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For Immediate Release

EMTA SURVEY:
SECOND QUARTER EMERGING MARKETS DEBT TRADING AT US$1.211 TRILLION

Volumes Down 27% Compared to Second Quarter 2014

NEW YORK, August 18, 2015—Emerging Markets debt trading volumes stood at US$1.211 trillion in the second quarter of 2015, according to a report released today by EMTA, the trade association for the Emerging Markets debt trading and investment industry. This compares with US$1.668 trillion reported for the second quarter of 2014, a 27% decrease, and down one per cent from US$1.226 trillion reported in the first quarter.[1]

"A confluence of events explains such a dramatic drop in volumes – ranging from lower trading volumes globally, EM difficulties and idiosyncratic developments, and regulatory bottlenecks," stated Drausio Giacomelli, Managing Director and Head of Emerging Markets Research at Deutsche Bank. He added that, "EM's weakening fundamentals have also played an important role, underpinning relentless outflows from both local and hard currency funds; and the implementation of the "Volcker Rule" starting in July is also a key factor, as dealers may have been forced to scale back their inventories and market-making activities to conform with the new regulations."

Local Markets Instruments at 60% of Volume

Turnover in local markets instruments stood at US$721 billion in the second quarter, accounting for 60% of total reported volume. This compares to US$1.033 trillion in the second quarter of 2014, a 30% decrease, and US$652 billion in the first quarter,

[1] EMTA noted that quarter-on-quarter comparisons were somewhat skewed by an increased number of Survey participants in the second quarter 2015 report compared to the previous quarter (the second quarter 2015 report includes a net addition of 7 participants vs. the first quarter 2015 report). Year-n-year comparisons were not affected as the number of participants in the second quarter 2015 survey was equal to the number of participants in the second quarter 2014 survey.

representing an 11% increase. EMTA noted that the share of local markets volume rose for the first time in over two years.

Mexican instruments were the most frequently traded local markets debt in the second quarter, at US$219 billion. Other frequently-traded local instruments were those from Brazil (US$93 billion), South Africa (US$82 billion), India (US$69 billion) and South Korea (US$38 billion).

Eurobond Volumes at US$487 Billion

Eurobond trading stood at US$487 billion in the second quarter, down 23% compared with second quarter 2014's US$632 billion, and down 15% vs. US$571 billion in the first quarter.

51% of Eurobond activity involved sovereign debt issues in the second quarter of 2015, with Survey participants reporting US$249 billion in sovereign Eurobond turnover. This compares to a 56% share of Eurobond activity in the previous quarter, when such volumes stood at US$319 billion.

Corporate Eurobond trading stood at US$223 billion in the second quarter, accounting for 46% of total Eurobond activity (compared to 42% in the previous quarter). Sovereign Eurobond activity accounted for 21% of overall Survey volumes, with corporate trading at 18% of total turnover.

The most frequently traded individual EM Eurobonds in the quarter included Russia's 2030 bond (US$8 billion in turnover), Brazil's 2025 bond (US$8 billion), Brazil's 2045 bond (US$4 billion), Mexico's 2025 bond (US$3 billion) and Ukraine's 2017 bond (also US$3 billion).

In addition to local markets bonds, and sovereign and corporate Eurobonds, the Survey also includes turnover in warrants, options, loans and Brady bonds. Survey participants reported over US$2 billion in warrant and option trades during the quarter, US$229 million in loan assignments and no trading of the industry's few remaining Brady bonds.

Mexico, Brazil and South Africa Instruments Most Frequently Traded Overall

Mexican instruments were the most frequently traded instruments overall, according to Survey participants, with US$266 billion in turnover. This compares with US$258 billion in the second quarter of 2014 (a 3% increase) and up one per cent vs. first quarter volumes of US$264 billion. Mexican volumes represented 22% of overall volumes.

The increase in Mexican trading on both a year-on-year and quarter-on-quarter basis – bucking the general Survey trend – was possibly a result of "less inventory and liquidity in EM generally, favoring more stable and deeper markets, such as Mexico's," Giacomelli reasoned.

Brazilian instruments were the second most frequently traded instruments in the EMTA report, at US$159 billion, according to Survey participants. This represents a 36% decrease on the US$248 billion reported in the second quarter last year and a 15% decrease on first quarter volumes of US$188 billion. Brazilian volumes accounted for 13% of total reported volumes.

Third were South African assets, which also defied the general downturn trend, at US$92 billion in turnover. This compares to US$77 billion in the second quarter of 2014, a 20% increase, and a two per cent increase on first quarter volume of US$90 billion. South African instrument trading accounted for 8% of Survey volume.

Other frequently traded instruments were securities from India (US$76 billion) and Russia (US$54 billion).

EMTA's Survey includes trading volumes in debt instruments from over 90 Emerging Market countries, as reported by 50 leading investment and commercial banks, asset management firms and hedge funds.

EMTA recently reported that participants in a similar survey for the CDS markets (although limited in scope to 12 EMTA Board firms) had reported a contraction in trading. The CDS Survey's participants reported US$275 billion in EM CDS volumes in the second quarter of 2015. This represented a 29% decrease in CDS volume compared to the US$389 billion in reported transactions in the second quarter of 2014, and a 28% contraction from first quarter's US$383 billion.

For a copy of EMTA's Second Quarter 2015 Debt Trading Volume Surveys, please contact Jonathan Murno at jmurno@emta.org or +44 207 996-3165.

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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 180 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, and no effort is made to adjust for duplicate volumes that may be reported by each side of a trade. In these respects, the Survey's methodology has been the same since its inception.