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For Immediate Release

# EMTA SURVEY: EMERGING MARKETS DEBT TRADING AT US$1.218 TRILLION IN SECOND QUARTER

***Local Instruments at 68% of Turnover; Volume Remains Subdued Compared to 2007 Levels***

**NEW YORK, August 20, 2008—**Trading in Emerging Markets debt instruments remained well below 2007 levels in the second quarter of 2008, standing at US$1.218 trillion in the second quarter vs. US$1.754 trillion in the second quarter of 2007, a 31% decrease. However, on a quarterly basis, trading steadied after falling for the three previous quarters, up 3% compared to the revised US$1.186 trillion[i] reported by Survey participants in the first quarter of 2008.

H. David Spegel, Global Head of Emerging Markets Strategy at ING Financial Markets LLC, noted the second quarter had gotten off to a good start. "Widespread belief that the US Fed's decision to extend liquidity options to investment banks at the end of March helped spark an across-the-board rally for risk-sensitive securities, as investors bet that the worst case had been reached and overcome," he stated. Spegel added that new EM issuance surged as a result (from US$19 billion in the first quarter to US$60 billion in the second quarter), thus helping to boost trading volumes. However, investor sentiment turned more cautious later in the second quarter, which may have limited a greater increase in trading activity.

## *Local Market Instrument Trades Represent 68% of Volume*

Local markets trading stood at US$827 billion in the second quarter, down 26% from the US$1.15 trillion reported in the second quarter of 2007, while up 2% from a revised US$808 billion in the first quarter. Local instruments held a 68% share of reported volume, vs. a 64% share in the second quarter of 2007.

Survey participants reported volumes of US$170 billion in Brazilian local market trades, US$103 billion in South African local debt activity and US$73 billion in Turkish local bond turnover. Other frequently traded local instruments were those from Hong Kong (US$71 billion), Argentina (US$61 billion) and the People's Republic of China (US$58 billion).

### *Sovereign Eurobond Trading at US$234 Billion; Corporates at US$132 Billion*

Trading in Eurobonds stood at US$376 billion, declining 37% on a year-on-year basis from US$600 billion in the second quarter of 2007 while up 4% compared to first quarter volume of US$360 billion. Sovereigns accounted for US$234 billion in the second quarter (19% of overall volume) while corporates, at US$132 billion, had an 11% market share.

The most frequently traded Eurobonds were those from Brazil (US$69 billion), Russia (US$45 billion), Venezuela (US$33 billion), Argentina (US$31 billion) and Mexico (US$27 billion).

In addition to local markets bonds, sovereign and corporate Eurobonds, the Survey also includes turnover in options, loans and Brady bonds. Survey participants reported US$10 billion in option trades (1% of volume), US$5 billion in loan assignments (less than 1% of volume) and US$500 million in Brady bond transactions (also less than 1% of Survey turnover).

### *Brazil, South Africa and Argentina Most Frequently Traded Countries*

Brazilian instruments were the most frequently traded instruments according to the EMTA Survey, with US$241 billion in turnover. This compares with US$302 billion reported in the second quarter of 2007 (down 20%) and US$239 billion in the first quarter of 2008 (representing a 1% increase). Brazil's 2040 bond remained the most frequently traded industry instrument, accounting for US$20 billion of Survey turnover, although volume was down 63% from second quarter 2007 volume of US$53 billion and down 33% from first quarter 2008 trading of US$30 billion. Brazilian volumes accounted for 20% of total Survey trading.

South African debt jumped to the second most frequently traded instruments, at US$109 billion, compared to US$133 billion in the second quarter of 2007 (down 18%) and US$77 billion in the first quarter of 2008 (up 42%). The majority of South African trading included local market transactions. Spegel noted that "a high level of volatility in local rates likely lifted turnover levels as the first quarter consensus bet for Central Bank easing in the second half of 2008 was violently turned on its head, and aggressive policy tightening was priced into the market." South African volume accounted for 9% of Survey volume.

Argentine debt volumes were the Survey's third highest, at US$100 billion (compared with US$146 billion in the second quarter of 2007 and US$82 billion in the first quarter of 2008). Argentine trading represented 8% of the Survey.

Other frequently traded instruments were securities from Turkey (US$91 billion), Hong Kong (US$75 billion), Russia (US$74 billion) and Poland (US$60 billion).

### *New Issuance Pipeline Strong*

Going forward, Spegel was relatively optimistic. "The heavy new issuance pipeline of approximately US$30 billion in sovereigns and US$40 billion in corporates will likely support trading volume levels over the remainder of the year," he commented. However, he noted that if investor redemptions continue to pressure fund managers, "it is possible that secondary-market bond prices will suffer as institutional buyers rotate out of existing positions to acquire new deals rather than draw on their high cash levels," he warned.

EMTA's Survey includes trading volumes in debt instruments from over 90 Emerging Market countries. For a copy of EMTA's Second Quarter 2008 Debt Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or +44 (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 150 member firms worldwide, has published its Annual Volume Surveys since 1992 and Quarterly Surveys since the first quarter of 1997.*

*Participants in the EMTA Survey are asked to report trades based on aggregate principal amount (face value) rather than the consideration paid in order that results are not influenced by price fluctuations.*

[i] Total originally reported volume for the first quarter for Mexican local instruments of US$95 billion was revised downward to US$53 billion following correction of a participant's submission.