E merging
M arkets
T raders
A ssociation

63 Wall Street, 20th floor
New York, NY 10005
www.emta.org

Contact: Jonathan Murno
EMTA
(212) 908-5000

EMTA SURVEY:
SECOND QUARTER 2000 EMERGING MARKETS DEBT TRADING STOOD AT US$681 BILLION

Local Instrument Trading Surpasses Eurobond and Brady Turnover; Ecuadorian Volumes Decline 76%

NEW YORK, August 14, 2000—Trading in Emerging Markets debt instruments stood at US$681 billion in the second quarter of 2000, according to EMTA's just-released Second Quarter 2000 Debt Trading Volume Survey. Although this represents a 9% decline from the US$749 billion recorded in the previous quarter, volume in the first half of 2000 remained 23% higher than levels recorded in the same period last year. Market participants reported trading US$1.43 trillion in Emerging Markets debt assets in the first two quarters of 2000, vs. US$1.16 trillion in the first six months of 1999.

In addition, Emerging Markets debt turnover reached its second highest quarterly level since the onset of the Russian financial crisis in the third quarter of 1998. Michael Chamberlin, Executive Director of EMTA, commented that "although volumes remain well under pre-Russian Crisis levels, trading levels in the first two quarters of 2000 show a healthier market than was the case in late 1998 and all of last year."

Local Instruments Trading Reaches Highest Level in Two Years

Notable among EMTA's survey results was turnover in local markets instruments, which rose 28% to US$231 billion in the second quarter from US$181 billion in the first quarter. EMTA noted that this was the highest level of local markets trading in two years. Volume in local markets instruments surpassed both trading in Eurobonds and Brady bonds to account for the most frequently traded asset type. Local markets instruments accounted for 34% of all reported volume (vs. a 31% share for Eurobonds and a 27% share for Brady bonds).

Leading the surge in local markets instruments was turnover in Mexican local instruments. Participants reported volume of almost US$81 billion in Mexican local debt (with Cetes volume reaching US$67 billion). 35% of all local instrument trades involved Mexican local debt; this was Mexico's highest percentage of local debt trading ever in EMTA's Quarterly Surveys. (In the previous two years, Mexican instruments accounted for between 24-28% of local debt trades.)

Although Mexican locals are often used as a proxy for local markets sentiment generally, analysts noted that investors speculated during the second quarter on the probability of a smooth Mexican presidential election. Analysts added that the high Mexican local volume is also a result of the decision by Moody's earlier this year to upgrade Mexico's long-term foreign currency credit rating to investment grade.

In addition to Mexico, other frequently traded local instruments were instruments issued by Brazil (US$38 billion), Hong Kong (US$32 billion), Turkey (US$19 billion) and Argentina (US$17 billion).

Eurobond Volume at US$190 Billion

Eurobond trading stood at US$210 billion, vs. US$264 billion in the first quarter. The 21% decline reflects the reduction in the new issuance market; according to Chase Securities, Eurobond issuance slowed to US$15.3 billion in the second quarter, less than half of the US$36.3 billion in new paper issued in the first quarter. 76% of Eurobond trading involved sovereign Eurobonds; according to Merrill Lynch, 75% of new Emerging Markets Eurobond issues in the first half of 2000 were sovereign bonds.

Trading in Mexican and Brazilian Eurobonds were roughly equivalent at approximately US$36 billion each, followed closely by Argentine Eurobond activity of US$35 billion. Mexico's '26 bond (US$6.4 billion in volume) and Argentina's '17 bond (US$6 billion in turnover) figured among the most frequently traded individual instruments overall. Russian Eurobonds volume stood at US$17 billion, with when-issued trading in the country's expected '30 issue totaling US$2.5 billion.

Brady bond volumes stood at US$184 billion. Brady share of the market continues its steady decline as Brady issuers offer to exchange new Eurobonds for outstanding Brady debt. Loan volumes, primarily Russian Prin trades, accounted for US$33 billion in volume while options on Emerging Markets debt totaled US$23 billion.

Volumes in Ecuador and Ivory Coast down More than 70%; Nigerian Trading Up 70%

Ecuadorian instrument volume stood at US$1.4 billion, vs. US$5.9 billion in the previous quarter and US$9.8 billion in the second quarter of 1999. Trading in Ecuadorian instruments was roughly divided between volume in Pars (US$447 million), Discounts (US$446 million) and PDIs (US$370 million) while turnover in Ecuador's two global bonds combined stood at only US$57 million. Although Ecuadorian volume had previously placed among the top ten frequently traded countries, in the second quarter of 2000, it placed 24th among 73 countries for which investors reported debt trades.

Volume in debt issued by the Cote d'Ivoire (Ivory Coast) also retreated, to US$403 million, vs. US$1.5 billion in the first quarter, following the Ivoirian government's failure to make timely principal and interest payments on its Brady bonds.

In contrast, trading increased in debt issued by Nigeria, which recently announced that it has appointed advisors to examine the possibility of a debt restructuring. Nigerian trading stood at US$1 billion, vs. US$628 million in the previous quarter.

For a copy of EMTA's Second Quarter 2000 Debt Trading Volume Survey, please contact Jonathan Murno at (212) 908-5000.

***

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 110 member firms worldwide, and has published its Volume Surveys annually since 1992 and quarterly since the first quarter of 1997.