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CAPITAL FLOWS TO LATIN AMERICA
THIRD QUARTER 2001

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3rd Quarter of 2001

Events in Argentina dominated most of the third quarter of 2001 until September 11, when the terrorist attacks against the United States prompted a sell-off of emerging markets assets, increasing uncertainty and risk aversion against a background of global economic slowdown. Emerging markets' short term prospects to tap international capital markets deteriorated significantly.

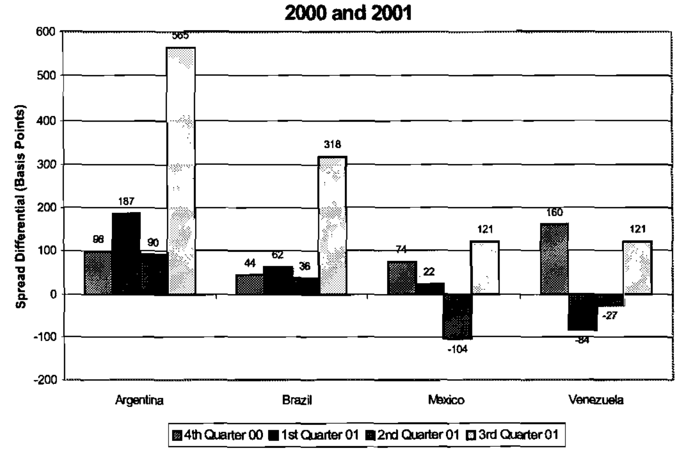
In the third quarter of 2001, Latin American countries issued US$7.6 billion in bonds, following US$11.2 billion in the second quarter and US$13.2 billion in the first quarter, which had been a jump from only US$2.9 billion in the last quarter of 2000. At first, it seemed that the pace of debt issuance would slow down considerably given Argentina's troubles in July, as Argentina's bond auction at the beginning of the month was poorly received, forcing the government to shorten the maturity of the new debt and to pay rates as high as those during the Russian crisis in 1998. By August, however, emerging markets rebounded strongly on the back of a new US$8 billion IMF assistance package to Argentina, with both Mexico and Brazil successfully launching large issues. International markets displayed considerable flexibility as investors gave Mexico's US$1.5 billion 30-year bond and Brazil's JPY200 billion two-year samurai issue a warm reception. This return to capital markets was interrupted by the events of September 11, which caused debt issuance to fall sharply in September and October.

Following the events of September 11, EMBI+ spreads widened above 1,000 basis points for the first time in nearly two years. According to J.P. Morgan there was a 3.7% market decline in September, which brought year-to-date returns for the EMBI+ to only 0.06%. Emerging markets debt, however, fared better than most other fixed income and equity markets in the immediate aftermath of the attacks. U.S. high-yield market suffered its worst month since August 1998, declining by 6.5%, while the S&P 500 and Nasdaq declined by 8.2% and 17%, respectively. Emerging equity markets suffered even greater declines, with losses as severe as 24% in local currency terms and 31% in U.S. dollar terms.

I. Bond Markets and Debt Management

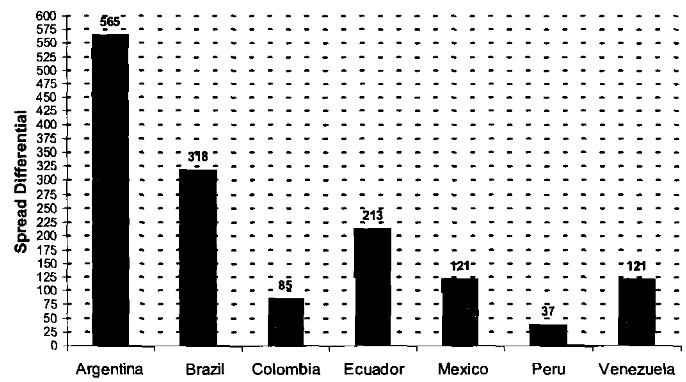
Emerging market spreads, as measured by the benchmark JP Morgan's EMBI+, closed the third quarter wider by 239 basis points, while the Latin component finished the quarter wider by 300 basis points, the highest quarterly increase of the year (Chart 1). Spreads

Chart 1:
Quarterly Spread Differential
2000 and 2001



Source: ECLAC, on the basis of data from JP Morgan.

Chart 2:
Spread Differentials Q3 2001

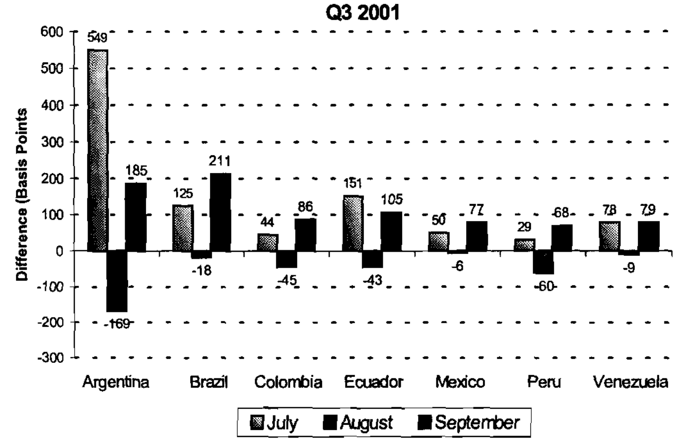


Source: ECLAC, on the basis of data from JP Morgan.

widened for all Latin American countries in the composite, as market concerns about Argentina's vulnerability in July had spill over effects on other countries, and events of September 11 caused spreads to widen across the board (Chart 2). The likelihood of a U.S. recession increased on top of a deteriorating global background, as the slowdown in Japan intensified during the quarter and Europe was increasingly seen following the U.S. into a downturn.

Spreads in July widened for all Latin American countries in the composite, due to the deterioration of the situation in Argentina. They tightened in August after the announcement of a new US$8 billion IMF assistance package to Argentina, only to widen again after September 11 (Chart 3). The worst performing credits of the region were the ones seen as most vulnerable to a sustained closure of international capital markets. The spread on Colombian debt narrowed significantly in the first three quarters of 2001, even after rebounding to 620 basis points in mid-September. The spread had earlier fallen to just 540 basis points at the end of August from about 750 basis points at the beginning of the year (appendix, table 1).

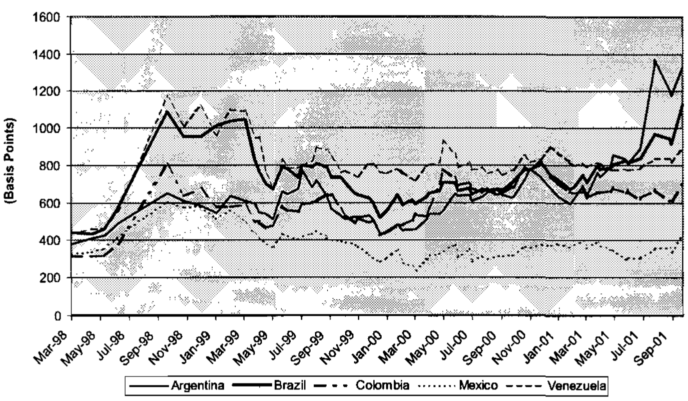
Chart 3:
Monthly Spread Differentials
Q3 2001



Source: ECLAC, on the basis of data from JP Morgan.

September 11 prompted a sell-off of emerging markets assets, and increased uncertainty and risk aversion against a background of global economic slowdown and deteriorating fundamentals in particular emerging markets, such as Argentina in the Latin American region. Emerging markets' short term prospects to tap international capital markets deteriorated significantly. Latin American spreads moved further towards post-Russian crisis levels, with Argentine spreads widening beyond these levels (Chart 4).

Chart 4:
Spreads on 30-year Benchmark Sovereign Latin Eurobonds
March 1998 - September 2001



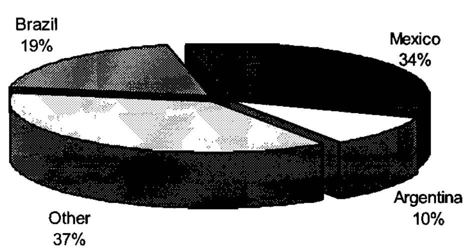
Source: ECLAC, on the basis of data from "Emerging Markets Debt Monthly", Merrill Lynch.

Facing heightened credit concerns, Latin American bond issuers placed US$7.6 billion in international capital markets in the third quarter, after placing US$11.2 billion in the second quarter. Third quarter bond issuance was almost half of first quarter's level, but held up well despite market turbulence.

The Emerging Market Traders Association (EMTA) reported that emerging markets debt trading stood at US$885 billion in the third quarter of 2001, the highest quarterly level in three years. This represents a 2% increase from the US$864 billion reported in the second quarter of 2001, and a 24% increase from the US$712 billion reported in the third quarter of 2000. The volume in the first three quarters of 2001 amounted to US$2,661 trillion, only 6% less than total trading in all of 2000. Market participants reported that trading surged in July and August fueled by Argentina's events, with Argentina's EMBI+ sub-index's yield falling by 21% on the flight of 8% of the deposit base in July, while in August the market reacted to the announcement of a new IMF assistance package and the prospect of bond exchange. However, trading dropped dramatically in the aftermath of September 11 terrorist attacks.

Chart 5:
Emerging Markets Debt Trading Volume:
Country Shares

Trade Volume in the Third Quarter of 2001: US$885 bn



Source: EMTA

Mexican debt instruments were the most traded for the fourth consecutive quarter, as investors perceived it as a safe heaven, even in a period of slowing growth in the United States. However, analysts noted that there was also heavy sell-off of Mexican debt by high-grade crossover investors largely due to fears of contagion from Argentina. They accounted for 34% of total volume (US$298 billion), up 14% from the second quarter. Brazilian debt instruments were the second most frequently traded assets, standing at US$172 billion or 19% of the total. Trading was down 3% from the second quarter, and 11% from the third quarter of 2000. A turnover of US$87 billion (or 10% of the total) in Argentine assets was reported, down 27% from the previous two quarters, but 20% higher than trading in the third quarter of 2000.

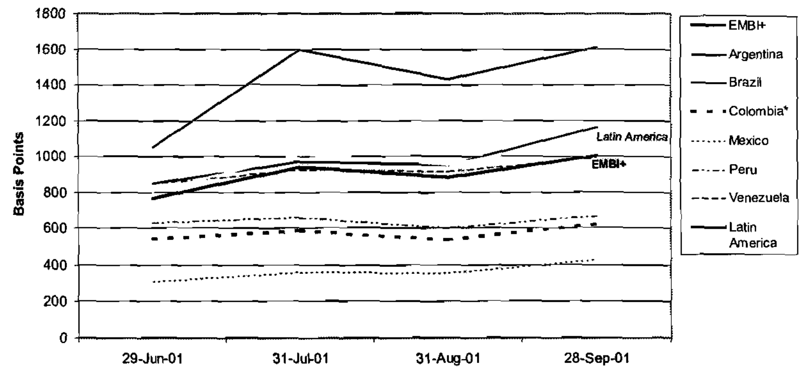
Eurobond volumes accounted for 37% of trading, and the Brady bond share dropped from

19% in the second quarter to 14% in the third. Options accounted for 2.4% and loans for 1.6% of the total. Local instrument trading accounted fro 46% of total volumes.

A. Spreads

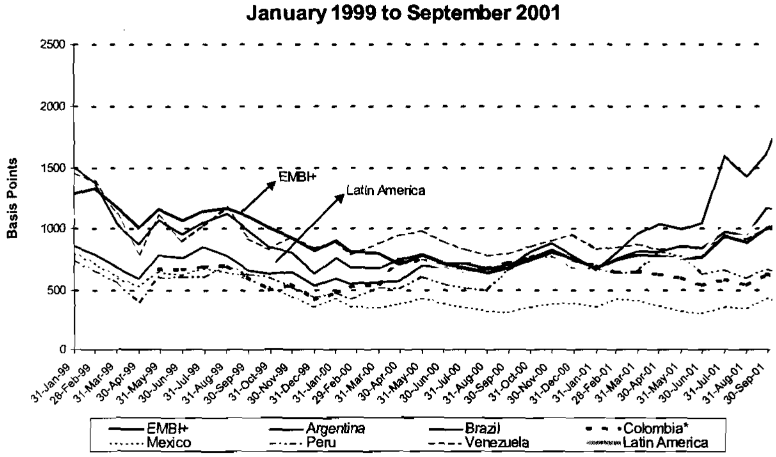
The spread of Argentina's composite in the EMBI+ rose 565 basis points basis points in the third quarter of 2001, from 1050 basis points at the end of June to 1615 basis points at the end of September, while Brazilian spreads widened by 318 basis points in the same period, rising from 847 bps in June, to 1165 bps at the end of September (appendix, table 1). Spreads also widened for all the remaining Latin American countries in the sample (Chart 6). With the exception of Argentine spreads, Latin American spreads are still below the high peaks of January 1999 (Chart 7).

Chart 6:
Spreads on JP Morgan EMBI+ and Latin American Composites
Q3 2001



Source: ECLAC, on the basis of data from "Emerging Markets Bond Index Monitor", JP Morgan.

Chart 7:
Spreads on JP Morgan EMBI+ and Latin American Composites
January 1999 to September 2001

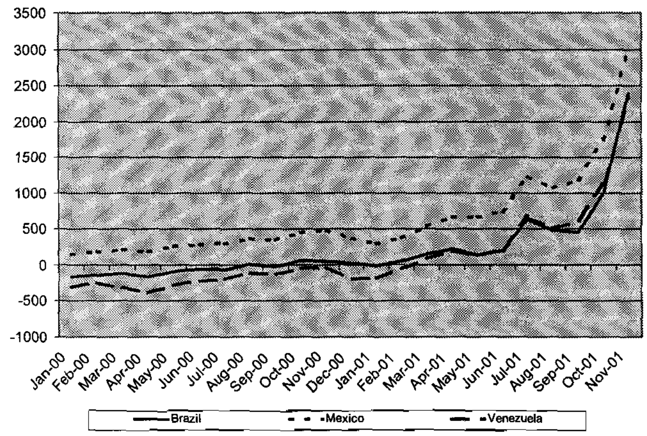


* The Colombia 7 5/8% due 07 and the Colombia 8 5/8% due 08 were added at the end of May 99.
Source: ECLAC, on the basis of data from "Emerging Markets Bond Index Monitor", JP Morgan.

During July and August, investors' main focus was on the Argentine crisis and potential contagion, as well as the impact of a U.S. slowdown on Mexico. There were few signs of broad-based contagion, however. According to the IMF quarterly report on emerging markets financing, EMBI+ spreads widened 134 basis points through September 11, but excluding Argentina and Brazil they widened only 42 basis points. However, a generalized flight to quality followed the events on September 11, and spreads on emerging market bonds widened significantly as investor risk aversion increased across the board.

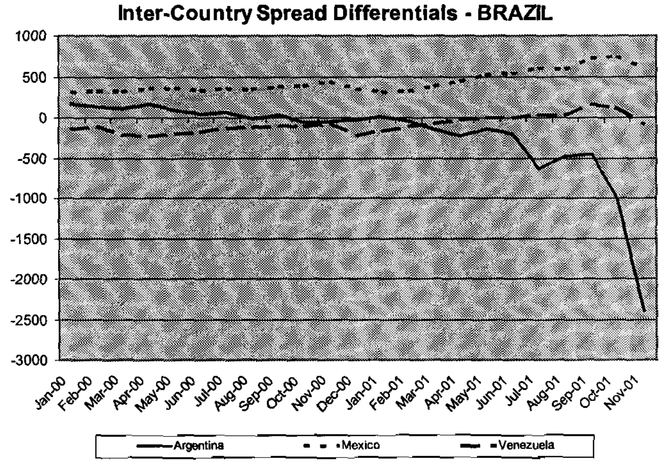
Spreads on Argentine bonds continued to increase significantly relative to those on Brazilian, Mexican and Venezuelan bonds, in face of growing concerns about Argentina's fiscal and debt position, the slow pace of economic recovery and increasing political difficulties. They increased more dramatically in July, tightening a little in August and increasing again in September. The situation in Argentina continued to deteriorate in October and November, and Argentine spreads skyrocketed in those two months (Charts 8 to 11).

Chart 8:
Inter-Country Spread Differentials - ARGENTINA



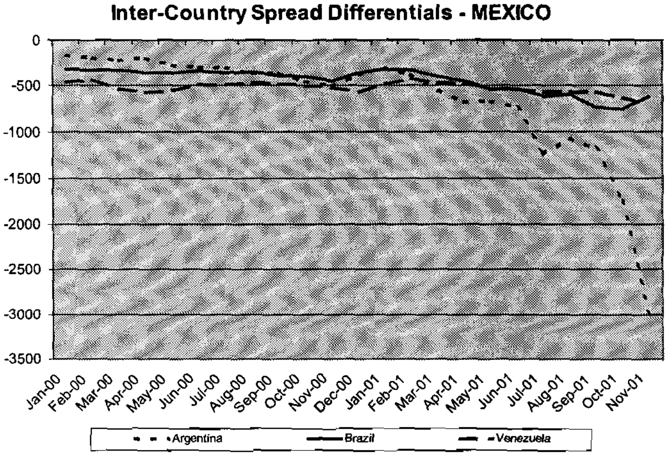
Source: ECLAC, on the basis of data from JP Morgan.
Note: EMBI+ country composite spreads at the end of the month.

Chart 9:
Inter-Country Spread Differentials - BRAZIL



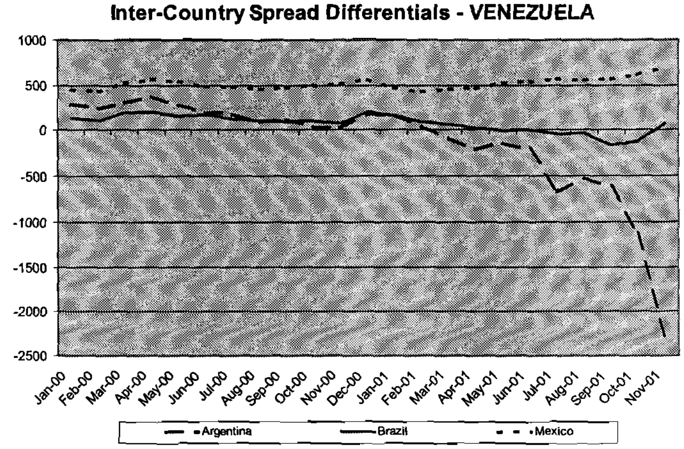
Source: ECLAC, on the basis of data from JP Morgan.
Note: EMBI+ country composite spreads at the end of the month.

Chart 10:
Inter-Country Spread Differentials - MEXICO



Source: ECLAC, on the basis of data from JP Morgan.
Note: EMBI+ country composite spreads at the end of the month.

Chart 11:
Inter-Country Spread Differentials - VENEZUELA



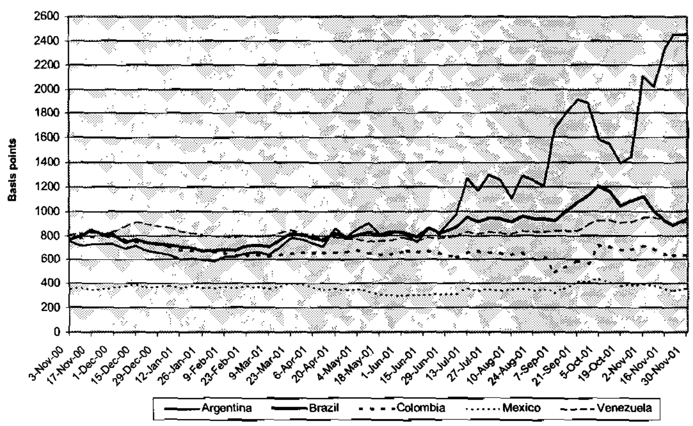
Source: ECLAC, on the basis of data from JP Morgan.
Note: EMBI+ country composite spreads at the end of the month.

Argentina's spreads, as measured by the EMBI+ composite, widened 565 basis points in the third quarter, 547 basis points in October and 1210 basis points in November. Discussions of a possible default came in the beginning of July, only a month after Argentina gained some temporary debt relief by persuading investors to swap about US$30 billion in bonds for longer-dated debt. Moody's Investors Service cut Argentina's credit ratings to Caa1 from B3 on July 26. By the end of August, however, the spread on Argentina's EMBI+ composite fell back to 1430 basis points, after the International Monetary Fund's announcement of an US$8 billion loan to Argentina on August 21. In

September spreads increased again, following the events of September 11. The situation in Argentina has not improved, and spreads have increased dramatically, having reached 3372 basis points at the end of November. Standard & Poor's downgraded Argentina's debt to CCC+ at the beginning of October, and again at the end of the month from CCC+ to CC, as markets remained pessimistic about Argentina's chances of muddling through the crisis without facing payments problems. The agency downgraded the sovereign once more on November 6, to selective default.

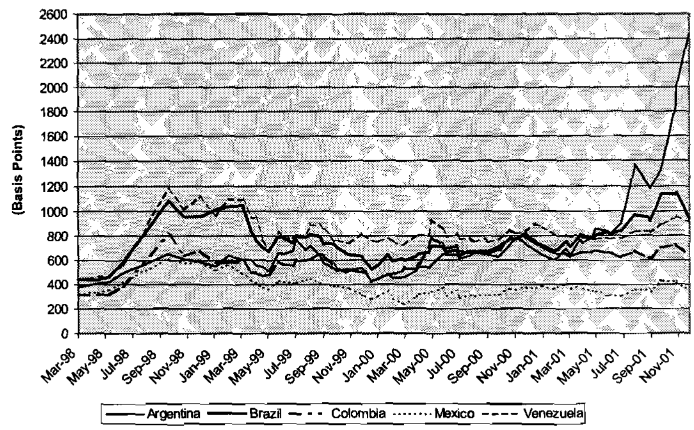
Spreads on Argentina's global bonds and Eurobonds widened sharply for all maturities in the third quarter of 2001, and continued to widen in October and November, reaching unprecedented levels (Charts 12, 13, 14 and 15).

Chart 12:
Weekly Spreads on 30-year* Benchmark Latin Eurobonds
November 2000 to November 2001



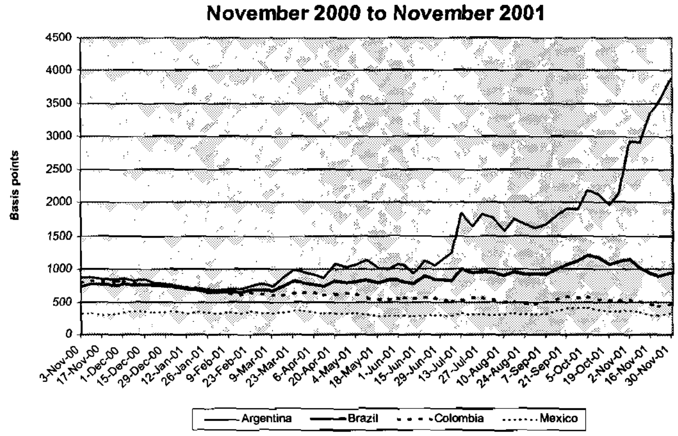
*Maturing in 2026 and 2027
Source: ECLAC, on the basis of data from "Emerging Markets Daily", Merrill Lynch.

Chart 13:
Spreads on 30-year Benchmark Sovereign Latin Eurobonds
March 1998 - November 2001



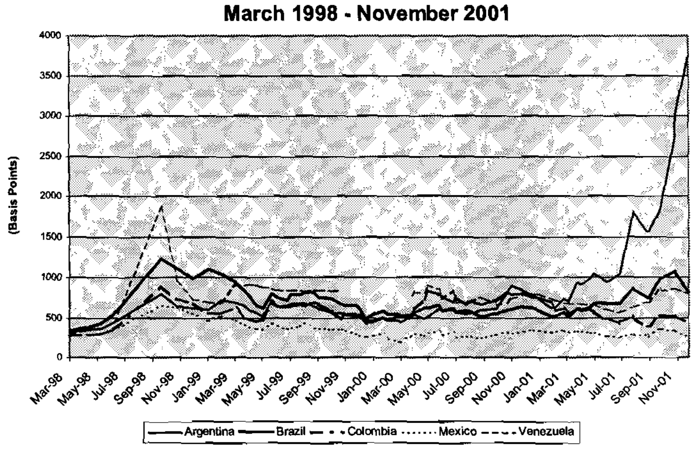
Source: ECLAC, on the basis of data from "Emerging Markets Debt Monthly", Merrill Lynch.

Chart 14:
Weekly Spreads on 10-year * Benchmark Latin Eurobonds
November 2000 to November 2001



* Maturing in 2009
Source: ECLAC, on the basis of data from "Emerging Markets Daily", Merrill Lynch.

Chart 15:
Spreads on 10-year Benchmark Sovereign Latin Eurobonds
March 1998 - November 2001



Source: ECLAC, on the basis of data from "Emerging Markets Daily", Merrill Lynch.

In the case of Brazil, the Brazilian EMBI+ component widened from 847 basis points at the end of the second quarter, to 1165 basis points at the end of the third quarter, due to contagion from Argentina and to the terrorist attacks of September 11. However, spreads started to tighten in October, as investors start to decouple Brazil from the situation in Argentina, reaching 976 basis points at the end of November. Spreads on Brazil's global bonds and Eurobonds widened for all maturities in the third quarter of 2001, although not as much as Argentine spreads. They remain far lower than the levels reached during Brazil's devaluation crisis in January 1999.

Although Standard & Poor's downgraded Brazilian debt outlook from stable to negative on August 10, the situation has improved in more recent months as Brazil's fate has taken a path of its own. The behavior of the currency, the likely attainment of this year's fiscal targets, and the good performance of the energy rationing program have led to a decoupling of the Brazilian debt from developments in Argentina.

Mexico's EMBI+ component widened from 310 basis points at the end of June, to 431 basis points at the end of September. Mexico's EMBI+ component widened to 360 basis points in July, as the situation in Argentina deteriorated, falling to 354 basis points in August. Spreads widened more significantly in September (by 77 basis points), following the generalized increase in risk aversion in debt markets after September 11. The Mexican government issued US$1.5 billion in the beginning of August, and the sale gained a warm reception from investors, as the issue was priced at just 335 basis points above the equivalent U.S. Treasury bond, compared to 374 basis points for a similar sale in January. The lower spread confirmed that investors were increasingly differentiating between Mexico and other countries in the region. Mexican country risk would fall further if Standard & Poor's raised its assessment of Mexico's sovereign debt to investment grade. However, after the events in September, the possibility of a credit upgrade still in 2001 has become remote.

Bond spreads in Colombia, after tightening in the first and second quarters of 2001, widened in the third quarter, as the situation in Argentina deteriorated in the beginning of the quarter, mildly affecting Colombian spreads, and as events in September impacted emerging market debt across the board. Spreads tightened in November, however. Despite the events in September, Colombian debt has narrowed significantly this year, falling to just 545 basis points at the end of November from about 750 basis points at the beginning of the year. Colombia secured external financing for this year and part of the next, which helps to insulate Colombia's asset from market volatility. According to J.P. Morgan, Colombia has covered 70% of its US$2.2 billion financing needs for 2002 in anticipation of the presidential elections next year.

Ecuador's EMBI+ component widened during the third quarter, from 1303 basis points at the end of June, to 1516 basis points at the end of September. Spreads increased in July as the situation in Argentina deteriorated, and as the government had to deal with the Filanbanco's crisis, the largest bank in state hands. They increased further in September. Following the path of other Latin American sovereigns, spreads in Ecuador tightened in November, as the region decoupled from the situation in Argentina, the IMF program remained on track, and oil prices remained benign. Standard & Poor's upgraded Ecuador's outlook on December 4.

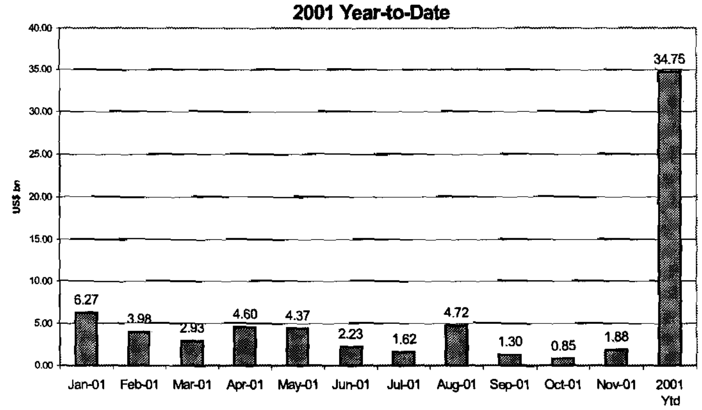
Peru outperformed the market in July, due to the positive political momentum, as investors expected the new economic team to follow through with market-friendly policies. Spreads widened in September as risk aversion increased, but tightened in October and November. In the case of Venezuela, spreads widened in the third quarter, and continued to widen in October and November, given the deterioration of the political situation.

B. Issuance

Emerging markets placed, according to Merrill Lynch, US$54.9 billion in the international capital markets year-to-date. Latin American issuers placed US$34.8 billion year-to-date. This year is likely to see the lowest level of annual issuance since 1995, when only US$ 36.2 billion was placed. Since then, annual issuance has consistently exceeded US$ 60 billion.

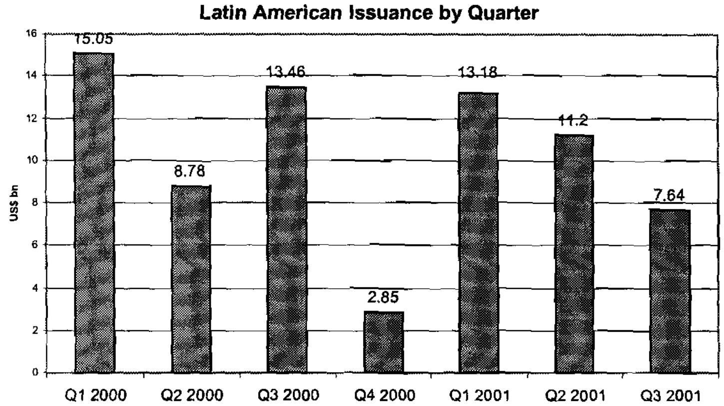
Latin American issuance moderated in July, picked up in August, only to drop again in September and October, when emerging debt markets were affected by the increased risk aversion that resulted from the September 11 events. In November, Latin American issuance recovered slightly (Chart 16). For the third quarter, Latin American issuance amounted to US$7.64 billion (Chart 17).

Chart 16:
New Latin American Debt Issuance
2001 Year-to-Date



Source: ECLAC, on the basis of data from Merrill Lynch.

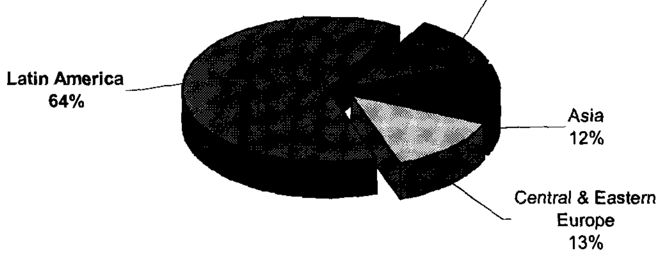
Chart 17:
Latin American Issuance by Quarter



Source: ECLAC, on the basis of data from Merrill Lynch.

Sovereign Latin American issuance dominated the markets, led by Brazil's US$1.6 billion Samurai bond issue on July 31 and Mexico's US$1.5 billion Eurobond in August (appendix, table 7). The drop in issuance in the third quarter relatively to the first two quarters of the year reflected the defensive positioning of investors, who had been underweighting Argentina, the fact that many sovereigns had already fulfilled their financing needs for 2001, and the high level of spreads due to concerns about a potential credit event in crisis countries.

Chart 18:
Emerging Markets Debt Issuance:
Regional Breakdown
2001 Ytd



Note: Total emerging markets debt issuance year-to-date is US$54.9 billion.

Source: ECLAC, on the basis of data from Merrill Lynch.

There was strong liability management activity in Latin American markets in 2001. According to J.P. Morgan, debt exchanges by Argentina, Brazil and Mexico during the first eight months of 2001 exceeded US$30 billion, compared with only US$13 billion during 2000. These debt exchanges, undertaken as part of Argentina, Brazil and Mexico's liability management programs, have boosted issuance this year. The total share year-to-date is 65% (Chart 18).

Over the past several years Latin America had seen a steady decline in its dominance in emerging markets bond issuance. This trend had been reversed in the first half of 2001, with Latin America reaching its highest share since 1996, at 70% of the total. On the third quarter, however, this share dropped to 62%. Latin America's share in July was only 28% of total emerging market debt issuance, increasing to 86% in August, and 100% in September. This share dropped to 45% in October and to only 39% in November.

Only four of the top ten year-to-date issuers are Latin American countries. Brazil, Mexico, Colombia and Argentina continue to be among the top five issuers in emerging markets from January to November 2001, although Argentina dropped to fifth place, with Lebanon moving to fourth place (Table 1). Brazil is the top issuer so far, having placed a total of US$12.4 billion in sovereign and corporate debt, followed by Mexico at US$ 9.0 billion. Colombian issuers have placed US$3.8 billion in debt so far this year, all in the sovereign sector. Argentina placed US$2.6 billion, nearly all of which was issued in the first six months of the year. The remaining five countries in the top ten list are South Korea, China, Poland, Malaysia and Egypt.

Table 1
Top 5 Issuers
in Emerging Markets*
2001 Ytd

Country	Amount (US$mn)
Brazil	$12,360
Mexico	$8,966
Colombia	$3,829
Lebanon	$2,830
Argentina	$2,637

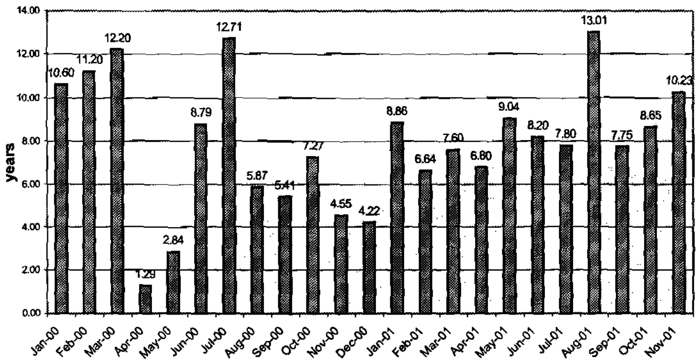
Source: Merrill Lynch.
* Sovereign and Corporate Combined

The major Latin American sovereign borrowers have for the most part completed their 2001 financing needs. Brazil and Colombia, with presidential elections scheduled for next year, already began to raise money ahead of further potential market volatility. Brazil fully covered its 2001 financing needs with a 2-year issue in Japanese yens at the end of August (appendix, table 7). The issue was successful as the size was large and it came at a very tight spread, despite market volatility.

The dollar-denominated debt dominated Latin American issuance in the third quarter of 2001, representing 70% of the total. The Japanese Yen was the second favorite currency, representing 25% of the total, with the Euro coming in third, with a share of 5%. Sovereign issuance continued to represent the majority of Latin American new debt issuance in the quarter, with sovereign bonds accounting for 67% of total Latin American issuance, while corporate issuance represented 33% of the quarter's total (appendix, tables 4 to 12).

Long-term issuance recovered in the first three quarters of 2001. Average maturity jumped to almost 9 years in January, and jumped again to 13 years in August (Chart 19). Maturity dropped in September with the increase in investor's risk aversion, but has been recovering, and improved in October and November. If the global environment does not deteriorate further, the high average maturity in November could be a sign of good borrowing conditions for Latin American issuers in the months to follow.

Chart 19:
New Latin American Debt Issuance: Average Maturity
January 2000 - November 2001



Source: ECLAC, on the basis of information from Merrill Lynch.

II. Portfolio Equity Flows into Latin America

Latin American equity markets weakened substantively after September 11, falling on average by 11% in dollar terms in the week after of the attacks. The fall for the year by the end of the third quarter stood at 22.5%. Brazilian equity prices fell nearly 50% in dollar terms in the first three quarters of the year, while Argentine equities fell by nearly 30%. Mexican equity prices rose about 25% in the first half of the year, but have since fallen significantly, as have global markets.

Table 2

Portfolio equity flows into Latin America

(millions of US dollars)

	Total	Brazil	Chile	Mexico
1992	6,809	1,703	323	4,783
1993	18,951	6,594	833	10,717
1994	10,928	5,079	1,373	4,084
1995	3,502	4,753	-263	520
1996	13,542	6,118	676	3,158
1997	14,668	6,415	1,711	3,215
1998	2,198	1,861	629	-665
1999	8,385	2,826	471	4,508
2000	5,563	5,583	-231	1,441
2001*	3185	2806	-1175	2170

Source: Goldman Sachs, "Portfolio Strategy, Global Emerging Market", based on data from Local Stock Exchanges and Central Banks.

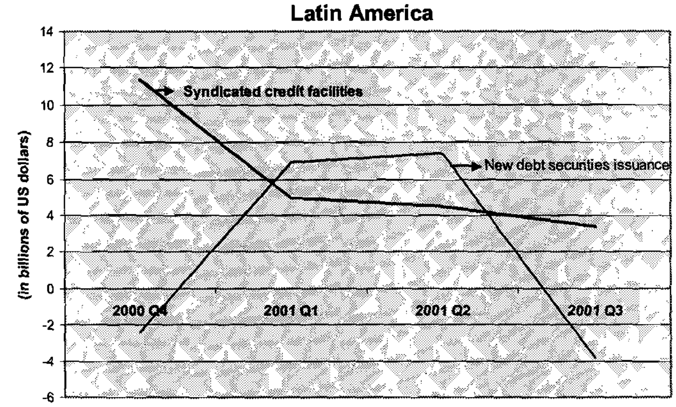
* January to July.

There was a portfolio equity inflow of US$3.2 billion into Latin American markets in the first firs seven months of 2001 (Table 2). Inflows were bigger for Brazil, followed by Mexico.

III. Bank Lending

Syndicated lending to Latin America continued to fall in the third quarter of 2001, reaching its lowest level since the last quarter of 1999, with Mexican borrowers in particular much less active than in recent quarters (Table 3). Argentina raised US$0.4 billion in the third quarter, all of it for oil and gas projects. The overall volume of announced syndicated lending fell from US$4.5 billion in the second quarter of 2001 to US$3.4 billion in the third quarter (Chart 20).

Chart 20:
Announced Syndicated Lending and Securities Issuance in Latin America



let Issuance: Gross Issues - Repayments

Source: ECLAC, on the basis of data from the Bank for International Settlements (BIS).

Table 3
Announced syndicated lending and securities issuance
(in billions of US dollars)

	Syndicated credit facilities									Net securities issues			
	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000Q4	2001Q1	2001Q2	2001Q3	2000 Q4	2001Q1	2001 Q2	2001Q3
Latin America	**2.6**	**3.4**	**4.4**	**4.8**	**5.8**	**11.4**	**5.0**	**4.5**	**3.4**	**-2.4**	**6.9**	**7.4**	**-3.8**
Argentina	0.7	0.5	0.8	1.1	1.1	0.5	1.0	0.4	0.4	-2.0	-1.0	-0.1	-0.9
Brazil	0.7	1.6	0.5	1.2	1.2	1.9	0.6	1.2	1	0.1	1.8	2.8	2.5
Chile	0.3	0.1	0.1	0.2	0.8	4.5	0.7	0.5	0.2	-	-	-0.2	0.4
Colombia	0.1	0.1	0.1	0.2	-	1.3	-	-	-	0.2	1.3	1.3	0.1
Mexico	0.8	0.7	1.5	1.5	1.3	2.9	2.3	2.1	0.5	-0.5	4.0	2.7	-6.9
Venezuela	0.1	0.1	1.3	0.1	0.3	0.1	0.2	0.3	0.5	-0.1	0.4	0.2	0.2

Source: BIS Quarterly Review, December 2001.

The moderate volumes in the third quarter were the result of concerns about the slowdown in the world economy and a drought of merging and acquisitions activity. The reduction in lending to lower-rated borrowers was also an important factor behind the low volumes of the third quarter. The increased risk aversion and subsequent flight to quality in the period led lenders to look for top-tier corporates. In the third quarter the composition of syndicated lending to emerging markets shifted further away from Latin America, which suffered a sharp reduction in lending amid concerns about Argentina and its spill over effects on Brazil.

IV. Prospects

Over most of 2001 there was a struggle between the market's good technical position and the deterioration of the Argentine situation. After the events of September 11, however, a greater differentiation among emerging market countries by creditors can be detected, to the detriment of Argentina. As Argentina sinks deeper into crisis, the risk of contagion has decreased and the rest of the region has decoupled from Argentina's economic and financial developments. Investors who have underweighted Argentina have performed well. Volatility has also displayed a high degree of divergence, remaining low for the overall market, and concentrating in the crisis countries.

New debt issuance has held up well despite the market turbulence. Merrill Lynch data shows total new issuance of emerging market debt amounting to US$54.9 billion through November, compared to US$62 billion for 2000 as a whole. However, full-year issuance seems very unlikely to match that of 2000, and is likely to be the lowest annual issuance since 1995.

After widening sharply in the third quarter of 2001, spreads are now tightening for most Latin American countries. Since November there has been a shift in market sentiment towards less risk aversion, with evidence of country discrimination and asset-performance decoupling. The EMBI+ excluding Argentina, for example, has returned 6.3% since early November. Argentina's weight in the EMBI+ decreased to 4.97% at the beginning of December from 10.64% at the end of November (and from almost 20% at the end of September), as a result of the Argentine local debt exchange, which exceeded initial expectations when US$41.1 billion in sovereign bonds were accepted.

From an investor's standpoint, the main external risk to Latin American markets remains the economic developments in the United States and mature markets in the near future. The global slowdown can be deeper and more prolonged than anticipated, which would have negative implications for investors' risk aversion and trends in commodity prices. Mexico's future prospects are deeply tied to what direction the U.S. economy will take in the months to follow. Argentina and Brazil rely heavily on access to international capital markets, thus a recession in the U.S. and a global slowdown would hit these economies hard, as capital inflows would diminish. A U.S. recession would also affect oil prices, impacting the oil exporters in the region, such as Venezuela, Ecuador, Mexico and Colombia.

A disorderly restructuring of Argentina's bonded debt is the main internal risk to Latin American markets in the months ahead. Although the region has decoupled from Argentina in recent months, there remain important unresolved legal issues surrounding sovereign bond restructurings, which can impact institutional acceptance and the integrity of emerging market debt as an asset class over the medium term. There may also be risks of a political nature on account of upcoming presidential elections in a few countries, which add to concerns that fiscal policy stance may be relaxed thus affecting credit prospects next year.

APPENDIX

A. **Latin American Spreads**
B. **New Latin American Debt Issuance**

A. Latin American Spreads

Table 1:

Sovereign Spreads on JP Morgan EMBI+ and Latin American Composites

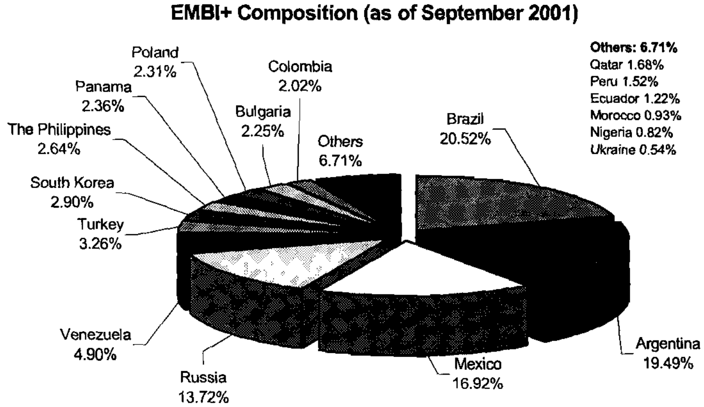
	EMBI+	*Argentina*	*Brazil*	*Colombia**	*Ecuador*	*Mexico*	*Peru*	*Venezuela*	*Latin America*
31-Jul-98	633	454	608	n.a.	1371	461	515	829	554
31-Aug-98	1524	1278	1421	n.a.	2077	941	941	2575	1328
30-Sep-98	1330	904	1326	n.a.	1903	911	911	1558	1111
31-Oct-98	1190	779	1192	n.a.	1484	819	755	1372	980
30-Nov-98	1070	664	975	n.a.	1221	737	610	1612	858
31-Dec-98	1151	707	1231	n.a.	1631	741	612	1283	941
31-Jan-99	1288	858	1507	n.a.	2055	801	743	1463	1106
28-Feb-99	1330	794	1376	n.a.	2405	722	663	1393	1028
31-Mar-99	1171	683	1041	n.a.	1973	600	562	1121	839
30-Apr-99	1010	596	873	n.a.	1553	532	396	789	709
28-May-99	1157	786	1066	671	1862	647	603	1108	880
30-Jun-99	1070	758	957	667	2113	623	609	896	832
30-Jul-99	1147	853	1053	691	2473	677	610	1024	919
31-Aug-99	1166	776	1124	700	3402	644	700	1174	931
30-Sep-99	1098	663	984	613	4764	596	635	925	823
29-Oct-99	1010	635	851	505	3705	535	613	836	743
30-Nov-99	927	650	806	549	3093	449	526	940	715
31-Dec-99	824	533	636	423	3353	363	443	844	597
31-Jan-00	904	594	758	482	4033	438	482	894	682
20-Feb-00	816	551	688	524	3227	364	432	792	616
31-Mar-00	798	568	679	547	3111	354	518	879	623
28-Apr-00	708	572	742	740	3350	385	512	952	654
31-May-00	784	702	792	739	4499	438	611	985	737
30-Jun-00	712	676	722	722	3926	381	546	895	679
31-Jul-00	680	650	712	662	2846	353	522	837	654
31-Aug-00	643	681	672	686	1340	321	496	780	618
29-Sep-00	677	675	705	722	1261	318	664	798	634
31-Oct-00	745	815	758	768	1331	365	759	860	707
30-Nov-00	805	879	829	818	1441	385	772	902	759
29-Dec-00	756	773	749	755	1415	392	687	958	706
31-Jan-01	674	663	677	697	1230	363	674	838	631
28-Feb-01	748	803	753	646	1268	428	637	850	710
30-Mar-01	784	960	811	645	1366	414	650	874	763
30-Apr-01	773	1039	812	634	1482	366	824	833	766
31-May-01	751	993	858	600	1366	326	774	852	761
29-Jun-01	766	1050	847	541	1303	310	632	847	803
31-Jul-01	940	1599	972	585	1454	360	661	925	1016
31-Aug-01	885	1430	954	540	1411	354	601	916	959
28-Sep-01	1005	1615	1165	626	1516	431	669	995	1103
31-Oct-01	1073	2162	1163	628	1558	412	651	1034	1055
30-Nov-01	1069	3372	976	545	1393	357	572	1055	1119

Source: "Emerging Markets Bond Index Monitors"; JP Morgan

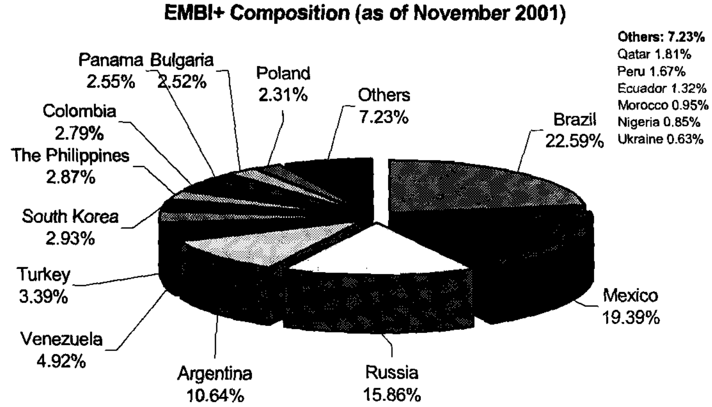
* The Colombia 7 5/8% due 07 and the Colombia 8 5/8% due 08 were added at the end of May 99.

EMBI+ composition by market sector (end-November 2001): Brady, 36.44%; Benchmark Eurobonds, 61.23%; Argentine Domestic, 1.38%; Loans, 0.95%.
by country: Argentina, Brazil and Mexico account for 52.6% of the total weighting.
by region: Latin: 65.87%; Non-Latin: 34.13%.

EMBI+ Composition (as of September 2001)



EMBI+ Composition (as of November 2001)



Tables 2, 3, and 4:
Benchmark Sovereign Eurobonds for selected Latin American Countries

Table 2:

Weekly Spreads on 30-year Benchmark Latin Eurobonds: Novemberber 2000 to November 2001

Country	Argentina	Brazil	Colombia	Mexico	Venezuela
Coupon	9.750	10.125	8.375	11.500	9.250
Maturity	9/19/27	5/15/27	2/15/27	5/15/26	9/15/27
			(Basis points)		
3-Nov-00	751	765	774	356	810
10-Nov-00	713	794	774	362	819
17-Nov-00	730	846	786	348	825
27-Nov-00	730	792	794	360	817
1-Dec-00	728	812	800	371	833
8-Dec-00	693	742	768	380	877
15-Dec-00	714	766	742	388	918
21-Dec-00	681	748	742	371	904
5-Jan-01	639	724	710	382	870
12-Jan-01	604	706	681	363	842
19-Jan-01	609	699	668	379	830
26-Jan-01	598	672	671	364	810
2-Feb-01	592	679	664	362	807
9-Feb-01	624	688	653	375	800
16-Feb-01	627	681	634	366	789
23-Feb-01	657	716	634	383	802
2-Mar-01	661	723	637	370	797
9-Mar-01	642	711	628	359	794
16-Mar-01	710	767	639	382	829
23-Mar-01	780	821	645	402	850
30-Mar-01	765	802	654	393	819
6-Apr-01	739	782	656	372	815
12-Apr-01	705	757	658	348	781
20-Apr-01	860	817	657	355	793
27-Apr-01	793	785	666	347	775
4-May-01	858	805	678	350	778
11-May-01	900	828	647	336	753
18-May-01	814	801	639	313	760
25-May-01	818	831	638	303	758
31-May-01	833	828	657	300	780
4-Jun-01	808	816	667	308	779
11-Jun-01	745	787	660	302	758
18-Jun-01	859	866	667	307	787
25-Jun-01	826	818	653	313	785
6-Jul-01	976	872	621	312	798
13-Jul-01	1265	953	659	357	836
20-Jul-01	1172	916	668	341	819
27-Jul-01	1298	949	659	349	832
3-Aug-01	1250	942	650	343	824
10-Aug-01	1113	916	639	353	819
17-Aug-01	1288	959	657	357	842
24-Aug-01	1251	937	602	346	835
31-Aug-01	1207	942	611	356	835
7-Sep-01	1675	923	488	319	845
14-Sep-01	n/a	n/a	n/a	n/a	n/a
21-Sep-01	1913	1073	586	415	843
28-Sep-01	1888	1131	565	414	895
5-Oct-01	1590	1210	717	449	931
12-Oct-01	1548	1162	709	419	931
19-Oct-01	1394	1046	680	383	906
26-Oct-01	1446	1086	685	389	917
2-Nov-01	2107	1125	712	395	951
9-Nov-01	2016	1002	685	390	950
16-Nov-01	2332	924	645	354	930
21-Nov-01	2452	886	630	344	904
30-Nov-01	2448	938	634	354	918

Source: "Emerging Markets Debt Daily", Merrill Lynch.

Table 3:

Weekly Spreads on 10-year Benchmark Latin Eurobonds: November 2000 to November 2001				
Country	Argentina	Brazil	Colombia	Mexico
Coupon	11.750	14.500	9.750	10.375
Maturity	4/7/09	10/15/09	4/23/09	2/17/09
	(Basis Points)			
3-Nov-00	881	734	800	323
10-Nov-00	880	777	818	328
17-Nov-00	848	763	809	308
27-Nov-00	856	752	810	335
1-Dec-00	859	780	825	349
8-Dec-00	822	749	791	359
15-Dec-00	848	766	753	363
21-Dec-00	801	750	760	340
5-Jan-01	751	722	748	353
12-Jan-01	718	693	725	333
19-Jan-01	715	686	700	356
26-Jan-01	682	651	702	337
2-Feb-01	681	657	664	328
9-Feb-01	693	663	627	341
16-Feb-01	698	651	604	336
23-Feb-01	740	689	642	354
2-Mar-01	782	685	620	330
9-Mar-01	735	673	606	331
16-Mar-01	862	741	607	348
23-Mar-01	988	826	631	369
30-Mar-01	959	792	651	364
6-Apr-01	917	775	642	342
12-Apr-01	858	740	608	324
20-Apr-01	1089	821	618	334
27-Apr-01	1035	797	636	330
4-May-01	1067	804	623	325
11-May-01	1139	835	566	315
18-May-01	1020	795	541	291
25-May-01	1008	831	533	286
31-May-01	1066	837	548	288
4-Jun-01	1074	808	568	295
11-Jun-01	928	778	551	282
18-Jun-01	1131	885	559	293
25-Jun-01	1056	844	558	295
6-Jul-01	1242	821	514	294
13-Jul-01	1841	997	527	333
20-Jul-01	1646	943	567	310
27-Jul-01	1822	966	559	318
3-Aug-01	1765	941	531	307
10-Aug-01	1583	910	493	314
17-Aug-01	1756	958	506	325
24-Aug-01	1672	926	465	309
31-Aug-01	1621	928	467	322
7-Sep-01	1675	923	488	319
14-Sep-01	n/a	n/a	n/a	n/a
21-Sep-01	1913	1073	586	415
28-Sep-01	1888	1131	565	414
5-Oct-01	2179	1213	573	409
12-Oct-01	2133	1184	540	389
19-Oct-01	1956	1071	517	359
26-Oct-01	2135	1108	517	355
2-Nov-01	2936	1156	529	373
9-Nov-01	2905	1013	513	356
16-Nov-01	3358	927	455	304
21-Nov-01	3499	888	444	303
30-Nov-01	3878	942	463	325

Source: "Emerging Markets Debt Daily", Merrill Lynch.

B. New Latin American Debt Issuance:

Table 4:

New Latin American Debt Issuance
Third Quarter of 2001
July 2001

Country	Issuer	Amount (million)	Maturity
Argentina	Telecom Argentina	EUR150	7/2/04
Brazil	Petrobras	US$600	7/6/11
Brazil	Banco Safra	EUR80	7/10/03
Brazil	Banco Bradesco	US$100	7/24/02
Brazil	Unibanco	US $150	7/26/03
El Salvador	Republic of El Salvador	US $354	7/25/11
Venezuela	Republic of Venezuela	EUR250	7/25/11
Total		**US$1.6bn**	

Source: ECLAC, on the basis of data from Merrill Lynch, "Emerging Markets Daily".
*Rate of exchange between U.S. Dollars and Euros (EUR) - average for July 2001:
US$/EUR=0.861 (Source: ECB Monthly Bulletin).
*Rate of exchange between U.S. Dollars and Yen (JPY) - average for July 2001:
Yen/US$=124.63 (Source:Bank of Japan)

Table 5:

Currency Breakdown
(% of Latin America's Total)

Currency	Jul-01
Dollar	74
EUR	26
Yen	0

Source: ECLAC, on the basis of data from Merrill Lynch.

Table 6:

Issuer Type Breakdown
(% of Latin America's Total)

Issuer Type	Jul-01
Sovereign*	65
Corporate**	35

Source: ECLAC, on the basis of data from Merrill Lynch.
*Includes local governments.
**Includes bank issuance.

Table 7:

New Latin American Debt Issuance Third Quarter of 2001 Aug-01			
Country	**Issuer**	**Amount (million)**	**Maturity**
Brazil	Republic of Brazil	JPY200000	8/28/03
Mexico	Pemex	US$600	2/1/05
Colombia	Republic of Colombia	US$325	2/25/20
Mexico	United Mexican States	US$1500	8/15/31
Brazil	Banco Itau	US$100	8/15/11
Brazil	Banco Itau	JPY30000	8/15/11
Brazil	Banco do Brazil	US$300	8/5/06
Total		**US$4.72bn**	

Source: ECLAC, on the basis of data from Merrill Lynch, "Emerging Markets Daily".
*Rate of exchange between U.S. Dollars and Yen (JPY) - average for August 2001:
Yen/US$=121.61 (Source: Bank of Japan)

Table 8:

Currency Breakdown
(% of Latin America's Total)

Currency	Aug-01
Dollar	60
Euro	0
Yen	40

Source: ECLAC, on the basis of data from Merrill Lynch.

Table 9:

Issuer Type Breakdown
(% of Latin America's Total)

Issuer Type	Aug-01
Sovereign*	74
Corporate**	26

Source: ECLAC, on the basis of data from Merrill Lynch.
*Includes local governments.
**Includes bank issuance.

Table 10:

New Latin American Debt Issuance Third Quarter of 2001 Sep-01			
Country	**Issuer**	**Amount (million)**	**Maturity**
Chile	Celulosa Arauco	US$400	9/13/11
Mexico	Televisa	US$300	9/12/11
Dom. Rep.	Dominican Republic	US$500	9/27/06
Argentina	Province of Buenos Aires	US$74	9/28/06
Total		**US$1.3bn**	

Source: ECLAC, on the basis of data from Merrill Lynch, "Emerging Markets Daily".

Table 11:

Currency Breakdown
(% of Latin America's Total)

Currency	Sep-01
Dollar	100
Euro	0
Yen	0

Source: ECLAC, on the basis of data from Merrill Lynch.

Table 12:

Issuer Type Breakdown
(% of Latin America's Total)

Issuer Type	Sep-01
Sovereign*	45
Corporate**	55

Source: ECLAC, on the basis of data from Merrill Lynch.
*Includes local governments.
**Includes bank issuance.

Table 13:

New Latin American Debt Issuance Third Quarter of 2001 Oct-01			
Country	**Issuer**	**Amount (million)**	**Maturity**
Chile	Republic of Chile	US$650	1/11/12
Brazil	Bradesco	US$200	10/18/02
Total		**US$0.85bn**	

Source: ECLAC, on the basis of data from Merrill Lynch, "Emerging Markets Daily".

Table 14:

Currency Breakdown
(% of Latin America's Total)

Currency	Oct-01
Dollar	100
Euro	0
Yen	0

Source: ECLAC, on the basis of data from Merrill Lynch.

Table 15:

Issuer Type Breakdown
(% of Latin America's Total)

Issuer Type	Oct-01
Sovereign*	76
Corporate**	24

Source: ECLAC, on the basis of data from Merrill Lynch.
*Includes local governments.
**Includes bank issuance.

Table 16:

New Latin American Debt Issuance Third Quarter of 2001 Nov-01			
Country	**Issuer**	**Amount (million)**	**Maturity**
Colombia	Republic of Colombia	US$500	1/23/12
Guatemala	Republic of Guatemala	US$325	11/8/11
Panama	Republic of Panama	US$250	4/22/08
Uruguay	Republic of Uruguay	US$300	1/20/12
Venezuela	PDVSA	US$500	11/16/12
Total		**US$1.875bn**	

Source: ECLAC, on the basis of data from Merrill Lynch, "Emerging Markets Daily".

Table 17:

Currency Breakdown
(% of Latin America's Total)

Currency	Nov-01
Dollar	100
Euro	0
Yen	0

Source: ECLAC, on the basis of data from Merrill Lynch.

Table 18:

Issuer Type Breakdown
(% of Latin America's Total)

Issuer Type	Nov-01
Sovereign*	73
Corporate**	27

Source: ECLAC, on the basis of data from Merrill Lynch.
*Includes local governments.
**Includes bank issuance.