Ba2 to Ba1.
- Standard & Poor's Downgrades Nigeria's Long-Term and Foreign Currency Sovereign Credit Rating from BB- to B+.
- Standard & Poor's Upgrades Hungary's Long-Term Foreign Currency Sovereign Credit Rating from BB to BB+.

March 19, 2015
- EMTA Forum in Vienna to be Held on May 4, 2015.
- Moody's Downgrades Ghana's Sovereign Rating from B2 to B3.

March 16, 2015
- EMTA Forum in Buenos Aires to be Held on April 16, 2015.

March 13, 2015
- EMTA Announces 2014 Emerging Markets Debt Trading Stood at US$5.922 Trillion.
- EMTA Special Seminar: Russia/Ukraine: An Update to be Held in London on March 26, 2015.
- EMTA Special Seminar: Argentina Update to be Held in New York on May 1, 2015.

March 12, 2015
- Ukraine Ministry of Finance Newsletter #1: IMF's $17.5bln Package.

Website (continued)

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

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

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

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

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

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

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

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

Website (continued)

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

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

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

EMTA Hotlines

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EMTA Membership	Jonathan Murno/Suzette Ortiz	(646) 289-5413/5414
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OFAC Sanctions	Aviva Werner	(646) 289-5412
Paris Club	Aviva Werner	(646) 289-5412
Repos/Securities Lending	Aviva Werner	(646) 289-5412
Volume Surveys	Jonathan Murno	(646) 289-5413
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EMTA Calendar

Wed., April 1	**EMTA Investor Forum in Boston** **Hosted by MarketAxess** **The Langham Hotel** **Chase Room** **250 Franklin Street**
Friday, April 3	Recommended Market Close (London) Good Friday Recommended 12:00 Noon (NYC) Early Market Close
Monday, April 6	Recommended Market Close (London) Easter Monday
Thurs., April 9	**EMTA Special Seminar on Brazil (NYC)** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)**
Tues., April 14	**EMTA Forum in São Paulo** **Hosted by HSBC Bank Brasil S.A.** **Av. Brigadeiro Fario Lima 3064, 1 andar** **Auditorio**
Thurs., April 16	**EMTA Forum in Buenos Aires** **Hosted by Puente** **Hilton Hotel** **Av. Macacha Guemes 351** **Puerto Madero**
Tues., April 28	**Spring Forum (NYC)** **Hosted by HSBC Securities (USA) Inc.** **452 Fifth Avenue at 40th St.** **Americas Room - 11th Floor**
Fri., May 1	**EMTA Special Seminar: Argentina (NYC)** **Hosted by TPCG Valores S.A.** **360 Madison Avenue, 17th Floor** **(on 45th St. between Madison and 5th Aves.)**
Monday, May 4	Recommended Market Close (London) May Day Bank Holiday
Tues., May 5	**EMTA Forum in Vienna** **Hosted by Unicredit** **Room Oktogon** **Schottengasse 6-8**
Thurs., May 14	**EMTA Investor Forum in Los Angeles** **Hosted by MarketAxess** **The Courtyard at LA Live** **901 West Olympic Boulevard**
Fri., May 22	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., May 25	Recommended Market Close (NYC/London) Memorial Day/Spring Bank Holiday
Mon., June 1	**EMTA Forum in Frankfurt** **Hosted by MarketAxess** **Steigenberger Hof** **Am Kaiserplatz**

Wed., June 3	**EMTA Forum in Zurich** **Hosted by MarketAxess** **Kongresshaus Zurich AG** **Gotthardstrasse 5, PF 2523**
Fri., June 5	**EMTA Special Seminar: Argentina (London)** **Sponsored by Balanz Capital** **Hosted by Allen & Overy** **One Bishops Square**
Tues., June 23	**Summer Forum (London)** **Hosted by Bank of America Merrill Lynch** **2 King Edward Street**
Fri., July 3	Recommended Market Close (NYC/London) Independence Day
Mon., August 31	Recommended Market Close (London) Summer Bank Holiday
Fri., Sept. 4	Recommended 2:00 p.m. (NYC) Early Market Close
Mon., Sept. 7	Recommended Market Close (NYC/London) Labor Day
Thurs., Sept. 10*	**Corporate Bond Forum (NYC)**
Wed., Sept. 16*	**Fall Forum (NYC)**
Thurs., Sept. 24*	**EMTA Forum on Sub-Saharan Africa (London)**
Fri., Oct. 2	**EM Benefit - London** **Marriott Grosvenor Square**
Mon., Oct. 12	Recommended Market Close (NYC/London) Columbus Day
Wed., Oct. 21*	**EMTA Forum in Singapore**
Fri., Oct. 23*	**EMTA Forum in Hong Kong**
Mon., Nov. 11	Recommended Market Close (NYC/London) Veterans' Day
Wed., Nov. 25	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Nov. 25	Recommended Market Close (NYC/London) Thanksgiving Day
Fri., Nov. 27	Recommended 2:00 p.m. (NYC) Early Market Close
Thurs., Dec. 3*	**EMTA Annual Meeting (NYC)** **Hosted by Citi**
	Emerging Markets Benefit (NYC)
Thurs., Dec. 24	Recommended 2:00 p.m. (NYC) Early Market Close
Fri., Dec. 25	Recommended Market Close (NYC/London) Christmas Day
Mon., Dec. 28	Recommended Market Close (London) Boxing Day
Thurs., Dec. 31	Recommended 2:00 p.m. (NYC) Early Market Close
Fri., Jan. 1, 2016	Recommended Market Close (NYC/London) New Year's Day (2016)

***Details TBA**