

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.  
Form N-Q  
March 28, 2008

[Annotated Form N-Q]

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 811-05921

MORGAN STANLEY EMERGING MARKETS DOMESTIC 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)

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

Registrant's telephone number, including area code: 1-800-281-2715

Date of fiscal year end: 10/31

Date of reporting period: 1/31/08

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-S (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under The Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

**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:

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Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

Portfolio of Investments

First Quarter Report

January 31, 2008 (unaudited)

|                                     |     | Face<br>Amount<br>(000) |    | Value<br>(000) |
|-------------------------------------|-----|-------------------------|----|----------------|
| <b>DEBT INSTRUMENTS (99.3%)</b>     |     |                         |    |                |
| Argentina (4.1%)                    |     |                         |    |                |
| Sovereign (4.1%)                    |     |                         |    |                |
| Republic of Argentina,              |     |                         |    |                |
| 5.83%, 12/31/33                     | \$  | (a)185,900              | \$ | 71,153         |
| Brazil (13.6%)                      |     |                         |    |                |
| Sovereign (13.6%)                   |     |                         |    |                |
| Federative Republic of Brazil,      |     |                         |    |                |
| 10.00%, 1/1/14                      | BRL | 176,047                 |    | 89,270         |
| Nota do Tesouro Nacional,           |     |                         |    |                |
| 10.00%, 7/1/10 - 1/1/17             |     | 285,020                 |    | 149,665        |
|                                     |     |                         |    | 238,935        |
| Colombia (4.4%)                     |     |                         |    |                |
| Sovereign (4.4%)                    |     |                         |    |                |
| Jupiter, S.p.V., Colombian Peso     |     |                         |    |                |
| Linked Bonds,                       |     |                         |    |                |
| 13.50%, 9/15/14                     | \$  | (a)75,000               |    | 77,364         |
| Egypt (4.6%)                        |     |                         |    |                |
| Sovereign (4.6%)                    |     |                         |    |                |
| Arab Republic of Egypt,             |     |                         |    |                |
| 8.75%, 7/18/12                      | EGP | (c)426,980              |    | 79,519         |
| Hungary (11.7%)                     |     |                         |    |                |
| Sovereign (11.7%)                   |     |                         |    |                |
| Republic of Hungary,                |     |                         |    |                |
| 6.25%, 8/24/10                      | HUF | 13,000,000              |    | 72,684         |
| 6.75%, 2/24/17                      |     | 4,834,840               |    | 26,972         |
| 7.25%, 6/12/12                      |     | 18,460,000              |    | 105,666        |
|                                     |     |                         |    | 205,322        |
| Indonesia (19.7%)                   |     |                         |    |                |
| Corporate (0.9%)                    |     |                         |    |                |
| Pindo Deli Finance BV,              |     |                         |    |                |
| Tranche A, 4.25%, 4/28/15           | \$  | (a)(c)1,941             |    | 1,640          |
| Tranche A, 4.29%, 4/28/15           |     | (a)191                  |    | 161            |
| Tranche B, 4.25%, 4/28/18           |     | (a)(c)8,336             |    | 3,835          |
| Tranche C, Zero Coupon, 4/28/27     |     | (a)(c)2,227             |    | 239            |
| Tjiwi Kimia Finance BV,             |     |                         |    |                |
| Tranche A, 4.25%, 4/28/15           |     | (a)868                  |    | 734            |
| Tranche A, 4.25%, 4/28/15           |     | (a)(c)5,748             |    | 4,857          |
| Tranche B, 4.29%, 4/28/15 - 4/28/18 |     | (a)(c)9,360             |    | 4,306          |
| Tranche C, Zero Coupon, 4/28/27     |     | (a)(c)998               |    | 107            |
|                                     |     |                         |    | 15,879         |
| Sovereign (18.8%)                   |     |                         |    |                |
| Barclays Bank plc, Indonesian       |     |                         |    |                |
| Government Bond Linked Notes,       |     |                         |    |                |
| 10.00%, 7/17/17                     | IDR | (a)(c)800,000,000       |    | 87,903         |

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|  |     |                |         |
|--|-----|----------------|---------|
| Citigroup, Inc., Indonesian Indexed    |     |                |         |
| Credit Linked Unsecured Notes,         |     |                |         |
| Zero Coupon, 7/19/17                   | \$  | 28,776         | 26,630  |
| Credit Suisse, Republic of Indonesia   |     |                |         |
| Government Bonds Credit Linked Notes,  |     |                |         |
| 5.79%, 5/2/14                          | IDR | (c)50,000      | 56,935  |
| 10.00%, 7/17/17                        |     | (c)154,683,530 | 16,996  |
| Republic of Indonesia Government,      |     |                |         |
| 10.00%, 7/15/17                        | \$  | 500,000,000    | 54,940  |
| JPMorgan Chase & Co., London,          |     |                |         |
| Indonesian Treasury Bill Linked Notes, |     |                |         |
| 10.00%, 7/19/17 - 9/17/24              | IDR | (c)807,525,000 | 86,141  |
|  |     |                | 329,545 |
|  |     |                | 345,424 |
| Malaysia (5.3%)                        |     |                |         |
| Sovereign (5.3%)                       |     |                |         |
| Government of Malaysia,                |     |                |         |
| 3.72%, 6/15/12                         | MYR | 295,000        | 92,141  |



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months ended January 31, 2008, cost of purchases and sales in the Liquidity Fund were \$194,904,000 and \$209,453,000, respectively.

+ At January 31, 2008, the U.S. Federal income tax cost basis of investments was approximately \$1,778,369,000 and, accordingly, net unrealized depreciation for U.S. Federal income tax purposes was \$27,296,000 of which \$50,406,000 related to appreciated securities and \$77,701,000 related to depreciated securities.

|     |                    |
|-----|--------------------|
| BRL | Brazilian Real     |
| EGP | Egyptian Pound     |
| HUF | Hungary Forint     |
| IDR | Indonesian Rupiah  |
| MXN | Mexican Peso       |
| MYR | Malaysian Ringgit  |
| PEN | Peruvian Nuevo Sol |
| TRY | Turkish Lira       |
| ZAR | South African Rand |

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**Total Return Swap Contracts**

The Fund had the following total return swap agreement(s) open at period end:

| Swap Counterparty | Pay                    | Receive | Termination Date | Notional Amount (000) | Unrealized Depreciation (000) |
|-------------------|------------------------|---------|------------------|-----------------------|-------------------------------|
| Citigroup         | USD-LIBOR -BBA + 0.20% | 7.34%   | 2/13/17          | RUB 982,224           | \$ (88)                       |

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BBA British Bankers Association

LIBOR London Inter Bank Offer Rate

RUB Russian Ruble

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At January 31, 2008, the Fund had a reverse repurchase agreement outstanding with Lehman Brothers as follows:

|  |    | <b>Maturity in<br/>less than<br/>365 Days</b> |
|--|----|---|
| <b>Lehman Brothers Agreement</b>             |    |   |
| Value of Securities Subject to Repurchase    | \$ | 164,691,875                                   |
| Liability Under Reverse Repurchase Agreement | \$ | 164,691,875                                   |
| Weighted Average Days to Maturity            |    | 22.83   |

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**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.**

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**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.

(Registrant) Morgan Stanley Emerging Markets Domestic Debt  
Fund, Inc.

By: /s/ Ronald E. Robison  
Name: Ronald E. Robison  
Title: Principal Executive Officer  
Date: March 20, 2008

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.

By: /s/ Ronald E. Robison  
Name: Ronald E. Robison  
Title: Principal Executive Officer  
Date: March 20, 2008

By: /s/ James Garrett  
Name: James Garrett  
Title: Principal Financial Officer  
Date: March 20, 2008

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