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For Immediate Release

EMTA SURVEY: EMERGING MARKETS DEBT TRADING AGAIN AT RECORD LEVEL

Second Quarter Trading at US$1.659 Trillion; Local Markets at 57% of Volume

NEW YORK, August 21, 2006—Trading in Emerging Markets debt set another record in the second quarter of 2006, according to a Survey published by EMTA, the industry trade association. Participants in the quarterly report traded US$1.659 trillion in Emerging Markets debt during the second quarter, compared with US$1.363 trillion in the second quarter of 2005 (a 22% increase) and US$1.631 trillion in the first quarter of 2006 (a 2% increase).

EMTA noted that this represents the highest volume since it began compiling quarterly reports in 1997. H. David Spegel, Global Head of Strategy at ING Financial Markets LLC, commented that trading was boosted by a market sell-off in May due to increased worries over US Federal Reserve monetary policy and fears of a progressive decline of the US dollar. “It is worth noting that historically, during market crises, volume levels on EM typically declined during periods of high asset price volatility; this was the case in the second quarters of 2005, 2004, etc.” However, Spegel stressed that “the situation was different this time around. The rise of volume attests to the greater breadth of our investor base and its familiarity with the underlying issuer risks, and second-quarter 2006 volume demonstrates the greater maturity of the asset class.”

Mexican Instruments Most Frequently Traded, at US$431 Billion

Mexican debt instruments, boosted by transactions in the country’s local treasury instruments, were the most frequently traded assets in the Survey. This is the first time since the fourth quarter of 2004 that Mexican volumes surpassed those of Brazil. Survey participants reported US$431 billion in Mexican trades, more than doubling the US$183 billion reported in the second quarter of 2005 (and up 41% vs. the US$306 billion in Mexican transactions in the first quarter of 2006). Mexican local instruments accounted for 85% of overall Mexican volumes (at U$364 billion), compared with a 75% share in the same quarter in 2005 and an 82% share in the first quarter of 2006. Mexican transactions accounted for 26% of overall Survey volumes.

Spegel commented that Mexican volumes were boosted by uncertainties related to the Mexican presidential election. “Foreign investors cut exposure in May, and then jumped back in June on optimism for a better election result, before reducing exposure again in the last week of that month as fears for a messy outcome resurfaced,” he stated.

Brazil Volume at US$389 Billion

Brazilian debt instruments were the second most frequently traded instruments in the Survey. Brazilian volume stood at US$389 billion, compared with US$432 billion in the second quarter of 2005 (a 10% decrease) and US$444 billion in the first quarter of 2006 (a 12% decrease). Trading in Brazil’s 2040 bond, the industry benchmark, stood at US$157 billion, compared with $182 billion in the second quarter of 2005 (a 14% decrease) and US$143 billion in the first quarter of 2006 (a 9% increase). Brazilian transactions accounted for 24% of overall volume (vs. 27% in the previous quarter), their lowest share since late 2003.

Argentine assets remained the third most frequently traded instruments, at US$104 billion. This is a 78% increase from US$59 billion in the second quarter of 2005 and a 14% decline from the US$122 billion in first-quarter 2006 trading. Argentina’s market share stood at 6%, compared to 4% in the second quarter of 2005 and 8% in the first quarter of 2006.

Local Instruments Account For 57% of Survey Volume

EMTA noted that a surge in local markets instrument volumes occurred in the second quarter, as local treasury trades rose 44% to US$941 billion, compared with US$653 billion in the same quarter in 2005 (and up 20% compared with US$787 billion in the first quarter of 2006). Local market transactions represented 57% of overall Survey volume, their highest level in an EMTA Survey, and increased from a 48% share in both the previous quarter and the same quarter last year. In addition to the US$364 billion in Mexican local instruments, participants also reported turnover of US$136 billion in Brazilian treasuries, US$85 billion in South African treasuries, US$63 billion in Polish treasuries and US$49 billion in Argentine local instruments.

“The local trading data may be indicative of a horizontal diversification of investor exposure within EM as investors strive to diversify their dollar exposure, as much as it reflects the exiting and re-entry of positions among higher-beta local markets such as Turkey, Brazil and Mexico during the May/June period,” Spegel surmised.

Eurobond volumes were up 6% to US$680 billion, compared with US$638 billion in the second quarter of 2005 (while down 14% vs. US$787 billion in the first quarter of 2006). 84% of Eurobond trading involved sovereign bonds, with 15% in corporate issues and 1% not specified. Following the US$157 billion in the Brazil 2040 bond, the other most frequently traded Eurobonds included the Russia 2030 bond (US$52 billion in trading), Turkey 2030 bond (US$26 billion), Brazil 2018 bond (US$20 billion) and Brazil 2034 bond (US$10 billion). Eurobonds accounted for 41% of Survey volumes, down from 47% in the second quarter of 2005 and 48% in the first quarter of 2006.

Survey participants also reported US$32 billion in options and warrants trading. Brady bond trading plummeted to US$3 billion, as the amount of outstanding Brady debt continues to decline following additional early redemptions this year. Loan assignments stood at US$3 billion.

Looking ahead to the third quarter, Spegel expects that debt turnover will likely show a quarter-on-quarter decline. “This will partly result from the traditional decline of investor trading activity during the summer holiday period and will also reflect both the negative net new issuance seen in July and August, and the sidelined ’wait-and-see‘ posture adopted by many money managers awaiting key US growth and inflation data,” he stated.

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. 66 major dealers, banks and money management firms worldwide participated in the Survey.

For a copy of EMTA’s Second Quarter 2006 Debt Trading 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 125 member firms worldwide, has published its Annual Volume Surveys since 1992 and Quarterly Surveys since First Quarter 1997.