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For Immediate Release

EMTA SURVEY:
EMERGING MARKETS DEBT TRADING
AT US$1.754 TRILLION FOR SECOND QUARTER

Local Instruments at 64% of Turnover

NEW YORK, August 23, 2007—Emerging Markets debt trading reached its highest level in the second quarter of 2007, according to a report published today by EMTA, the industry trade association. EMTA, which based its report on submissions from 61 financial institutions involved in Emerging Markets debt trading, announced that second quarter volume stood at US$1.754 trillion, compared to US$1.658 trillion in the same quarter last year (a 6% increase) and US$1.697 trillion in the first quarter of 2007 (a 3% increase).

Paulo Leme, Managing Director for Emerging Markets Economic Research at Goldman, Sachs & Co., observed that, "During the first quarter of 2007, risk appetite for Emerging Markets continued to rise, thus markedly increasing capital inflows to these economies. Together with encouraging prospects for the global economic environment and consequently Emerging Markets, these factors sustained new inflows to Emerging Markets and the trading in EM securities in the second quarter."

Local Market Volumes at US$1.115 Trillion

Local instrument trading accounted for 64% of Survey volumes, matching the market share high set in the third quarter of 2006. Survey participants reported local market debt turnover of US$1.115 trillion in the second quarter; this represents an 18% increase compared to the same quarter of 2006 (US$941 billion), when local markets accounted for 57% of total volume; and a 9% increase on first quarter 2007 volume of US$1.025 trillion, when local instrument trades equaled 60% of overall trades. Survey participants reported their highest levels of local markets volumes were in instruments issued by Mexico (US$316 billion), Brazil (US$167 billion), South Africa (US$117 billion), Turkey (US$84 billion) and Argentina (US$77 billion).

Leme commented, “In a world of declining returns, local markets in countries with strong fundamentals offered relatively higher carry and prospects for capital gains derived from the convergence of their real interest rates toward investment grade sovereign benchmarks.”

Eurobond activity, which continued to be dominated by sovereign issues, accounted for 34% of Survey turnover, at US$600 billion. This represents a 12% decrease in volume compared to US$679 billion in the second quarter of 2006, and a 6% decline compared to first quarter 2007 trading of US$639 billion. Survey participants reported the most frequently traded Eurobond issues were Brazil’s 2040 bond (US$53 billion), Russia’s 2030 bond (US$22 billion), Turkey’s 2030 bond (US$20 billion), Venezuela’s 2027 bond (US$14 billion) and Argentina’s new dollar-denominated Discount Bond (US$10 billion).

Corporate Bond Market Share Reaches New High

Despite the decline in overall Eurobond trading, EMTA noted that corporate Eurobond trading also reached its highest level since the trade association began compiling its quarterly report in 1997. Corporate bond volume stood at US$213 billion, more than double the US$104 billion reported in the second quarter of 2006 and up 41% compared to the first quarter (US$150 billion). Corporate volume’s market share rose to 12%, its highest level ever, and compared to 9% in the previous quarter.

EMTA, which had previously broken down corporate bond volumes only by country, for the first time listed a number of large corporate bond issues separately in its Survey. Of these issues, market participants reported the largest trading in Gazprom bonds due in 2013 (US$688 million) and 2034 (US$490 million), followed by turnover in Petronas’ 2012 bond (US$265 million).

In addition to local markets and Eurobond volumes, Survey participants also reported trading US$32 billion in options, compared to US$31 billion in the same quarter of 2006 and US$28 billion in the first quarter of 2007. Loan trading stood at US$5 billion, and turnover of the few remaining Brady bonds was just over US$1 billion.

Mexico, Brazil and Argentina Lead Volumes

The Survey’s most frequently traded instruments were Mexican securities. Mexican volume, in contrast to the general trend, declined in comparison to previous quarters, standing at US$373 billion (vs. US$431 billion in the same quarter of 2006 and US$407 billion in the first quarter of 2007). Mexican volumes accounted for 21% of Survey volume, with its market share declining for the fourth consecutive quarter.

Brazilian securities were the second most frequently traded in the EMTA Survey, with volume of US$302 billion. This represents a 22% decrease on a year-on-year basis (US$389 billion) while up 9% on a quarter-on-quarter basis. Brazilian market share stood at 17%, compared with 24% in the second quarter of 2006 and 16% in the first quarter of 2007. “Improving fundamentals, stable and low inflation, potential for further cuts in real interest rates and higher probability of reaching investment grade ratings were all factors which supported Brazilian volumes," Leme noted.

Argentine debt instruments were the Survey's third most frequently traded instruments, at US$146 billion, a 40% jump on second quarter 2006 volume of US$104 billion and up 12% compared with the US$131 billion participants reported in the first quarter. Argentine volumes accounted for 8% of Survey activity.

Other frequently traded instruments were those issued by South Africa (US$133 billion), Turkey (US$129 billion), Poland (US$87 billion), Russia (US$74 billion) and Venezuela (US$56 billion).

Emerging Countries Better Prepared for Current Financial Storm

As to whether future Emerging Markets volumes could be affected by current conditions in the financial markets, Leme commented that, "for now, the turbulence may not materially dent growth prospects for the world economy and Emerging Markets in particular, but a credit crisis could shift the balance of risks to growth to the downside, which would affect emerging countries." While Leme argued that emerging countries are better positioned than in the past due to surpluses in the balance of payments, large reserves positions, and their net creditor status in global financial markets, he acknowledged that inflows of new money into the asset class, which have been strong in recent quarters, have abated since late July.

EMTA's Survey includes secondary market trading activity in sovereign and corporate Eurobonds, local treasury bonds and other instruments (Brady bonds, debt options, warrants and loans) from over 90 Emerging Markets countries.

For a copy of EMTA's Second Quarter 2007 Volume Survey, please contact Jonathan Murno at jmurno@emta.org or +44 (0) 20 7996-3165.

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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.