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For Immediate Release

EMTA SURVEY: FIRST QUARTER 2001 EMERGING MARKETS DEBT TRADING RISES TO US$913 BILLION

Turnover in Mexican Debt Jumps 52%
Mexican Local Markets Instruments Account for 29% of Volume

NEW YORK, May 8, 2001—Emerging Markets debt trading rose to US$913 billion in the first quarter of 2001, according to EMTA's quarterly report on turnover in Emerging Markets debt. This represents a 29% increase over the US$705 billion reported in the previous quarter, and a 22% increase vs. the US$749 billion reported in the same period in 2000. The quarter's rise in trading continued the general trend toward greater activity that began in the first quarter of 2000, following a sharp drop in the aftermath of the August 1998 Russian crisis.

Bolstered by concerns over the Argentine economy, as well as a continuing crisis in the Turkish economy and suggestions that Russia was considering halting its Paris Club payments, trading volumes reached their highest quarterly level in over two years. Joyce Chang, Managing Director and Global Head of Emerging Markets Research at J.P. Morgan noted that her institution's internal client activity in March "included the largest monthly net selling since June 1998, just prior to the Russian crisis."

While most Emerging Markets news emanated from other countries, Mexican debt instruments were the most frequently traded for the second consecutive quarter. Mexican debt turnover stood at US$335 billion, a 52% increase vs. the US$221 billion reported in the fourth quarter of 2000 and a 154% increase vs. the US$132 billion reported in the first quarter of 2000. "The increased trading volume for Mexican assets reflects the much broader investment base that Mexico enjoys due to its investment grade status," according to Chang. "Moreover," she added, "Mexico has actually benefited from turbulence in other countries as it is perceived as a safe haven, even in a period of slowing growth in the US." During the quarter, Mexico also attracted investor attention as it successfully completed a US$3.3 billion debt exchange.

As in recent quarters, an overwhelming majority (78%) of turnover in Mexican debt occurred in local treasury instruments and Mexican local instrument trading accounted for 29% of total volume in EMTA's Survey. Paul Masco, Managing Director and Head of Emerging Markets Debt Trading at Salomon Smith Barney, commented, "The recent rally in Mexican local debt was in large part due to the appreciation of the Mexican peso while the market continues to anticipate Mexico being awarded a second investment grade rating from Standard & Poor's." Complementing foreign investor activity in local debt, Chang noted that local pension funds are for the first time showing strong interest in Mexican external debt.

Brazilian debt instruments were the second most frequently traded assets, with first quarter volume of US$180 billion (a 19% increase over US$151 billion in the fourth quarter while 21% below the US$228 billion reported in the first quarter of 2000). Brazilian C-Bonds (US$48 billion) remained the most frequently traded individual instrument although turnover declined 14% from US$56 billion in the previous quarter. Brazil's 2040 Bond accounted for US$15 billion in turnover, while reported trading in its new 2006 bond, launched in January, was US$6 billion.

Trading in Argentine assets, the third most frequently traded instruments, accounted for US$117 billion (up 19% from US$99 billion in the fourth quarter). Turnover in the Argentine FRB (the second most frequently traded individual instrument) rose 21% to US$43 billion, while activity in some Argentine eurobonds (including the 2027 and 2030) and local instruments fell.

Russian volume was fourth, with trading increasing 22% to US$61 billion from US$49 billion in the fourth quarter. Russia's 2030 bond, issued as part of the 2000 restructuring, accounted for US$24 billion in volume (up 14% from US$21 billion in the previous quarter), and remained the third most frequently traded instrument in the Survey.

In general, local markets instruments accounted for a record 45% of all trading according to the EMTA Survey, vs. 43% and 39% shares in the two previous quarters. Eurobond volumes accounted for 33% of trading, vs. 31% in the previous quarter, reflecting approximately $20 billion in new issuance in the first quarter. Brady Bond share dropped to 17% as both Argentina and Mexico retired outstanding Brady debt via exchanges; options accounted for 4% of volume and loans comprised 1% of the total.

Despite recent market turbulence, Chang remains fairly optimistic on Emerging Markets debt, commenting “We see the balance of risks for the EMBI+ to the upside from a trading perspective, if not on a fundamental basis.” She forecast an EMBI+ range of 725 to 775 bps for the near term, roughly the index’s range since the beginning of 2000.

For a copy of EMTA’s First Quarter 2001 Debt Trading Volume Survey, please contact Jonathan Murno at (212) 908-5000.

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NOTE TO EDITORS:
Founded in 1990, 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 has over 100 member firms worldwide, and has published its Volume Surveys annually since 1992 and quarterly since the first quarter of 1997.