

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.
Form N-Q
March 31, 2014

**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 811-22011

Morgan Stanley Emerging Markets Domestic 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)

John H. Gernon

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

Registrant's telephone number, including area code: 212-296-0289

Date of fiscal year end: October 31, 2014

Date of reporting period: January 31, 2014

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, 2014 (unaudited)

(Showing Percentage of Total Value of Investments)

	Face Amount (000)	Value (000)
Fixed Income Securities (92.0%)		
Brazil (10.3%)		
Sovereign (10.3%)		
Banco Nacional de Desenvolvimento Economico e Social, 5.50%, 7/12/20	\$ 75,718	\$ 77,232
6.50%, 6/10/19	56,000	60,550
		137,782
Chile (0.6%)		
Sovereign (0.6%)		
Chile Government International Bond, 5.50%, 8/5/20	CLP 4,665,000	8,483
Colombia (3.7%)		
Sovereign (3.7%)		
Colombia Government International Bond, 7.75%, 4/14/21	COP 29,000,000	15,644
9.85%, 6/28/27	46,000,000	27,893
12.00%, 10/22/15	11,000,000	6,097
		49,634
Hungary (7.9%)		
Sovereign (7.9%)		
Hungary Government Bond, 6.75%, 2/24/17	HUF 8,500,000	38,923
7.50%, 11/12/20	13,980,000	66,629
		105,552
Indonesia (5.8%)		
Sovereign (5.8%)		
Barclays Bank PLC, Indonesia Government Bonds, Credit Linked Notes, 10.00%, 7/17/17 (a)(b)	IDR 360,000,000	31,122
Credit Suisse, Indonesia Government Bonds, Credit Linked Notes, 10.00%, 7/17/17	154,683,530	13,372
Deutsche Bank AG, Republic of Indonesia Government Bond, Credit Linked Notes, 11.00%, 12/15/20 (a)(b)	60,000,000	5,510
JPMorgan Chase Bank, London, Indonesia Government Bonds, Credit Linked Notes, 8.25%, 7/17/21	135,000,000	10,714
10.00%, 7/19/17(b)	192,525,000	16,644
		77,362
Malaysia (7.6%)		
Sovereign (7.6%)		
Malaysia Government Bond, 3.48%, 3/15/23	MYR 100,000	28,052
3.84%, 8/12/15	110,000	33,243

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

4.18%, 7/15/24	95,000	28,216
5.09%, 4/30/14	42,152	12,659
		102,170

Mexico (11.7%)				
Sovereign (11.7%)				
Mexican Bonos,				
7.50%, 6/3/27	MXN	72,585		5,668
8.00%, 6/11/20		1,094,027		90,917
Petroleos Mexicanos (Units),				
7.65%, 11/24/21 (a)(c)		791,300		60,214
				156,799
Peru (2.8%)				
Sovereign (2.8%)				
Peru Government Bond,				
7.84%, 8/12/20	PEN	37,745		14,916
Peruvian Government International Bond (Units),				
7.84%, 8/12/20 (c)		57,000		22,526
				37,442
Philippines (1.1%)				
Sovereign (1.1%)				
Philippine Government International Bond,				
4.95%, 1/15/21	PHP	648,000		14,942
Poland (10.6%)				
Sovereign (10.6%)				
Poland Government Bond,				
3.75%, 4/25/18	PLN	18,547		5,820
5.25%, 10/25/20		314,000		103,949
5.50%, 10/25/19		98,947		33,205
				142,974
Romania (1.3%)				
Sovereign (1.3%)				
Romania Government Bond,				
5.90%, 7/26/17	RON	53,290		16,876
Russia (10.0%)				
Corporate Bond (0.8%)				
VimpelCom Holdings BV,				
9.00%, 2/13/18 (a)	RUB	378,100		10,589
Sovereign (9.2%)				
Russian Federal Bond - OFZ,				
7.05%, 1/19/28		875,000		22,409
8.15%, 2/3/27		2,171,800		61,473
Russian Foreign Bond - Eurobond,				
7.85%, 3/10/18		290,000		8,273
7.85%, 3/10/18 (a)		1,095,000		31,237
				123,392
				133,981
South Africa (8.9%)				
Sovereign (8.9%)				
Eskom Holdings SOC Ltd.,				
5.75%, 1/26/21	\$	47,400		46,571
South Africa Government Bond,				

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

6.75%, 3/31/21	ZAR	774,700	63,208
7.25%, 1/15/20		114,524	9,705
			119,484
Thailand (0.8%)			
Sovereign (0.8%)			
Thailand Government Bond, 3.63%, 6/16/23	THB	380,000	11,244
Turkey (7.5%)			
Corporate Bond (3.0%)			
Turkiye Garanti Bankasi AS, 7.38%, 3/7/18 (a)	TRY	111,480	40,822
Sovereign (4.5%)			
Turkey Government Bond, 10.50%, 1/15/20		135,825	61,015
Venezuela (1.4%)			
Sovereign (1.4%)			
Petroleos de Venezuela SA, 8.50%, 11/2/17	\$	25,000	19,463
Total Fixed Income Securities (Cost \$1,360,005)			1,236,025

	Shares	Value (000)
Short-Term Investment (8.0%)		
Investment Company (8.0%)		
Morgan Stanley Institutional Liquidity Funds - Money Market Portfolio - Institutional Class (d) (Cost \$106,990)	106,989,572	106,990
Total Investments (100.0%) (Cost \$1,466,995) (e)+		1,343,015
Liabilities in Excess of Other Assets		(364,043)
Net Assets		\$ 978,972

(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 January 31, 2014.

(c) Consists of one or more classes of securities traded together as a unit.

(d) The Fund invests in the Morgan Stanley Institutional Liquidity Funds - Money Market Portfolio - Institutional Class (the Liquidity Funds), an open-end management investment company managed by the Adviser. Advisory fees paid by the Fund are reduced by an amount equal to the advisory and administrative service fees paid by the Liquidity Funds with respect to assets invested by the Fund in the Liquidity Funds.

(e) Securities are available for collateral in connection with open futures contracts.

+ At January 31, 2014, the U.S. Federal income tax cost basis of investments was approximately \$1,466,995,000 and, accordingly, net unrealized depreciation for U.S. Federal income tax purposes was approximately \$123,980,000 of which approximately \$7,547,000 related to appreciated securities and approximately \$131,527,000 related to depreciated securities.

Futures Contracts:

The Fund had the following futures contracts open at January 31, 2014:

	Number of Contracts		Value (000)	Expiration Date	Unrealized Depreciation (000)
Short:					
U.S. Treasury 5 yr. Note	503	\$	(60,674)	Mar-14	(377)

- OFZ Obilgatsyi Federal novo Zaima (Russian Federal Loan Obligation)
- CLP Chilean Peso
- COP Colombian Peso
- HUF Hungarian Forint
- IDR Indonesian Rupiah
- MXN Mexican Peso
- MYR Malaysian Ringgit
- PEN Peruvian Nuevo Sol
- PHP Philippine Peso
- PLN Polish Zloty
- RON Romanian New Leu
- RUB Russian Ruble
- THB Thai Baht
- TRY Turkish Lira
- ZAR South African Rand

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

Notes to the Portfolio of Investments • January 31, 2014 (unaudited)

Security Valuation: (1) Bonds and other fixed income securities may be valued according to the broadest and most representative market. In addition, bonds and other fixed income securities may be valued on the basis of prices provided by a pricing service. The prices provided by a pricing service take into account broker-dealer market price quotations for institutional size trading in similar groups of securities, security quality, maturity, coupon and other security characteristics as well as any developments related to the specific securities; (2) futures are valued at the latest price published by the commodities exchange on which they trade; (3) when market quotations are not readily available, including circumstances under which Morgan Stanley Investment Management Inc. (the Adviser) determines that the closing price, last sale price or the mean between the last reported bid and asked prices are not reflective of a security's market value, portfolio securities are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Fund's Board of Directors (the Directors). Occasionally, developments affecting 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 on which the securities trade) and the close of business of the New York Stock Exchange (NYSE). If developments occur during such periods that are expected to materially affect the value of such securities, such valuations may be adjusted to reflect the estimated fair value of such securities as of the close of the NYSE, as determined in good faith by the Directors or by the Adviser using a pricing service and/or procedures approved by the Directors; (4) quotations of foreign portfolio securities, other assets and liabilities and forward contracts stated in foreign currency are translated into U.S. dollar equivalents at the prevailing market rates prior to the close of the NYSE; (5) investments in mutual funds, including the Morgan Stanley Institutional Liquidity Funds, are valued at the net asset value as of the close of each business day; and (6) short-term debt securities with remaining maturities of 60 days or less at the time of purchase may be valued at amortized cost, unless the Adviser determines such valuation does not reflect the securities market value, in which case these securities will be valued at their fair market value determined by the Adviser.

Under procedures approved by the Directors, the Fund's Adviser has formed a Valuation Committee. The Valuation Committee provides administration and oversight of the Fund's valuation policies and procedures, which are reviewed at least annually by the Directors. These procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

The Fund has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available. Under these procedures, the Valuation Committee convenes on a regular and ad hoc basis to review such securities and considers a number of factors, including valuation methodologies and significant unobservable valuation inputs, when arriving at fair value. The Valuation Committee may employ a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The Valuation Committee employs various methods for calibrating these valuation approaches including a regular review of valuation methodologies, key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Fair Value Measurement: Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures (ASC 820), defines fair value as

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

the value that the Funds 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 Funds' investments. The inputs are summarized in the three broad levels listed below.

- Level 1 unadjusted quoted prices in active markets for identical investments

- 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. 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

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities and the determination of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each security.

The following is a summary of the inputs used to value the Fund's investments as of January 31, 2014.

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)