



Today's Economic Releases & Events

- **Brazil:** CPI FIPE (Sep)
- **US:** Initial Jobless Claims (Week to Sep 29)
- **US:** Factory Orders (Sep)

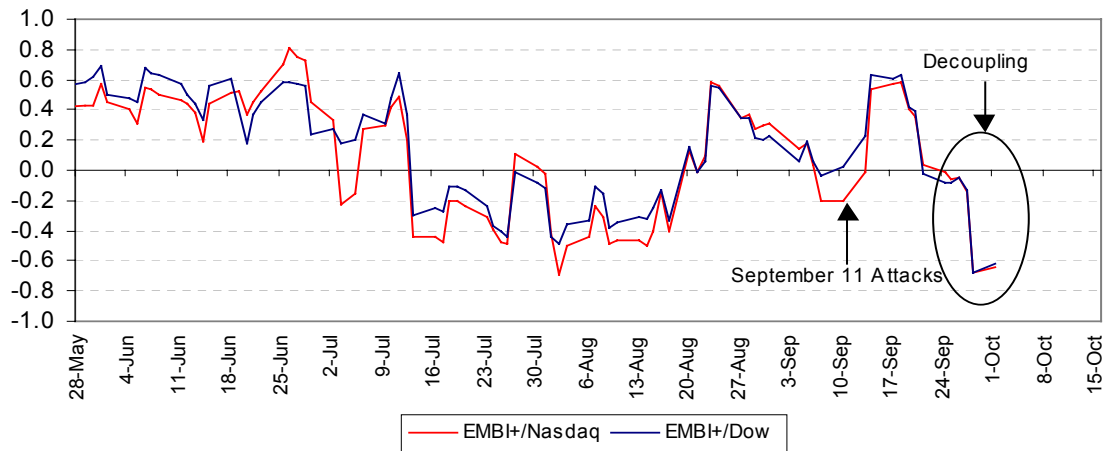
Key Indicators

Dow Jones (% change)	1.94
NASDAQ (% change)	5.93
UST 10 yr Yield (%)	4.47
6 month LIBOR (%)	2.42
EMBI+ Stripped Spread	1045

Market Overview

Despite the rally in U.S. equities, Emerging Markets, as represented by J.P. Morgan's EMBI+, remains decoupled (see correlation study below), thanks to rising concerns that Argentina's 14% drop in tax revenues will lead the country to default on its \$132 billion in foreign currency debt. Investors are now beginning to believe that the Zero Deficit Policy for 4Q01 is unattainable, which could prompt the government to make more politically-unpalatable and socially-explosive fiscal adjustments. Spicing this Argentine brew are the looming parliamentary elections on October 14, which will likely heighten political noise levels and lend greater weight to the country's downside risks. The Argentine EMBI+ spread widened 67 bps, making it the clear underperformer of the day. The Brazilian currency continued to weaken, closing R\$2.7210/USD Wednesday night. The weaker the real, the more expensive it becomes to service the country's foreign currency debt. According to Merrill Lynch estimates, a 10% depreciation in the currency causes the debt-to-GDP ratio to rise by 2.5%. At this rate, Brazil's debt could balloon to 57% of GDP by year end! The central bank is betting that the depreciation in the currency is a temporary phenomenon, and that sales of dollar-linked local debt will boost confidence in the real. But with FDI inflows likely to drop to \$17 billion this year from about \$32 billion last year, the country remains extremely vulnerable to external shocks – like Argentina's problems or the September 11 attacks, as it depends on external capital to finance its current account and public sector gaps.

U.S. Equities vs. Emerging Markets: 10-Day Rolling Correlations



Americas Debt Report

Pricing and Analytics

	Close	Daily Chng		Strpd.	Mod	Sov.
	Offer	Net	Dir	YTM	Dur	Spread
ARGENTINA						
FRB	65.530	-1.921	↓	29.88	1.46	2665
Arg 08	56.250	-1.250	↓	23.40	4.21	1951
Par	61.125	-0.738	↓	22.10	9.00	567
Arg 27	50.695	-0.404	↓	19.29	5.22	1421
BRAZIL						
EI	82.440	-0.473	↓	14.41	1.79	1085
C	66.200	-0.373	↓	16.43	4.20	1185
Par	63.475	-0.469	↓	18.92	9.24	515
Braz 08	77.9836	-0.144	↓	14.76	4.45	1077
Braz 27	61.370	0.070	↑	16.34	5.78	1135
COLOMBIA						
Col 27	70.042	0.151	↑	12.22	8.00	708

	Close	Daily Chng		Strpd.	Mod	Sov.
	Offer	Net	Dir	YTM	Dur	Spread
ECUADOR						
Ecu 30	39.850	-0.100	↓	19.95	5.78	1487
MEXICO						
Par	92.045	0.579	↑	9.74	10.42	221
UMS 26	118.501	0.035	↑	9.52	8.84	442
PERU						
PDI	69.430	0.055	↑	11.36	5.75	666
RUSSIA						
Rus 30	45.081	0.194	↑	15.68	7.03	1044
VENEZUELA						
DCB	78.660	-0.294	↓	14.07	2.45	1017
Par	76.460	-0.008	↓	18.07	8.89	464
Ven 27	66.396	-0.279	↓	14.09	7.07	897

Source: Bloomberg

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