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For Immediate Release

EMTA SURVEY: 2002 ANNUAL EMERGING MARKETS DEBT TRADING AT US$3.068 TRILLION

Fourth Quarter 2002 Volume at US$768 Billion; Local Markets at 52% of Volumes in Fourth Quarter

NEW YORK, February 10, 2003—Emerging Markets debt trading volume stood at US$3.068 trillion in 2002, according to EMTA's 2002 Annual Debt Trading Volume Survey. This compares with US$3.484 trillion in 2001 (a 12% decrease), and US$2.846 trillion in 2000 (an increase of 8%). Despite the continuing default in Argentina, and considerable uncertainty during much of 2002 regarding political transition in Brazil, overall Emerging Markets debt returned over 14% in 2002, according to the main industry benchmark index, the EMBI+, outperforming all other US dollar asset classes.

EMTA also reported that trading volume in the fourth quarter of 2002 stood at US$768 billion, a 15% increase compared to third quarter volume of US$670 billion (but down 7% from the US$822 billion recorded in the fourth quarter of 2001).

Joyce Chang, Managing Director and Global Head of Emerging Markets Research at JP Morgan, noted that the heterogeneous behavior of the asset class in 2002, as well as overall strong returns, "brought home the point to crossover investors that country selection is rewarded, while also removing some of the worst fears about contagion." Chang stated that high-grade investors remained the single largest market participants, accounting for 32% of JP Morgan's own trading volume in 2002, up from 9% in 1998. "The fact that high-grade investors, who are less prone to trade their portfolios, and dedicated investors, who accounted for 20% of JP Morgan's 2002 volume, have become the dominant market forces for Emerging Markets debt is providing greater stability and reducing volatility to the market," according to Chang.

Mexican, Brazilian Instruments Remain Most Frequently Traded

Mexican volumes, which remained the most frequently traded instruments for the third consecutive year, totaled US$949 billion in 2002, a 15% decrease from the US$1.111 trillion reported in 2001. Mexico accounted for 31% of all Emerging Markets debt trading in 2002, a slight decrease from its 32% share in 2001 but well above its share in previous years. The vast majority of Mexican turnover included market activity in Mexican local treasury instruments, including Cetes (US$306 billion), Bondes (US$200 billion) and Pagares (US$189 billion). Mexican Eurobond volumes reached US$218 billion, while Brady activity fell to under US$14 billion as the Mexican government redeemed its Discount Brady bonds last spring. In February 2002, Mexico received an investment-grade rating from Standard & Poor's, as well as an additional upgrade one level above investment grade by Moody's.

Turnover in Brazilian assets declined 2% to US$707 billion in 2002 (23% of overall volume), vs. US$721 billion in 2001 (21% of total volume). Brazilian volumes remained the second highest overall despite the fact that Brazilian turnover was at its lowest level since 1994, as market speculation on last year's presidential elections and Brazil's debt profile dominated the market, and led many industry analysts by mid-year to downgrade their recommendations on Brazil. The downward trend in trading activity continued into the fourth quarter of 2002 as Survey participants reported trading only US$127 billion in Brazilian debt instruments, down 18% from US$154 billion in the third quarter (and a 33% decline from US$191 billion in the fourth quarter of 2001).

Aversion to Argentina Until Political Outlook Becomes Clear

An even more dramatic decline occurred in Argentine volume, following its debt default in December 2001. Trading in Argentine assets dropped 90% to US$39 billion compared with US$384 billion in the previous year, with fourth quarter Argentine volume at US$7 billion, vs. US$4 billion in the previous quarter. Argentine assets dropped from the third most frequently traded assets in 2001 to 14th in 2002, and the Argentine share of 2002 volume dropped to 1%, compared with 11% the previous year. Despite the recent conclusion of an interim IMF deal, few analysts expect Argentina to begin serious negotiations with creditors on its defaulted debt in the foreseeable future.

Ms. Chang noted that, while there is a perception that the Argentine economy has hit rock bottom, "downside risks to debt prices remain, given the government's limited payment capacity; the political outlook holds the key." She added, "Current opinion polls offer little insight into the April presidential elections as no candidate picks up more than 20% of voter preferences."

Russia, South African and Hong Kong instruments ranked as the third, fourth and fifth most frequently traded assets respectively in 2002, benefiting from greater risk aversion during much of the year. Russian volumes stood at US$245 billion, down 18% from US$299 billion in 2001. South African assets turnover jumped 25% to US$164 billion from US$131 billion, and Hong Kong volumes stood at US$120 billion, compared with 2001's US$87 billion.

Greater Trading in Asian Debt but Investor Attention May Be Diverted in 2003

EMTA noted that Survey results indicate a general pick-up in trading activity for Asian debt instruments over the course of 2002, primarily in local treasury instruments issued by Asian countries. Notable volume increases involved debt instruments from South Korea (up 74% yoy to US$77 billion), India (up 60% to US$25 billion), Philippines (up 47%), Taiwan (up 39%), Hong Kong (up 38%) and Malaysia (up 27%). Asian market share stood at 14% in 2002, compared with 10% in both 2001 and 2000, and 5% in 1999.

Ms. Chang predicted that Asian debt instruments would face increased competition from other regions and asset classes this year, such as equities and US corporate bonds. "Nascent signs of a US economic recovery could divert investor attention away from investment-grade Asia toward US high grade corporate bonds," she stated, "while opportunities in other Emerging Market regions will look more attractive, given the rich spread levels of Asian bonds."

Local Markets Rise to 52% of Overall Volume in Fourth Quarter

At US$1.411 trillion, local market volumes accounted for 46% of total Emerging Markets trading (vs. 44% in 2001). Local market share rose to as high as 52% of all volume in the fourth quarter of 2002. 35% of overall 2002 volumes were in Eurobonds (US$1.062 trillion), compared with a 36% share in the previous year. Brady bonds (US$459 billion) accounted for 15% of volumes (16% in 2001) with 3% of trading in options (US$93 billion and the same share as in 2001) and 1% in loans (US$42 billion and also 1% in 2001).

The publication of EMTA's most recent Survey marks the eleventh year EMTA has published information on Emerging Markets debt trading activity levels. In its 1992 report, market participants reported trading US$734 billion in Emerging Markets debt instruments, or less than one quarter of current volumes. Overall trading activity peaked in 1997, at nearly US$6 trillion, before falling off sharply in the wake of the Asian and Russian financial crises.

EMTA is a not-for-profit corporation dedicated to promoting efficient and transparent trading markets for Emerging Markets instruments. Its Debt Trading Volume Survey includes data provided on a confidential basis by over 70 financial institutions involved in Emerging Markets debt trading, and is based on the face value of their trading activity.

For a copy of EMTA's Fourth Quarter and 2002 Annual Debt Trading Volume Surveys, please contact Jonathan Murno at jmurno@emta.org or at +(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, which has over 100 member firms worldwide, has published its Volume Surveys since 1992.