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For Immediate Release

EMTA SURVEY:
EMERGING MARKETS DEBT TRADING REMAINS AT NEAR-RECORD LEVELS

Local Markets Instruments Account for 64% of Reported Volumes

NEW YORK, November 21, 2006—Trading in Emerging Markets debt instruments remained at near-record levels in the third quarter of 2006, according to EMTA, the Emerging Markets debt trading industry association. Participants in EMTA's Third Quarter Debt Trading Volume Survey reported trading of US$1.599 trillion, an increase of 20% compared to the US$1.328 trillion in the same quarter last year. This represents a 4% decline from the second quarter of 2006, however, when EMTA Survey participants reported their highest-ever quarterly trading level of $1.659 trillion.

EMTA noted that 64% of reported trading occurred in local markets instruments, a dramatic rise from a 57% share of volume in the previous quarter and 48% of transactions in the first quarter. Nearly all local markets instruments tracked in the Survey are denominated in local currencies.

Jerome Booth, Head of Research at Ashmore Investment Management, acknowledged that some of the move into local-currency debt is a "function of global liquidity," but stressed that "pension funds, central banks and other long-term institutional investors are now looking to invest in local-currency debt not as a second investment into the asset class but as part of their initial investment, together with dollar-denominated debt."

Booth added that countries with improved economic fundamentals that have allowed them to build up significant financial cushions against external shocks have been issuing more local-currency debt while decreasing their reliance on foreign-currency bond issues. "While this is not a panacea, this shift is the result of a decision by issuers to take on more short-term vulnerability to external shocks in exchange for the long-term development of local debt markets, which will provide the country with less exposure to external shocks in the long run and enable the development of local capital markets."

Mexican Instrument Volume at US$403 Billion

Survey participants reported trading US$403 billion in Mexican debt instruments. This compares with US$196 billion in the third quarter of 2005 (a 105% increase) and US$431 billion in the second quarter of 2006 (a 7% decrease). Local markets volume, at US$360 billion, accounted for 89% of total Mexican volume, a increase from 77% of Mexican instrument trades in the same quarter last year and from 84% in the second quarter of 2006. Booth cited domestic demand as driving much of the Mexican local markets volume. Mexican instruments remained the most frequently traded instruments overall, with a 25% share of total Survey volume.

Brazil Volume at US$314 Billion

At US$314 billion in turnover, Brazilian debt instruments were the second most frequently traded instruments in the Survey. Brazilian activity decreased 23% from US$407 billion in the third quarter of 2005 and 19% from US$389 billion in the second quarter of 2006. EMTA noted that much of the volume decrease could be attributed to a decline in Brazil 2040 Bond transactions. This bond remained the most frequently traded individual instrument, although volume declined to US$103 billion in the third quarter from US$144 billion in the third quarter of 2005 and US$157 billion in the second quarter of 2006. Brazilian activity accounted for 20% of total Survey volume.

Local Instruments at US$1.024 Trillion

For the quarter, total local markets volume stood at US$1.024 trillion, compared with US$628 billion in the third quarter of 2005 and with US$941 billion in the second quarter of 2006 (63% and 9% increases, respectively). In addition to the US$360 billion in Mexican local instruments, Survey participants also reported trading US$133 billion in Brazilian local instruments, US$111 billion in South African local instruments ("due to uncertainty over South African interest rate policy," Booth opined), US$83 billion in Polish treasuries and US$73 billion in Turkish local instruments. (The last of these, Booth noted, was, among other factors, "spurred by clarification of whether a withholding tax would be levied on foreign investors").

Eurobond volumes stood at US$544 billion for the third quarter, down 14% from US$635 billion in the third quarter of 2005 and down 20% from US$680 billion in the second quarter of 2006. Eurobond market share fell in tandem with the rise of local instrument trades, accounting for 34% of third-quarter volume, down from 48% in the third quarter of 2005 and from 41% in the second quarter of 2006. In addition to the Brazil 2040 bond, the most frequently traded Eurobonds included Russia's 2030 bond (US$35 billion), Turkey's 2030 bond (US$26 billion), Venezuela's 2027 bond (US$21 billion) and Brazil's 2018 bond (US$13 billion).

Survey participants also reported US$24 billion in options and warrants trading. Brady bond trading and loan assignments stood at US$4 billion each.

Institutional Demand Remains Strong

Booth asserted that there is "unquestionably" more demand for the Emerging Markets debt asset class. "Institutional investor demand from pension funds, central banks and other long-term investors remains at strong levels," he stated, adding that this demand is not only driving traditional trading activity but also leading to increased interest in the "whole range of bonds and tradable instruments."

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. 65 major dealers, banks and investment firms worldwide participated in the Survey.

For a copy of EMTA's Third Quarter 2006 Debt Trading 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 135 member firms worldwide, has published its Annual Volume Surveys since 1992 and Quarterly Surveys since First Quarter 1997.