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For Immediate Release

EMTA SURVEY: EMERGING MARKETS DEBT TRADING AT US$1.680 TRILLION FOR THIRD QUARTER

Local Instruments at 71% of Turnover

NEW YORK, November 19, 2007—Trading in Emerging Markets debt instruments stood at US$1.680 trillion in the third quarter of 2007, according to a Survey released today by EMTA, the industry trade association. This represents a 4% decline from the US$1.754 trillion in trading reported in the second quarter, while being up 5% compared to turnover in the third quarter of 2006, when trading stood at US$1.599 trillion.

Jane Brauer, Senior Director of Emerging Markets Quantitative Research at Merrill Lynch, noted that, "while EM trading levels declined, likely as a result of global financial market turbulence, the asset class remained relatively strong compared to other credit markets."

Local Market Volumes at US$1.191 Trillion

In contrast to other instruments included in EMTA's Survey, activity in local treasury instruments rose on both a quarter-on-quarter and year-on-year basis. Third quarter 2007 local market volume stood at US$1.191 trillion, rising 16% from third quarter 2006 volume of US$1.024 trillion and up 7% compared with second quarter volume of US$1.115 trillion. Local market instruments' market share reached its highest level since EMTA began conducting the Survey in 1997, at 71%, a dramatic increase from 64% of total reported volume in the third quarter of 2006, as well as in the second quarter of 2007.

The most frequently traded local markets instruments were bonds issued by Mexico (US$309 billion), Brazil (US$181 billion), South Africa (US$133 billion), Argentina (US$100 billion) and Turkey (US$91 billion). Volumes in the local treasury instruments in these five countries accounted for 68% of all local market trading reported to EMTA.

Eurobond volume stood at US$468 billion in the third quarter. This represents a 14% decline compared to US$544 billion in the third quarter of 2006 and a 22% drop from second quarter 2007 activity of US$600 billion. Participants in the Survey reported US$126 billion in Brazilian Eurobond volumes, US$64 billion in Russian Eurobond turnover and US$35 billion in Venezuelan Eurobond activity. The most frequently traded individual Eurobond instruments were the Brazil 2040 bond (US$60 billon in turnover), Russia 2030 bond (US$22 billion), Turkey 2030 bond (US$14 billion) and Venezuela 2027 bond (US$11 billion). Eurobond market share stood at 28%, its lowest level since 1999 when Brady bonds dominated the industry.

“We are experiencing a scarcity of sovereign Eurobond supply with little end in sight,” Brauer commented. “While inflows continue into the asset class, the supply-demand imbalance has become extreme and new money is investing without turning over,” she stated.

Corporate Bond Trading Remains at Historic High Levels

Corporate bond volume retreated from the record level set in the previous quarter, while still registering its second highest level of activity in the Survey. Corporate turnover declined to US$148 billion in the third quarter from US$213 billion in the second quarter (a 30% drop) while 56% higher than third quarter 2006 levels of US$95 billion. Corporate market share stood at 9% of overall trading (compared to 12% in the previous quarter). Brauer attributed this decline to a combination of investors seeking liquid assets and dealers becoming “less willing to position than they had in the first half of the year.”

The most frequently traded individual corporate issue was the Gazprom 2034 bond (US$1.144 billion) followed by Hutchinson Whampoa’s 2033 issue (US$657 million) and Gazprom issues due in 2016 and 2013 (US$519 million and US$482 respectively). EMTA began listing several large corporate bonds in the previous quarter; prior to that, corporate issues had only been broken down by country in the Survey.

In addition to local markets bonds and Eurobonds, the Survey also includes turnover in options, loans and Brady bonds. Survey participants reported US$19 billion in option trades, US$2 billion in loan assignments and US$707 million in Brady bond transactions.

Mexico, Brazil and Argentina Lead Volumes

The most frequently traded instruments in the Survey were Mexican securities, at US$339 billion. This compares with US$403 billion in the third quarter of 2006 (a 16% decrease) and US$373 billion in the second quarter of 2007 (a 9% decline). 91% of all reported Mexican trades included Mexican local instruments. Mexican market share declined for the fifth consecutive quarter, at 20% of all Survey volume in the third quarter.

Brazilian volumes were the second most frequently traded instruments, with US$314 billion in reported turnover in the third quarter. This equals the amount reported in the third quarter of 2006 and is a 4% increase from second quarter 2007 transactions of US$302 billion. Brazilian market share stood at 19% of overall Survey volume.

Trading in Argentine debt instruments, the third most frequently traded assets, stood at US$146 billion in the third quarter. This represents a near-doubling of third quarter 2006 volume of US$76 billion, while being unchanged from second quarter 2007 trading. Argentine market share stood at 9%.

Other frequently traded instruments were those from South Africa (US$142 billion), Turkey (US$128 billion), Russia (US$86 billion) and Poland (US$84 billion). The Survey includes volumes in over 90 Emerging Market countries.

Softer Volumes Expected in Fourth Quarter

Brauer expects that fourth quarter trading volumes will be softer than those in the third quarter. “Unlike other years, the motivation to position before year-end is very low and balance sheets are becoming more precious,” she explained.

EMTA’s Survey is based on volume reported by 58 firms involved in Emerging Markets debt trading. For a copy of EMTA’s Third Quarter 2007 Volume Survey, please contact Jonathan Murno at jmurno@emta.org or +1 (646) 637-9105.

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NOTE TO EDITORS:
Founded in 1990, EMTA (formerly the Emerging Markets Traders Association) is a not-for-profit corporation dedicated to promoting the orderly development of fair, efficient and transparent trading markets for Emerging Markets instruments, and the integration of the Emerging Markets into the global financial marketplace. EMTA, with over 145 member firms worldwide, has published its Annual Volume Surveys since 1992 and Quarterly Surveys since first quarter 1997.