

## 2000 SUMMER FORUM

### **Attendees at EMTA's Third Annual London Summer Forum Hear Cautious Optimism from Panelists**

Over 180 EMTA members and guests attended EMTA's Third Annual London Summer Forum, held on July 13, 2000. The event, which was hosted by Deutsche Bank, included two wide-ranging panel discussions which addressed many current issues throughout the Emerging Markets.

Sell-side panelist Karim Abdel-Motaal (J.P. Morgan) characterized the Emerging Markets debt markets as "healthier, but not totally healthy," while restating his firm's year-end EMBI forecast of 600 bps. He noted the disappearance of the large hedge funds from the market but observed that liquidity was becoming more healthy as trading volumes picked up. Generally agreeing with Morgan's EMBI prediction, Philip Poole (ING Barings) told attendees that there is still upside potential for Mexican debt despite a widely-anticipated credit rating upgrade by Standard & Poor's because some funds cannot buy debt until it is actually rated investment grade by both major ratings agencies.



Robin Hubbard (Chase) warned the audience not to be too complacent about the probability of a "soft landing" in the U.S., and also noted his longer-term concern of the "classic over-valuation" of the Argentine peso. Stuart Parkinson (Deutsche Bank) agreed with other panelists that Turkish debt remained attractive in the near term, although he expressed long-term concerns. Finally, sell-side panel moderator Jerome Booth (Ashmore Investment Management) opined that, while there is still much industry confusion over "burden sharing," there has been a softening of position the U.S. Treasury ("they know they made a mistake"), which may become more pronounced in the next U.S. Administration. All of the Sell-side panelists agreed that voluntary exchange offers were far preferable to forced reschedulings and that "most deals so far have been reasonably favorable"



On the Buy-side panel, DIT's Michael Sonner spoke positively on Brazil Bradys and stated that he has recently seen some new money enter the Emerging Markets, though in smaller amounts than in the past. He cautioned that Mexico's political transition between now and December "was not a non-event". Ingrid Iversen (Rothschild Asset Management) spoke positively on Kazakhstan and Russia, calling Russia's new President Putin "bad for



democracy but good for the economy". She also gave credit to debtor countries that had not defaulted on their external debt despite official sector encouragement to do so. Paul Murray-John (Scudder Threadneedle Investments) said that he foresaw Russian debt tightening by 150 bps; while implementation risks remain for the government's reforms, he was impressed by the declining role of barter in the

economy.



Of greatest concern for Invesco's John Cleary: President Putin could reverse course, stop addressing Western concerns and assert Russia's right as a world power. Finally, panel moderator Mark Franklin (Citigroup) gently chided the panel for having remarkably similar portfolio allocations, while suggesting that they may be too bullish



on the prospects for reform in Russia; he also forecast another short-term Paris Club deal for Russia, which would allow MinFin IV's and V's to be excluded. Franklin also expressed surprise that bondholders had thus far brought few, if any, lawsuits against sovereign debtors and suggested that, given its expertise, EMTA take a more active role in reviewing sovereign bond documentation.

[Transcript of Buy-Side Panel](#)

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