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For Immediate Release

EMTA SURVEY: FIRST QUARTER 2002 EMERGING MARKETS DEBT TRADING AT US$789 BILLION

Argentine Trading Falls to 3% of Total Market Volume

LONDON, May 8, 2002—EMTA announced today that Emerging Markets debt trading volume stood at US$789 billion in the first quarter of 2002, according to its First Quarter 2002 Debt Trading Volume Survey. This compares with US$822 billion in the previous quarter (a 4% decline), and US$913 billion in the first quarter of 2001 (a 14% drop).

Mohammed Grimeh, Managing Director at Lehman Brothers Inc., noted that, "Usually, we see a pick up in first quarter volume over the previous fourth quarter because of new money entering the market." However, the usually predictable first quarter jump in volume was "offset this year by redemptions and defensive strategies on the back of the announcement of a debt moratorium from Argentina," Grimeh stated.

Argentine Volumes Collapse in the Wake of Default

Following Argentina's debt moratorium announcement in December, volumes in Argentine debt instruments plummeted. EMTA Survey participants reported US$21 billion in Argentine volumes, down 82% from the first quarter of 2001 (US$117 billion) and a 66% decrease from the prior quarter (US$61 billion). Volumes on Argentine FRBs, once the industry benchmark, dropped 90% from first quarter 2001 levels (US$43 billion) to US$4 billion, and were down 75% vs. the fourth quarter of 2001 (US$16 billion). Local instrument trading (US$393 million), which was also affected by the dramatic depreciation of the

Argentine peso following its flotation, declined 85% on a quarter-on-quarter basis (from US$3 billion) and 98% compared to the previous year (US$17 billion). EMTA noted that year-on-year comparisons of Argentine debt volumes are skewed by the removal of large amounts of outstanding Argentine debt from the marketplace via large exchange offers which occurred during 2001, and the resulting lower weighting of Argentina in industry benchmark indices. Grimeh added, “the debt swaps led to a concentration of Argentine debt in the hands of local investors, who do not or cannot actively trade the assets,” and continued that Argentina volumes also dried up because, “a number of Emerging Markets debt dealers had their credit limits with Argentine counterparties, or Argentine assets, cut.”

Turnover in Mexican debt instruments remained the highest of all countries in the Survey, as it has since taking over the top spot from Brazil in 2000. Mexican trading volume stood at US$214 billion, down marginally from US$216 billion in the previous quarter, though volumes were 36% below first quarter 2001 levels (US$335 billion). 70% of Mexican instrument trades occurred in Mexican local treasury instruments, including US$96 billion in Cetes trades. Mexican instrument volumes accounted for 27% of total reported trading, up from 26% in the previous quarter but down from 37% in the first quarter of 2001.

Brazilian volumes (US$199 billion) increased 4% vs. the previous quarter (US$191 billion) and rose 10% vs. the first quarter of 2001 (US$180 billion). Brazilian instruments (25% of total Emerging Markets debt trading) remained the second most frequently traded instruments, although Brazil’s C-Bond (US$64 billion in turnover) remains the most frequently traded individual instrument. Grimeh commented that he expected Brazilian volumes to continue to grow, as he believes they will continue to benefit from the country’s increased weighting in most Emerging Market Indices as part of index rebalancing following the reduction in the amount of outstanding Argentine debt.

Russian volumes, after reaching post-Russian Crisis highs in recent quarters, dropped 19% on a quarter-on-quarter basis (US$65 billion vs. US$80 billion), while remaining 8% above first quarter 2001 transactions (US$61 billion). Grimeh opined, “The whole market has been overweight Russia for the last two years, and most of the players opted for a strategy of holding, rather than trading, Russian debt and riding the upside.” Grimeh reasoned that as the market has been absent any major shock, there has been no reason for volatility or for a large sell-off to be triggered.

Other frequently traded instruments include debt issued by Hong Kong (US$39 billion), South Africa (US$35 billion), Venezuela (US$29 billion) and Poland (US$24 billion).

Trading in Colombian assets continued its positive upswing, reaching its highest level ever in EMTA’s quarterly Surveys at US$13 billion. “Colombian volume is up because local pension funds and banks have been increasingly involved in the market place,” commented Grimeh, who expects this trend to continue and to bolster trading levels of Colombian debt further.

Local Instruments 44% of Volume, Eurobonds with 37% Market Share

Local instrument trading declined by 5% to US$344 billion from US$364 billion in the fourth quarter and from US$413 billion in the first quarter of 2001, although local instrument share of total volume remained constant, at 44%. Mexican local treasury instruments accounted for nearly 44% of all local instrument trading, with US$150 billion in quarterly turnover. Survey participants also reported trading US$33 billion in local Hong Kong debt, US$30 billion in South African treasury instruments and US$24 billion in local debt issued by Brazil.

Eurobond volumes stood at US$290 billion (a 3% decrease vs. the previous quarter, and a 4% year-on-year decrease). Market share for eurobonds, at 37%, was consistent with its share in the two previous quarters. Sovereign eurobond transactions accounted for 83% of eurobond trading, with the remaining 17% of eurobond volumes in corporate trades. Russia's 2030 bond remained the most frequently traded individual eurobond (US$33 billion), followed by the Brazil 2040 bond (US$14 billion) and Venezuela 2027 bond (US$9 billion). According to Merrill Lynch, first quarter 2002 Emerging Market issuance was US$15.6 billion, a 15% decrease from first quarter 2001 issuance.

Brady Bonds accounted for 16% of trading activity, at US$124 billion (down from US$131 billion in the fourth quarter and US$156 billion in the first quarter of 2001), with Bulgaria, Peru and Mexico the latest countries to reduce outstanding Brady stock during the first quarter. (According to a report by Merrill Lynch, to date 61% of the original US$175 billion face amount of Brady Bonds has been retired via exchanges, buybacks, calls, amortizations and restructurings.)

Options transactions accounted for 3% of all Emerging Markets debt trades at US$24 billion. Loan assignments, at US$7 billion, accounted for 1% of volume.

Going forward, Grimeh, who is forecasting that the EMB+ ex-Argentina will be in the 500 to 425 basis point range in six months, believes that "volume is likely to pick up as the new issue market recovers for both sovereigns and blue chip corporates in Emerging Markets." He also sees new money being directed away from the stock market and other credit markets, including the US corporate debt market, and instead being allocated to Emerging Markets debt.

For a copy of EMTA's First Quarter 2002 Debt Trading Volume Survey, please contact Jonathan Murno 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 annually since 1992 and quarterly since 1997.