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EMTA SURVEY:

FIRST QUARTER 2000 EMERGING MARKETS DEBT TRADING REBOUNDS TO US$749 BILLION

Boosted by Record Issuance, Eurobond Trading Finally Surpasses Brady Levels

NEW YORK, May 8, 2000—Rebounding from a trough in the fourth quarter of last year, Emerging Markets debt trading in the first quarter of 2000 reached US$749 billion. This represents a 53% increase from the US$490 billion reported in the final quarter of 1999; and a 42% increase vs. first quarter 1999 volume of US$529 billion. EMTA also noted that in the first quarter turnover reached its highest level since the onset of the Russian financial crisis in the third quarter of 1998.

The results of the survey indicate strong across-the-board increases in the trading of debt from most Emerging Market countries, as well as throughout all instrument categories. Among the major Emerging Market countries, gains in trading were largest in Russia (a 131% increase compared to the previous quarter) and Mexico (an 81% jump).

Arturo Porzecanski, Chief Economist for the Americas at ING Barings, noted that, "the survey confirms that first quarter debt turnover benefited not only from a glitch-free transition into 2000, but from plenty of good news coming out of the Emerging Markets." Porzecanski cited Argentina's renewed agreement with the IMF, Russia's London Club deal and Moody's decision to upgrade Mexican debt to investment grade as reasons for stepped-up investor interest in the asset class.

Eurobond Volumes Surpass Brady Trading

For the first time in EMTA's Surveys, Eurobond trading volume surpassed that of Brady bonds. Participants reported US$264 billion in turnover in Eurobond trading (a 72% increase vs. the US$153 billion reported in the fourth quarter), with sovereign debt comprising three-quarters of Eurobond trading. Brady bond trading stood at US$215 billion (up 40% vs. the US$153 billion in Brady trades reported in the previous quarter).

Porzecanski further commented, "Governments and corporations in Emerging Markets took advantage of the favorable underlying conditions to place more Eurobond debt than they had been able to sell in the first quarter of 1999 or even the first quarter of 1998." According to ING Barings, Latin American issuers alone placed US$15.4 billion in the first three months of 2000, up from US$9.5 billion in the first quarter of the prior year. In contrast to an increase in outstanding Eurobond stock, a number of debt exchanges carried out in the first quarter continued to reduce the amount of outstanding Brady debt. (US$60 billion in Brady debt has been retired or amortized, or 35% of all originally issued Brady debt, according to Merrill Lynch).

Trading in newly-issued Eurobonds from Latin America, Turkey and other Emerging Market countries amounted to at least US$28 billion in turnover, according to the Survey. Among the more frequently traded new bonds were Mexico's new 2010 bond (US$8.4 billion in turnover) and the Brazilian 2020 bond (US$5.9 billion in volume).

Brazilian Volume at US$228 Billion

Brazilian debt instruments remained the most frequently traded instruments, at US$228 billion and with a 30% share of the market. Mexican debt was second at US$131 billion (an 18% share), followed by instruments from Argentina (US$111 billion, and a 15% share) and Russia (US$78 billion, accounting for 10% of reported volume). Trading in the instruments from these four countries alone accounted for nearly three-quarters of total reported trading.

Volumes increased in the two countries that have defaulted on Brady debt. Ecuadorian debt turnover rose 22% to US$5.9 billion, following the coup d'état and the announcement of dollarization in January. Cote d'Ivoire debt instrument trading stood at US$1.5 billion, a near 200% increase on fourth quarter volume, as the market speculated on whether the country would miss interest and principal payments due at the end of the first quarter.

Brazil C-Bonds remained the most frequently traded Emerging Markets instrument, with US$58 billion in reported turnover. Following the announcement of the Russia's deal with London Club creditors, Russian Prins were the second most frequently traded instrument with US$30 billion in volume. The Argentine FRB was third at US$22 billion.

Porzecanski noted that Emerging Markets trading "has begun the second quarter on a more subdued note, due to the correction in the NASDAQ and the bearish tone of the US Treasury market as a result of renewed concerns of inflationary pressures and future interest rate increases in the US." However, he added that news emanating from most Emerging Market countries continues to be positive and that he expects investors will soon refocus on the fundamentals and the investment opportunities in those countries.

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

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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.