

MFS GOVERNMENT MARKETS INCOME TRUST
Form N-Q
October 25, 2007

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, 2007

ITEM 1. SCHEDULE OF INVESTMENTS.

MFS(R) GOVERNMENT MARKETS INCOME TRUST

8/31/07

Quarterly portfolio holdings

[graphic omitted]

M F S(R)
INVESTMENT MANAGEMENT

MFS Government Markets Income Trust
PORTFOLIO OF INVESTMENTS (Unaudited) 8/31/07

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ISSUER

BONDS - 94.3%

U.S. BONDS - 84.5%

AGENCY - OTHER - 7.8%

Financing Corp., 10.7%, 2017

\$

Financing Corp., 9.4%, 2018

Financing Corp., 9.8%, 2018

Financing Corp., 10.35%, 2018

Financing Corp., STRIPS, 0%, 2017

ASSET BACKED & SECURITIZED - 0.5%

Prudential Securities Secured Financing Corp., FRN, 7.385%, 2013 (z)

\$

MORTGAGE BACKED - 49.3%

Fannie Mae, 5.78%, 2008

\$

Fannie Mae, 4.79%, 2012

Fannie Mae, 4.543%, 2013

Fannie Mae, 4.845%, 2013

Fannie Mae, 5%, 2013 - 2027

Fannie Mae, 5.06%, 2013

Fannie Mae, 5.37%, 2013

Fannie Mae, 4.547%, 2014

Fannie Mae, 4.6%, 2014

Fannie Mae, 4.666%, 2014

Fannie Mae, 4.77%, 2014

Fannie Mae, 4.839%, 2014

Fannie Mae, 4.871%, 2014

Fannie Mae, 4.88%, 2014 - 2020

Fannie Mae, 5.1%, 2014

Fannie Mae, 4.56%, 2015

Fannie Mae, 4.62%, 2015

Fannie Mae, 4.665%, 2015

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Fannie Mae, 4.69%, 2015

Fannie Mae, 4.7%, 2015

Fannie Mae, 4.74%, 2015

Fannie Mae, 4.78%, 2015

Fannie Mae, 4.815%, 2015

Fannie Mae, 4.82%, 2015

Fannie Mae, 4.85%, 2015

Fannie Mae, 4.86%, 2015

Fannie Mae, 4.87%, 2015

Fannie Mae, 4.89%, 2015

Fannie Mae, 4.925%, 2015

Fannie Mae, 5.471%, 2015

Fannie Mae, 5.09%, 2016

Fannie Mae, 5.423%, 2016

Fannie Mae, 5.845%, 2016

Fannie Mae, 6.5%, 2016 - 2036

Fannie Mae, 5.05%, 2017

Fannie Mae, 5.3%, 2017

Fannie Mae, 5.5%, 2017 - 2035

Fannie Mae, 6%, 2017 - 2037

Fannie Mae, 4.5%, 2019

Freddie Mac, 4.5%, 2013 - 2021

Freddie Mac, 4.375%, 2015

Freddie Mac, 5%, 2016 - 2027

Freddie Mac, 6%, 2021 - 2036

Freddie Mac, 4%, 2024

Freddie Mac, 5.5%, 2024 - 2035

Freddie Mac, 6.5%, 2037

Ginnie Mae, 5.5%, 2033

MUNICIPALS - 1.7%

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California Educational Facilities Authority Rev. (Stanford University), "T-1", 5%, 2039 \$

Puerto Rico Highway and Transportation Authority Rev., "N", 5.25%, 2039

U.S. GOVERNMENT AGENCIES - 11.9%

Aid-Egypt, 4.45%, 2015

Farmer Mac, 5.5%, 2011 (n)

Federal Home Loan Bank, 4.625%, 2008

Freddie Mac, 6.625%, 2009

Small Business Administration, 8.875%, 2011

Small Business Administration, 6.34%, 2021

Small Business Administration, 6.35%, 2021

Small Business Administration, 6.44%, 2021

Small Business Administration, 6.625%, 2021

Small Business Administration, 4.98%, 2023

Small Business Administration, 4.34%, 2024

Small Business Administration, 4.72%, 2024

Small Business Administration, 4.77%, 2024

Small Business Administration, 4.86%, 2024 - 2025

Small Business Administration, 4.87%, 2024

Small Business Administration, 5.52%, 2024

Small Business Administration, 4.76%, 2025

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 - 13.3%

U.S. Treasury Bonds, 11.25%, 2015

\$

U.S. Treasury Bonds, 10.625%, 2015

U.S. Treasury Bonds, 8.75%, 2017

U.S. Treasury Bonds, 4.5%, 2036

U.S. Treasury Bonds, STRIPS, 0%, 2021

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| | |
|--|-----|
| U.S. Treasury Bonds, STRIPS, 0%, 2027 | |
| U.S. Treasury Notes, 6.5%, 2010 (f) | |
| U.S. Treasury Notes, 10.375%, 2012 | |
| U.S. Treasury Notes, 12%, 2013 | |
| U.S. Treasury Notes, TIPS, 3.875%, 2009 | |
| U.S. Treasury Notes, TIPS, 2.375%, 2017 | |
| ----- | |
| Total U.S. Bonds | |
| ----- | |
| FOREIGN BONDS - 9.8% | |
| ----- | |
| ARGENTINA - 0.1% | |
| Republic of Argentina, FRN, 5.389%, 2012 | \$ |
| ----- | |
| AUSTRIA - 0.5% | |
| Republic of Austria, 4.65%, 2018 | EUR |
| ----- | |
| BRAZIL - 0.0% | |
| Federative Republic of Brazil, 8%, 2018 | \$ |
| ----- | |
| CANADA - 0.3% | |
| Canada Housing Trust, 4.6%, 2011 | CAD |
| Government of Canada, 5.5%, 2009 | CAD |
| Government of Canada, 4.5%, 2015 | CAD |
| Government of Canada, 5.75%, 2033 | CAD |
| ----- | |
| CHILE - 0.1% | |
| HQI Transelec Chile S.A., 7.875%, 2011 | \$ |
| ----- | |
| DENMARK - 0.1% | |
| Kingdom of Denmark, 4%, 2015 | DKK |
| ----- | |
| FRANCE - 0.8% | |
| Republic of France, 4.75%, 2012 | EUR |
| Republic of France, 5%, 2016 | EUR |
| Republic of France, 6%, 2025 | EUR |
| Republic of France, 4.75%, 2035 | EUR |

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GERMANY - 1.8%

| | |
|--|-------|
| Federal Republic of Germany, 5.25%, 2010 | EUR |
| Federal Republic of Germany, 3.75%, 2015 | EUR |
| Federal Republic of Germany, 6.25%, 2030 | EUR |
| KfW Bankengruppe, 1.35%, 2014 | JPY 1 |

INDONESIA - 0.2%

| | |
|-------------------------------------|----|
| Majapahit Holding B.V., 7.75%, 2016 | \$ |
|-------------------------------------|----|

IRELAND - 0.4%

| | |
|---------------------------------|-----|
| Republic of Ireland, 4.6%, 2016 | EUR |
|---------------------------------|-----|

JAPAN - 1.9%

| | |
|--|-------|
| Development Bank of Japan, 1.75%, 2010 | JPY |
| Development Bank of Japan, 1.4%, 2012 | JPY 1 |
| Development Bank of Japan, 1.05%, 2023 | JPY 1 |
| Development Bank of Japan, 2.3%, 2026 | JPY |
| Japan Finance Corp. for Municipal Enterprises, 1.55%, 2012 | JPY 1 |
| Japan Finance Corp. for Municipal Enterprises, 2%, 2016 | JPY 2 |

KAZAKHSTAN - 0.2%

| | |
|-------------------------------------|----|
| Intergas Finance B.V., 6.375%, 2017 | \$ |
|-------------------------------------|----|

MALAYSIA - 0.1%

| | |
|-------------------------------------|----|
| Petronas Capital Ltd., 7.875%, 2022 | \$ |
|-------------------------------------|----|

MEXICO - 0.7%

| | |
|--|----|
| Pemex Project Funding Master Trust, 9.375%, 2008 | \$ |
| United Mexican States, 8.3%, 2031 | |
| United Mexican States, 6.75%, 2034 | |

NETHERLANDS - 1.0%

| | |
|-------------------------------------|-----|
| Kingdom of Netherlands, 3.75%, 2009 | EUR |
| Kingdom of Netherlands, 3.75%, 2014 | EUR |

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PANAMA - 0.2%

Republic of Panama, 9.375%, 2029 \$

RUSSIA - 0.2%

OAO Gazprom, 7.288%, 2037 (z) \$

SOUTH AFRICA - 0.2%

Republic of South Africa, 5.875%, 2022 \$

SPAIN - 0.5%

Kingdom of Spain, 5.35%, 2011 EUR

UNITED KINGDOM - 0.5%

United Kingdom Treasury, 8%, 2015 GBP

United Kingdom Treasury, 8%, 2021 GBP

United Kingdom Treasury, 4.25%, 2036 GBP

Total Foreign Bonds

TOTAL BONDS

REPURCHASE AGREEMENTS - 5.1%

Merrill Lynch, 5.3%, dated 8/31/07, due 9/04/07, total to be received \$18,889,117 (secured by various U.S. Treasury and Federal Agency obligations and Mortgage Backed securities in a jointly traded account) \$

TOTAL INVESTMENTS(k)

OTHER ASSETS, LESS LIABILITIES - 0.6%

NET ASSETS - 100.0%

- (f) All or a portion of the security has been segregated as collateral for an open futures contract
- (k) As of August 31, 2007, the trust held securities fair valued in accordance with the policies of the Trustees, aggregating \$347,301,787 and 94.70% of market value. An independent pricing service valued 94.17% of the market value.
- (n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities are held in the ordinary course of business in transactions exempt from registration, normally to qualified investors. At the end of the period, the aggregate value of these securities was \$3,080,943, representing 0.8% of net assets.
- (z) Restricted securities are not registered under the Securities Act of 1933 and are subject to restrictions. These securities generally may be resold in transactions exempt from registration or to the public if they are subsequently registered. Disposal of these securities may involve time-consuming negotiations and an acceptable price may be difficult. The trust holds the following restricted securities:

| RESTRICTED SECURITIES | ACQUISITION DATE | ACQUISITION COST |
|---------------------------|------------------|------------------|
| OAO Gazprom, 7.288%, 2037 | 8/24/07 | \$ 740,138 |

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Prudential Securities Secured Financing Corp., FRN, 7.385%, 2013 12/06/04 2,019,445

Total Restricted Securities

The following abbreviations are used in this report and are defined:

FRN Floating Rate Note. Interest rate resets periodically and may not be the rate reported
 STRIPS Separate Trading of Registered Interest and Principal of Securities
 TIPS Treasury Inflation Protected Security

Abbreviations indicate amounts shown in currencies other than the U.S. dollar. All amounts are stated otherwise indicated. A list of abbreviations is shown below:

AUD Australian Dollar
 CAD Canadian Dollar
 DKK Danish Krone
 EUR Euro
 GBP British Pound
 JPY Japanese Yen
 SGD Singapore Dollar

See attached supplemental information. For more information see notes to financial statements as semiannual or annual report.

MFS GOVERNMENT MARKETS INCOME TRUST

SUPPLEMENTAL INFORMATION (UNAUDITED) 8/31/07

(1) PORTFOLIO SECURITIES

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

| | |
|--|----------------|
| Aggregate Cost | \$376,092,574 |
| | ===== |
| Gross unrealized appreciation | \$ 2,421,549 |
| Gross unrealized depreciation | (11,779,821) |
| | ----- |
| Net unrealized appreciation (depreciation) | \$ (9,358,272) |
| | ===== |

The aggregate cost above includes prior fiscal year end tax adjustments.

(2) FINANCIAL INSTRUMENTS

DERIVATIVES

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS AT 8/31/07

Appreciation and Depreciation in the table below are reported by currency.

| TYPE | CURRENCY | CONTRACTS TO DELIVER/RECEIVE | SETTLEMENT DATE RANGE | IN EXCHANGE FOR | CO AT |
|------|----------|---------------------------------|--------------------------|-----------------|----------|
|------|----------|---------------------------------|--------------------------|-----------------|----------|

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APPRECIATION

| ----- | | | | | |
|-------|-----|-------------|----------|------------|----|
| Sell | CAD | 587,924 | 9/17/07 | \$ 563,956 | \$ |
| Sell | DKK | 1,785,489 | 10/10/07 | 331,463 | |
| Buy | EUR | 1,680,277 | 9/17/07 | 2,236,675 | 2 |
| Sell | EUR | 1,182,265 | 9/19/07 | 1,636,145 | 1 |
| Buy | GBP | 59,936 | 9/19/07 | 118,167 | |
| Sell | GBP | 297,162 | 9/19/07 | 611,958 | |
| Buy | JPY | 110,794,058 | 9/18/07 | 951,790 | |
| Sell | SGD | 1,385,959 | 9/04/07 | 911,282 | |

DEPRECIATION

| ----- | | | | | |
|-------|-----|---------------|--------------------|------------|----|
| Buy | AUD | 7,334 | 9/19/07 | \$ 6,278 | \$ |
| Sell | CAD | 377,361 | 9/17/07 | 354,826 | |
| Sell | EUR | 12,708,361 | 9/17/07 - 9/19/07 | 16,968,538 | 17 |
| Buy | GBP | 99,736 | 9/19/07 | 204,647 | |
| Sell | GBP | 862,965 | 9/19/07 | 1,704,410 | 1 |
| Sell | JPY | 1,095,173,272 | 9/18/07 | 9,012,807 | 9 |
| Buy | SGD | 1,386,918 | 9/04/07 - 10/04/07 | 920,416 | |

FUTURES CONTRACTS OUTSTANDING AT 8/31/07

| DESCRIPTION | CONTRACTS | VALUE | EXPIRATION DATE |
|---------------------------------|-----------|------------|-----------------|
| ----- | | | |
| U.S. Treasury Bond (Short) | 59 | 6,582,188 | Dec-07 |
| U.S. Treasury Note 5 yr (Short) | 54 | 5,761,969 | Dec-07 |
| U.S. Treasury Note 10 yr (Long) | 119 | 12,976,578 | Dec-07 |
| ----- | | | |

At August 31, 2007, the trust had sufficient cash and/or other liquid securities to cover any contracts.

ITEM 2. CONTROLS AND PROCEDURES.

- (a) Based upon their evaluation of the effectiveness 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 Act) that occurred during

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the registrant's last fiscal quarter that have materially affected, or are 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.

NOTICE

A copy of the Amended and Restated Declaration of Trust of the Registrant is on file with the Secretary of State of The Commonwealth of Massachusetts and notice is hereby given that this instrument is executed on behalf of the Registrant by an officer of the Registrant as an officer and not individually and the obligations of or arising out of this instrument are not binding upon any of the Trustees or shareholders individually, but are binding only upon the assets and property of the respective constituent series of the Registrant.

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

By (Signature and Title)* MARIA F. DWYER

Maria F. Dwyer, President

Date: October 16, 2007

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)* MARIA F. DWYER

Maria F. Dwyer, President (Principal Executive Officer)

Date: October 16, 2007

By (Signature and Title)* TRACY ATKINSON

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

Date: October 16, 2007

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