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EMTA SURVEY: EMERGING MARKETS DEBT TRADING AT US$1.3 TRILLION IN THIRD QUARTER 2004

Volume Increase 35% Compared to Second Quarter

NEW YORK, November 29, 2004—Third Quarter 2004 Emerging Markets debt trading stood at US$1.342 trillion, according to the quarterly Volume Survey report released by EMTA, the industry trade association for the EM trading and investment community. This represents a 35% increase from the US$997 billion reported in the second quarter and a 30% increase compared with the US$1.033 trillion reported in the third quarter of 2003. Survey results indicate that debt trading increased throughout most Emerging Market country debt categories.

"Turnover during the third quarter was high -- and downright feverish in September -- because global conditions were generally very favorable for our asset class," explained Arturo Porzecanski, Head of Emerging Markets Sovereign Research at ABN Amro. He enumerated factors which had boosted Emerging Markets bond trading, such as risk-free bond yields dropping steadily in Europe, Japan and the U.S., revised expectations of slower economic growth and subdued core inflation in the anchor OECD countries, and forecasts of fewer rate hikes in the pipeline, compliments of the Federal Reserve system. Porzecanski explained further, "There was mostly reassuring news out of the Emerging Market countries themselves, in particular a string of credit rating upgrades involving some of the riskier credits, such as Brazil, Turkey and Venezuela."

Brazilian trading continued to represent the greatest share of volume by country, at one third of reported volumes. Brazilian instrument turnover totaled US$448 billion, a 38% increase vs. second quarter volumes of US$325 billion. Survey participants had reported US$253 billion in the third quarter of 2003 (a 77% increase). Brazilian local instrument trading increased 64% to US$207 billion, while sovereign Eurobond trading rose 39% to US$149 billion.

Mexican debt instrument trading also showed significant increases compared to the previous quarter. Reported trading stood at US$303 billion vs. US$204 billion in the preceding quarter (up 48%) and US$324 billion in the third quarter of 2003 (a 7% decrease in trading). Much of the Mexican increase was due to a surge in Mexican local instrument trading (up 80% quarter-on-quarter to US$241 billion from US$134 billion). Mexican turnover, second after Brazilian trading, accounted for 23% of volumes.

Russian debt trading rose 45% to US$106 billion vs. US$73 billion in the previous quarter (a 24% increase vs. the US$85 billion reported by Survey participants in the third quarter of 2003). Russian instruments remained the third most frequently traded instruments with an 8% share of reported turnover. Volume in the three new Russia Aries bonds, repackaged Russian Paris Club debt issued in late June, totaled US$10 billion, with the Russia Aries 2014 bond (US$6 billion in trading) becoming the seventh most frequently traded individual instrument overall.

“The Russia Aries bonds became an additional vehicle to express optimism with regard to that country,” Porzecanski commented. He added, “Indeed, Russia's creditworthiness has benefited greatly from the world oil price windfall, and the sovereign has recently been awarded an investment grade by a second credit rating agency (Fitch).”

Argentine volumes declined compared to the previous quarter, but were higher than all other quarters since the country defaulted on its sovereign debt. Survey participants reported trading US$38 billion vs. US$46 billion in the second quarter (a 17% decline), but above the US$12 billion reported in the third quarter of 2003 (a 208% increase). Argentine volumes stood in eighth place with 3% of reported volumes.

Local Market Trading Accounts for 49% of Volume

Local instrument volumes accounted for 49% of reported volumes, and stood at US$656 billion. This compares with a 43% share and US$ 426 billion in the second quarter. In addition to the large volumes reported for Mexican and Brazilian local instruments, Survey participants also reported US$47 billion in South African local debt trading, US$30 billion in Polish local instrument volumes and US$22 billion in Singapore local bond turnover.

At US$578 billion, Eurobonds accounted for 43% of volume. This compares to US$463 billion and a 46% share in the previous quarter. The Brazil 2040 bond remained the most frequently traded individual Eurobond, and individual instrument overall, at US$81 billion followed by Russia’s 2030 bond (US$53 billion), the Turkish 2030 bond (US$22 billion) and Venezuela’s 2027 bond (US$11 billion).

Porzecanski noted that, “the concentration of trading in local debt markets of various countries, as well as in the mostly long bonds of relatively low-rated sovereign bonds (Brazil 2040s, Turkey 2030s and Venezuela 2027s), confirms the willingness of investors to search for yield and take on credit and currency risk.”

Brady bonds volumes (which were mostly limited to Brazil C-Bond trading) accounted for 6% of overall EM trading, at US$79 billion. Options and warrants claimed a 2% share (US$26 billion) and loan transactions accounted for less than 1% of reported trading (at US$3 billion).

EMTA's Survey includes EM secondary market trading activity in sovereign and corporate bonds, local instruments, Brady bonds, debt options, warrants and loans issued by over 90 emerging markets countries. The Survey included the participation of 66 firms involved in Emerging Markets debt trading (compared with 73 firms in the second quarter of 2004 and 72 firms in the third quarter of 2003).

For a copy of EMTA's Third Quarter 2004 Debt Trading Volume Surveys, please contact Jonathan Murno at jmurno@emta.org or at +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 100 member firms worldwide, has published its Volume Surveys since 1992. EMTA's Debt Trading Volume Survey includes data provided by over 70 major international broker-dealers, banks and investors.