

MORGAN STANLEY EMERGING MARKETS DEBT FUND INC

Form N-Q

November 29, 2010

**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, New York
(Address of principal executive offices)

10036
(Zip code)

Sara Furber

522 Fifth Avenue, New York, New York 10036
(Name and address of agent for service)

Registrant's telephone number, including area code:

212-296-6963

Date of fiscal year end: 12/31

Date of reporting period: 9/30/10

Item 1. Schedule of Investments.

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

2010 Third Quarter Report

September 30, 2010 (unaudited)

Portfolio of Investments

Morgan Stanley Emerging Markets Debt Fund, Inc.

(Showing Percentage of Total Value of Investments)

| | Face Amount (000) | Value (000) |
|---|-------------------------|----------------|
| Fixed Income Securities (89.4%) | | |
| Argentina (4.0%) | | |
| Sovereign (4.0%) | | |
| Argentina Bonos, 7.00%, 10/3/15 | \$ 12,689 | \$ 11,312 |
| Republic of Argentina, 2.50%, 12/31/38 (a)(b) | 2,188 | 899 |
| 8.28%, 12/31/33 | 342 | 286 |
| | | 12,497 |
| Brazil (9.6%) | | |
| Corporate Bond (0.6%) | | |
| Gerdau Trade, Inc., 5.75%, 1/30/21 (c) | 1,700 | 1,727 |
| Sovereign (9.0%) | | |
| Banco Nacional de Desenvolvimento, Economic e Social, 5.50%, 7/12/20 (c) | 1,960 | 2,124 |
| 6.37%, 6/16/18 (c) | 1,380 | 1,580 |
| Federative Republic of Brazil, 5.88%, 1/15/19 (b) | 5,860 | 6,900 |
| 7.13%, 1/20/37 | 590 | 779 |
| 8.00%, 1/15/18 | 1,527 | 1,834 |
| 8.88%, 10/14/19 4/15/24 | 6,564 | 9,338 |
| 11.00%, 8/17/40 (b) | 3,760 | 5,226 |
| | | 27,781 |
| | | 29,508 |
| Bulgaria (0.4%) | | |
| Sovereign (0.4%) | | |
| Republic of Bulgaria, 8.25%, 1/15/15 (c) | 985 | 1,167 |
| Colombia (4.0%) | | |
| Sovereign (4.0%) | | |
| Republic of Colombia, 7.38%, 3/18/19 (b) | 5,900 | 7,493 |
| 11.75%, 2/25/20 | 3,015 | 4,749 |
| | | 12,242 |
| Croatia (0.5%) | | |
| Sovereign (0.5%) | | |

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| | | |
|---|-------|-------|
| Republic of Croatia, 6.63%, 7/14/20 (c) | 1,340 | 1,452 |
| Dominican Republic (0.4%) | | |
| Sovereign (0.4%) | | |
| Dominican Republic, 7.50%, 5/6/21 (b)(c) | 590 | 667 |
| 9.04%, 1/23/18 | 470 | 559 |
| | | 1,226 |

2010 Third Quarter Report

September 30, 2010 (unaudited)

Portfolio of Investments (cont d)

Morgan Stanley Emerging Markets Debt Fund, Inc.

(Showing Percentage of Total Value of Investments)

| | Face Amount (000) | Value (000) |
|--|-------------------------|----------------|
| Ecuador (0.7%) | | |
| Sovereign (0.7%) | | |
| Republic of Ecuador, 9.38%, 12/15/15 | \$ 2,235 | \$ 2,045 |
| Georgia (0.3%) | | |
| Sovereign (0.3%) | | |
| Republic of Georgia, 7.50%, 4/15/13 | 820 | 838 |
| Ghana (0.9%) | | |
| Sovereign (0.9%) | | |
| Republic of Ghana, 8.50%, 10/4/17 (b)(c) | 2,016 | 2,319 |
| 8.50%, 10/4/17 | 450 | 518 |
| | | 2,837 |
| Indonesia (8.6%) | | |
| Corporate Bonds (1.9%) | | |
| Bumi Investment Pte Ltd., 10.75%, 10/6/17 | 1,450 | 1,450 |
| Majapahit Holding BV, 7.75%, 1/20/20 | 2,500 | 3,012 |
| Pindo Deli Finance BV, Tranche A, Zero Coupon 3.49%, 4/28/15 (c)(d)(e) | 421 | 103 |
| Tranche B, Zero Coupon 2.49%, 4/28/18 (c)(d)(e) | 1,852 | 204 |
| Tranche C, Zero Coupon Zero Coupon, 4/28/27 (c)(d)(e) | 7,471 | 168 |
| Tjiwi Kimia Finance BV, Tranche A, Zero Coupon 3.49%, 4/28/15 (d)(e) | 1,404 | 351 |
| Tranche B, Zero Coupon 3.50%, 4/28/18 (c)(d)(e) | 1,621 | 316 |
| Tranche C, Zero Coupon 1.00%, 4/28/27 (c)(d)(e) | 3,620 | 127 |
| | | 5,731 |
| Sovereign (6.7%) | | |
| Republic of Indonesia, | | |

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| | | |
|--------------------|-------|--------|
| 6.88%, 1/17/18 | 3,500 | 4,235 |
| 7.75%, 1/17/38 | 2,100 | 2,893 |
| 7.75%, 1/17/38 (c) | 1,353 | 1,864 |
| 11.63%, 3/4/19 (c) | 2,169 | 3,373 |
| 11.63%, 3/4/19 | 5,300 | 8,241 |
| | | 20,606 |
| | | 26,337 |

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Portfolio of Investments (cont d)

Morgan Stanley Emerging Markets Debt Fund, Inc.

(Showing Percentage of Total Value of Investments)

| | Face Amount (000) | Value (000) |
|-------------------------------------|-------------------------|----------------|
| Ivory Coast (0.4%) | | |
| Sovereign (0.4%) | | |
| Ivory Coast, | | |
| 2.50%, 12/31/32 (a) | \$ 1,943 | \$ 1,139 |
| Kazakhstan (4.1%) | | |
| Sovereign (4.1%) | | |
| Intergas Finance BV, | | |
| 6.38%, 5/14/17 | 700 | 759 |
| KazMunaiGaz Finance Sub BV, | | |
| 7.00%, 5/5/20 (c) | 1,851 | 2,050 |
| 9.13%, 7/2/18 (c) | 5,730 | 7,034 |
| 9.13%, 7/2/18 | 2,400 | 2,961 |
| | | 12,804 |
| Lithuania (0.4%) | | |
| Sovereign (0.4%) | | |
| Republic of Lithuania, | | |
| 6.75%, 1/15/15 (c) | 1,200 | 1,307 |
| Mexico (10.0%) | | |
| Sovereign (10.0%) | | |
| Pemex Project Funding Master Trust, | | |
| 6.63%, 6/15/35 (b) | 2,566 | 2,816 |
| 6.63%, 6/15/38 | 1,750 | 1,894 |
| 8.63%, 12/1/23 | 1,990 | 2,318 |
| Petroleos Mexicanos, | | |
| 5.50%, 1/21/21 | 5,430 | 5,810 |
| 8.00%, 5/3/19 | 1,750 | 2,179 |
| United Mexican States, | | |
| 5.63%, 1/15/17 | 419 | 481 |
| 5.95%, 3/19/19 | 3,782 | 4,457 |
| 6.05%, 1/11/40 | 1,760 | 2,024 |
| 6.75%, 9/27/34 (b) | 7,014 | 8,750 |
| | | 30,729 |
| Panama (2.4%) | | |
| Sovereign (2.4%) | | |
| Republic of Panama, | | |
| 5.20%, 1/30/20 | 2,710 | 3,015 |
| 7.13%, 1/29/26 (b) | 1,140 | 1,453 |

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| | | |
|--------------------|-------|-------|
| 8.88%, 9/30/27 (b) | 483 | 704 |
| 9.38%, 4/1/29 | 1,569 | 2,385 |
| | | 7,557 |

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Portfolio of Investments (cont d)

Morgan Stanley Emerging Markets Debt Fund, Inc.

(Showing Percentage of Total Value of Investments)

| | Face Amount (000) | Value (000) |
|---|-------------------------|----------------|
| Peru (5.5%) | | |
| Sovereign (5.5%) | | |
| Republic of Peru, | | |
| 7.13%, 3/30/19 | \$ 1,890 | \$ 2,377 |
| 7.35%, 7/21/25 | 3,400 | 4,428 |
| 8.75%, 11/21/33 (b) | 6,720 | 10,030 |
| | | 16,835 |
| Philippines (4.2%) | | |
| Sovereign (4.2%) | | |
| Republic of Philippines, | | |
| 8.38%, 6/17/19 | 1,491 | 1,996 |
| 8.88%, 3/17/15 (b) | 2,677 | 3,433 |
| 9.00%, 2/15/13 | 2,420 | 2,859 |
| 9.50%, 2/2/30 | 3,072 | 4,727 |
| | | 13,015 |
| Russia (13.8%) | | |
| Sovereign (13.8%) | | |
| RSHB Capital SA for OJSC Russian Agricultural Bank, | | |
| 6.30%, 5/15/17 (c) | 2,104 | 2,204 |
| 7.18%, 5/16/13 (c) | 2,030 | 2,182 |
| Russian Federation, | | |
| 5.00%, 4/29/20 | 8,500 | 8,900 |
| 7.50%, 3/31/30 | 16,920 | 20,353 |
| 7.50%, 3/31/30 (a)(c) | 1,061 | 1,277 |
| Russian Federation (Registered), | | |
| 12.75%, 6/24/28 | 4,225 | 7,700 |
| | | 42,616 |
| Senegal (0.2%) | | |
| Sovereign (0.2%) | | |
| Republic of Senegal, | | |
| 8.75%, 12/22/14 | 540 | 559 |
| South Africa (0.2%) | | |
| Sovereign (0.2%) | | |
| Republic of South Africa, | | |
| 5.50%, 3/9/20 | 540 | 606 |
| Sri Lanka (0.2%) | | |
| Sovereign (0.2%) | | |

Sri Lanka Government International Bond,
6.25%, 10/4/20 (c)

650

659

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September 30, 2010 (unaudited)

Portfolio of Investments (cont d)

Morgan Stanley Emerging Markets Debt Fund, Inc.

(Showing Percentage of Total Value of Investments)

| | Face Amount (000) | Value (000) |
|---|-------------------------|----------------|
| Turkey (9.5%) | | |
| Sovereign (9.5%) | | |
| Republic of Turkey, | | |
| 5.63%, 3/30/21 (b) | \$ 4,750 | \$ 5,201 |
| 6.75%, 5/30/40 | 2,000 | 2,290 |
| 6.88%, 3/17/36 | 5,254 | 6,134 |
| 7.00%, 3/11/19 | 2,040 | 2,438 |
| 7.50%, 7/14/17 11/7/19 | 4,226 | 5,192 |
| 8.00%, 2/14/34 | 1,360 | 1,782 |
| 11.50%, 1/23/12 | 340 | 384 |
| 11.88%, 1/15/30 | 3,371 | 5,975 |
| | | 29,396 |
| Ukraine (3.8%) | | |
| Sovereign (3.8%) | | |
| Ukraine Government, | | |
| 6.58%, 11/21/16 | 4,349 | 4,291 |
| 6.75%, 11/14/17 | 4,580 | 4,502 |
| 7.65%, 6/11/13 | 1,196 | 1,247 |
| 7.75%, 9/23/20 (c) | 1,700 | 1,715 |
| | | 11,755 |
| Uruguay (0.2%) | | |
| Sovereign (0.2%) | | |
| Republic of Uruguay, | | |
| 8.00%, 11/18/22 (b) | 589 | 760 |
| | | |
| Venezuela (5.1%) | | |
| Sovereign (5.1%) | | |
| Republic of Venezuela, | | |
| 5.75%, 2/26/16 | 1,066 | 745 |
| 6.00%, 12/9/20 | 1,340 | 794 |
| 7.00%, 3/31/38 | 1,761 | 1,004 |
| 7.65%, 4/21/25 | 2,850 | 1,745 |
| 9.25%, 9/15/27 5/7/28 | 4,928 | 3,631 |
| 10.75%, 9/19/13 | 8,330 | 7,893 |
| | | 15,812 |
| Total Fixed Income Securities (Cost \$254,092) | | 275,698 |

| | No. of Warrants |
|------------------------|--------------------|
| Warrants (0.1%) | |

Nigeria (0.1%)

| | | |
|--|-------|-----|
| Central Bank of Nigeria, expires 11/15/2020 (d)(e) | 2,250 | 259 |
|--|-------|-----|

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Portfolio of Investments (cont d)

Morgan Stanley Emerging Markets Debt Fund, Inc.

(Showing Percentage of Total Value of Investments)

| | No. of Warrants | Value (000) |
|--|-------------------------|-------------------|
| Venezuela (0.0%) | | |
| Republic of Venezuela, Oil-Linked Payment Obligation, expires 04/15/2020 (d)(e) | 5,450 | \$ 147 |
| Total Warrants (Cost \$0) | | 406 |
| | Shares (000) | |
| Short-Term Investments (10.5%) | | |
| Securities held as Collateral on Loaned Securities (5.5%) | | |
| Investment Company (4.8%) | | |
| Morgan Stanley Institutional Liquidity Funds - Money Market Portfolio - Institutional Class (f) | 14,901,496 | 14,901 |
| | Face Amount (000) | |
| Repurchase Agreements (0.7%) | | |
| Bank of America Securities, LLC, (0.32%, dated 9/30/10, due 10/01/10; proceeds \$981; fully collateralized by a U.S. Government Agency at the date of this Portfolio of Investments as follows: Federal National Mortgage Association; 4.50% due 9/01/40; valued at \$1,001) | 981 | 981 |
| Barclays Capital, Inc., (0.25%, dated 9/30/10, due 10/01/10; proceeds \$1,116; fully collateralized by a U.S. Treasury Security at the date of this Portfolio of Investments as follows: U.S. Treasury Bond; 8.50% due 2/15/20; valued at \$1,138) | 1,116 | 1,116 |
| | | 2,097 |
| Total Securities held as Collateral on Loaned Securities (Cost \$16,998) | | 16,998 |
| | Shares | |
| Investment Company (5.0%) | | |
| Morgan Stanley Institutional Liquidity Funds - Money Market Portfolio - Institutional Class (f) | 15,460,783 | 15,461 |
| Total Short-Term Investments (Cost \$32,459) | | 32,459 |
| Total Investments (100.0%) (Cost \$286,551) Including \$16,642 of Securities Loaned + | | 308,563 |
| Liabilities in Excess of Other Assets | | (20,097) |
| Net Assets | | \$ 288,466 |

(a) Step Bond Coupon rate increases in increments to maturity. Rate disclosed is as of September 30, 2010. Maturity date disclosed is the ultimate maturity date.

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September 30, 2010 (unaudited)

Portfolio of Investments (cont d)

Morgan Stanley Emerging Markets Debt Fund, Inc.

(Showing Percentage of Total Value of Investments)

- (b) The value of loaned securities and related collateral outstanding at September 30, 2010 was approximately \$16,642,000 and \$16,998,000, respectively. The Fund received cash collateral of \$16,998,000 which was subsequently invested in Repurchase Agreements and Morgan Stanley Institutional Liquidity Funds - Money Market Portfolio - Institutional Class as reported in the Portfolio of Investments. The Fund has the right under the lending agreement to recover the securities from the borrower on demand.
 - (c) 144A security Certain conditions for public sale may exist. Unless otherwise noted, these securities are deemed to be liquid.
 - (d) 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, 2010.
 - (e) Security has been deemed illiquid at September 30, 2010.
 - (f) The Fund invests in the Morgan Stanley Institutional Liquidity Funds - Money Market Portfolio - Institutional Class, (the Liquidity Fund), an open-end management investment company managed by the Investment Adviser. Investment advisory fees paid by the Fund are reduced by an amount equal to the advisory and administrative service fees paid by the Liquidity Fund with respect to assets invested by the Fund in the Liquidity Fund.
 - + At September 30, 2010, the U.S. Federal income tax cost basis of investments was approximately \$286,551,000 and, accordingly, net unrealized appreciation for U.S. Federal income tax purposes was \$22,012,000 of which \$28,895,000 related to appreciated securities and \$6,883,000 related to depreciated securities.
-

2010 Third Quarter Report

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Portfolio of Investments**Morgan Stanley Emerging Markets Debt Fund, Inc.****Fair Value Measurement Information:**

The following is a summary of the inputs used to value the Portfolio's net assets as of September 30, 2010. (See Notes to the Portfolio of Investments for further information regarding fair value measurement.)

| Investment Type | Level 1 Quoted prices (000) | Level 2 Other significant observable inputs (000) | Level 3 Significant unobservable inputs (000) | Total (000) |
|--------------------------------------|--------------------------------------|--|---|-------------------|
| Assets: | | | | |
| Fixed Income Securities | | | | |
| Corporate Bonds | \$ | \$ 7,458 | \$ | \$ 7,458 |
| Sovereign | | 268,240 | | 268,240 |
| Total Fixed Income Securities | | 275,698 | | 275,698 |
| Warrants | | 406 | | 406 |
| Short-Term Investments | | | | |
| Repurchase Agreements | | 2,097 | | 2,097 |
| Investment Company | 30,362 | | | 30,362 |
| Total Short-Term Investments | 30,362 | 2,097 | | 32,459 |
| Total Assets | \$ 30,362 | \$ 278,201 | \$ | \$ 308,563 |

Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment's valuation changes. The Portfolio recognizes transfers between the levels as of the end of period. As of September 30, 2010, the portfolio did not have any significant investments transfer between valuation levels.

Notes to Portfolio of Investments (unaudited)

In accordance with FASB ASC 820 Fair Value Measurements and Disclosure (ASC 820) (formerly known as SFAS 157), fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in valuing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in valuing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Fund's investments. The inputs are summarized in the three broad levels listed below.

- Level 1 quoted prices in active markets for identical securities

- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Security Valuation: Securities listed on a foreign exchange are valued at their closing price except as noted below. Unlisted securities and listed securities not traded on the valuation date for which market quotations are readily available are valued at the mean between the current bid and asked prices obtained from reputable brokers. Equity securities listed on a U.S. exchange are valued at the latest quoted sales price on the valuation date. Equity securities listed or traded on NASDAQ, for which market quotations are available, are valued at the NASDAQ Official Closing Price. Short-term debt securities purchased with remaining maturities of 60 days or less are valued at amortized cost, unless the Board of Directors (the Directors) determine such valuation does not reflect the securities' market value, in which case these securities will be valued at their fair value as determined by the Directors.

All other securities and investments for which market values are not readily available, including restricted securities, and those securities for which it is inappropriate to determine prices in accordance with the aforementioned procedures, are valued at fair value as determined in good faith under procedures adopted by the Directors, although the actual calculations may be done by others. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer's financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances.

Most foreign markets close before the New York Stock Exchange (NYSE). Occasionally, developments that could affect the closing prices of securities and other assets may occur between the times at which valuations of such securities are determined (that is, close of the foreign market

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on which the securities trade) and the close of business on the NYSE. If these developments are expected to materially affect the value of the securities, the valuations may be adjusted to reflect the estimated fair value as of the close of the NYSE, as determined in good faith under procedures established by the Directors.

Item 2. Controls and Procedures.

(a) The Fund's principal executive officer and principal financial officer have concluded that the Fund's disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the Fund in this Form N-Q was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of the report.

(b) There were no changes in the Fund's internal control over financial reporting that occurred during the registrant's fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

Item 3. Exhibits.

(a) A separate certification for each principal executive officer and principal financial officer of the registrant are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Morgan Stanley Emerging Markets Debt Fund, Inc.

/s/ Sara Furber
Sara Furber
Principal Executive Officer
November 16, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Sara Furber
Sara Furber
Principal Executive Officer
November 16, 2010

/s/ Francis Smith
Francis Smith
Principal Financial Officer
November 16, 2010
