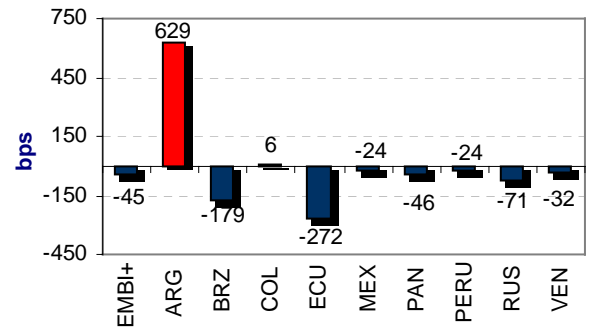




Key Indicators

	Value	1 wk % change
Dow Jones	9243	-0.1
NASDAQ	1465	1.7
S&P 500	990	0.1
UST 5 yr Yield (%)	4.037	0.0
UST 10 yr Yield (%)	4.807	-0.3
3 month LIBOR (%)	1.860	-0.8
6 month LIBOR (%)	1.956	-1.3
EMBI+ Stripped Spread	798	-5.3
WTI Oil Price (US\$/bbl)	26.86	5.3

EMBI+ Stripped Spread Weekly Change



Americas Debt Weekly

Last Week's Wrap-up

Argentina: Finance Minister Lavagna succeeded in extracting a pledge from the IMF to begin negotiations on providing financial assistance for the country.

Brazil: An increase in the government's inflation target rate for 2003 from 3.25% to 4% and an increase in the tolerance margin from 2% to 2.5%, combined with continued benign inflation figures for this year paused the sell-off in Brazilian debt as investors hopes for rate cuts were raised. The central bank expects inflation to hit its upper limit of 5.5% for 2002, but sees it slowing to 2.6% from 2.8% in 2003. Central Bank President Fraga's trip to Europe to allay investor fears as well as improved Serra polling results also helped to pause the recent sell-off.

Mexico: The April global economic indicator's reading of 3.8% beat market forecasts and helped bolster our view that Mexico's economic recovery is underway. Inflation rose more than expected during the first two weeks of June (0.35% actual vs 0.1% expectations), though core inflation remains tame and in line with the central bank's targets. However, the inflation increase and the recent sell-off in the peso moderately raises the risk that the central bank might reverse the monetary policy easing implemented in April.

Peru: The IADB approved a \$300 million loan to restore tax collections and overhaul public pensions, while the World Bank delayed a \$100 million loan targeted for poverty reduction programs claiming administrative reasons for the delay.

Venezuela: As expected by the market, Fitch downgraded Venezuela's long-term foreign currency rating to B from B+ and its long-term local currency rating to B- from B, while maintaining a negative outlook. They cited the inability to establish sound macroeconomic policies as prolonging recessionary conditions.

The Week Ahead

Markets ended the week on a positive note, after two weeks of heightened volatility. For the week ahead, there could be further room for an upside if the polls to be released in Brazil over the weekend confirm expectations of a narrowing of the gap between Serra and Lula. Latest polls have already been reflecting that trend, and the recent corruption allegations involving Lula's party are likely to benefit Serra. Volume traded, however, has been decreasing, and we expect it to fall even further next week, given the mid-week 4th of July holiday in the US. Volatility should also remain below past week's levels. The economic releases agenda for Latin America will be dominated by Argentina, where only marginal improvements over previous figures can be expected. In Brazil, the release of the FIPE CPI on Thursday should support the recent declining trend in inflationary pressures, supporting expectations that an interest rates cut could be near. In Ecuador, more news regarding the evolution of the talks with the IMF could support debt asset prices in the short-run, although we still believe it is too soon to tell whether the agreement will in fact be reached before the October elections (for more on Ecuador, see page 4). Data releases in the US should continue to show growth prospects, albeit at a slower pace than in May. In particular, the release of the unemployment report on Friday could show a slight up-tick in the unemployment rate to 5.9% (market consensus). However, average hourly earnings are expected to maintain the same pace of growth, continuing to support consumer spending.

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CORPORATE COMMENTARY: BBVA Bancomer 10.5% 2011 Recommendation: Buy

BBVA Bancomer's 10.5% 2011 (BBVA 11), callable on 2/16/06, is currently trading at around UST+ 464 bps or 187 bps over Mexico's 06.

We believe that the BBVA 11 bonds are attractive relative to other Latam banks. Our view derives from: 1) an attractive risk/return profile compared to other financial institutions; 2) our favorable outlook for the Mexican financial sector and country risk, and Mexico's safe haven status amidst market turbulence; and 3) solid and improving performance at BBVA Bancomer.

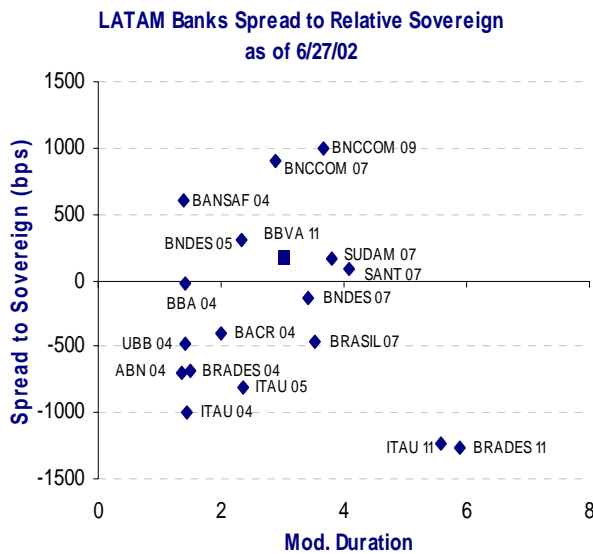
lending policies, sound reserve coverage and provisioning, adequate capital levels, and high liquidity, all contributing to a much improved financial profile. In addition, a more stable macroeconomic environment, improving supervision and the financial reforms approved in recent years have all contributed to enhance the sector's growth prospects while reducing systemic risk.

Nevertheless, Mexican banks still have several issues to address in the short- and medium-term, namely: declining lending volumes; weak legal framework; high cost bases; poor, although improving, asset quality; and low and volatile profitability. However, we believe that the system is well positioned to benefit from an economic recovery. We believe that interest rates will remain relatively low during the second half of the year, given relatively low country risk and low stable inflation, which could potentially increase aggregate demand and credit activity. Increasing fee income, improving efficiency and relatively stable margins should also help boost profitability over the long run. In addition, financial sector and legal reform are at the forefront of the current legislative agenda. If passed, this event, in our opinion, would provide a significant catalyst for the bonds' price. While it is true that Mexico's political establishment has been unable to make progress on important structural reforms, putting a break for the time being on rating momentum, Mexican fundamentals remain among the most enviable among Latin American peers. Fiscal discipline has been impressive, and, combined with able monetary management and a free-floating currency, has provided a business environment that is conducive to disinflation and sustainable economic growth.

Mexico also benefits from a low external borrowing requirement, domestic capital markets that are growing deeper and broader, and from increasing convergence with the North American economy. Thus, Mexico appears to be well placed to benefit from the recovery we expect in the US economy in the second half of the year and from its safe haven status among emerging market peers amidst the current storm engulfing less creditworthy sovereign credits.

Lastly, our opinion on the BBVA 11 is supported by the solid and improving performance of BBVA Bancomer. After posting significant improvements in performance during 2001, BBVA Bancomer reported solid results for the 1Q02, which translated into an ROAE of 14.8% (vs. 13.8% at Dec-01). A disappointing net interest margin (which contracted by 100 bps from 1Q01 and 80 bps from 4Q01) was offset by strong trading gains, significant cost cutting and fee income growth.

In addition, asset quality and reserve coverage remain stable at relatively healthy levels, while stagnant loan growth has allowed for strong capital ratios (14.9% risk weighted ratio at Mar-02) which provide ample room for growth once credit demand fully recovers.



The BBVA 11 exhibits one of the most favorable return/risk profiles among the Latin American bank bond universe we reviewed, as measured by the ratio of the spread-to-sovereign over modified duration (62.4 bps). Only Banco Comercial's 8.25% 2007 (BNCCOM 07) and the 8.875% 2009 (BNCCOM 09) trade at higher risk-adjusted returns. With duration similar to the BBVA 11, BNCCOM 07 offers a higher spread to sovereign at 904 bps compared to Bancomer's 187 bps. However, we believe that the BNCCOM 07 price and yield reflect Comercial's substantial exposure to Argentina and the risks associated with the volatile situation in Uruguay, where deposits (both resident and non-resident deposits) have fallen to early 2000 levels after a worsening of the Argentine banking crisis. Although the near-term prospects for the Uruguayan banking system are likely to improve after the receipt of additional money from the IMF, we believe that over the medium term deposit outflows can resume if further problems in the Argentine banking system materialize. This, combined with the recent intervention of Banco Montevideo, has increased the perceived risk premium for Uruguayan financial institutions. Therefore, the spread differential, in our view, is entirely warranted.

Our view on the BBVA 11 is also supported by our favorable outlook for the Mexican banking system. The sector continues to be characterized by solid ownership, thorough and transparent regulation, conservative



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June 28, 2002

Additional support to our positive outlook is provided by management's proven ability to deliver results, particularly their ability to cut costs; the bank's leading market position (about 30% market share in assets,

loans and deposits); and strong shareholder's support, last evidenced by BBVA's (Aa2/AA-) increase in ownership to 51% in the recent government sale.

As of 6/27/02

Bond Description

Security	Amt. Out (US\$MM)	Maturity Date	Rating	Coupon	Mid Price	Current Yield	YTM	Spread / Treasuries	Spread / Relative Sov	Mod. Duration
BBVA 11	200	2/16/2011		10.5	107.0	9.8	8.2	464.2	187.2	3.0
SANT 07	300	7/18/2007		7.0	101.0	6.9	6.8	263.8	91.7	4.1
SUDAM 07	100	3/15/2007		7.6	100.5	7.6	7.5	344.0	162.3	3.8
BNCCOM 07	100	2/03/2007		8.3	48.5	17.0	29.4	2537.4	904.2	2.9
BNCCOM 09	100	5/15/2009		8.9	42.5	20.9	28.3	2416.0	1001.2	3.7

Source: Standard Miami, Bloomberg

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COUNTRY IN FOCUS: Ecuador

Speculation surrounding the evolution of talks with the IMF has regained momentum with the replacement of MinFin Emanuel by Francisco Arosemena. Although the new Minister's approach is likely to improve the tone of the negotiations, his lack of political influence would make the passage of legislation reforming the Fiscal Responsibility Law virtually impossible. Thus, unless the IMF is willing to accept the act of submission alone, rather than its actual approval by the legislature, we maintain that the signing of the stand-by agreement is likely to be delayed until after the October Presidential elections.

Following corruption allegations that involved high-ranking officials at the Ministry of Finance, MinFin Emanuel tendered his resignation on June 23. Further investigation into the allegations have already found mishandling of public funds of at least US\$ 80 million, although Emanuel's involvement has not been confirmed. Pres. Noboa immediately named Francisco Arosemena to the post.

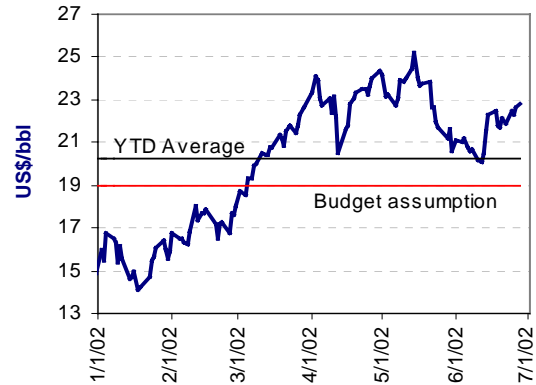
Arosemena's arrival at the Ministry represents an important change for the economic team and for the government's image. During his inaugural speech, he set talks with the IMF as his top priority, renewing hopes of a speedy agreement. Arosemena, who participated in the debt swap negotiations that followed Ecuador's debt default in 1999, is expected to have a better working relationship with the IMF. However, there are still prerequisites to be fulfilled: a stricter version of the Fiscal Responsibility Law, fiscal expenditure cuts to reach a 6% primary surplus in 2002, the liquidation of Filanbanco, clearing of Paris Club arrears and the agreement on macroeconomic targets for 2003. Although most of these could be resolved expeditiously, the fine-tuning of the FRL remains a major roadblock.

In contrast with his predecessor, Arosemena has very weak political ties, which leaves him with little weight to push legislation through Congress, while Pres. Noboa's own political capital has been seriously damaged by the recent scandals. It is still unclear whether the IMF will deem the mere submission of the reform to Congress as sufficient, or if it will maintain a stricter approach and require congressional approval. If the IMF was to ease its stance in recognition of the new economic team, then an agreement could be reached in July. Otherwise, negotiations could drag on well past elections. On balance, we expect the IMF to continue to take a tough stance, and do not believe that approval will be granted easily.

To that extent, the continuation of Pres. Noboa's prudent fiscal policies remains highly uncertain, as the main parties have yet to select their candidates, who have until

August 20 to register. We expect a clearer picture to emerge from mid-July on. We reiterate our view that Ecuador will be able to muddle through this year, supported by higher-than-budgeted oil prices and extraordinary tax revenues YTD (see our ADW of 06/07/02). However, the long-term outlook hinges on the new administration's position on economic policy.

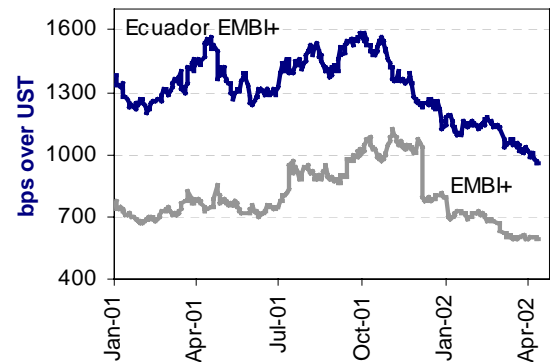
Ecuadorian Oil Price



Conclusion

Ecuador is likely to muddle through 2002, even in the absence of multilateral assistance. However, given the lack of definition ahead of the elections, and the growing levels of investor risk aversion, the risk of downside volatility over the short-run remains high and we maintain our market-weight position.

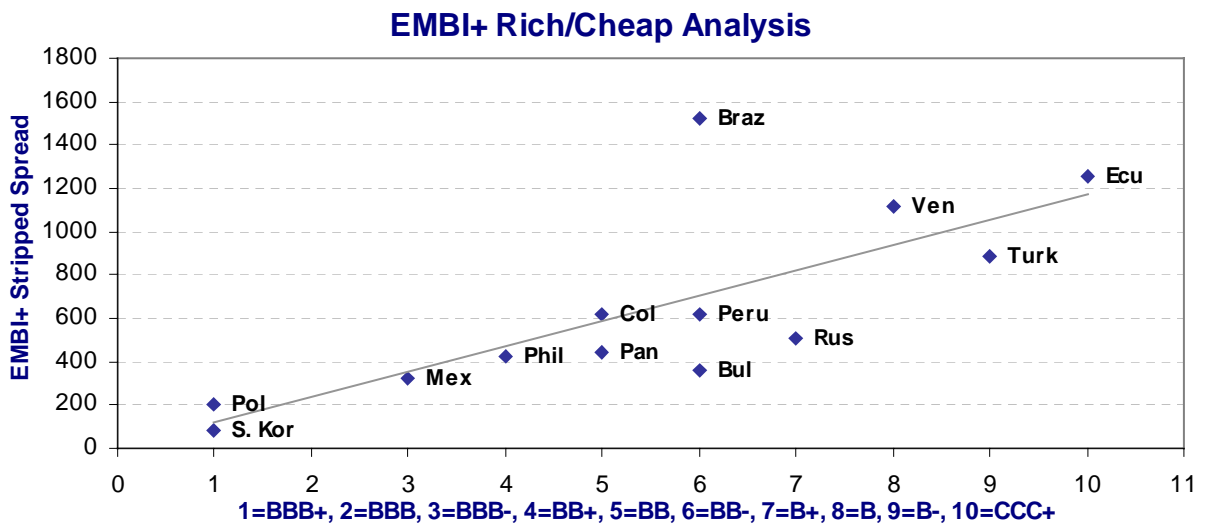
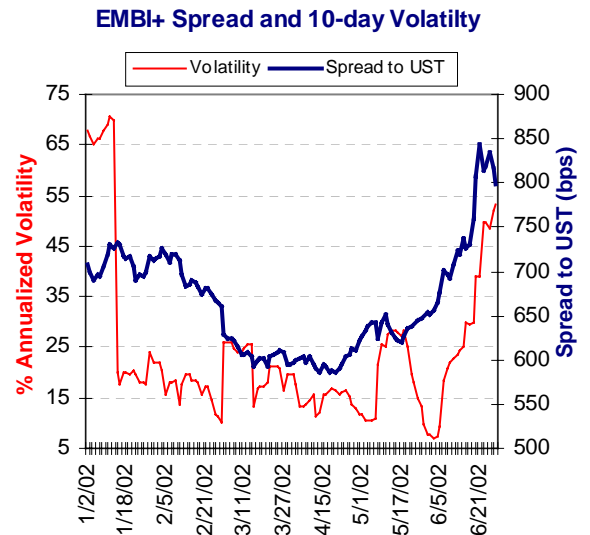
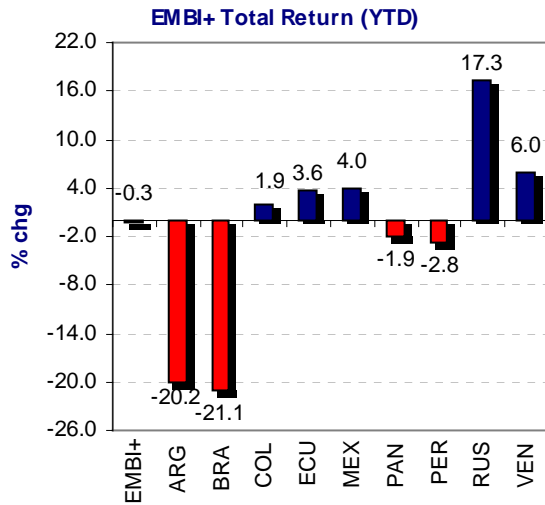
Ecuador EMBI+ vs EMBI+



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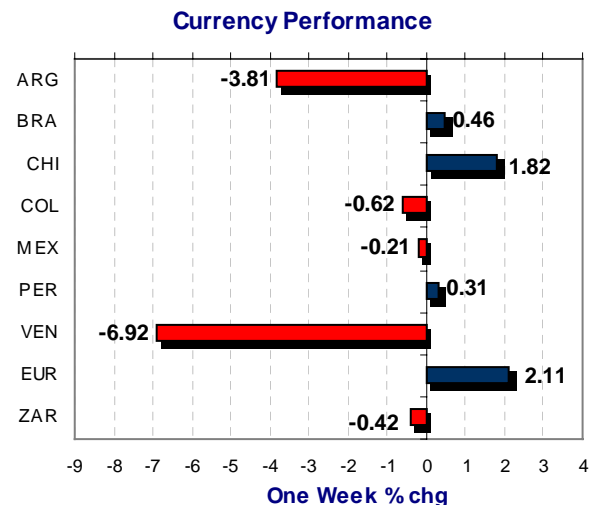


Emerging Market Debt Analytics



Currency Corner

	6/28/02	YTD % Chg
ARG	3.8100	-73.8
BRA	2.8175	-18.0
CHI	686.1500	-3.6
COL	2402.5000	-5.2
MEX	9.9490	-8.0
PER	3.5085	-1.9
VEN	1380.5000	-45.1
EUR	0.9914	11.5
ZAR	10.2950	16.2





Weekly Pricing and Analytics

<u>28-Jun-02</u>	Close	Weekly Chng		Strpd.	Mod	Sov.	<u>28-Jun-02</u>	Close	Weekly Chng		Strpd.	Mod	Sov.
	Offer	Net	Dir	YTM	Dur	Spread		Offer	Net	Dir	YTM	Dur	Spread
ARGENTINA							ECUADOR						
FRB	18.670	-2.480	↓	309.20	0.22	30608	Ecu 30	47.500	-1.500	↓	18.16	6.04	1266
Arg 08	18.500	-0.626	↘	62.17	2.34	5787	MEXICO						
Par	44.000	-1.000	↓	64.30	7.28	950	Par	94.755	-0.183	↘	8.37	10.17	169
Arg 27	17.000	-3.750	↓	59.67	1.53	6252	UMS26	126.715	2.215	↑	8.78	9.40	346
BRAZIL							PERU						
EI	79.690	5.033	↑	17.04	1.66	1349	PDI	72.550	2.050	↑	11.32	5.33	635
C	63.190	6.322	↑	18.26	3.85	1339	RUSSIA						
Par	58.750	1.733	↑	22.09	8.93	581	Rus 30	69.417	3.799	↑	10.45	8.19	499
Braz 08	55.0865	-4.430	↓	24.21	3.52	2003	VENEZUELA						
Braz 27	50.381	0.256	↗	20.15	4.92	1487	DCB	74.500	-0.388	↘	16.57	2.32	1246
COLOMBIA													
Col 27	71.650	-1.399	↓	11.85	7.90	661	Par	75.565	0.231	↗	18.21	8.89	457
							Ven 27						
							63.149 0.407 ↗ 14.83 6.53 949						

Source: Bloomberg; Note: All prices and analytics are as of 4:30 p.m., Friday, June 28.



Economic Data Releases

Date	Country	Indicator	Period	Market Forecast	Previous
Mon, July 1	Argentina	Government Tax Revenue	June		AR \$4827 mn
	Brazil	Trade Balance (FOB) – monthly	June		US \$423 mn
	Colombia	Holiday			
	Peru	Consumer Price Index	June		100.85
	Venezuela	Consumer Price Index 1997 - y/y	June		18.30%
	US	Construction Spending	May	0.2%	0.2%
	US	ISM Manufacturing	June	55.5	55.7
Tues, July 2	Colombia	Consumer Price Index - y/y	June		5.84%
Wed, July 3	Brazil	Foreign Investment BOVESPA	June		US \$60 mn
	US	Initial Jobless Claims	June 29	390 k	388 k
	US	ISM Non-Manufacturing	June	58.6	60.1
	US	Factory Orders	May	0.6%	1.2%
Thurs, July 4	Argentina	Wholesale Price Index – y/y	June		72.3%
	Argentina	Consumer Price Index – y/y	June		23.0%
	Brazil	FIPE Consumer Price Index – monthly	June		0.06%
	US	Holiday			
Fri, July 5	US	Unemployment Rate	June	5.9%	5.8%
	US	Average Hourly Earnings	June	0.3%	0.2%
	US	Average Weekly Hours	June	34.2	34.2

Source: Bloomberg; Note: Bloomberg is the data source for all indicators, graphs, charts, tables and analytics in this publication.



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