Standard Bank London Limited
Standard New York Securities Inc.

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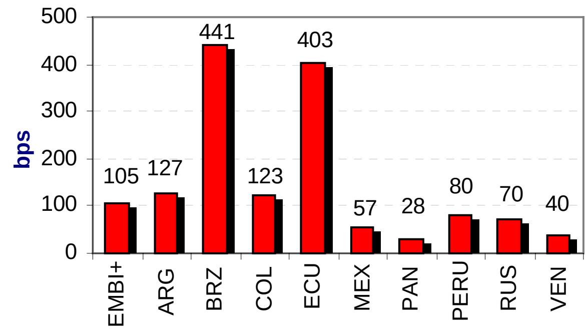
July 26, 2002

Americas Debt Weekly

Key Indicators

	Value	1 wk % change
Dow Jones	8264	3.1
NASDAQ	1262	-4.3
S&P 500	853	0.6
UST 5 yr Yield (%)	3.394	1.1
UST 10 yr Yield (%)	4.384	1.1
3 month LIBOR (%)	1.810	-2.7
6 month LIBOR (%)	1.820	-4.6
EMBI+ Stripped Spread	913	13.0
WTI Oil Price (US$/bbl)	26.54	-4.6

EMBI+ Stripped Spread Weekly Change



Last Week's Wrap-up

Argentina: The open unemployment rate reached a new high of 21.5% in May, from its previous reading of 18.3% last October. A further 18.6% of the labor force is currently under-employed. The results, together with the continuously deteriorating data releases, highlight the depth of the recession.

Brazil: The better-than-expected economic releases for the week (narrower current account deficit and larger-than-expected public sector primary surplus and FDI inflows) were not enough to improve investor sentiment towards Brazil, and the country's debt assets prices continued to deteriorate. The Brazilian EMBI+ stripped spread broke through the 2000 level, worse then Ecuador's, and the C Bond lost all of its latest gains falling to US$55.46, its lowest point since March '99. The Real broke through the 3 reais to the dollar barrier, feeding expectations of higher inflation rates. YTD, the currency has depreciated 30.8%, making it the 5th worst performing currency in the world.

Mexico: The Mexican economy continued to show mixed signs of an incipient recovery, with retail sales rising 3.1% y/y in May but wholesale sales falling 5.9% y/y during the same month. The external sector also showed some improvement, as the trade deficit narrowed to US$321 million in June, with maquila exports posting a 1.5% increase.

Uruguay: S&P downgraded Uruguay's foreign and local currency ratings by two notches for the third time this year, from BB- to B, while keeping the negative outlook. The county continues to suffer a drain in deposits, as the IMF package failed to restore confidence in the banking system. Deposits fell US$544 million in June, bringing the YTD loss to 32% of total deposits. On the political front, Alejandro Atchugarry was named Minister of Economy and Julio de Brun was appointed President of the Central Bank. The move is viewed as a political move by President Batlle, in an attempt to strengthen the governing coalition.

Laura Rattner
305-349-0514

The Week Ahead

Emerging Markets ended the week on a negative tone, amid low volumes and scarce liquidity. The EMBI+ stripped spread widened by 27 bps on Friday to reach 913 bps over US Treasuries, with Brazil as the worst performer of the day, widening 142 bps to close at 1991 bps over US Treasuries – a high for the past decade. 10-day volatility crept back up to 21.93%.

In the coming week, expect increased volatility, as investors carefully follow announcements from the IMF regarding future action in the region, especially Argentina, Brazil and Uruguay. Regarding **Argentina**, the group of former central bank presidents are expected to submit their review of the monetary system. However, we expect any recommendation to include the need for a monetary anchor and a solution for the continued drain in deposits (despite the corralito). The latter is an extremely controversial subject and, given the lack of political leadership, a solution is unlikely in the near future. Regarding **Brazil**, any clarifications as to the chances of further support from the IMF for the transition period would be welcome by the market. Although any such agreement does not seem to lie in the near future, we believe the IMF will indeed step up with further support if the situation became unmanageable. **Uruguay**'s situation, on the other hand, is already reaching that point. We expect the IMF to show continued support towards the country, and there may be some announcements on that end in response to the visit of Uruguayan officials to Washington.

Laura Rattner
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CORPORATE COMMENTARY: Selected Mexican 2Q02 Earnings Results

Vitro

Vitro reported reasonably strong results for 2Q02, with one significant caveat – weakness in the flatglass division. Analysis of the financial data is made more complicated by the fact that the firm began reporting results excluding the divested Vitromatic (Acros Whirlpool) appliance division and has recast only a limited amount of data on the same basis for comparison purposes. Hence our view will be further defined over the coming weeks as we talk to management and fill in some of the gaps.

On balance, the second quarter was one of transition for Vitro, with only anemic economic growth in Mexico and a slowdown in growth in the US, and with the company moving forward on significant divestitures and debt restructuring. Nonetheless, the company, more focused on its core glass business and on improving its debt profile, appears to be poised to continue the rebound in margins that began in 1Q02. Cash generation capacity remains strong. As long as our constructive view on the US and Mexican economies is borne out, capacity utilization and margins will pick up and price increases will stick. We therefore provisionally reiterate our buy recommendation on Vitro's 11.375% '07 bonds. The bonds have a current yield above 12% and are trading at 14% YTM and a spread of over 1,000 bps above Treasurys – representing good value in our view. Should Vitro's most recent financial and operating results, credit metrics, debt re-profiling and divestitures trends remain on their current path - as we expect - we believe that a rating upgrade from current B1/B+ is likely by early 2003.

Important Events Since 1Q02: Vitro repaid the US$175 million Vicap Yankee bond due May 15. The sale of the Vitromatic (Acros Whirlpool) division, completed July 3, reduced debt by the amount of US$297 million, US$67 million in "on balance-sheet" debt, US$100 million in "off balance sheet" debt, and the company used US$130 million of the proceeds to pay down additional existing debt. The company now has a more manageable US$612 million in short-term debt, which is 40% of the total, down from 45% at the end of 1Q02. Vitro is looking at several possible transactions that will help extend even further the maturity structure of its debt, including issuing a new bond when market conditions permit.

Revenues declined 1.6% y/y to US$608 million, and EBITDA declined 8% y/y to US$117 million. Consolidated EBITDA margin declined to 19.2% in 2Q02 from 20.6% in 2Q01, but was higher than the 17.1% in 1Q02 (including Whirlpool) and the company expects to return to 20%+ margins by the year-end. Given the divisional developments and expectations attained in 2Q02, Vitro maintained its full year 2002 guidance would be met: sales of US$2.3 billion and EBITDA of US$430-US$440 million. Vitro officials estimated that free cash flow would be US$70 million for the full-year 2002, approximately US$35 million per semester, which would be a significant achievement under the current challenging operating conditions.

Interest Coverage Improved/Leverage flat: EBITDA/Net Interest Expense rose to 3.2x from 3.0x in 2Q01 (excluding Whirlpool) and compared to 2.9x in 1Q02 (including Whirlpool)

Total Debt/EBITDA rose moderately to 3.3x from 3.0x in 2Q01, and was little changed from 3.2x in 1Q02 (including Whirlpool).

Iusacell

Iusacell (hold/sell into strength) again announced success in growing its subscriber base, but revenues declined and profitability performance was poor due to continued downward pressure on minutes of use (MOUs) and average revenue per user (ARPUs). The fall in ARPUs (19% q/q and 36% y/y) was driven by 1) the relative increase in prepaid subscribers versus postpaid as a percentage of the total - amplified by the success of Iusacell's new hybrid postpaid/prepaid plan IDEAL, 2) competitive pressures, and 3) the subdued economic recovery, which aggravated 1) and 2). Consequently, revenues fell 8.6% q/q and 18.6% y/y, and key credit ratios deteriorated during 2Q02. Adjusted EBITDA / net interest expense fell sequentially to 1.4x from 1.8x in 1Q02 and 1.9x on an LTM basis. Total debt/annualized EBITDA rose to 6.1x compared to 1Q02's 4.6x and 2Q01's 4.2x. This deterioration puts CEL's credit ratings at risk.

The persistence of negative news concerning global telcos, culminating in the bankruptcy of Worldcom, has been a severe drag on the bonds. In April we cautioned that investors would likely need patience in waiting for recovery in Iusacell's bond prices, and global telcos in general, to materialize, suggesting a timetable of late-2002/early-2003. Now it seems that, given CEL's cash shortfall projected for this year and next and renewed concerns regarding the global telco industry, a significant recovery in Iusacell's bond prices is likely to be predicated on 1) a reopening of the capital markets for telecom companies, which appears unlikely for the foreseeable future; 2) definition of a clear strategy from Iusacell's new management; 3) improvement in CEL's operating performance; and 4) capital injections from shareholders. Since none of these catalysts appears likely anytime soon, and indeed the ccompany is now vulnerable to negative credit ratings events, **we are altering our recommendation from accumulate on weakness to hold/sell into strength**. With the 14.25% senior notes due in '06 trading at 50-55 on virtually no volume and yielding upwards of 37%, we would not sell the bonds at virtually distressed levels, but look for better exit points going forward.

Guidance for 2002 revenue and EBITDA has been revised sharply downward, to US$570-600 million and US$160-170 million, respectively. These figures represent a 10% decline in revenues and flat EBITDA vs. 2001 at the optimistic end of the forecast range instead of the 12% and 18% growth envisioned during the 1Q01 conference call. Iusacell officials also reduced 2002 capex guidance by US$120 million to US$130 million from previously announced US$250 million, significantly below 2001 capex of US$215 million. Company officials insisted that the revised capex figures would be funded from internally-generated cash flow. The company is now targeting 2.5 million subscribers by the end of the year (previous guidance was 2.6-2.7 million), and a churn rate of 3.0% for the full year. While we consider the revised guidance more realistic, the firm has virtually no room to maneuver, and the credibility of the new, lower guidance is to some degree in question.

Please see the Iusacell Flash Desk Note distributed via email on 25 July 2002.

Televisa

Televisa (not rated) posted second-quarter results in line with moderately positive expectations, with revenues up 5.9% y/y in dollar terms (10.1% in real pesos) to US$547 million and EBITDA up 9.9% y/y (11.8% in real pesos) to US$151 million. Gains came mostly from revenues associated with the broadcast of World Cup games. Without the effect of the World Cup, revenues rose only 1% for the television division in real peso terms (13.1% with the World Cup). Credit ratios were flat y/y (coverage of 4.8x and leverage of 2.3x).

Televisa's ratings performance improved in the quarter – with a 76.1% full-day audience share vs. 69.8% in 2Q01 – thanks to the World Cup in June and the popular reality program, Big Brother, in April and May. Increased ratings, however, failed to boost revenues significantly because Televisa does not offer its advertisers cost-per-rating-point pricing.

Results in other divisions were mostly disappointing, with the combined result dragging on overall revenue and EBITDA growth as well as EBITDA margin. Cable television and for-pay programming were hampered by small losses of subscribers and higher signal charges. Declining profitability in the program licensing and publishing businesses was masked by the positive effect of peso depreciation and the consolidation of a publishing distributor in Chile and Argentina (following the purchase of the unowned 50% at an attractive price in April), respectively.

Controlled but unconsolidated satellite-TV subsidiary Innova (the Mexican division of Sky) had a mixed quarter, with modest gains in revenue and EBITDA tempered by a small contraction of the subscriber base due to the fact that it did not carry the World Cup. DirecTV, which sold Televisa the rights to broadcast several World Cup games over the air for US$9 million, had the right to broadcast the World Cup via satellite. However, DirecTV drew down a US$15-million letter of credit because, it claims, Televisa violated an agreement by transforming its regular news program, broadcast via satellite, into a show about the World Cup. **Televisa argues that it did not violate the agreement and is suing DirecTV for the US$15 million plus damages.**

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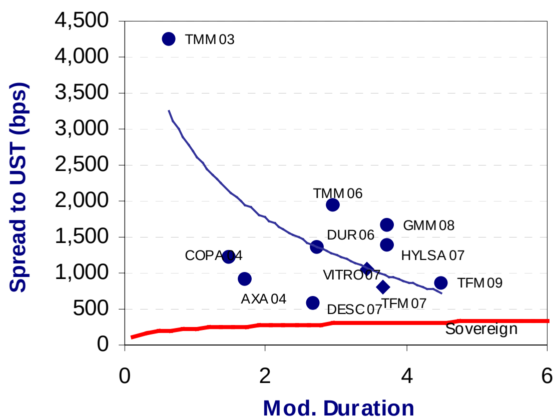
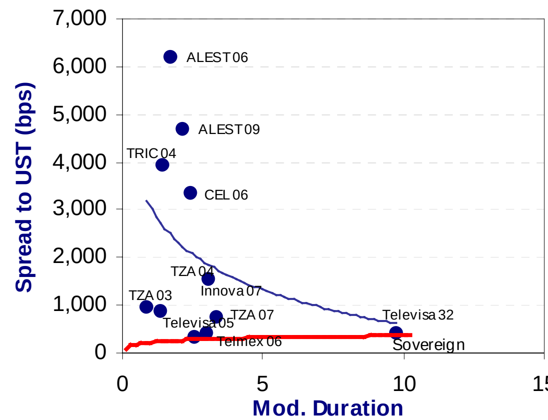
Mexican Corporate Industrial Spread as of 7/25/02



Mexican Telecom and Media Spread as of 7/25/02



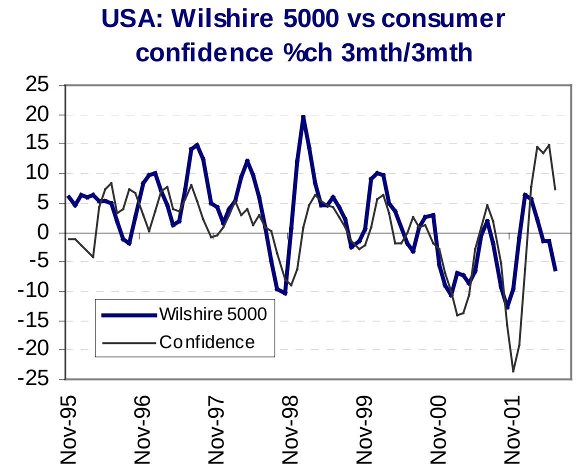
Americas Debt Weekly

2Q02 Mexican and DR Corporate Earnings Releases and Conference Calls

Company	Release Date	Conference Call Date	Call Time (EST)	Conference Call Dial-In	Replay
Iusacell	7/23/02	7/23/02	12:00 PM	913-981-4902	through 30 July 2002 on 719-457-0820, code 745913
Innova	7/23/02				See Televisa call information below.
Gruma	7/24/02	7/25/02	11:30 AM	800-388-8975 or 973-694-2225	through 3 August 2002 on 800-428-6051 or 973-709-2089, code 252566
Hylsa	7/24/02	7/25/02	3:00 PM	913-981-5522	through 1 August 2002 on 719-457-0820, reservation 742227
Televisa	7/24/02	7/25/02	9:00 AM	800-252-9521 or 415-537-1820	through 1 August 2002 on 800-633-8284 or 402-977-9140, reservation 20758583
Desc	7/25/02	7/26/02	10:00 AM	888-855-5428 or 719-457-2665	through 2 August on 888-203-1112 or 719-457-0820, code 272482
TV Azteca	7/25/02	7/26/02	10:00 AM	877-858-7380 or 706-679-0213	through 28 July 2002 on 800-642-1687 or 706-645-9291, code 4994437
Vitro	7/25/02	7/26/02	12:00 PM	913-981-4900, code 317121	through August 2 on 719-457-0820, code 317121
Durango	7/26/02	7/29/02	1:00 PM	888-318-6432 or 334-260-0508	through 30 July 2002 on 800-858-5309 or 334-323-7226, access code 40455, pass code 93425
Elektra	7/26/02	7/29/02	11:00 AM	888-482-0024 or 617-801-9702	888-286-8010 or 617-801-6888, code 53090
TMM/TFM	7/26/02	7/29/02	11:00 AM	2130 http://www.firstcallevents.com/service/ajwz361667702	through August 5 on 800-405-2236 or 303-590-3000, ID 484290
Alestra	7/29/02	7/30/02	11:00 AM	2653	none
Tricom	7/31/02	7/31/02	11:30 AM	0034, passcode TDR, or webcast www.tdr-investor.com	402-220-4758
Copamex	week of the 29th				

ISSUE OF THE WEEK: The US Consumer Should Weather the Storm in the Equity Market

In just seven months since the start of 2002, EM investors have seen the wind shift from plain sailing to a possible perfect storm. This was illuminated by the recent comment from the IMF's Horst Koehler who gave a 20% probability to the 'nightmare scenario' of default in Brazil and Turkey combined with a double-dip US/Eurozone recession. Investor risk aversion has become widespread and there are several potential self-feeding loops which could make a bad situation much worse. For example, in Brazil, yesterday's close in the EMBI+ index spread above 1800bp marks a new high - above the peaks recorded in the 1995, 1998 and 1999 crises. At these levels, the fear of a Lula presidency has the potential to do more lasting damage to the economy than Lula himself.

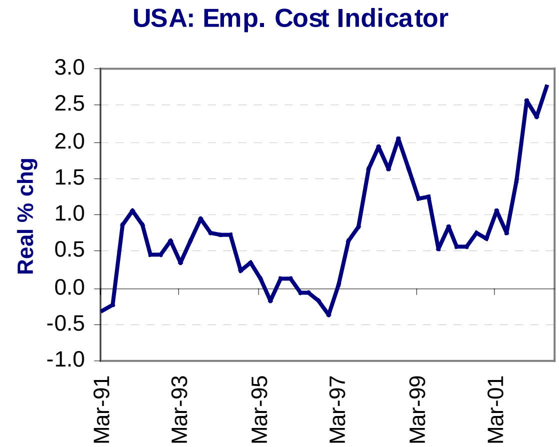


Source: Conference Board, Bloomberg

US consumer confidence falling again

Another example is the capitulation in US stocks which raises fears that the hardy US consumer will elect to tighten his/her belt. Consumer confidence levels have started to fall again after rebounding from the plunge triggered by last year's slowdown and 11 September. The latest decline appears to be driven mainly by high media coverage of the weakness in stocks and grave corporate governance concerns. Although the correlation is imperfect it is high enough to assume that a further decline in confidence is likely in the coming months. The current equity meltdown is likely to loom larger now than, say, following the 1987 stock market crash because the equity component of private pension funds is still around 60% (45% in 1987). This is below the recent peak of 65% but higher than at any other time over the past 40 years.

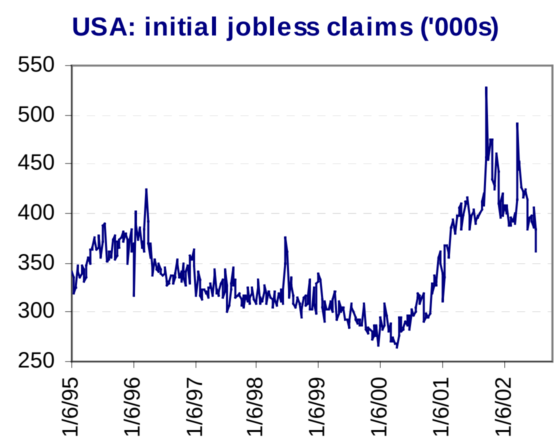
The personal savings rate in the US has started to rise but at 2.8% is currently still historically low. In past episodes where the savings rate has risen considerably, this has always meant recession. This time Alan Greenspan is attempting to massage the economy to achieve a simultaneous, gradual rise in personal incomes, spending and savings.



Source: Bloomberg

For the following reasons we continue to believe that consumer spending will slow but not tank:

- consumer incomes continue to rise strongly in real terms. This was confirmed by Wednesday's employment cost index data which showed real remuneration continuing to rise at a rapid clip
- initial jobless claims have dipped sharply below the 'sticky' 390, 000 level, indicating that the jobs market is performing better than media headlines suggest.



Source: Bloomberg

The battering meted out to personal equity portfolios, accompanied by massive media coverage, is also raising questions about the other components of consumer net wealth, in particular property. Although regional performance has diverged widely, the median house price index has actually risen by less than personal disposable income over the past decade. The lack of a boom in residential real estate prices means there is less chance of a bust, especially with mortgage interest rates once again heading down.

Fundamental shift in Federal Reserve policy

In a recent benchmark paper written by economists of the US Federal Reserve (International Finance Discussion paper no. 729, June 2002), an analysis of the Japanese experience with deflation in the 1990s pointed out that property prices peaked some 18 months after the Tokyo Topix equity index topped out in 1989. The article shows that, for reasons that seemed sensible at the time, Japanese policy-makers erred by underestimating the potential for deflation in Japan and could have avoided it by more timely stimulus using both monetary and fiscal policy. The timing of this article is significant and it coincides with the most significant shift in Federal Reserve policy since Paul Volcker's appointment as chairman in 1979. Although no official statement has been made (because this would spook the bond market), the Fed is shifting from an anti-inflation to an anti-deflation policy. It has become increasingly clear that it has no intention of raising interest rates from current low historical levels and there has even been talk of another cut in the Fedfunds rate in some quarters. This means that although debt ratios for the private sector (consumers and corporates combined) are historically high, the debt service burden is not excessive and is not likely to become so with interest rates remaining at low levels and credit growth decelerating.

Conclusion

The plunge in US equity prices has aggravated the already deteriorating outlook for many Latin American bonds. However, continued low inflation has boosted real consumer income growth, the jobs market continues to show signs of improvement and the Federal Reserve has shifted to an anti-deflation bias. In these conditions US consumer spending may slow but is likely to remain strong enough to underpin a continuing gradual recovery. We expect the forthcoming 2Q02 corporate earnings reports to reflect better 1H02 economic performance. This should produce some improvement in investor sentiment and ease some of the worst excesses of collapsing investor risk appetite. This would help to alleviate some of the pressures in credit markets, including Latin American sovereign debt.

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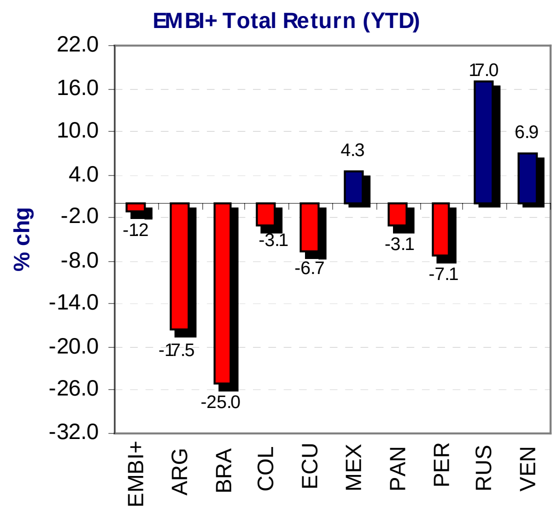
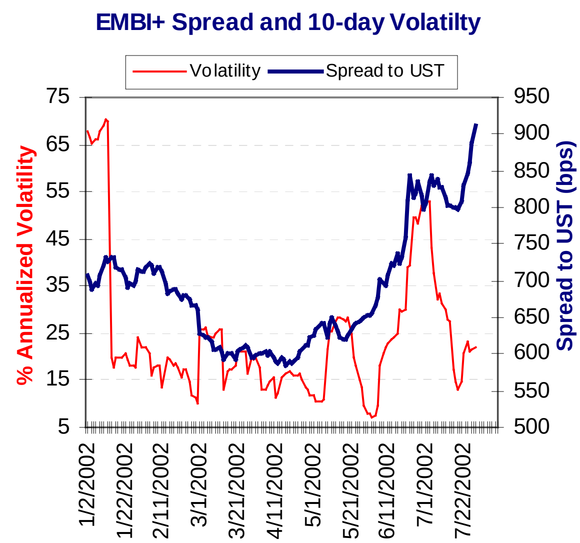
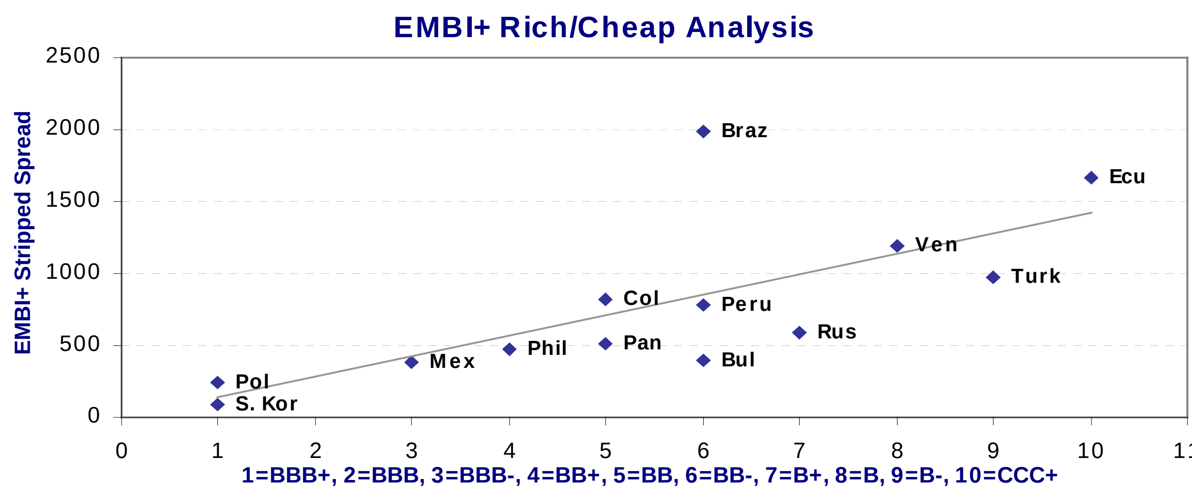
Emerging Market Debt Analytics

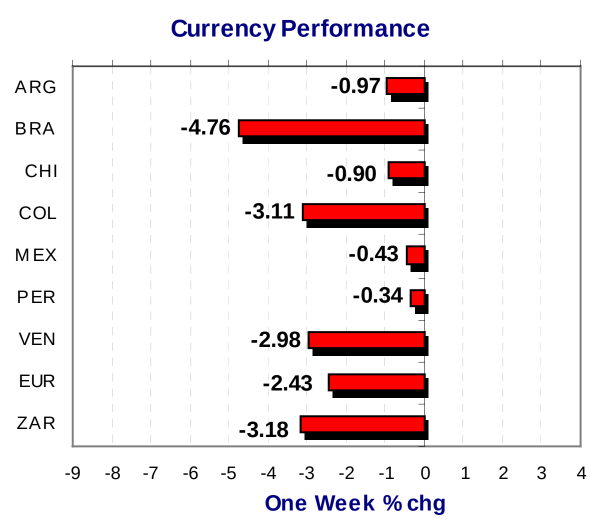






Currency Corner

	7/26/2002	YTD % Chg
ARG	3.6100	-72.3
BRA	3.0125	-23.3
CHI	697.7500	-5.2
COL	2602.5000	-12.5
MEX	9.7171	-5.8
PER	3.5320	-2.5
VEN	1325.5000	-42.9
EUR	0.9871	11.0
ZAR	10.2773	16.4



Standard Bank London Limited
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Weekly Pricing and Analytics

26-Jul-02	Close Offer	Weekly Chng Net	Weekly Chng Dir	Strpd. YTM	Mod Dur	Sov. Spread
ARGENTINA						
FRB	20.350	-0.708	↘	338.45	0.17	33596
Arg 08	20.768	-0.854	↘	58.71	2.43	5520
Par	42.755	1.600	↑	97.18	6.91	1053
Arg 27	19.023	-0.003	↘	62.26	1.67	5732
BRAZIL						
EI	73.630	-5.193	↓	22.11	1.50	1922
C	55.630	-7.931	↓	21.79	3.50	1732
Par	54.880	-4.578	↓	27.37	8.45	688
Braz 08	57.5888	-4.893	↓	23.02	3.51	1956
Braz 27	49.042	-5.274	↓	20.78	4.72	1565
COLOMBIA						
Col 27	65.750	-2.833	↓	13.01	7.28	794

26-Jul-02	Close Offer	Weekly Chng Net	Weekly Chng Dir	Strpd. YTM	Mod Dur	Sov. Spread
ECUADOR						
Ecu 30	45.112	-6.950	↓	19.00	5.68	1381
MEXICO						
Par	93.505	-1.766	↓	9.18	10.04	217
UMS 26	126.209	-3.353	↓	8.83	9.30	376
PERU						
PDI	68.750	-2.291	↓	12.35	5.09	775
RUSSIA						
Rus 30	68.500	-2.563	↓	10.62	8.06	537
VENEZUELA						
DCB	72.560	-1.541	↓	17.46	2.23	1399
Par	75.750	0.598	↗	18.91	8.83	489
Ven 27	62.737	0.051	↗	14.92	6.42	983

Source: Bloomberg; Note: All prices and analytics are as of 4:30 p.m., Friday, July 26.

Economic Data Releases

Date	Country	Indicator	Period	Market Forecast	Previous
Mon, Jul 29	Brazil	Trade Balance – Monthly	Jul		US$675 mn
Tues, Jul 30	Brazil	CPI – IP-M Monthly	Jul		1.49%
	US	Consumer Confidence	Jul	102.0	106.4
Wed, Jul 31	Argentina	Trade Balance	Jun		US$1.48 bn
	US	GDP (Advanced)	2Q	2.3%	6.1%
	US	Chicago PMI	Jul	56.5	58.2
Thurs, Aug 1	Argentina	Govt. Tax Revenue	Jul		AR$4.6 bn
	Venezuela	CPI (y/y)	Jul		19.6%
	US	ISM Manufacturing	Jul	55.0	56.2
	US	Initial Jobless Claims	Jul 27	378K	362K
Fri, Aug 2	Peru	CPI (y/y)	Jul		0.62%
	US	Personal Income	Jun	0.5%	0.3%
	US	Personal Spending	Jun	0.6%	-0.1%
	US	Unemployment Rate	Jul	5.9%	5.9%
	US	Avg. Hourly Earnings	Jul	0.2%	0.4%
	US	Factory Orders	Jun	0.4%	0.7%

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

Americas Debt Weekly

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