

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:

---

Edgar Filing: Morgan Stanley Emerging Markets Domestic Debt Fund, Inc. - Form N-Q

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

Portfolio of Investments

First Quarter Report

January 31, 2008 (unaudited)

		Face Amount (000)		Value (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

Edgar Filing: Morgan Stanley Emerging Markets Domestic Debt Fund, Inc. - Form N-Q

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



## Edgar Filing: Morgan Stanley Emerging Markets Domestic Debt Fund, Inc. - Form N-Q

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

---

**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)

---

BBA British Bankers Association

LIBOR London Inter Bank Offer Rate

RUB Russian Ruble

---

Edgar Filing: Morgan Stanley Emerging Markets Domestic Debt Fund, Inc. - Form N-Q

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

<b>Lehman Brothers Agreement</b>		<b>Maturity in less than 365 Days</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

---



**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.**

---

**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

---