E M T A

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

646 637-9100
646 637-9128 Fax

Contact: Jonathan Murno
EMTA
(646) 637-9105
jmurno@emta.org

For Immediate Release

EMTA SURVEY:
EMERGING MARKETS CREDIT DERIVATIVE TRANSACTIONS AT US$197 BILLION IN 2003

Asian Volumes 41% of Market

NEW YORK, May 12, 2004—Reported annual trading volumes in Emerging Markets Credit Derivatives totaled US$197 billion in 2003, according to a Survey released today by EMTA, the industry trade association for traders and investors in the Emerging Markets. The Survey covered 43 Credit Derivative markets from Asia, Latin America, Eastern Europe, the Middle East and Africa.

EMTA, which has been regularly publishing its Volume Survey for Emerging Market debt instruments since 1992, began compiling Credit Derivative data in the first quarter of 2003, and 22 financial institutions, including major dealers and investment firms, participated in the Annual Survey. Nevertheless, EMTA noted that, because several significant market participants had not contributed to this Survey, it should not be interpreted as accurately representing actual industry-wide trading volumes in Credit Derivatives, but rather as only a general reflection of overall industry trends.

Participants Report Heaviest Trading in South Korean Credit Derivatives

South Korean Credit Derivatives were the most active instruments according to Survey participants, at US$23 billion. Karim Abdel-Motaal, Global Head of Emerging Markets Research at Morgan Stanley, commented, “There has been a significant increase in investor exposure to Asia to countries such as South Korea and Taiwan over the past six months, and some equity positions have had credit default swap hedges applied to them.” Asian Credit Derivatives accounted for 41% of total reported Credit Derivatives, with South Korea alone claiming a 12% share of total reported volume.

Brazilian Credit Derivatives were just slightly behind South Korean volume, also at US$23 billion (and a12% per cent market share). Venezuelan Credit Derivatives stood at US$21 billion, and Mexican transactions equaled US$20 billion. Abdel-Motaal attributed the strength in Mexican Credit Derivatives to the recent authorization of local pension funds (AFORES) to trade derivatives, as well as to investors hedging their long equity positions in Mexican stocks.

The growth of the Credit Derivatives market has been a frequent topic of conversation in the Emerging Markets industry and Abdel-Motaal did not hesitate to offer his opinion. “I am very confident Credit Derivative volumes will continue to increase and will eventually overtake bond volumes,” declared Abdel-Motaal, who further predicted that within five years, “I suspect that when one refers to the credit market, one will essentially be speaking of credit default swap curves.” Abdel-Motaal cited the emergence of first to default baskets as a new innovation that offers evidence of the evolution and deepening of the Credit Derivative market, as well as the “willingness of dealers to take risk and their greater ability to hedge it.”

Survey Adds to Market Transparency

EMTA Executive Director Michael M. Chamberlin stated that the Survey was conceived as a way to further EMTA's goal of contributing to market transparency. Chamberlin added that, “although the markets’ participation in this Survey is not yet on par with our Debt Trading Volume Survey, we are confident that over time, participation will improve as traders and investors gain more experience with it, giving greater validity and significance to the collected data.”

For a copy of EMTA’s 2003 Annual Credit Derivatives Volume Survey, please contact Jonathan Murno at jmurno@emta.org or at +(646) 637-9105.

***

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.