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For Immediate Release

EMTA SURVEY: EMERGING MARKETS DEBT TRADING AT US$6.489 TRILLION IN 2007

Local Instruments at 66% of Turnover; Results Show that Trading Tailed Off in the 4th Quarter

NEW YORK, February 19, 2008—Emerging Markets debt trading stood at US$6.489 trillion in 2007, just shy of the previous year's record volume of US$6.523 trillion, according to a Survey released today by EMTA, the industry trade association. EMTA noted that while trading in 2007 outpaced 2006 volumes in the first three quarters of the year, a notable contraction in fourth quarter turnover resulted in a 0.5% decline in annual activity.

EMTA's Fourth Quarter Debt Trading Volume Survey, also released today, shows that turnover in the final three months of 2007 declined to US$1.366 trillion, a 16% drop vs. fourth quarter 2006 volume of US$1.634 trillion and down 18% compared with US$1.671 in the third quarter of 2007. This was the lowest quarterly volume in over two years according to the EMTA Survey, which is based on responses from 60 market participants.

Joyce Chang, Global Head of Emerging Markets Strategy and Emerging Markets Americas Client Business at JPMorgan, noted that "liquidity in the fourth quarter diminished across the board, particularly for higher-beta Emerging Market assets, as the turmoil in US credit markets unfolded." Chang reasoned that, although JPMorgan expects inflows into Emerging Markets fixed income to increase this year to US$40 billion compared to US$32 billion in 2007, "trading volumes may not recover to pre-sell-off levels as crossover investor interest in Emerging Market instruments has fallen, particularly with Emerging Market sovereign debt trading through investment grade credit."

Local Market Volumes Reach New Annual High at US$4.264 Trillion

Continuing a trend evident for several years, local markets reached their highest annual trading level since EMTA began compiling the Survey in 1992, with reported activity of US$4.264 trillion. This compares with US$3.687 trillion in local markets turnover in 2006, a 16% increase. Trading in local market instruments accounted for nearly two-thirds of Emerging Markets debt trading, a dramatic increase from their 57% share in 2006 and a 47% share in 2005.

While local markets volumes rose to record levels in each of the first three quarters of the year, volumes declined in the final quarter, down 22% on a quarter-on-quarter basis to US$933 billion (vs. US$1.190 trillion in 3rd Quarter 2007) though flat compared to 4th Quarter 2006 trading. The decrease in local markets instrument activity was consistent throughout all major countries in the 4th Quarter. The most frequently traded local bonds were those from Mexico (US$1.206 trillion), Brazil (US$625 billion), South Africa (US$451 billion), Turkey (US$328 billion) and Argentina (US$293 billion).

Sovereign Eurobond Trading Declines While Corporate Volumes Increase

In contrast to the annual rise in local markets volumes, overall Eurobond activity declined to US$2.110 trillion in 2007, a 21% decrease from US$2.675 trillion the prior year. However, the trends in sovereign and corporate Eurobonds trading contrasted sharply. Sovereign issue volumes were down 36% to US$1.379 trillion in 2007 (vs. US$2.165 trillion in 2006). EMTA noted that reported activity in sovereign Eurobonds has declined consistently for the past five quarters. Sovereign Eurobonds accounted for 21% of Survey volume, down from 33% in the previous year.

Corporate Eurobonds, however, reached their highest annual trading level at US$676 billion in 2007, up 48% compared with US$458 billion in 2006. Corporate bond trading reached its peak in dollar terms in the 2nd Quarter of 2007, while in terms of market share 4th Quarter corporate turnover matched its highest market share previously set in the 2nd Quarter, when corporate bond activity once again accounted for 12% of total Survey volume. For the full year, corporate Eurobonds accounted for 10% of trading, compared to 7% in 2007.

Chang commented that “the net supply of sovereign debt continues to fall as emerging countries shift financing into local markets.” She added that JPMorgan forecasts gross Emerging Market sovereign issuance of approximately US$47 billion in 2008, or about one-third of the anticipated level of Emerging Market corporate issuance, which, she pointed out, for the first time matched the level of US high yield issuance in 2007.

In addition to local markets bonds, sovereign and corporate Eurobonds, the Survey also includes turnover in options, loans and Brady bonds. Survey participants reported US$96 billion in option trades (2% of volume), US$14 billion in loan assignments (less than 1% of volume) and US$4 billion in Brady bond transactions (also less than 1% of Survey turnover).

Mexico, Brazil and Argentina Lead Volumes

Mexican instruments were the most frequently traded debt securities in the Survey, at US$1.413 trillion in reported activity. This compares with US$1.534 trillion in Mexican trading in 2006, an 8% decrease. 85% of Mexican volumes involved local markets instruments, compared to an 82% share the previous year. Mexican trading accounted for 22% of total volumes (vs. 24% in 2006).

Brazilian securities were the second most frequently traded instruments, at US$1.134 trillion. This represents a 20% decrease vs. 2006 volume of US$1.424 trillion. Volumes in the industry's benchmark bond, Brazil's 2040 issue, stood at US$215 billion, contracting 55% from US$478 billon in 2006 (and vs. $576 billion in 2005). Brazilian instrument trading accounted for an 18% share of total volume (vs. 22% in 2006).

The third most frequently traded instruments were Argentine debt issues, at US$520 billion. Argentine volumes rose 26% compared to US$412 billion (and vs. US$346 billion in 2005). Other frequently traded debt instruments were issues from South Africa (US$492 billion), Turkey (US$486 billion), Poland (US$322 billion) and Russia (US$317 billion) and Hong Kong (US$200 billion).

Chang commented that although crossover investor interest in the asset class has waned in recent months, the improved fundamentals in many Emerging Market countries continue to attract investors. "The new strategic investors in Emerging Markets fixed income include US pension funds and sovereign wealth funds, who operate as long-term holders of assets," she stated.

EMTA's Survey includes trading on volumes in debt instruments from over 90 Emerging Market countries. For a copy of EMTA's Fourth Quarter or 2007 Annual Volume Survey, please contact Jonathan Murno at jmurno@emta.org or +1 (212) 313-1005.

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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, with over 150 member firms worldwide, has published its Annual Volume Surveys since 1992 and Quarterly Surveys since the first quarter of 1997.