LATIN AMERICA

Argentina

Argentina submitted on Monday to the U.S. Securities and Exchange Commission its prospectus supplement to restructure its defaulted debt. The full content of the prospectus supplement will remain confidential until the government formally launches the offer (expected 29 November, 2004). However, during yesterday's press conference, Economy Minister Lavagna gave out enough information to broadly evaluate the government's new offer.

- The issue date for the new instruments is confirmed at December 31, 2003 irrespective of the level of participation.
- The government will recognize the interest accrued as of 31 December 2001, which would benefit some bondholders.
- The government still plans to issue three types of bonds: the Par bond due 2038 (no haircut), the Quasi-par due 2045 (with a 30.1% nominal haircut to principal) and the Discount due 2033 (with a 66.3% nominal haircut to principal).
- The coupons on the new bonds no longer depend on bondholder participation. The new coupon rates correspond to those offered previously - when the 18-K was published - if the participation rate was 70% or less.
- The new Par bonds are targeted to retail bondholders. The government plans to prioritize the allocation of the Pars to those retail investors holding less than $50,000, and, secondly, to those who join the swap within the first three weeks. Institutional investors will receive pro rata shares after the retail demand has been filled.
- The total amount of Par bonds to be issued remains contingent on bondholder participation. If participation is 70% or less, the maximum amount of Pars issued will be $10bn. If participation exceeds 70%, the government will issue up to $15bn worth of Par bonds.
- The Quasi-par bonds are targeted to the local pension funds. Since the Quasi-par will be issued only in pesos, be under Argentine legislation and will have a long maturity, these bonds should not be appealing to foreign bondholders. Moreover, the Quasi-par bonds will not trade in secondary markets for one year after they are issued.
- The debt exchange will be open for seven weeks. The government says it plans to launch it on 29 November 2004 (regardless of whether the government has the approval of European securities regulators) and to close on 17 January 2005. However, among other factors that could delay the launch and close are the likelihood of lawsuits, and probably a number of temporary injunctions, in the US courts.
- The new bonds will have a "most-favored creditor" clause whereby participants in the upcoming exchange will be eligible for any potential better offers that the government makes in the next 10 years.
- Defaulted bonds denominated in European currencies - euro, British pound, etc. - will be exchanged for new bonds denominated in euros or in pesos (that is, these bonds will no longer be eligible to be exchanged for new dollar-denominated bonds).
- During the first six years after the restructuring, the government would use the "unused funds" allocated to the new bonds' debt service to buy back debt. However, the government has not specified which debt it will buy back.

AFRICA & MIDDLE EAST

Turkey

Turkey said it will miss its 2004 current account deficit target by some $3.5 billion, but aims to cut the shortfall by more than that in 2005 in a move described as too optimistic by some analysts. A government report said the 2004 deficit was now forecast to come in at $14.387 billion, or 4.9 percent of gross national product, from a previous forecast of $10.8 billion. The deficit stood at $10.550 billion for the period January to September alone. For 2003 as a whole, it was an upwardly revised $7.905 billion. The report said Turkey is targeting a deficit of $10.633 billion, or 3.6 percent of GNP in 2005. Analysts said the 2005 target was very optimistic and added that Turkey would need to take extra measures to curb the deficit at this level.

FAR EAST

China
The benchmark one year yuan lending rate was raised to 5.58 percent from 5.31 percent. The one year yuan deposit rates were raised to 2.25 percent from 1.98 percent.

Philippines
The lower chamber of the Philippine Congress passed a watered-down version of a "sin" tax on tobacco and alcohol, the only major revenue-raising measure expected to win approval this year. The bill is expected to raise just over 7.5 billion pesos ($133 million) in extra revenue next year, helping to pare a government deficit of nearly 200 billion pesos. Critics said the move probably won't be enough to fend off a downgrade by international ratings agencies. The House of Representatives approved a bill to raise the tax on tobacco and alcohol by 20 percent from next year. That fell short of the 30 percent hike originally requested by the government, which had also wanted the taxes to be indexed to inflation. The house instead approved a 3 percent rise in the taxes in 2006 and 2007. The government would have to seek new legislation for any increase in the tax rate after 2007.

The Philippine government's interest expense in 2005 will hit a record high of 36% of the budget due to a steady rise in global interest rates and the assumption of some PHP200 billion in debts of state utility National Power Corp. The national government's interest payment will hit PHP323.8 billion in 2005, accounting for 36% or the largest chunk of the proposed PHP901 billion budget for next year. The amount will be higher than the planned PHP267.7 billion, or 33.3% of the PHP804 billion this year's budget, spent on debt servicing in 2004. A depreciation of the peso against the dollar could further increase the government's interest expense next year. A 5% depreciation of the peso could increase the interest expense to PHP331.9 billion, or 36.6% of the national budget for 2005. The projected interest expense is way above the 8.2% share of capital outlay for next year, which is needed to prop up the economy and maintain public services.

EMERGING EUROPE & CIS

Hungary
Hungary launched a 7-year 1 billion euro-denominated bond with an indicated pricing of 12-basis points above mid-swaps.

Serbia
Standard & Poor's assigned its B+ long-term sovereign credit rating to the Republic of Serbia. The outlook is stable. “The ratings on Serbia balance significant political risks and a vulnerable external position with expectations of continued prudent economic policies and further progress in structural reforms,” Standard & Poor's said.

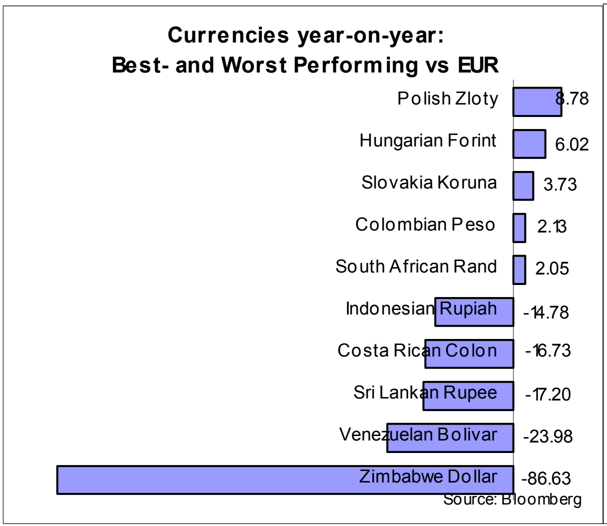
Latvia
The three-party minority coalition led by Green Prime Minister Indulis Emsis resigned after parliament rejected its 2005 budget. The biggest party in the coalition, the People's Party, was one of those that voted against the bill.

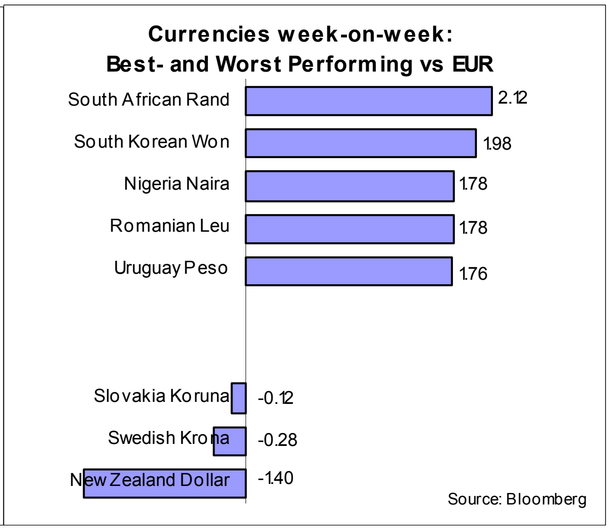
Kazakhstan
Fitch upgraded its credit rating on the Republic of Kazakhstan to BBB- from BB+ with the decision underpinned by the development of its oil and gas sector and spill-over of high oil prices. “The economy is on track to record its fifth consecutive year of GDP growth above 9 percent and the authorities continue to manage oil revenues prudently,” Fitch said.

Ukraine
Ukraine's presidential election is to be decided by a run-off this month after the first round ended in a near draw between the prime minister, who advocates closer ties with Russia, and his West-leaning challenger. With 94 percent of the votes tallied, Prime Minister Viktor Yanukovich, candidate of the establishment, led his liberal rival Viktor Yushchenko by less than a single percentage point - 40.11 percent to 39.16. The run-off was set for November 21. After a bitter campaign of political mud-slinging and recrimination, European monitors said Sunday's first round had failed to meet international standards. The OSCE said it was a step backwards from 2002 parliamentary elections. The European Union added its criticism, citing unbalanced media coverage and incomplete voter lists.

NEW COUNTRY REPORTS:

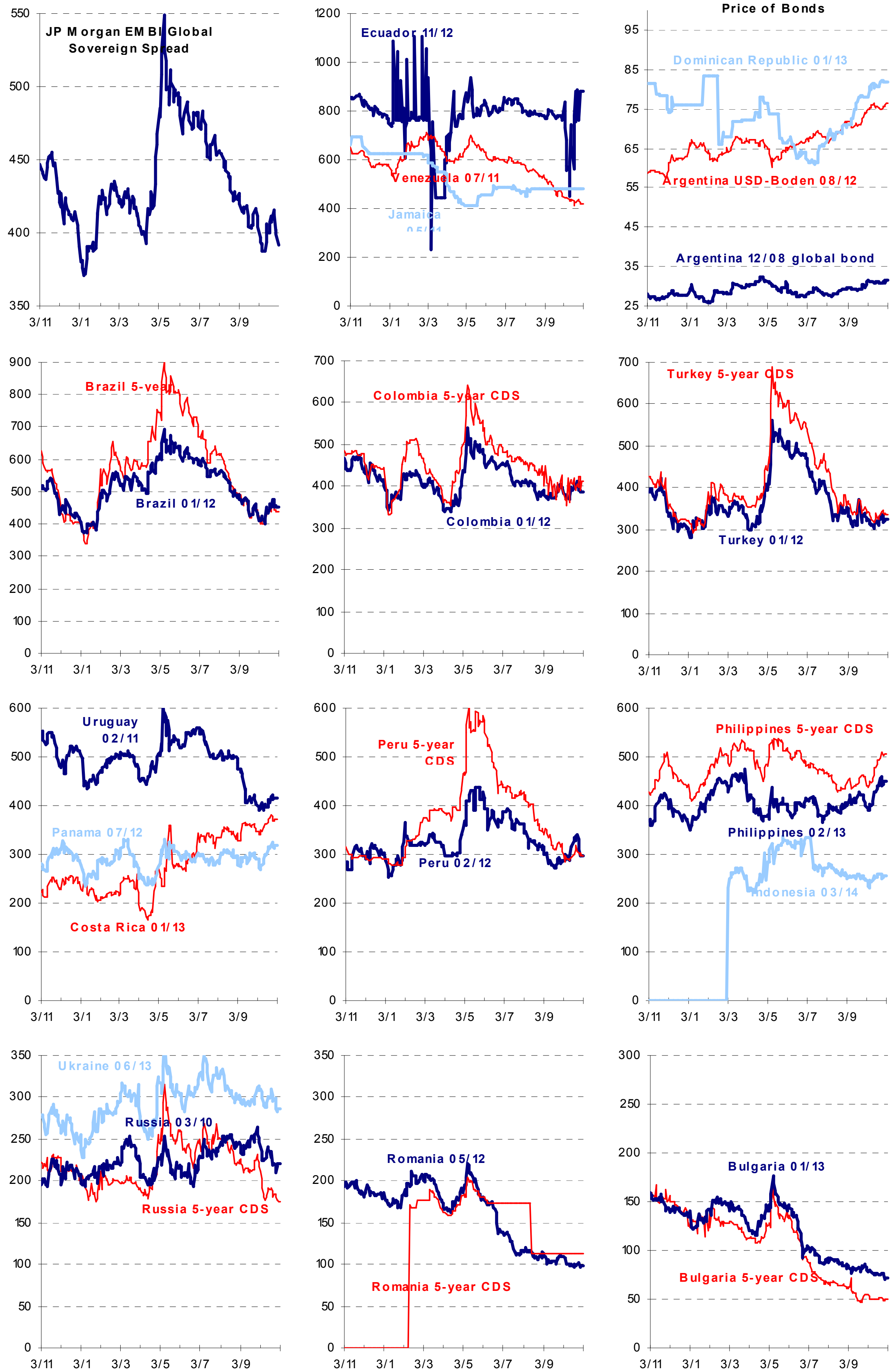
Oman
Slovakia





Sources: Reuters, Bloomberg, Erste Bank Country Risk

Credit Spreads, Source: Bloomberg



Credit Spreads, Source: Bloomberg