

MFS GOVERNMENT MARKETS INCOME TRUST  
Form N-Q  
October 31, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF  
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-5078

-----  
MFS GOVERNMENT MARKETS INCOME TRUST  
-----

(Exact name of registrant as specified in charter)

500 Boylston Street, Boston, Massachusetts 02116  
-----

(Address of principal executive offices) (Zip code)

Susan S. Newton  
Massachusetts Financial Services Company  
500 Boylston Street  
Boston, Massachusetts 02116  
-----

(Name and address of agents for service)

Registrant's telephone number, including area code: (617) 954-5000  
-----

Date of fiscal year end: November 30  
-----

Date of reporting period: August 31, 2005  
-----

ITEM 1. SCHEDULE OF INVESTMENTS.

MFS(R) Mutual Funds  
QUARTERLY PORTFOLIO HOLDINGS 08/31/2005

MFS(R) GOVERNMENT  
MARKETS INCOME TRUST

[graphic omitted]

[logo] M F S(R)  
INVESTMENT MANAGEMENT

MFS Government Markets Income Trust  
PORTFOLIO OF INVESTMENTS (Unaudited) 08/31/2005

Edgar Filing: MFS GOVERNMENT MARKETS INCOME TRUST - Form N-Q

ISSUER

P

BONDS - 97.3%

U.S. BONDS - 85.0%

AGENCY - OTHER - 7.2%

Financing Corp., 10.7%, 2017

\$

Financing Corp., 9.4%, 2018

Financing Corp., 9.8%, 2018

Financing Corp., 10.35%, 2018

ASSET BACKED & SECURITIZED - 0.6%

Freddie Mac, 3.108%, 2035

\$

Prudential Securities Secured Financing Corp., FRN, 7.4094%, 2013##

MORTGAGE BACKED - 54.2%

Fannie Mae, 6.984%, 2007

\$

Fannie Mae, 6.8%, 2011

Fannie Mae, 4.79%, 2012

Fannie Mae, 5%, 2013 - 2019

1

Fannie Mae, 4.8%, 2013

Fannie Mae, 4.845%, 2013

Fannie Mae, 5.06%, 2013

Fannie Mae, 4.65%, 2013

Fannie Mae, 4.45%, 2014

Fannie Mae, 4.771%, 2014

Fannie Mae, 4.6%, 2014

Fannie Mae, 4.667%, 2014

Fannie Mae, 4.518%, 2014

Fannie Mae, 4.846%, 2014

Fannie Mae, 5.1%, 2014

Fannie Mae, 4.62%, 2015

Edgar Filing: MFS GOVERNMENT MARKETS INCOME TRUST - Form N-Q

Fannie Mae, 4.82%, 2015	
Fannie Mae, 4.69%, 2015	
Fannie Mae, 4.85%, 2015	
Fannie Mae, 4.56%, 2015	
Fannie Mae, 4.665%, 2015	
Fannie Mae, 4.7%, 2015	
Fannie Mae, 4.89%, 2015	
Fannie Mae, 4.74%, 2015	
Fannie Mae, 4.925%, 2015	
Fannie Mae, 4.87%, 2015	
Fannie Mae, 6.5%, 2016 - 2032	1
Fannie Mae, 6%, 2016 - 2034	1
Fannie Mae, 5.5%, 2017 - 2034	6
Fannie Mae, 4.5%, 2019	1
Fannie Mae, 4.88%, 2020	
Fannie Mae TBA, 5.5%, 2035	3
Freddie Mac, 4.5%, 2013 - 2015	
Freddie Mac, 4.375%, 2015	
Freddie Mac, 5.5%, 2025	
Freddie Mac, 7.5%, 2028	
Freddie Mac TBA, 6%, 2035	
Ginnie Mae, 5.5%, 2033	
-----	
U.S. GOVERNMENT AGENCIES - 11.2%	
Aid to Israel, 0%, 2024	\$
Freddie Mac, 4.2%, 2007	\$
Freddie Mac, 4.375%, 2015	
Overseas Private Investment Corp., 0%, 2007	
Small Business Administration, 8.875%, 2011	
Small Business Administration, 6.35%, 2021	
Small Business Administration, 6.34%, 2021	

Edgar Filing: MFS GOVERNMENT MARKETS INCOME TRUST - Form N-Q

Small Business Administration, 6.44%, 2021	
Small Business Administration, 6.625%, 2021	
Small Business Administration, 4.98%, 2023	
Small Business Administration, 4.72%, 2024	
Small Business Administration, 4.34%, 2024	
Small Business Administration, 4.77%, 2024	
Small Business Administration, 5.52%, 2024	
Small Business Administration, 4.86%, 2024 - 2025	
Small Business Administration, 4.87%, 2024	
Small Business Administration, 5.11%, 2025	
U.S. Department of Housing & Urban Development, 6.36%, 2016	
U.S. Department of Housing & Urban Development, 6.59%, 2016	
-----	
U.S. TREASURY OBLIGATIONS - 11.8%	
U.S. Treasury Bonds, 10.375%, 2012	\$
U.S. Treasury Bonds, 12%, 2013	
U.S. Treasury Bonds, 8.875%, 2017	
U.S. Treasury Notes, TIPS, 3.375%, 2007	
U.S. Treasury Notes, TIPS, 3.625%, 2008###	
U.S. Treasury Notes, TIPS, 2%, 2014	
-----	
Total U.S. Bonds	
-----	
FOREIGN BONDS - 12.3%	
-----	
AUSTRALIA - 0.2%	
Government of Australia, 6.25%, 2015	AUD
-----	
AUSTRIA - 0.4%	
Republic of Austria, 5.5%, 2007	EUR
-----	
BRAZIL - 0%	
Federal Republic of Brazil, 8%, 2018	\$
-----	
CANADA - 0.8%	
Canada Housing Trust, 4.65%, 2009	CAD

## Edgar Filing: MFS GOVERNMENT MARKETS INCOME TRUST - Form N-Q

Government of Canada, 5.25%, 2008	\$
Government of Canada, 5.25%, 2012	CAD
CAYMAN ISLANDS - 0%	
Petroleum Export Peloil, 5.265%, 2011##	\$
CHILE - 0.4%	
HQI Transelec Chile S.A., 7.875%, 2011	\$
Republic of Chile, FRN, 4.0691%, 2008	
FINLAND - 0.9%	
Republic of Finland, 3%, 2008	EUR
Republic of Finland, 5.375%, 2013	EUR \$
FRANCE - 0.8%	
Republic of France, 4.75%, 2007	EUR
Republic of France, 6%, 2025	EUR
GERMANY - 1.0%	
Federal Republic of Germany, 3.5%, 2008	EUR
Federal Republic of Germany, 3.75%, 2015	EUR
Federal Republic of Germany, 6.25%, 2030	EUR
IRELAND - 1.0%	
Republic of Ireland, 4.25%, 2007	EUR
Republic of Ireland, 4.6%, 2016	EUR
MALAYSIA - 0.1%	
Petronas Capital Ltd., 7.875%, 2022	\$
MEXICO - 0.7%	
Petroleos Mexicanos, 9.375%, 2008	\$
United Mexican States, 8.125%, 2019	

## Edgar Filing: MFS GOVERNMENT MARKETS INCOME TRUST - Form N-Q

-----  
 United Mexican States, 8.3%, 2031  
 -----

-----  
 NETHERLANDS - 1.1%  
 -----

Kingdom of Netherlands, 5.75%, 2007 EUR

Kingdom of Netherlands, 3.75%, 2009 EUR  
 -----

-----  
 NEW ZEALAND - 0.9%  
 -----

Government of New Zealand, 7%, 2009 NZD

Government of New Zealand, 6.5%, 2013 NZD

Government of New Zealand, 6%, 2015 NZD  
 -----

-----  
 NORWAY - 0.1%  
 -----

Kingdom of Norway, 6.5%, 2013 NOK

-----  
 PANAMA - 0.2%  
 -----

Republic of Panama, 9.375%, 2029 \$

-----  
 QATAR - 0.2%  
 -----

State of Qatar, 9.75%, 2030 \$

-----  
 RUSSIA - 0.8%  
 -----

Russian Federation, 3%, 2008 \$

Russian Federation, 11%, 2018

Russian Ministry of Finance, 12.75%, 2028  
 -----

-----  
 SOUTH AFRICA - 0.3%  
 -----

Republic of South Africa, 9.125%, 2009 \$

-----  
 SPAIN - 1.3%  
 -----

Kingdom of Spain, 6%, 2008 EUR

Kingdom of Spain, 5.35%, 2011 EUR \$  
 -----

-----  
 UNITED KINGDOM - 1.1%  
 -----

United Kingdom Treasury, 5.75%, 2009 GBP

United Kingdom Treasury, 8%, 2015 GBP  
 -----

Edgar Filing: MFS GOVERNMENT MARKETS INCOME TRUST - Form N-Q

-----  
-----  
Total Foreign Bonds

-----  
Total Bonds (Identified Cost, \$373,162,152)

-----  
ISSUER

-----  
REPURCHASE AGREEMENTS - 12.6%

-----  
Goldman Sachs, 3.56%, dated 8/31/05, due 9/01/05, total to be received \$10,442,033  
(secured by various U.S. Treasury and Federal Agency obligations in a jointly traded  
account) \$ 1

-----  
Morgan Stanley, 3.58%, dated 8/31/05, due 9/01/05, total to be received \$38,950,873  
(secured by various U.S. Treasury and Federal Agency obligations in a jointly traded  
account) 3

-----  
Total Repurchase Agreements, at Cost

-----  
Total Investments (Identified Cost, \$422,550,152)

-----  
OTHER ASSETS, LESS LIABILITIES - (9.9)%

-----  
Net Assets - 100.0%

-----  
## SEC Rule 144A restriction.

### All or a portion of the security has been segregated as collateral for an open futures contra

Abbreviations:

FRN=Floating Rate Note. The interest rate is the rate in effect as of period end.

TBA=To Be Announced

TIPS=Treasury Inflation Protected Security

Abbreviations have been used throughout this report to indicate amounts shown in currencies other  
amounts are stated in U.S. dollars unless otherwise indicated. A list of abbreviations is shown b

AUD = Australian Dollar

CAD = Canadian Dollar

CHF = Swiss Franc

DKK = Danish Krone

EUR = Euro

GBP = British Pound

NOK = Norwegian Krone

NZD = New Zealand Dollar

See attached schedules. For more information see notes to financial statements as disclosed in th  
annual report.

MFS GOVERNMENT MARKETS INCOME TRUST  
SUPPLEMENTAL SCHEDULES (UNAUDITED) 08/31/2005

(1) Portfolio Securities

The cost and unrealized appreciation and depreciation in the value of the  
investments owned by the trust as computed on a federal income tax basis, are  
as follows:

Aggregate Cost

\$427,554,395

## Edgar Filing: MFS GOVERNMENT MARKETS INCOME TRUST - Form N-Q

Gross unrealized appreciation	\$ 6,330,181
Gross unrealized depreciation	(4,522,449)
	-----
Net unrealized appreciation(depreciation)	\$ 1,807,732

### (2) Financial Instruments

The trust trades financial instruments with off-balance-sheet risk in the normal course of its investing activities in order to manage exposure to market risks such as interest rates and foreign currency exchange rates. These financial instruments include forward foreign currency exchange contracts and futures contracts. The notional or contractual amounts of these instruments represent the investment the trust has in particular classes of financial instruments and does not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered.

#### Forward Foreign Currency Exchange Contracts

Sales and purchases in the table below are netted by currency.

MGF

SETTLEMENT DATE		CONTRACTS TO DELIVER/RECEIVE	IN EXCHANGE FOR	CONTRACTS AT VALUE
-----				
SALES				
-----				
10/05/05	AUD	652,204	\$501,399	\$490,561
9/06/05	CHF	1,162,135	932,805	926,214
9/22/05 - 10/04/05	EUR	21,186,021	25,889,183	26,154,442
9/06/05 - 11/02/05	GBP	4,363,936	7,817,837	7,862,496
10/05/05	NZD	5,138,527	3,531,737	3,554,076
			-----	-----
			\$38,672,961	\$38,987,789
			=====	=====
PURCHASES				
-----				
9/07/05	CHF	1,162,135	\$932,094	\$926,292
9/16/05	DKK	391,346	65,486	64,727
10/04/05	EUR	3,258,339	4,048,918	4,022,668
9/06/05	GBP	2,181,968	3,932,015	3,933,440
9/07/05	NOK	3,986,622	602,209	624,819
			-----	-----
			\$9,580,722	\$9,571,946
			=====	=====

At August 31, 2005, forward foreign currency purchases and sales under master netting agreements excluded above amounted to a net receivable of \$7,219 with Merrill Lynch International.

At August 31, 2005, the trust had sufficient cash and/or securities to cover any commitments under these contracts.



# Edgar Filing: MFS GOVERNMENT MARKETS INCOME TRUST - Form N-Q

## Futures Contracts

Description	Expiration	Contracts	Position
U.S. Treasury Note 2 Year	December 2005	87	Short
U.S. Treasury Note 5 Year	December 2005	54	Short
U.S. Treasury Note 10 Year	December 2005	186	Long

At August 31, 2005, the trust had sufficient cash and/or securities to cover any margin requirements under these contracts.

THE TRUST IS A CLOSED-END INVESTMENT PRODUCT. SHARES OF THE TRUST ARE ONLY AVAILABLE FOR PURCHASE/SALE ON THE NYSE AT THE CURRENT MARKET PRICE. SHARES MAY TRADE AT A PREMIUM OR DISCOUNT TO NAV.

(C)2005 MFS Investment Management

### ITEM 2. CONTROLS AND PROCEDURES.

- (a) Based upon their evaluation of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")) as conducted within 90 days of the filing date of this Form N-Q, the registrant's principal financial officer and principal executive officer have concluded that those disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed by the registrant on this report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.
- (b) There were no changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the 5Act that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

### ITEM 3. EXHIBITS.

File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2): 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.

Registrant: MFS GOVERNMENT MARKETS INCOME TRUST

Edgar Filing: MFS GOVERNMENT MARKETS INCOME TRUST - Form N-Q

By (Signature and Title)\* ROBERT J. MANNING

-----  
Robert J. Manning, President

Date: October 24, 2005  
-----

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

By (Signature and Title)\* ROBERT J. MANNING

-----  
Robert J. Manning, President (Principal Executive Officer)

Date: October 24, 2005  
-----

By (Signature and Title)\* TRACY ATKINSON

-----  
Tracy Atkinson, Treasurer (Principal Financial Officer and Accounting Officer)

Date: October 24, 2005  
-----

\* Print name and title of each signing officer under his or her signature.