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63 Wall Street, 20th fl.
New York, NY 10005

212-908-5000
212-908-5039 Fax

Contact: Jonathan Murno
EMTA
+(44) 207 545-3196
jmurno@emta.org

For Immediate Release

EMTA SURVEY: SECOND QUARTER 2002 EMERGING MARKETS DEBT TRADING AT US$841 BILLION

Concerns Drive Brazilian Volume; Argentine Trading Sharply Down

NEW YORK and LONDON, August 5, 2002—EMTA announced today that Emerging Markets debt trading volume stood at US$841 billion for the second quarter of 2002, according to its Second Quarter 2002 Debt Trading Volume Survey. This compares with US$789 billion in the previous quarter (a 7% increase), and US$864 billion in the second quarter of 2001 (a decrease of 3%).

Tulio Vera, Managing Director and Head of Emerging Markets Research at Merrill Lynch, commented, "The main characteristic of the second quarter was the rise in risk aversion across all financial-asset markets. In Emerging Markets debt, this translated into an increase in volatility and an emphasis on the smaller off-the-run countries, i.e. safe havens." Indeed, in addition to the market's largest safe haven, Mexico, volumes also increased in highly-rated countries such as South Africa, Poland and even El Salvador (which has one investment grade rating).

Mexican Volumes Almost Equaled by Brazilian Trading

At US$228 billion in turnover, Mexican debt instruments were the most frequently traded debt instruments for the seventh consecutive quarter. Second quarter Mexican debt trading rose 7% from the first quarter (US$214 billion) but was down 13% from US$262 billion in the second quarter of 2001. The majority of trading occurred in Mexican local instruments (US$154 billion), followed by Eurobonds (US$56 billion). Mexican Brady transactions continued their steep decline, to US$2.2 billion, as the sovereign continued to redeem outstanding Brady issues.

Brazilian volumes rose significantly and were just slightly below Mexican levels as market participants speculated on the country's presidential race and debated the health of the Brazilian economy. Brazilian debt turnover stood at just below US$228 billion, vs. US$199 billion in the previous quarter (a 15% increase) and US$178 billion in the second quarter of 2001 (a 28% rise). The increase in Brazilian volumes largely occurred in Brazilian C-Bonds, the industry benchmark, which reached their highest trading levels in four years at US$102 billion, from US$64 billion in the first quarter (up 58%) and US$63 billion in the second quarter of 2001 (up 62%).

Vera affirmed, "The rise in the C-bond volumes reflects a flight into the more liquid instruments while also reflecting the turbulence in the markets and the increased focus on Brazil." He stressed, "Getting Brazil 'right' has been the most important market call this year, but because opinions have been divided on the eventual outcome of the October elections, Brazilian debt has experienced increased volatility and large price swings."

Uruguayan Levels Down from First Quarter but Remain Relatively Strong

Uruguayan volumes remained at relatively high levels compared to recent years, but dropped dramatically from their peak levels in the first quarter of 2002. Volume stood at US$1.5 billion, down from US$4.3 billion in the previous quarter but above the US$584 million in the second quarter of 2001. In recent months, investors have become increasingly concerned by the spillover effects on Uruguay from the situations in its larger neighbors, specifically its loss of foreign exchange reserves, and credit agencies have lowered their ratings on the former investment-grade rated country well into speculative grade.

Vera stated that Uruguay's status as a "fallen angel" means many high grade investors have been forced to divest themselves of the credit, triggering greater activity in recent months. However, the acceleration in credit deterioration at the end of the second quarter made the bonds less liquid, and "hence less attractive for the more conservative Emerging Markets accounts."

Argentine Volumes Remain at Historic Lows

Argentine trading volumes remained minimal following the country's decision last December to default on outstanding debt, and the removal of large amounts of securitized debt from the market place via the country's 'mega-swap' offers. Participants reported trading US$6.6 billion in Argentine assets, or less than one per cent of total Emerging Markets debt trading. Argentine FRB volumes, which were as high as US$71 billion in the first quarter of 1997, and which once dominated the market, dropped to only US$362 million (down 91% from US$4 billion in the previous quarter and down 99% from US$47 billion recorded in the second quarter of 2001). Analysts continue to attribute the lack of volumes to a number of factors, including Street recommendations to avoid the debt, reduced credit lines to Argentine counterparties and on Argentine assets, and a common belief that a restructuring of Argentine debt will not occur in the near future.

Vera, who is recommending that his clients maintain zero exposure to Argentina, notes that there is very little that Buenos Aires has accomplished which would prompt investors to agree to a restructuring of existing debt. He continued that this has kept trading at minimal levels. “There is still no news about an IMF agreement, and thus the risk of default to multilaterals remains a factor. No fiscal and monetary program to talk about, and an uncertain political outlook, “ he stated.

Despite continued optimism concerning the Russian economy, its recent categorization as a ‘safe haven’ credit during turbulence in Latin markets, activity in Russian debt instruments actually declined in the second quarter. Participants reported US$60 billion in Russian transactions, down eight per cent from US$65 billion in the previous quarter and down 22% from US$77 billion in the second quarter of 2001. Vera asserted that Russian volumes have gradually declined over the past year as participants have felt comfortable with their exposure while Russian fundamentals appear to have become clearer and more positive; subsequently market participants have felt “less need to trade it around,” he commented.

Local Instruments 42% of Volume, Eurobonds with 36% Market Share

Although all instrument categories demonstrated volume growth in the second quarter vs. the prior quarter, the large increase in Brazil C-Bond trading led to an unusual gain in Brady market share. However, local instruments continued to dominate Emerging Markets trading, with a 42% share of the market in the second quarter (down from 44% in the first quarter). Local instrument trading rose 1% to US$348 billion (vs. US$344 billion in the first quarter and US$335 billion in the second quarter of 2001).

Eurobonds accounted for 36% of volumes, slightly below their 37% share in the first quarter. Most Eurobond trading involved sovereign issues, although corporate issues accounted for 7% of total Emerging Markets volumes, their highest share in two years. Brady share stood at 18% (vs. 16% in the first quarter) mainly due to the dramatic increase in C-Bond transactions, and despite the declining amount of outstanding Brady debt.

For a copy of EMTA’s Second Quarter 2002 Debt Trading Volume Survey, please contact Jonathan Murno at jmurno@emta.org or at +(44) 207 545-3196.

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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, which has over 100 member firms worldwide, has published its Volume Surveys since 1992.