

MORGAN STANLEY EMERGING MARKETS DEBT FUND INC

Form N-Q

November 26, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number: 811-07694

MORGAN STANLEY EMERGING MARKETS DEBT FUND, INC.  
(Exact name of registrant as specified in charter)

522 FIFTH AVENUE NEW YORK, NY  
(Address of principal executive offices)

10036  
(Zip code)

RANDY TAKIAN

522 FIFTH AVENUE NEW YORK, NY, 10036  
(Name and address of agent for service)

Registrant's telephone number, including area code: 1-800-231-2608

Date of fiscal year end: 12/31

Date of reporting period: 9/30/08

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**Item 1. Schedule of Investments.**

The Fund's schedule of investment as of the close of the reporting period prepared pursuant to Rule 12-12 Regulation S-X is as follows:

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## Third Quarter Report

September 30, 2008 (unaudited)

## Portfolio of Investments

(Showing percentage of Total Value of Investments)

## Morgan Stanley Emerging Markets Debt Fund, Inc.

	Face Amount (000)	Value (000)
<b>Debt Instruments (95.3%)</b>		
<b>Argentina (0.4%)</b>		
<b>Sovereign (0.4%)</b>		
Republic of Argentina, 8.28%, 12/31/33	\$ 1,706	\$ 979
<b>Brazil (17.1%)</b>		
<b>Corporate (1.0%)</b>		
Banco ABN Amro Real S.A., 16.20%, 2/22/10	BRL 4,240	2,195
<b>Sovereign (16.1%)</b>		
Banco Nacional de Desenvolvimento Economico e Social, 6.37%, 6/16/18(a)	\$ 5,000	4,425
Brazil Notas do Tesouro Nacional, Series F, 10.00%, 1/1/14	BRL 5,613	2,473
Federative Republic of Brazil, 6.00%, 1/17/17	\$ 6,850	6,628
8.00%, 1/15/18	6,403	6,883
8.88%, 10/14/19 - 4/15/24	4,688	5,530
10.50%, 7/14/14	1,740	2,197
11.00%, 8/17/40	5,250	6,595
		34,731
		36,926
<b>Bulgaria (0.6%)</b>		
<b>Sovereign (0.6%)</b>		
Republic of Bulgaria, 8.25%, 1/15/15(a)	1,149	1,270
<b>Chile (1.5%)</b>		
<b>Corporate (1.5%)</b>		
Empresa Nacional de Petroleo, 6.75%, 11/15/12(a)	3,090	3,174
<b>Colombia (1.8%)</b>		
<b>Sovereign (1.8%)</b>		
Republic of Colombia, 7.38%, 1/27/17	960	1,008
11.75%, 2/25/20	2,025	2,810
		3,818

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<b>Ecuador (2.1%)</b>			
<b>Sovereign (2.1%)</b>			
Republic of Ecuador,			
9.38%, 12/15/15	3,113		2,622
10.00%, 8/15/30	2,500		1,819
			4,441
<b>Ghana (0.8%)</b>			
<b>Sovereign (0.8%)</b>			
Republic of Ghana,			
8.50%, 10/4/17(a)	1,916		1,820
<b>Indonesia (6.6%)</b>			
<b>Corporate (1.5%)</b>			
Pindo Deli Finance Mauritius,			
Tranche A, 4.83%, 4/28/15(a)(b)	484		351
Tranche B, 4.83%, 4/28/18(a)(b)	1,707		606
Tranche C, Zero Coupon, 4/28/25(b)	6,884		516
Tjiwi Kimia Finance Mauritius Ltd.,			
Tranche A, 4.83%, 4/28/15(a)(b)	1,596		1,125
Tranche B, 4.83%, 4/28/18(a)(b)	1,477		495
Tranche C, Zero Coupon, 4/28/27(a)(b)	3,352		235
			3,328
<b>Sovereign (5.1%)</b>			
Republic of Indonesia,			
6.88%, 1/17/18(a)	2,452		2,243
7.75%, 1/17/38(a)	9,561		8,655
			10,898
			14,226
<b>Ivory Coast (0.3%)</b>			
<b>Sovereign (0.3%)</b>			
Ivory Coast,			
Zero Coupon, 3/31/18(c)	2,045		705
<b>Kazakhstan (2.5%)</b>			
<b>Sovereign (2.5%)</b>			
Intergas Finance BV,			
6.38%, 5/14/17	610		460
KazMunaiGaz Finance Sub BV,			
9.13%, 7/2/18(a)	5,720		4,891
			5,351
<b>Mexico (15.6%)</b>			
<b>Corporate (2.0%)</b>			
Pemex Project Funding Master Trust,			
9.13%, 10/13/10	4,040		4,333
<b>Sovereign (13.6%)</b>			
Mexican Bonos,			
8.00%, 12/17/15	MXN	23,609	2,111
10.00%, 12/5/24		49,800	5,180
Pemex Project Funding Master Trust,			
4.12%, 6/15/10(a)(b)	\$	4,250	4,192
5.75%, 3/1/18(a)		1,840	1,750
6.63%, 6/15/35		5,000	4,604
8.63%, 12/1/23		1,740	1,962
United Mexican States,			
5.63%, 1/15/17		5,278	5,167
6.75%, 9/27/34		1,479	1,490
7.50%, 1/14/12		1	1
8.38%, 1/14/11		2,665	2,872
			29,329
			33,662



**Third Quarter Report**

September 30, 2008 (unaudited)

**Portfolio of Investments (cont d)**

(Showing percentage of Total Value of Investments)

**Morgan Stanley Emerging Markets Debt Fund, Inc.**

	Face Amount (000)	Value (000)
<b>Nigeria (1.3%)</b>		
<b>Sovereign (1.3%)</b>		
UBS AG, Federal Republic of Nigeria, Credit Linked Unsecured Notes, Zero Coupon, 4/9/09	NGN 351,300	2,817
<b>Panama (3.0%)</b>		
<b>Sovereign (3.0%)</b>		
Republic of Panama, 7.13%, 1/29/26	\$ 1,910	\$ 1,967
7.25%, 3/15/15	1,148	1,197
9.38%, 4/1/29	2,663	3,315
		6,479
<b>Peru (5.1%)</b>		
<b>Sovereign (5.1%)</b>		
Republic of Peru, 6.55%, 3/14/37	2,613	2,410
8.38%, 5/3/16	1,150	1,231
8.75%, 11/21/33	3,846	4,596
9.88%, 2/6/15	2,342	2,682
		10,919
<b>Philippines (5.5%)</b>		
<b>Sovereign (5.5%)</b>		
Republic of Philippines, 8.88%, 3/17/15	7,308	8,185
9.00%, 2/15/13	2,240	2,475
9.50%, 2/2/30	909	1,130
		11,790
<b>Qatar (0.9%)</b>		
<b>Sovereign (0.9%)</b>		
State of Qatar (Registered), 9.75%, 6/15/30	1,260	1,969
<b>Russia (14.1%)</b>		
<b>Corporate (1.3%)</b>		
TNK-BP Finance S.A., 7.88%, 3/13/18(a)	3,800	2,679
<b>Sovereign (12.8%)</b>		
Citigroup, Inc., OJSC Russian Agricultural Bank, Credit Linked Unsecured Notes, Zero Coupon, 2/24/10	2,414	2,026

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RSHB Capital S.A. for OJSC Russian Agricultural Bank, 6.30%, 5/15/17(a)	2,004	1,436
7.18%, 5/16/13(a)	3,070	2,610
Russian Federation (Registered), 7.50%, 3/31/30(d)	10,098	10,224
12.75%, 6/24/28	4,000	6,430
Russian Federation, 7.50%, 3/31/30(a)(d)	867	877
Russian Ministry of Finance, 3.00%, 5/14/11	4,230	4,071
		27,674
		30,353

**South Korea (0.5%)**

**Sovereign (0.5%)**

Korea Development Bank, 5.30%, 1/17/13	1,000	994
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**Trinidad (0.9%)**

**Corporate (0.9%)**

National Gas Co. of Trinidad & Tobago Ltd., 6.05%, 1/15/36(a)	2,369	2,067
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**Turkey (7.8%)**

**Sovereign (7.8%)**

Republic of Turkey, 6.75%, 4/3/18	6,005	5,645
11.00%, 1/14/13	7,145	8,235
11.50%, 1/23/12	320	365
11.88%, 1/15/30	1,737	2,503
		16,748

**Venezuela (6.9%)**

**Sovereign (6.9%)**

Republic of Venezuela, 9.25%, 9/15/27	9,581	7,171
10.75%, 9/19/13	8,330	7,685
		14,856
<b>Total Debt Instruments (Cost \$222,198)</b>		205,364

**No. of  
Warrants**

**Warrants (0.3%)**

**Nigeria (0.3%)**

Central Bank of Nigeria, expires 11/15/20	3,000	654
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**Shares**

**Short-Term Investments (4.4%)**

**United States (4.4%)**

**Investment Company (4.4%)**

Morgan Stanley Institutional Liquidity Money Market Portfolio Institutional Class (Cost \$9,518)(e)	9,518,094	9,518
<b>Total Investments (100.0%) (Cost \$231,716) +</b>		215,536
<b>Liabilities in Excess of Other Assets</b>		(2,521)
<b>Net Assets</b>	\$	213,015

**No. of  
Warrants**

**Short Positions (0.6%)**

**Warrants (0.6%)**

**Venezuela (0.6%)**

Republic of Venezuela, Oil-Linked Payment Obligation, expires 4/15/20 (b)	38,250	1,364
<b>Total Short Positions (Proceeds \$ )</b>		1,364





**Third Quarter Report**

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**Portfolio of Investments (cont d)**

(Showing percentage of Total Value of Investments)

**Morgan Stanley Emerging Markets Debt Fund, Inc.**

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- (a) 144A security Certain conditions for public sale may exist. Unless otherwise noted, these securities are deemed to be liquid.
- (b) Variable/Floating Rate Security Interest rate changes on these instruments are based on changes in a designated base rate. The rates shown are those in effect on September 30, 2008.
- (c) Issuer is in default.
- (d) Step Bond Coupon rate increases in increments to maturity. Rate disclosed is as of September 30, 2008.
- (e) The Fund invests in the Morgan Stanley Institutional Liquidity Money Market Portfolio Institutional Class (the Liquidity Fund), an open-end management investment company managed by the Adviser. Investment Advisory fees paid by the Fund are reduced by an amount equal to its pro-rata share of the advisory and administration fees paid by the Liquidity Fund. For the period ended September 30, 2008, advisory fees paid were reduced by approximately \$3,000 relating to the Fund's investment in the Liquidity Fund. For the same period, income distributions earned by the Fund are recorded as dividends from affiliates and totaled approximately \$77,000. For the period ended September 30, 2008, the approximate cost of purchases and sales in the Liquidity Fund were \$102,594,000 and \$99,036,000, respectively.
- + At September 30, 2008, the U.S. Federal income tax cost basis of investments was approximately \$231,716,000 and, accordingly, net unrealized depreciation for U.S. Federal income tax purposes was \$16,180,000 of which \$4,137,000 related to appreciated securities and \$20,317,000 related to depreciated securities.

BRL Brazilian Real  
 MXN Mexican Peso  
 NGN Nigerian Naira

**Futures Contracts:**

The Fund had the following futures contract(s) open at period end:

	Number of Contracts	Value (000)	Expiration Date	Net Unrealized Appreciation (Depreciation) (000)
<b>Short:</b>				
U.S. Treasury 2 yr. Note	33	\$ 7,044	Dec-08	\$ (42)
U.S. Treasury 5 yr. Note	538	60,382	Dec-08	(294)
				\$ (336)



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### Portfolio of Investments

(Showing percentage of Total Value of Investments)

**Morgan Stanley Emerging Markets Debt Fund, Inc.**

### Interest Rate Swap Contracts

The Portfolio had the following interest rate swap agreement(s) open at period end:

Swap Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Fixed Rate	Termination Date	Notional Amount (000)	Unrealized Appreciation (000)
JPMorgan Chase	3 Month LIBOR	Pay	4.39%	12/11/12		