

MFS GOVERNMENT MARKETS INCOME TRUST  
Form N-Q  
April 28, 2006

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: February 28, 2006

---

**ITEM 1. SCHEDULE OF INVESTMENTS.**





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

MFS Government Markets Income Trust  
 PORTFOLIO OF INVESTMENTS (Unaudited) 02/28/2006

Issuer	Par Amount	Value (\$)
<b>Bonds 98.5%</b>		
<b>U.S. Bonds 87.6%</b>		
<b>Agency - Other 7.9%</b>		
Financing Corp., 10.7%, 2017	\$ 4,095,000	\$ 6,126,263
Financing Corp., 9.4%, 2018	3,085,000	4,291,059
Financing Corp., 9.8%, 2018	4,350,000	6,220,870
Financing Corp., 10.35%, 2018	6,820,000	10,151,543
Financing Corp., STRIPS, 0%, 2017	5,000,000	2,809,440
		\$ 29,599,175
<b>Asset Backed &amp; Securitized 0.5%</b>		
Prudential Securities Secured Financing Corp., FRN, 7.2458%, 2013 (a)	\$ 1,819,000	\$ 1,945,792
<b>Utilities - Electric Power 0.1%</b>		
HQI Transelec Chile S.A., 7.875%, 2011	\$ 314,000	\$ 343,026
<b>Mortgage Backed 49.0%</b>		
Fannie Mae, 7.036%, 2007	\$ 486,918	\$ 494,279
Fannie Mae, 4.79%, 2012	3,522,804	3,458,638
Fannie Mae, 5%, 2013 - 2027	12,807,864	12,672,761
Fannie Mae, 4.8%, 2013	348,393	340,022
Fannie Mae, 4.845%, 2013	1,022,404	999,407
Fannie Mae, 5.06%, 2013	409,238	404,502
Fannie Mae, 4.65%, 2013	966,657	941,312
Fannie Mae, 4.45%, 2014	1,228,028	1,171,721
Fannie Mae, 4.771%, 2014	2,446,086	2,383,000
Fannie Mae, 4.6%, 2014	491,089	472,697

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

<b>Issuer</b>	<b>Par Amount</b>	<b>Value (\$)</b>
Fannie Mae, 4.667%, 2014	3,017,561	2,918,452
Fannie Mae, 4.518%, 2014	643,243	616,421
Fannie Mae, 4.77%, 2014	501,237	486,793
Fannie Mae, 4.847%, 2014	3,435,124	3,358,120
Fannie Mae, 5.1%, 2014	533,803	528,806
Fannie Mae, 4.62%, 2015	704,944	677,799
Fannie Mae, 4.82%, 2015	1,473,149	1,434,259
Fannie Mae, 4.69%, 2015	349,257	337,287
Fannie Mae, 4.85%, 2015	348,719	340,293
Fannie Mae, 4.56%, 2015	633,665	606,569
Fannie Mae, 4.665%, 2015	427,283	411,891
Fannie Mae, 4.7%, 2015	490,117	473,531
Fannie Mae, 4.89%, 2015	344,039	336,625
Fannie Mae, 4.74%, 2015	390,000	377,527
Fannie Mae, 4.925%, 2015	1,372,947	1,347,959
Fannie Mae, 4.87%, 2015	369,787	361,344
Fannie Mae, 4.815%, 2015	543,000	528,107
Fannie Mae, 6.5%, 2016 - 2032	9,645,319	9,897,802
Fannie Mae, 6%, 2016 - 2034	14,585,722	14,784,462
Fannie Mae, 5.5%, 2017 - 2034	71,302,383	70,857,959
Fannie Mae, 4.5%, 2019	16,520,560	16,074,085
Fannie Mae, 4.88%, 2020	373,985	370,306
Freddie Mac, 4.875%, 2009	3,691,000	3,688,365
Freddie Mac, 4.5%, 2013 - 2015	2,362,531	2,336,516
Freddie Mac, 4.375%, 2015	2,404,154	2,340,797
Freddie Mac, 5%, 2024 - 2025	5,623,383	5,589,419
Freddie Mac, 5.5%, 2025 - 2035	11,287,419	11,213,873

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

<b>Issuer</b>	<b>Par Amount</b>	<b>Value (\$)</b>
Freddie Mac, 6%, 2035	1,666,188	1,682,890
Freddie Mac, 3.108%, 2035	98,407	98,004

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

MFS Government Markets Income Trust  
 PORTFOLIO OF INVESTMENTS (Unaudited) 02/28/2006 - continued

Issuer	Par Amount	Value (\$)
<b>Bonds continued</b>		
<b>U.S. Bonds continued</b>		
<b>Mortgage Backed continued</b>		
Ginnie Mae, 5.5%, 2033	\$ 7,284,143	\$ 7,312,622
		\$ 184,727,222
<b>U.S. Government Agencies 14.7%</b>		
Aid to Egypt, 4.45%, 2015	1,755,000	\$ 1,700,595
Aid to Israel, 0%, 2021 - 2024	7,830,000	3,299,009
Federal Home Loan Bank, 4.625%, 2008	9,515,000	9,465,903
Freddie Mac, 4.2%, 2007	4,358,000	4,304,937
Freddie Mac, 4.375%, 2015	6,170,000	5,923,360
Overseas Private Investment Corp., 0%, 2007	1,791,247	1,822,594
Small Business Administration, 8.875%, 2011	174,384	182,646
Small Business Administration, 6.35%, 2021	1,439,463	1,501,692
Small Business Administration, 6.34%, 2021	1,302,710	1,359,097
Small Business Administration, 6.44%, 2021	1,257,034	1,314,309
Small Business Administration, 6.625%, 2021	1,341,930	1,418,318
Small Business Administration, 4.98%, 2023	901,797	890,191
Small Business Administration, 4.72%, 2024	2,374,481	2,305,527
Small Business Administration, 4.34%, 2024	1,308,154	1,240,764
Small Business Administration, 4.77%, 2024	2,340,864	2,280,197
Small Business Administration, 5.52%, 2024	1,408,449	1,429,007
Small Business Administration, 4.86%, 2024 - 2025	2,761,342	2,699,156
Small Business Administration, 4.87%, 2024	1,514,501	1,481,125



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

Issuer		Par Amount	Value (\$)
Small Business Administration, 5.11%, 2025		1,401,772	1,390,546
Small Business Administration, 4.76%, 2025		2,238,000	2,168,886
U.S. Department of Housing & Urban Development, 6.36%, 2016		1,580,000	1,668,426
U.S. Department of Housing & Urban Development, 6.59%, 2016		5,612,000	5,770,651
			\$ 55,616,936
<b>U.S. Treasury Obligations 15.4%</b>			
U.S. Treasury Bonds, 10.375%, 2012		\$ 8,400,000	\$ 9,170,767
U.S. Treasury Bonds, 12%, 2013		3,036,000	3,549,035
U.S. Treasury Bonds, 8.75%, 2017		6,100,000	8,256,686
U.S. Treasury Bonds, 4.5%, 2036		6,301,000	6,297,553
U.S. Treasury Notes, 6.5%, 2010		26,332,000	28,075,468
U.S. Treasury Notes, TIPS, 3.875%, 2009		2,635,573	2,788,458
			\$ 58,137,967
Total U.S. Bonds			\$ 330,370,118
<b>Foreign Bonds 10.9%</b>			
<b>Austria 0.5%</b>			
Republic of Austria, 5.5%, 2007	EUR	1,362,000	\$ 1,688,735
<b>Brazil 0%</b>			
Federal Republic of Brazil, 8%, 2018		\$ 102,000	\$ 114,189
<b>Canada 0.1%</b>			
Government of Canada, 4.5%, 2015	CAD	378,000	\$ 341,500
<b>Cayman Islands 0%</b>			
Petroleum Export Peloil, 5.265%, 2011 (a)		\$ 100,000	\$ 97,330
<b>Chile 0.3%</b>			
Republic of Chile, FRN, 5.06%, 2008		\$ 1,057,000	\$ 1,062,285

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

MFS Government Markets Income Trust  
 PORTFOLIO OF INVESTMENTS (Unaudited) 02/28/2006 - continued

Issuer		Par Amount	Value (\$)
<b>Bonds continued</b>			
<b>Foreign Bonds continued</b>			
<b>Finland 0.8%</b>			
Republic of Finland, 5.375%, 2013	EUR	2,227,000	\$ 2,994,638
<b>France 1.0%</b>			
Republic of France, 4.75%, 2007	EUR	2,462,000	\$ 3,008,584
Republic of France, 4.75%, 2012	EUR	251,000	323,808
Republic of France, 6%, 2025	EUR	318,000	499,659
			\$ 3,832,051
<b>Germany 1.6%</b>			
Federal Republic of Germany, 3.5%, 2008	EUR	1,668,000	\$ 2,009,555
Federal Republic of Germany, 3.75%, 2015	EUR	1,104,000	1,345,911
Federal Republic of Germany, 6.25%, 2030	EUR	195,000	324,747
KfW Bankengruppe, FRN, 2.563%, 2007	EUR	874,000	1,042,335
Landesbank Baden-Wuerttemberg, FRN, 2.508%, 2007	EUR	290,000	346,075
Landesbank Baden-Wuerttemberg, FRN, 2.594%, 2007	EUR	272,000	324,615
Landesbank Baden-Wuerttemberg, FRN, 2.704%, 2007	EUR	510,000	608,763
			\$ 6,002,001
<b>Ireland 0.9%</b>			
Republic of Ireland, 4.25%, 2007	EUR	2,387,000	\$ 2,905,221
Republic of Ireland, 4.6%, 2016	EUR	254,000	331,299
			\$ 3,236,520
<b>Malaysia 0.1%</b>			
Petronas Capital Ltd., 7.875%, 2022		\$ 433,000	\$ 538,449

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

Issuer		Par Amount	Value (\$)
<b>Mexico 0.8%</b>			
Pemex Project Funding Master Trust, 9.375%, 2008		\$ 1,072,000	\$ 1,177,056
United Mexican States, 8.125%, 2019		1,040,000	1,287,000
United Mexican States, 8.3%, 2031		128,000	167,680
United Mexican States, 6.75%, 2034		312,000	348,660
			\$ 2,980,396
<b>Netherlands 0.8%</b>			
Kingdom of Netherlands, 5.75%, 2007	EUR	1,169,000	\$ 1,432,767
Kingdom of Netherlands, 3.75%, 2009	EUR	1,383,000	1,681,173
			\$ 3,113,940
<b>New Zealand 0.7%</b>			
Government of New Zealand, 6.5%, 2013	NZD	3,330,000	\$ 2,300,112
Government of New Zealand, 6%, 2015	NZD	204,000	137,555
Government of New Zealand, 6%, 2017	NZD	519,000	351,124
			\$ 2,788,791
<b>Panama 0.2%</b>			
Republic of Panama, 9.375%, 2029		\$ 677,000	\$ 886,870
<b>Russia 0.4%</b>			
Russian Federation, 3%, 2008		\$ 1,474,000	\$ 1,400,890
<b>South Africa 0.3%</b>			
Republic of South Africa, 9.125%, 2009		\$ 855,000	\$ 951,188
<b>Spain 0.7%</b>			
Kingdom of Spain, 6%, 2008	EUR	1,293,000	\$ 1,627,185
Kingdom of Spain, 5.35%, 2011	EUR	771,000	1,014,096
			\$ 2,641,281
<b>United Kingdom 1.7%</b>			

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

<b>Issuer</b>		<b>Par Amount</b>		<b>Value (\$)</b>
Network Rail MTN Finance PLC, 2.628%, 2007	EUR	605,000	\$	722,268

---

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

MFS Government Markets Income Trust  
 PORTFOLIO OF INVESTMENTS (Unaudited) 02/28/2006 - continued

Issuer		Par Amount	Value (\$)
<b>Bonds continued</b>			
<b>Foreign Bonds continued</b>			
<b>United Kingdom continued</b>			
United Kingdom Treasury, 5.75%, 2009	GBP	1,279,000	\$ 2,356,133
United Kingdom Treasury, 8%, 2015	GBP	1,460,000	3,350,314
			\$ 6,428,715
Total Foreign Bonds			\$ 41,099,769
<b>Total Bonds</b>			<b>\$ 371,469,887</b>

Issue/Strike Price/Expiration		Number of Contracts	Value (\$)
<b>Call Options Purchased 0.0%</b>			
U.S. Treasury Notes 10yr Long Futures - May 2006 @ \$109 (f)		73	\$ 29,656
<b>Put Options Purchased 0.0%</b>			
U.S. Treasury Notes 10yr Long Futures - May 2006 @ \$109 (f)		73	\$ 109,500

Issuer		Par Amount	Value (\$)
<b>Repurchase Agreement 0.8%</b>			
Goldman Sachs, 4.55%, dated 2/28/06, due 3/01/06, total to be received \$2,827,357 (secured by various U.S. Treasury and Federal Agency obligations in a jointly traded account)		\$ 2,827,000	\$ 2,827,000
<b>Total Investments</b>			<b>\$ 374,436,043</b>
<b>Other Assets, Less Liabilities 0.7%</b>			2,662,273
<b>Net Assets 100.0%</b>			<b>\$ 377,098,316</b>

- (f) All or a portion of the security has been segregated as collateral for an open futures contract.
- (a) SEC Rule 144A restriction.

The following abbreviations are used in the Portfolio of Investments and are defined:  
 FRN Floating Rate Note. The interest rate is the rate in effect as of period end.  
 STRIPS Separate Trading of Registered Interest and Principal of Securities  
 TIPS Treasury Inflation Protected Security

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

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

AUD Australian Dollar  
CAD Canadian Dollar  
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 the most recent semiannual or annual report.

**MFS Government Markets Income Trust**  
**Supplemental Schedules (Unaudited) 02/28/2006**

**(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	\$	383,071,217
Gross unrealized appreciation	\$	1,936,697
Gross unrealized depreciation		(10,571,871)
Net unrealized appreciation (depreciation)	\$	(8,635,174)

Aggregate cost includes prior fiscal year end tax adjustments.

**(2) Financial Instruments**

**Derivatives**

**Forward Foreign Currency Exchange Contracts**

Sales and Purchases in the table below are reported by currency.

	<b>Contracts to Deliver/Receive</b>	<b>Settlement Date</b>	<b>In Exchange For</b>	<b>Contracts at Value</b>	<b>Net Unrealized Appreciation (Depreciation)</b>
<b><u>Sales</u></b>					
AUD	227,038	4/07/06	\$ 169,253	\$ 168,683	\$ 570
EUR	17,864,927	3/27/06 - 4/18/06	21,315,162	21,383,482	(68,320)
GBP	3,210,989	3/30/06	5,713,137	5,639,070	74,067
NZD	4,753,650	4/07/06	3,262,436	3,144,598	117,838
			\$ 30,459,988	\$ 30,335,833	\$ 124,155
<b><u>Purchases</u></b>					
AUD	227,038	4/07/06	\$ 168,276	\$ 168,683	\$ 407
CAD	421,321	3/20/06	363,537	370,702	7,165
DKK	391,346	3/13/06	63,841	62,650	(1,191)
EUR	450,254	3/20/06	547,032	538,049	(8,983)
NOK	6,115,801	3/13/06	924,836	908,171	(16,665)
NZD	549,955	4/07/06	373,672	363,802	(9,870)
			\$ 2,441,194	\$ 2,412,057	\$ (29,137)

At February 28, 2006, forward foreign currency purchases and sales under master netting agreements excluded above amounted to a net payable of \$56,630 with Merrill Lynch International.

**MFS Government Markets Income Trust**  
**Supplemental Schedules (Unaudited) 02/28/2006 - continued**

**Futures Contracts**

	<b>Contracts</b>	<b>Value</b>	<b>Expiration Date</b>	<b>Unrealized Appreciation (Depreciation)</b>
U.S. Treasury Note 10 yr (Long)	56	\$ 6,042,750	Jun-06	\$ 13,367
U.S. Treasury Note 5 yr (Short)	54	5,680,125	Jun-06	(7,783)
U.S. Treasury Bond (Short)	59	6,672,531	Jun-06	(11,457)
				\$ (5,873)

At February 28, 2006, the trust had sufficient cash and/or securities to cover any margin requirements under these derivative 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 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: April 24, 2006

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: April 24, 2006

By (Signature and Title)\*    TRACY ATKINSON  
  Tracy Atkinson, Treasurer (Principal Financial Officer and Accounting Officer)

Date: April 24, 2006

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