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A

360 Madison Ave., 18th fl.
New York, NY 10017

646 637-9100
646 637-9128 Fax

Contact: Jonathan Murno
EMTA
+44 (20) 7545-3196
jmurno@emta.org

For Immediate Release

EMTA SURVEY: SECOND QUARTER 2003 EMERGING MARKETS DEBT TRADING AT US$1.086 TRILLION

Volumes Rise 29% to Highest Level in Five Years

NEW YORK, August 14, 2003—Emerging Markets debt trading volume reached its highest quarterly level in five years, standing at US$1.086 trillion in the second quarter of 2003, according to EMTA's Second Quarter 2003 Debt Trading Volume Survey. The quarterly trading figure was the highest since participants reported trading $1.391 trillion in the second quarter of 1998, prior to the August 1998 Russian crisis, which prompted a sharp drop in Emerging Markets debt trading.

Volume levels increased 29% from the US$839 billion in the first quarter of 2003 and by nearly the same percentage from the $841 billion in the second quarter of 2002. Survey participants reported increased trading across the board in Emerging Markets assets, with few exceptions, most of which were issues from investment-grade rated Asian countries.

Jonathan Bayliss, Managing Director and Global Head of Quantitative Strategy at J.P. Morgan, attributed the sharp increase in second quarter bond trading to a number of factors. "The prolonged rally earlier this year had encouraged greater participation from tactical asset allocators and momentum investors; however, many of these investors were shaken out by the increased volatility in the market in May and June," he commented. Bayliss also noted that trading volume had been pushed upwards by increased trading by hedge funds, the closure of several CBOs, large inflows from new investors prompting greater demand for Emerging Markets paper, and a surge in Eurobond issuance at the end of the quarter, with "the highest issuance of B and BB assets in two years."

Mexican Debt Trading at US$331 Billion, Up 24% from First Quarter

Leading the pack for the eleventh consecutive quarter was trading in Mexican debt instruments, at US$331 billion, up 24% from US$266 billion in the first quarter. More than three-quarters of Mexican volumes were composed of trades in local Mexican treasury instruments, including Pagares (US$164 billion) and Bondes (US$58 billion). Trading in the country's sovereign Eurobonds totalled US$60 billion, a 47% increase from US$40 billion in the first quarter. Mexico's Brady Bonds, making their penultimate appearance in the Survey before the last remaining issues were redeemed on July 28, accounted for less than US$2 billion in volumes.

Trading in Brazilian debt, the second most frequently traded assets, rose 58% to US$269 billion, from US$170 billion in the previous quarter, and rose 18% compared with the US$228 billion Survey participants reported in the second quarter of last year. Brazil's C-Bonds remained the most frequently traded individual bond, with volume increasing 17% to US$84 billion, vs. US$72 billion in the first quarter, although turnover actually decreased 18% compared to second quarter 2002 volume of US$102 billion. Brazilian sovereign Eurobond volumes were up 150% on a quarter-on-quarter basis to US$90 billion from US$36 billion, with Survey participants reporting US$22 billion in Brazil's 2040 bond (vs. US$8 billion in the first quarter).

Participants also reported a 145% quarter-on-quarter increase in volume in Argentine debt instruments, at US$17 billion vs. US$7 billion. Analysts attributed some of this volume to increased speculation concerning the timing of an Argentine debt rescheduling.

Eurobond Volumes Up 60% to US$443 Billion

Aggregate Eurobond trading surged 60% to US$443 billion, from US$276 billion in the first quarter, and exceeded overall local instrument trading for the first time in over three years. Eurobond volumes accounted for 41% of overall trading in the second quarter (vs. 33% in the prior three months), with sovereign issues composing 80% of total Eurobond turnover. Russia's 2030 Bond was the most frequently traded individual Eurobond, with US$35 billion in volume, followed by the Brazil 2040 Bond and Turkey 2030 Bond (US$13 billion).

Local instrument trading totaled US$440 billion, a 9% increase over first quarter volume of US$405 billion. Local market instruments also accounted for 41% of volumes. In addition to Mexican local instruments, Survey participants also reported trading US$37 billion in South African local instruments, US$23 billion in Hong Kong local issues, and a similar amount in Polish local treasuries.

Trading in Brady Bonds stood at US$143 billion (representing 13% of volumes), options US$36 billion (a 3% share) and loan instruments US$24 billion (2% of volume).

65% of volumes consisted of Latin American debt instruments, with 13% each in Eastern European and Asian instruments. African trading accounted for 5% of turnover, and 4% of trading was in Middle Eastern assets.

Inflows Will Remain Strong, But on Smaller Scale

Bayliss believes that inflows into the asset class will remain strong in the third quarter of 2003, but on a lesser scale than during the second quarter. "In particular, I expect a decline in mutual fund inflows," he predicted.

For a copy of EMTA's Second Quarter 2003 Debt Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or at +44 (20) 7545-3196.

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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 100 member firms worldwide, has published its Volume Surveys since 1992. EMTA's Debt Trading Volume Survey includes data provided by over 70 major international broker-dealers, banks and investors.