

Press Release



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Standish Sees Opportunities in Emerging Markets Local Currency-Denominated Bonds

BNY Mellon Investment Boutique Sees Potential for Equity-Like Returns

BOSTON, October 26, 2009 – Local currency-denominated emerging markets debt has more attractive opportunities than dollar-denominated emerging markets debt, according to a recent analysis by Standish Mellon Asset Management Company LLC, the fixed income specialist for BNY Mellon Asset Management

“Emerging markets local currency-denominated debt is a large and liquid asset class that offers the potential to generate equity-like returns without taking on direct equity risk,” said Alexander Kozhemiakin, director of emerging markets strategies for Standish. “Prospective returns from local bonds are supported both by their relatively high yields and by the potential for their currencies to appreciate against the U.S. dollar. Most emerging markets currencies are competitively valued and their long-term appreciation potential is strong. This potential is now being realized as the global economic activity is bottoming out.”

In contrast, Kozhemiakin noted that spreads have narrowed significantly this year for dollar-denominated emerging markets debt, which has now graduated to a somewhat lower risk, lower return status, reflecting the improvement of the average credit quality in emerging markets countries issuing external debt to border-line investment grade.

The strength of emerging markets debt classes, both local currency debt and dollar-denominated debt, became particularly evident during the recent global financial crisis, as both demonstrated resiliency. “This was due to the improved creditworthiness of most emerging markets sovereign issuers and the positive growth differentials between emerging markets countries and the developed economies. These two factors will provide support for emerging markets debt in the years ahead,” Kozhemiakin said.

Javier Murcio, senior emerging markets analyst at Standish, said the size of the local currency-denominated debt market has been growing rapidly since 2002, when it actually was smaller than the market for dollar-denominated debt. “Over the last seven years local bonds have grown to account for approximately two-thirds of all emerging markets debt,” he added.

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Standish in 2006 was one of the first to launch a pure local currency emerging markets bond strategy, which now has nearly \$2.5 billion in assets. Kozhemiakin said, “Two billion of this amount reflects allocations to the asset class from European, Asian and South American institutional and retail investors. We are now seeing growing interest in emerging markets local bonds in the U.S. as well.”

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Notes to Editors:

Standish Mellon Asset Management Company LLC, with \$62 billion of assets under management, provides investment management services across a broad spectrum of fixed income asset classes. These include corporate credit (investment-grade and high-yield), emerging markets debt (dollar-denominated and local currency), core / core plus and opportunistic (U.S. and global) strategies. The firm also includes assets managed by Standish personnel acting as dual officers of The Dreyfus Corporation and BNY Mellon.

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