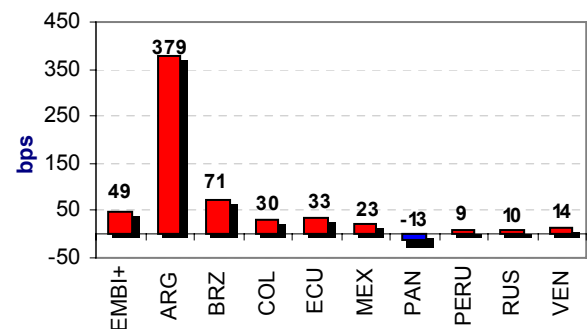




Key Indicators

	Value	1 wk % change
Dow Jones	9852	-1.1
NASDAQ	1931	1.4
S&P 500	1139	-0.9
UST 5 yr Yield (%)	4.064	1.3
UST 10 yr Yield (%)	4.750	1.8
3 month LIBOR (%)	2.032	-5.8
6 month LIBOR (%)	2.030	-8.7
EMBI+ Stripped Spread	1071	4.7
WTI Oil Price (US\$/bbl)	19.44	8.2

EMBI+ Stripped Spread Weekly Change



Last Week's Wrap up

Following an early week rally, Emerging Market debt was hard hit by further deterioration in Argentina and negative releases in other Latin American countries. The EMBI+ stripped spread widened 49 bps during the week, reaching 1076 bps over US Treasuries at one point. Argentina remained in the spotlight, as the IMF's US\$1.2 billion disbursement is likely to be delayed until year-end. Despite talks that the local debt swap may surpass US\$40 billion, the Argentine EMBI+ stripped spread kept widening, increasing over 440 bps to reach a new historic high of 3410 bps over US Treasuries. Spreads throughout the rest of Latin American also widened. The Brazilian *Real* lost momentum and depreciated 2.2% reaching R\$2.51 per USD. External sector data releases showed that the proportion of the Current Account deficit covered by FDI has fallen to 93% during the first ten months of the year from 121% a year ago, increasing the government's financing needs for next year. Third quarter GDP growth was 0.3% y/y, placing year-end estimates in the 1.7% to 2.0% range.

Data Releases

- Argentina:** October supermarket sales fell 10.3% y/y while shopping mall sales contracted 20.1% y/y, reflecting very weak domestic demand.
- Brazil:** October current account deficit decreased to US\$2.4 billion, leaving the 12-month trailing gap at 4.9% of GDP, down from 5% of GDP in September. Net FDI was US\$ 1.3 billion in September, down from US\$ 2.1 billion a year ago. Third quarter GDP posted a flat 0.3% y/y growth, along market expectations. Inflation in the 30 days through Nov. 12, reflected by the IPCA-15, accelerated to 0.99%, due to an increase in gas prices and the pass-through of the currency depreciation. Year-end inflation is expected to be around 7%, above the government's 6% higher-range target.
- Mexico:** The leading indicator showed a 0.95% m/m contraction in September, reflecting slower economic activity.
- Venezuela:** Third quarter GDP grew 2.9% y/y, slightly faster than the 2.6% y/y growth posted in 2Q01.

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The Week Ahead

Argentina will remain at the top of the Emerging Market worry list in Latin America next week. Nevertheless, we expect a successful outcome to the local, non-retail investor debt swap, whose deadline for submitting bids was today. Cavallo intends to retire expensive debt and issue in its place cheaper debt (three-year, 7% loan securities backed by tax collections). The results of this 1st phase of the swap will be announced early Monday, December 3rd. December 7th has been slated as the deadline for individual investors, or those with \$100,000 or less of government debt, to submit their bids by. Holders of provincial debt will also have until December 7th for tendering their bonds. In a nutshell, the goals behind this latest restructuring (expected to be somewhere in the order between \$40 - \$50 billion) is to reduce annual financing costs by \$5 billion, staunch the bleeding of deposit outflows (banks have lost \$14.5 billion, or 17% of total deposits since January), reduce stratospherically-high local interest rates (local overnight peso rates reached 300% yesterday!), ensure the sustainability of convertibility (the central bank has lost 39% of its US dollar reserves year-to-date), ensure "Zero Deficit" compliance, maintain access to the IMF's \$22 billion credit line – and finally, get the economy to grow again. The 2nd phase of the debt swap, which will target global investors, will be announced early next year (possibly before February) and will probably not contain the same repayment guarantees seen in the 1st phase. For now, we expect Argentine contagion effects to rise, muting any technical supports or economic fundamentals in the days ahead. Already, 10-day rolling spread correlations between the Argentine EMBI+ and its regional counterparts are sky rocketing. What's interesting is that Peru, and not Brazil, appears to have the closest links to Argentine contagion, while Venezuela remains the most decoupled. (AS)

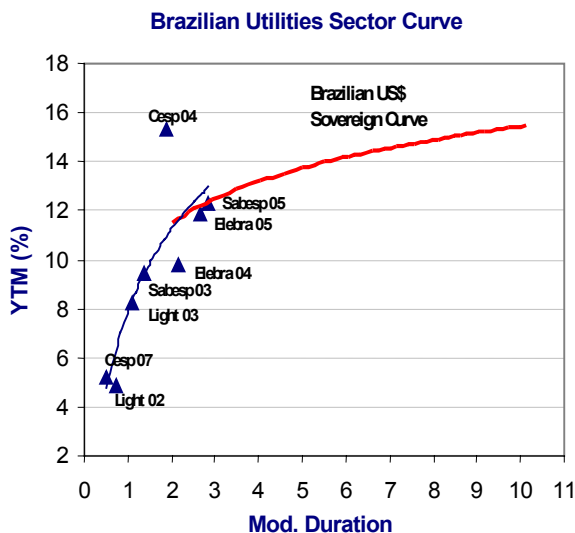


Corporate Commentary

Brazilian Utilities

Brazilian utilities have been plagued with sectoral concerns surrounding the electricity shortage and effects of the government's rationing program. The fundamental problem revolves around capacity build-out that is quickly becoming outpaced by demand growth. The structural conditions required to attract new private investment to the sector are still insufficient. Specifically, there are inefficiencies in the wholesale market that are exacerbated by continual government intervention. More important, there is not sufficient tariff protection against exchange rate. Until these structural deficiencies are addressed, the sectoral concerns will continue and should prevent any sustainable rally in Brazilian utilities.

On the other hand, investor sentiment has been highly sensitive to changes in market perception surrounding two areas: rationing targets and Brazil country risk. An end of rationing or material decrease in country risk could act as catalysts that result in a short-term rally.



Source: Bloomberg, Standard Miami

1) A decrease in rationing targets:

This week the energy crisis management committee (GCE) announced reductions in rationing targets for residential and commercial customers. The new rationing targets will be commencing in December 2001 and running through February 2002. Targets were lowered by 8% in the Southeast/Midwest, by 3% in the Northeast and by 15% in the North region – all are down from the current 20% target. In addition, an across-the-board 5% decrease on top of

those noted will be allowed for tourist areas (including Rio de Janeiro and Sao Paulo).

Utilities have tightened over the last week since the announcement, even though we attribute little of this performance to the reduction in targets (most of the rally we attribute to an improvement in country risk perception and the accompanying boost to investor confidence). This is due to several factors. First, the reductions were expected. Second, the new targets are still based off of the average consumption for the lower-consumption winter months of May/June/July of 2000 and are not adjusted for seasonality. Hence the new and reduced targets do not have the positive impact on volumes that might otherwise be expected. Finally, there is still little change in the underlying structural concerns that can only be resolved via a better regulatory framework and increased capacity build-out.

Demand growth also has significant risks on the downside that we do not believe are fully reflected in prices. There is a very real possibility that rationing will be extended beyond the first quarter of '02, so as to avoid any possibility of rationing during the last months preceding presidential and gubernatorial elections (Oct. '02). We also have concerns surrounding the recovery in demand post-rationing. Since consumers have adopted behavior changes and made energy saving investments (e.g. energy efficient light bulbs, systems, etc.) that will continue in effect after the end of rationing, the recovery of electricity demand may be slower than most estimates are predicting (with current projections at roughly 5% growth in 2002 – in line with its long term growth rate).

2) An improvement in country risk:

Recently, we have seen a recovery in Brazilian macro fundamentals, including an improving trade balance and appreciation of the real, that have led to a decrease in the market's perception of country risk (which we feel accounts for most of the recent rally that we have witnessed for the sector). However, we believe that this is more of a correction in the market's overly pessimistic reaction that followed the terrorist attacks on September 11th and that still considerable downside exists (note that even with the recent real appreciation, it has still lost over 20% of its value this year). While there still may be some room for an additional short-term rally before year-end, we do not believe that bonds are fully reflecting external risks, including the potential downside arising from Argentina or the US conflicts in Afghanistan.

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US Market Commentary

In a presentation from Andrew Smithers, founder of Smithers & Co. and a columnist for London's Evening Standard and the Tokyo Nikkei Kinnyu Shimbon's, outlined why the US equity markets appear way too sanguine about the profits outlook. Smithers' work is unsullied by the need to sell stocks or bonds – he runs an independent economics research boutique and his analysis is couched in rigorous economics theory.

He starts with the identity that investment = savings in an economy. For the US he forecasts a fall in investment spending next year because of the low level of capacity utilisation. If investment falls, savings must fall too. Consumers, firms and/or government generate savings.

But consumers are raising savings out of fear for losing jobs and high levels of debt. Therefore firms and government will run down savings even more to keep the balance. Government is already reducing its savings by shifting from a budget surplus to deficit. However, there is a constraint because at the state level balanced budget rules prevent deficit spending. For corporates, some savings are generated by depreciation, which is high because of the spurt of capex in recent years. Thus profits must fall even more to generate a net negative savings result for firms.

The bottom line, in his view, is that the profit recovery currently anticipated in the equity market will not materialize in 2002 at all. Smithers recognises the power of liquidity creation, now well advanced in the US. But he reminds us of liquidity preference where, in uncertain times, consumers and firms prefer to accumulate cash balances rather than spend.

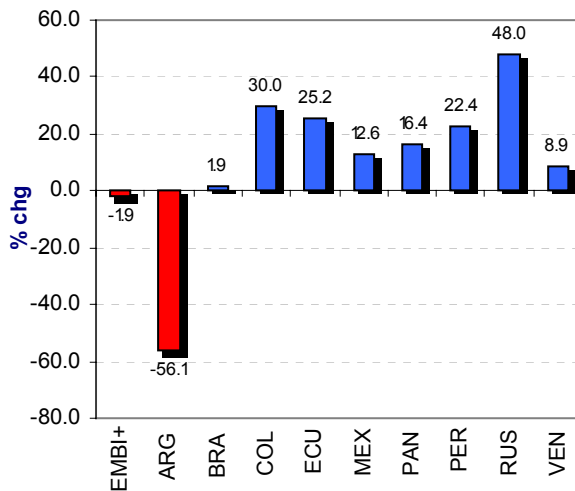
If Smithers is right, then the words of another rigorous economist who was fascinated by (and made money in) markets, John Maynard Keynes, will once again ring true: "The actual, private object of the most skilled investment today is to 'beat the gun', to outwit the crowd, and to pass the bad, or depreciating, half-crown, to the other fellow."

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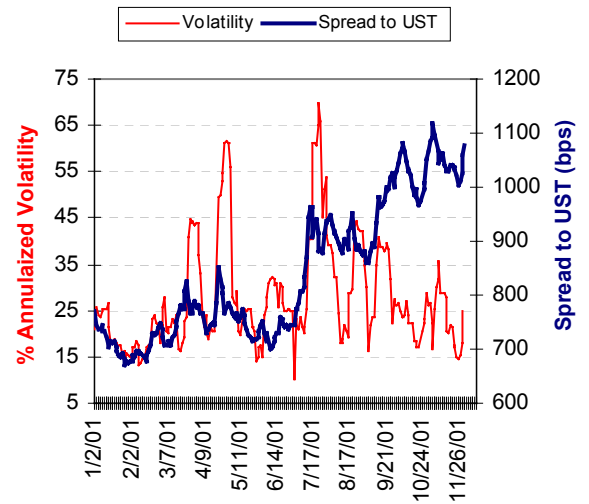


Emerging Market Debt Analytics

EMBI+ Total Return (YTD)



EMBI+ Spread and 10-day Volatility



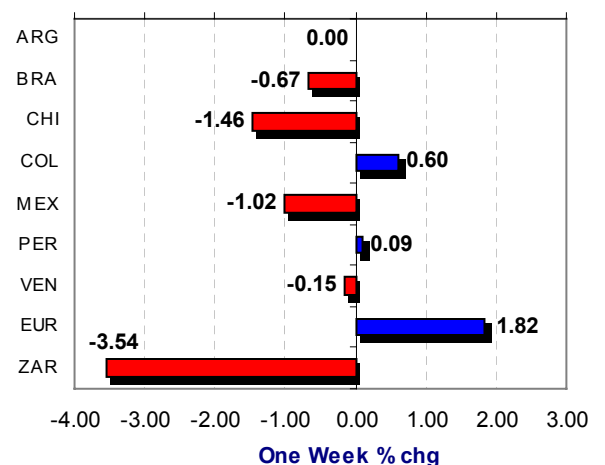
One Week EMBI+ Spread Correlations

	EMBI+	ARG	BRL	COL	ECU	MEX	PAN	PER	VEN	RUS
EMBI+	1.00									
ARG	0.94	1.00								
BRL	0.94	0.88	1.00							
COL	0.68	0.81	0.65	1.00						
ECU	0.80	0.63	0.60	0.42	1.00					
MEX	0.74	0.82	0.77	0.97	0.43	1.00				
PAN	0.38	0.34	0.34	0.72	0.48	0.73	1.00			
PER	0.81	0.94	0.84	0.76	0.34	0.78	0.15	1.00		
VEN	0.59	0.44	0.41	0.55	0.86	0.55	0.83	0.14	1.00	
RUS	0.34	0.25	0.42	-0.33	0.09	-0.21	-0.67	0.33	-0.39	1.00

Currency Corner

	11/30/01	YTD % Chg
ARG	1.0000	-0.2
BRA	2.5190	-22.6
CHI	686.1500	-16.4
COL	2300.0000	-2.8
MEX	9.2625	3.9
PER	3.4340	2.7
VEN	746.3800	-6.3
EUR	0.8940	-5.2
S. AFR	10.3200	-26.6

Currency Performance





Economic Releases and Events

Date	Country	Indicator	Period	Market Forecast	Previous	Market Impact
Mon, Dec 3	Argentina	Govt. Tax Revenue	Nov	-	\$3.569 bn	High
	Brazil	Trade Balance	Nov	-	\$248 mn	Low
	Peru	CPI	Nov	-	0.68% y/y	Low
	US	Personal Income	Oct	0.1%	0.0%	High
	US	Personal Spending	Oct	2.1%	-1.8%	High
	US	Construction Spending	Oct	-0.5%	-0.4%	High
	US	NAPM	Nov	42.0	39.8	High
Tues, Dec 4	Peru	GDP	Oct	-	2.3% m/m	Medium
Wed, Dec 5	Argentina	CPI	Nov	-	-1.7%	Low
	Brazil	FIPE CPI	Nov	-	0.74%	Low
	Brazil	ICV Inflation	Nov	-	1.20%	Low
	US	NAPM Non-manufacturing	Oct	43.0	40.6	Medium
Thurs, Dec 6	Brazil	Industrial Production (IBGE)	Oct	-	-0.3%	Medium
	US	Initial Jobless Claims	Week to Dec 1	-	488k	Medium
	US	Non-farm Productivity	3Q01 F	2.4%	2.7%	Low
	US	Unit Labor Costs	3Q01 F	2.2%	1.8%	Low
	US	Factory Orders	Oct	1.2%	-5.8%	Medium
Fri, Dec 7	Argentina	Trade Balance	Oct	-	-\$9.0 mn	Low
	Mexico	CPI	Nov	-	0.45%	Low
	Peru	Trade Balance	Oct	-	-\$49 mn	Low
	US	Unemployment Rate	Nov	5.6%	5.4%	High
	US	Avg. Hourly Earnings	Nov	0.2%	0.1%	Medium
	US	Change in Non-farm Payrolls	Nov	-225k	-415k	High
	US	University of Michigan Consumer Sentiment Index	Dec	84.2	83.9	High

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



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