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For Immediate Release

EMTA SURVEY:
EMERGING MARKETS DEBT TRADING SURGES

First Quarter Trading at US$1.631 Trillion

NEW YORK, May 25, 2006—Emerging Markets debt trading stood at US$1.631 trillion in the first quarter of 2006, according to the quarterly survey conducted by EMTA, the Emerging Markets financial trade association. This represents an 18% jump in volume compared with US$1.377 trillion in the fourth quarter of 2005, and a 15% increase on first quarter 2005 volume of US$1.416 trillion.

EMTA noted that this was the highest level ever recorded since it began publishing quarterly surveys in 1997. Paulo Leme, Managing Director and Director of Emerging Markets Research at Goldman Sachs, commented, "In the first quarter of 2006, developments in Emerging Markets reflected the bullish sentiment about global financial markets and large liquidity, in part driven by large savings in countries running large current account surpluses, such as those among oil exporters."

Brazil Volume at US$444 Billion

Survey participants reported trading US$444 billion in Brazilian debt instruments. This represents a 24% increase over both fourth quarter 2005 (US$357 billion) and first quarter 2005 (US$359 billion) volumes. The country's 2040 bond alone contributed US$143 billion in turnover, and accounted for more than half (54%) of all Brazil sovereign Eurobond trades. In addition, Survey respondants reported volumes of US$133 billion in Brazil local instruments (vs. US$98 billion in the previous quarter) and US$19 billion in corporate Eurobonds (vs. US$11 billion in the previous quarter). Brazil trading accounted for 27% of overall Survey volume, a slight increase from its 26% share in the fourth quarter.

Leme noted that "Brazil was one of the main destinations of both dedicated and non-dedicated investment flows into Emerging Markets because of high real interest rates, the ongoing easing cycle by Brazil's Central Bank, and market speculation of a further appreciation of the Brazilian real, as the surplus in the balance of payments continued to rise in Brazil during this period."

Mexican Volumes at US$306 Billion

Mexican instruments were the second most frequently traded, according to Survey participants. Trading in Mexican debt stood at US$306 billion in the first quarter, compared with US$225 billion in the previous quarter (a 36% increase) and US$301 billion in the first quarter of 2005 (up 2%). Local instruments accounted for 82% of Mexican volume, at US$250 billion, vs. US$183 billon in the previous quarter and US$225 billion in the first quarter of 2005. Mexican turnover accounted for 19% of total Survey volume, compared with a 17% share in the fourth quarter.

The third most frequently traded Survey instruments were those from Argentina, with trading of US$122 billion in the first quarter. In contrast with the general trend, Argentine volumes actually declined 3% vs. fourth quarter 2005 trading of US$126 billion. However, first quarter 2006 trading was 83% above the US$67 billion turnover in first quarter 2005, prior to the country's restructuring. Argentine volume accounted for 7% of total trading.

Eurobonds and Local Instrument Volumes Almost Equal at US$787 Billion

Eurobond volume rose to US$787 billion in the first quarter, a 14% increase over fourth quarter 2005 trading of US$691 billion and up 17% compared with first quarter 2005 volume of US$673 billion. 84% of Eurobond trading involved sovereign issues, with corporate debt accounting for 15% of Eurobond volumes (1% were not specified). The most frequently traded individual Eurobonds, after the Brazil 2040 bond, were the Russia 2030 bond ($49 billion in volume), the Turkey 2030 bond ($25 billion), the Brazil 2018 bond ($22 billion) and Poland's new issue due in 2016 ($15 billion). Eurobonds accounted for 48% of Survey volume.

Local markets volumes were only marginally less than Eurobond volumes, also at US$787 billion. This compares with US$643 billion in the fourth quarter (a 22% increase) and US$668 billion in the first quarter of 2005 (up 18%). The most frequently traded local instruments were issued by Mexico (US$250 billion in trading), Brazil ($133 billion), Poland (US$72 billion), South Africa (US$61 billion) and Turkey (US$60 billion). 48% of Survey volume was turnover in local instruments.

Leme pointed out that a major theme of the first quarter was the use of increased balance of payment surpluses by a number of countries to fund sizable external debt buybacks or prepayment of multilateral, bilateral, and external bonded debt. As a result, Leme stated, "the reduction in the stock of outstanding external debt boosted exposure to local bond markets." Leme also highlighted increased investor demand for longer-dated local paper in countries such as Brazil and Mexico, describing an "intensified schism between local and foreign investors, with locals seeking the front end of the curve, and foreigners seeking the long end."

Also according to the EMTA Survey, options and warrant trading totaled US$42 billion. Brady Bond turnover stood at US$12 billion, with Brazil and Venezuela announcing additional early redemptions of Brady issues during the first quarter. Loan assignments totaled US$3 billion.

EMTA's Survey includes secondary market trading activity in sovereign and corporate Eurobonds, local treasury bonds and other instruments (such as Brady bonds, debt options, warrants and loans) from over 90 Emerging Markets countries. 65 major dealers, banks and money management firms worldwide participated in the Survey.

Limited Effects of Latin Election Calendar on Volumes

Leme believes that so far the heavy 2006 electoral calendar has had a very limited effect on Emerging Markets debt trading. "If liquidity remains ample," he suggested, "technicals are likely to dominate political factors in local markets; however, as Central Banks in the US, Europe, Japan, and Asia continue with their tightening cycle, there is a risk that political fundamentals may weigh more heavily in a world of reduced risk appetite for Emerging Market securities."

For a copy of EMTA's First Quarter 2006 Debt Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or +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 125 member firms worldwide, has published its Annual Volume Surveys since 1992 and Quarterly Surveys since First Quarter 1997.