

MFS GOVERNMENT MARKETS INCOME TRUST
Form N-Q
October 23, 2009

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, 2009

ITEM 1. SCHEDULE OF INVESTMENTS.

MFS Government Markets Income Trust

PORTFOLIO OF INVESTMENTS (Unaudited) 8/31/09

| Issuer | Shares/Par | Value (\$) |
|--|--------------|---------------|
| Bonds 96.3% | | |
| U.S. Bonds 90.7% | | |
| Agency - Other 12.6% | | |
| Financing Corp., 10.7%, 2017 | \$ 4,095,000 | \$ 5,864,965 |
| Financing Corp., 9.4%, 2018 | 3,085,000 | 4,189,556 |
| Financing Corp., 9.8%, 2018 | 4,350,000 | 6,045,878 |
| Financing Corp., 10.35%, 2018 | 6,820,000 | 9,695,721 |
| Financing Corp., STRIPS, 0%, 2017 | 5,000,000 | 3,502,295 |
| | | \$ 29,298,415 |
| Airlines 0.1% | | |
| American Airlines, Inc., 10.375%, 2019 | \$ 130,000 | \$ 136,500 |
| Asset Backed & Securitized 4.9% | | |
| Banc of America Commercial Mortgage, Inc., FRN, 5.837%, 2049 | \$ 1,000,000 | \$ 766,054 |
| Citigroup Commercial Mortgage Trust, FRN, 5.888%, 2049 | 1,000,000 | 869,270 |
| Citigroup/Deutsche Bank Commercial Mortgage Trust, 5.322%, 2049 | 1,200,000 | 968,993 |
| Commercial Mortgage Pass-Through Certificates, 5.306%, 2046 | 1,366,646 | 1,171,688 |
| Credit Suisse Mortgage Capital Certificate, 5.311%, 2039 | 500,000 | 373,557 |
| CWCcapital LLC, 5.223%, 2048 | 1,000,000 | 802,471 |
| Greenwich Capital Commercial Funding Corp., FRN, 6.116%, 2038 | 1,211,373 | 1,057,812 |
| GS Mortgage Securities Corp., 5.56%, 2039 | 690,486 | 606,355 |
| JPMorgan Chase Commercial Mortgage Securities Corp., 5.42%, 2049 | 1,000,000 | 839,391 |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.006%, 2049 | 1,000,000 | 845,766 |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.188%, 2051 | 754,902 | 652,748 |
| Merrill Lynch Mortgage Trust, FRN, 6.022%, 2050 | 750,000 | 158,593 |
| Prudential Securities Secured Financing Corp., FRN, 7.319%, 2013 (z) | 1,819,000 | 1,592,727 |
| Wachovia Bank Commercial Mortgage Trust, FRN, 6.099%, 2051 | 1,000,000 | 644,655 |
| | | \$ 11,350,080 |
| Building 0.2% | | |
| CRH PLC, 8.125%, 2018 | \$ 397,000 | \$ 426,898 |
| Cable TV 0.5% | | |
| Time Warner Cable, Inc., 8.25%, 2019 | \$ 1,000,000 | \$ 1,200,829 |
| Chemicals 0.3% | | |
| Dow Chemical Co., 8.55%, 2019 | \$ 500,000 | \$ 544,627 |
| Dow Chemical Co., 9.4%, 2039 | 70,000 | 84,948 |
| | | \$ 629,575 |
| Computer Software - Systems 0.3% | | |
| International Business Machines Corp., 8%, 2038 | \$ 500,000 | \$ 699,132 |
| Energy - Integrated 0.0% | | |
| Hess Corp., 8.125%, 2019 | \$ 30,000 | \$ 35,499 |

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Food & Beverages 0.9%

| | | |
|---|------------|------------|
| Anheuser-Busch Companies, Inc., 7.75%, 2019 (n) | \$ 750,000 | \$ 878,169 |
| Conagra Foods, Inc., 7%, 2019 | 20,000 | 23,356 |
| Dr. Pepper Snapple Group, Inc., 6.82%, 2018 | 231,000 | 257,662 |
| Kraft Foods, Inc., 6.125%, 2018 | 960,000 | 1,055,506 |

\$ 2,214,693

Food & Drug Stores 0.0%

| | | |
|--------------------------------|-----------|-----------|
| CVS Caremark Corp., 6.6%, 2019 | \$ 30,000 | \$ 33,969 |
|--------------------------------|-----------|-----------|

Local Authorities 1.1%

| | | |
|---|-----------|-----------|
| California (Build America Bonds), 7.55%, 2039 | \$ 60,000 | \$ 64,330 |
| Metropolitan Transportation Authority, NY (Build America Bonds), 7.336%, 2039 | 665,000 | 810,023 |
| New Jersey Turnpike Authority Rev. (Build America Bonds), F , 7.414%, 2040 | 32,000 | 38,989 |
| University of California Rev. (Build America Bonds), 5.77%, 2043 | 450,000 | 467,087 |
| Utah Transit Authority Sales Tax Rev. (Build America Bonds), B , 5.937%, 2039 | 1,020,000 | 1,084,882 |

\$ 2,465,311

MFS Government Markets Income Trust

PORTFOLIO OF INVESTMENTS (Unaudited) 8/31/09 - continued

| Issuer | Shares/Par | Value (\$) |
|---|--------------|----------------|
| Bonds continued | | |
| U.S. Bonds continued | | |
| Major Banks 0.4% | | |
| Bank of America Corp., 7.625%, 2019 | \$ 170,000 | \$ 187,171 |
| Merrill Lynch & Co., Inc., 6.05%, 2016 | 750,000 | 730,862 |
| | | \$ 918,033 |
| Mortgage Backed 53.3% | | |
| Fannie Mae, 4.79%, 2012 | \$ 3,646,944 | \$ 3,823,362 |
| Fannie Mae, 4.542%, 2013 | 809,866 | 850,018 |
| Fannie Mae, 5%, 2013 - 2039 | 4,655,887 | 4,800,173 |
| Fannie Mae, 5.06%, 2013 | 383,706 | 402,835 |
| Fannie Mae, 5.37%, 2013 | 1,003,305 | 1,075,370 |
| Fannie Mae, 4.77%, 2014 | 471,930 | 497,851 |
| Fannie Mae, 4.84%, 2014 | 2,726,843 | 2,879,636 |
| Fannie Mae, 5.1%, 2014 | 508,193 | 541,581 |
| Fannie Mae, 4.7%, 2015 | 464,048 | 486,655 |
| Fannie Mae, 4.74%, 2015 | 376,329 | 395,292 |
| Fannie Mae, 4.78%, 2015 | 526,394 | 553,473 |
| Fannie Mae, 4.815%, 2015 | 543,000 | 571,993 |
| Fannie Mae, 4.82%, 2015 | 931,814 | 982,214 |
| Fannie Mae, 4.85%, 2015 | 331,034 | 349,336 |
| Fannie Mae, 4.86%, 2015 | 155,010 | 163,691 |
| Fannie Mae, 4.87%, 2015 | 350,584 | 370,011 |
| Fannie Mae, 4.89%, 2015 | 392,957 | 415,366 |
| Fannie Mae, 5.466%, 2015 | 868,604 | 941,982 |
| Fannie Mae, 5.09%, 2016 | 500,000 | 530,643 |
| Fannie Mae, 5.423%, 2016 | 775,680 | 840,506 |
| Fannie Mae, 5.845%, 2016 | 407,346 | 444,586 |
| Fannie Mae, 6.5%, 2016 - 2037 | 5,820,311 | 6,275,617 |
| Fannie Mae, 5.05%, 2017 | 525,300 | 556,139 |
| Fannie Mae, 5.3%, 2017 | 582,677 | 624,227 |
| Fannie Mae, 5.5%, 2017 - 2037 | 44,879,353 | 47,047,850 |
| Fannie Mae, 6%, 2017 - 2037 | 12,753,168 | 13,528,932 |
| Fannie Mae, 4.88%, 2020 | 305,187 | 318,475 |
| Freddie Mac, 4.5%, 2015 - 2024 | 1,321,503 | 1,360,141 |
| Freddie Mac, 5%, 2016 - 2027 | 3,175,505 | 3,273,780 |
| Freddie Mac, 6%, 2021 - 2038 | 5,881,539 | 6,212,612 |
| Freddie Mac, 3.75%, 2024 | 178,072 | 179,534 |
| Freddie Mac, 4%, 2024 | 191,223 | 192,946 |
| Freddie Mac, 5.5%, 2024 - 2036 | 10,260,617 | 10,731,749 |
| Freddie Mac, 6.5%, 2037 | 2,198,397 | 2,343,359 |
| Ginnie Mae, 5.5%, 2033 - 2038 | 6,706,914 | 7,050,594 |
| Ginnie Mae, 5.612%, 2058 | 1,141,627 | 1,185,146 |
| Ginnie Mae, 6.357%, 2058 | 1,008,205 | 1,065,113 |
| | | \$ 123,862,788 |
| Municipals 2.2% | | |
| California Educational Facilities Authority Rev. (Stanford University), T-1, 5%, 2039 | \$ 3,075,000 | \$ 3,367,494 |
| Massachusetts Health & Educational Facilities Authority Rev. (Boston College), 5.5%, 2027 | 755,000 | 887,284 |

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| | | |
|---|------------|--------------|
| State of California, 5%, 2034 | 940,000 | 902,456 |
| | | \$ 5,157,234 |
| Natural Gas - Distribution 0.3% | | |
| EQT Corp., 8.125%, 2019 | \$ 674,000 | \$ 757,178 |
| Natural Gas - Pipeline 0.5% | | |
| Energy Transfer Partners LP, 8.5%, 2014 | \$ 21,000 | \$ 24,144 |

MFS Government Markets Income Trust

PORTFOLIO OF INVESTMENTS (Unaudited) 8/31/09 - continued

| Issuer | Shares/Par | Value (\$) |
|---|--------------|---------------|
| Bonds continued | | |
| U.S. Bonds continued | | |
| Natural Gas - Pipeline continued | | |
| Kinder Morgan Energy Partners, 6.85%, 2020 | \$ 1,000,000 | \$ 1,099,501 |
| | | \$ 1,123,645 |
| Network & Telecom 0.2% | | |
| Verizon Communications, Inc., 8.75%, 2018 | \$ 449,000 | \$ 566,914 |
| Oil Services 0.5% | | |
| Smith International, Inc., 9.75%, 2019 | \$ 1,000,000 | \$ 1,212,307 |
| Other Banks & Diversified Financials 0.4% | | |
| Capital One Financial Corp., 8.8%, 2019 | \$ 280,000 | \$ 299,989 |
| Citigroup, Inc., 8.5%, 2019 | 94,000 | 102,749 |
| UBS Preferred Funding Trust V, 6.243% to 2016, FRN to 2049 | 750,000 | 517,500 |
| | | \$ 920,238 |
| Pollution Control 0.4% | | |
| Allied Waste North America, Inc., 6.875%, 2017 | \$ 1,000,000 | \$ 1,042,500 |
| Real Estate 0.3% | | |
| Simon Property Group, Inc., REIT, 5.875%, 2017 | \$ 750,000 | \$ 758,840 |
| Retailers 0.4% | | |
| Staples, Inc., 9.75%, 2014 | \$ 750,000 | \$ 880,415 |
| Tobacco 0.8% | | |
| Altria Group, Inc., 9.7%, 2018 | \$ 500,000 | \$ 611,622 |
| Altria Group, Inc., 9.25%, 2019 | 250,000 | 301,730 |
| Lorillard Tobacco Co., 8.125%, 2019 | 796,000 | 885,541 |
| | | \$ 1,798,893 |
| U.S. Government Agencies and Equivalents 5.2% | | |
| Aid-Egypt, 4.45%, 2015 | 1,755,000 | \$ 1,840,082 |
| Farmer Mac, 5.5%, 2011 (n) | 3,010,000 | 3,214,075 |
| Small Business Administration, 8.875%, 2011 | 68,901 | 70,171 |
| Small Business Administration, 6.35%, 2021 | 716,981 | 771,475 |
| Small Business Administration, 6.34%, 2021 | 671,350 | 722,505 |
| Small Business Administration, 6.44%, 2021 | 640,002 | 690,362 |
| Small Business Administration, 6.625%, 2021 | 774,853 | 839,191 |
| Small Business Administration, 5.52%, 2024 | 1,003,376 | 1,062,555 |
| U.S. Department of Housing & Urban Development, 6.36%, 2016 | 1,580,000 | 1,698,007 |
| U.S. Department of Housing & Urban Development, 6.59%, 2016 | 1,178,000 | 1,194,950 |
| | | \$ 12,103,373 |

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U.S. Treasury Obligations 4.9%

| | | |
|---------------------------------------|--------------|--------------|
| U.S. Treasury Bonds, 4.75%, 2017 | \$ 3,389,000 | \$ 3,751,992 |
| U.S. Treasury Bonds, 4.75%, 2037 | 2,000,000 | 2,185,938 |
| U.S. Treasury Bonds, 4.375%, 2038 | 3,225,000 | 3,326,284 |
| U.S. Treasury Notes, 4.125%, 2012 (f) | 513,000 | 552,958 |
| U.S. Treasury Notes, 2.625%, 2016 | 499,000 | 488,903 |
| U.S. Treasury Notes, 3.75%, 2018 | 975,000 | 1,001,203 |

\$ 11,307,278

Total U.S. Bonds

\$ 210,900,537

Foreign Bonds 5.6%

Brazil 0.8%

| | | |
|---|------------|------------|
| BNDES Participacoes S.A., 6.5%, 2019 (n) | \$ 475,000 | \$ 495,187 |
| Federative Republic of Brazil, 11%, 2040 | 183,000 | 240,553 |
| Petrobras International Finance Co., 7.875%, 2019 | 906,000 | 1,021,515 |

\$ 1,757,255

MFS Government Markets Income Trust

PORTFOLIO OF INVESTMENTS (Unaudited) 8/31/09 - continued

| Issuer | Shares/Par | Value (\$) |
|--|------------|--------------|
| Bonds continued | | |
| Foreign Bonds continued | | |
| Canada 1.5% | | |
| Canadian Pacific Railway Co., 6.5%, 2018 | \$ 830,000 | \$ 887,228 |
| Husky Energy, Inc., 7.25%, 2019 | 702,000 | 793,831 |
| Rogers Communications, Inc., 6.8%, 2018 | 1,000,000 | 1,132,352 |
| Talisman Energy, Inc., 7.75%, 2019 | 650,000 | 756,382 |
| | | \$ 3,569,793 |
| Chile 0.6% | | |
| Corporacion Nacional del Cobre de Chile, 6.15%, 2036 | \$ 910,000 | \$ 925,148 |
| Empresa Nacional del Petroleo, 6.25%, 2019 (n) | 136,000 | 141,451 |
| HQI Transelec Chile S.A., 7.875%, 2011 | 255,000 | 268,419 |

Joel R. Pitlor

/s/ R. Patrick Maxwell Director August 3, 2005

R. Patrick Maxwell

/s/ Thomas E. Jamison Director August 3, 2005

Thomas E. Jamison