

MFS GOVERNMENT MARKETS INCOME TRUST
Form N-Q
October 21, 2011

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, 2011

ITEM 1. SCHEDULE OF INVESTMENTS.

MFS® Government Markets Income Trust

QUARTERLY REPORT

August 31, 2011

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

MFS Government Markets Income Trust

PORTFOLIO OF INVESTMENTS (unaudited) 8/31/11

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

| Issuer | Shares/Par | Value (\$) |
|--|--------------|----------------------|
| Bonds 95.8% | | |
| U.S. Bonds 88.0% | | |
| Agency - Other 13.9% | | |
| Financing Corp., 10.7%, 2017 | \$ 4,095,000 | \$ 6,150,082 |
| Financing Corp., 9.4%, 2018 | 3,085,000 | 4,440,546 |
| Financing Corp., 9.8%, 2018 | 4,350,000 | 6,425,685 |
| Financing Corp., 10.35%, 2018 | 6,820,000 | 10,455,837 |
| Financing Corp., STRIPS, 0%, 2017 | 5,000,000 | 4,484,005 |
| | | \$ 31,956,155 |
| Asset-Backed & Securitized 4.4% | | |
| Citigroup Commercial Mortgage Trust, FRN, 5.886%, 2049 | \$ 1,000,000 | \$ 1,078,889 |
| Citigroup/Deutsche Bank Commercial Mortgage Trust, 5.322%, 2049 | 1,200,000 | 1,246,661 |
| Commercial Mortgage Pass-Through Certificates, A4, 5.306%, 2046 | 1,366,646 | 1,452,794 |
| Credit Suisse Mortgage Capital Certificate, 5.311%, 2039 | 500,000 | 534,717 |
| CWCapital LLC, 5.223%, 2048 | 1,000,000 | 1,065,073 |
| JPMorgan Chase Commercial Mortgage Securities Corp., 5.42%, 2049 | 1,000,000 | 1,058,993 |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.004%, 2049 | 1,000,000 | 1,057,166 |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.185%, 2051 | 754,902 | 801,902 |
| Prudential Securities Secured Financing Corp., FRN, 7.318%, 2013 (z) | 1,819,000 | 1,747,422 |
| | | \$ 10,043,617 |
| Cable TV 0.5% | | |
| Time Warner Cable, Inc., 8.25%, 2019 | \$ 1,000,000 | \$ 1,266,188 |
| Chemicals 0.3% | | |
| Dow Chemical Co., 8.55%, 2019 | \$ 500,000 | \$ 649,692 |
| Computer Software - Systems 0.3% | | |
| International Business Machines Corp., 8%, 2038 | \$ 500,000 | \$ 739,839 |
| Energy - Integrated 0.0% | | |
| Hess Corp., 8.125%, 2019 | \$ 30,000 | \$ 39,135 |
| Food & Beverages 0.9% | | |
| Anheuser-Busch InBev S.A., 7.75%, 2019 | \$ 750,000 | \$ 987,101 |
| Kraft Foods, Inc., 6.125%, 2018 | 960,000 | 1,141,351 |
| | | \$ 2,128,452 |
| Local Authorities 1.3% | | |
| Nashville & Davidson County, TN, Metropolitan Government Convention Center Authority (Build America Bonds), 6.731%, 2043 | \$ 580,000 | \$ 646,236 |
| New Jersey Turnpike Authority Rev. (Build America Bonds), F, 7.414%, 2040 | 32,000 | 41,329 |
| San Francisco, CA, City & County Public Utilities Commission, Water Rev. (Build America Bonds), 6%, 2040 | 1,650,000 | 1,818,927 |
| University of California Rev. (Build America Bonds), 5.77%, 2043 | 450,000 | 488,322 |

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

\$ 2,994,814

Major Banks 0.4%

| | | |
|--|------------|------------|
| Bank of America Corp., 7.625%, 2019 | \$ 170,000 | \$ 192,036 |
| Merrill Lynch & Co., Inc., 6.05%, 2016 | 750,000 | 757,441 |

\$ 949,477

Mortgage-Backed 38.7%

| | | |
|-----------------------------|-----------|-----------|
| Fannie Mae, 4.719%, 2012 | \$ 96,776 | \$ 98,882 |
| Fannie Mae, 4.542%, 2013 | 928,136 | 963,262 |
| Fannie Mae, 5%, 2013 - 2040 | 4,041,068 | 4,326,615 |
| Fannie Mae, 5.06%, 2013 | 366,689 | 375,150 |
| Fannie Mae, 5.37%, 2013 | 970,564 | 1,004,219 |
| Fannie Mae, 4.77%, 2014 | 452,597 | 487,595 |

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

MFS Government Markets Income Trust

PORTFOLIO OF INVESTMENTS (unaudited) 8/31/11 - continued

| Issuer | Shares/Par | Value (\$) |
|---|--------------|---------------|
| Bonds continued | | |
| U.S. Bonds continued | | |
| Mortgage-Backed continued | | |
| Fannie Mae, 4.842%, 2014 | 2,595,338 | \$ 2,787,068 |
| Fannie Mae, 5.1%, 2014 | 490,962 | 532,990 |
| Fannie Mae, 4.7%, 2015 | 446,856 | 486,704 |
| Fannie Mae, 4.74%, 2015 | 363,250 | 397,051 |
| Fannie Mae, 4.78%, 2015 | 506,795 | 556,666 |
| Fannie Mae, 4.815%, 2015 | 534,213 | 585,644 |
| Fannie Mae, 4.82%, 2015 | 900,302 | 980,934 |
| Fannie Mae, 4.85%, 2015 | 319,278 | 348,186 |
| Fannie Mae, 4.86%, 2015 | 147,071 | 160,040 |
| Fannie Mae, 4.87%, 2015 | 337,896 | 370,249 |
| Fannie Mae, 4.89%, 2015 | 378,855 | 414,048 |
| Fannie Mae, 5.465%, 2015 | 838,048 | 934,683 |
| Fannie Mae, 5.09%, 2016 | 500,000 | 558,096 |
| Fannie Mae, 5.424%, 2016 | 737,796 | 826,332 |
| Fannie Mae, 5.845%, 2016 | 306,423 | 335,786 |
| Fannie Mae, 6.5%, 2016 - 2037 | 3,483,482 | 3,952,987 |
| Fannie Mae, 5.05%, 2017 | 514,380 | 574,515 |
| Fannie Mae, 5.3%, 2017 | 565,154 | 635,111 |
| Fannie Mae, 5.5%, 2017 - 2037 | 24,845,961 | 27,339,146 |
| Fannie Mae, 6%, 2017 - 2037 | 7,097,829 | 7,884,583 |
| Fannie Mae, 4.88%, 2020 | 259,776 | 285,390 |
| Fannie Mae, 4.5%, 2041 | 1,818,629 | 1,931,842 |
| Freddie Mac, 5%, 2016 - 2040 | 9,396,393 | 10,150,208 |
| Freddie Mac, 6%, 2021 - 2038 | 3,531,916 | 3,942,575 |
| Freddie Mac, 4.5%, 2024 | 809,929 | 863,184 |
| Freddie Mac, 5.5%, 2024 - 2036 | 5,362,604 | 5,894,503 |
| Freddie Mac, 6.5%, 2037 | 1,090,193 | 1,232,481 |
| Ginnie Mae, 5.5%, 2033 - 2038 | 4,276,324 | 4,795,396 |
| Ginnie Mae, 5.612%, 2058 | 1,060,397 | 1,131,135 |
| Ginnie Mae, 6.357%, 2058 | 896,445 | 967,811 |
| | | \$ 89,111,067 |
| Municipals 0.6% | | |
| Minnesota Public Facilities Authority, Revolving Fund Rev., C, 5%, 2020 | \$ 1,090,000 | \$ 1,341,191 |
| Natural Gas - Pipeline 0.5% | | |
| Energy Transfer Partners LP, 8.5%, 2014 | \$ 21,000 | \$ 24,264 |
| Kinder Morgan Energy Partners, 6.85%, 2020 | 1,000,000 | 1,181,223 |
| | | \$ 1,205,487 |
| Network & Telecom 0.3% | | |
| Verizon Communications, Inc., 8.75%, 2018 | \$ 449,000 | \$ 608,188 |
| Other Banks & Diversified Financials 0.5% | | |
| Capital One Financial Corp., 8.8%, 2019 | \$ 280,000 | \$ 345,745 |
| Citigroup, Inc., 8.5%, 2019 | 94,000 | 114,894 |
| UBS Preferred Funding Trust V, 6.243% to 2016, FRN to 2049 | 750,000 | 675,000 |

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

\$ 1,135,639

Pollution Control 0.5%

Allied Waste North America, Inc., 6.875%, 2017 \$ 1,000,000 \$ 1,077,500

Real Estate 0.4%

Simon Property Group, Inc., REIT, 5.875%, 2017 \$ 750,000 \$ 855,350

Retailers 0.4%

Staples, Inc., 9.75%, 2014 \$ 750,000 \$ 879,099

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

MFS Government Markets Income Trust

PORTFOLIO OF INVESTMENTS (unaudited) 8/31/11 - continued

| Issuer | Shares/Par | Value (\$) |
|---|--------------|----------------|
| Bonds continued | | |
| U.S. Bonds continued | | |
| Tobacco 0.8% | | |
| Altria Group, Inc., 9.7%, 2018 | \$ 500,000 | \$ 660,810 |
| Altria Group, Inc., 9.25%, 2019 | 250,000 | 330,301 |
| Lorillard Tobacco Co., 8.125%, 2019 | 796,000 | 956,613 |
| | | \$ 1,947,724 |
| U.S. Government Agencies and Equivalents 2.6% | | |
| Aid-Egypt, 4.45%, 2015 | 1,755,000 | \$ 1,990,468 |
| Small Business Administration, 6.35%, 2021 | 459,863 | 505,985 |
| Small Business Administration, 6.34%, 2021 | 398,936 | 439,326 |
| Small Business Administration, 6.44%, 2021 | 416,481 | 459,762 |
| Small Business Administration, 6.625%, 2021 | 490,504 | 543,463 |
| Small Business Administration, 5.52%, 2024 | 734,858 | 795,784 |
| U.S. Department of Housing & Urban Development, 6.36%, 2016 | 1,038,000 | 1,046,448 |
| U.S. Department of Housing & Urban Development, 6.59%, 2016 | 299,000 | 300,732 |
| | | \$ 6,081,968 |
| U.S. Treasury Obligations 20.7% | | |
| U.S. Treasury Bonds, 5.25%, 2029 | \$ 1,448,000 | \$ 1,870,409 |
| U.S. Treasury Bonds, 4.75%, 2037 | 2,000,000 | 2,432,500 |
| U.S. Treasury Bonds, 4.375%, 2038 | 6,580,000 | 7,554,663 |
| U.S. Treasury Bonds, 4.5%, 2039 | 3,183,100 | 3,718,259 |
| U.S. Treasury Notes, 1.375%, 2013 | 4,711,000 | 4,788,656 |
| U.S. Treasury Notes, 4%, 2015 | 4,140,000 | 4,641,329 |
| U.S. Treasury Notes, 2.625%, 2016 | 4,499,000 | 4,866,303 |
| U.S. Treasury Notes, 4.75%, 2017 (f) | 3,389,000 | 4,076,066 |
| U.S. Treasury Notes, 2.625%, 2018 | 702,000 | 754,650 |
| U.S. Treasury Notes, 2.75%, 2019 | 6,894,000 | 7,437,978 |
| U.S. Treasury Notes, 3.125%, 2019 | 2,834,000 | 3,129,799 |
| U.S. Treasury Notes, 3.5%, 2020 | 2,084,000 | 2,345,646 |
| | | \$ 47,616,258 |
| Total U.S. Bonds | | \$ 202,626,840 |
| Foreign Bonds 7.8% | | |
| Brazil 2.3% | | |
| Banco do Brasil (Cayman Branch), 6%, 2020 (n) | \$ 100,000 | \$ 111,000 |
| Banco do Brasil S.A., 5.875%, 2022 (n) | 1,231,000 | 1,234,078 |
| Banco do Nordeste do Brasil (BNB), 3.625%, 2015 (n) | 253,000 | 253,000 |
| BNDES Participacoes S.A., 6.5%, 2019 (n) | 475,000 | 542,688 |
| Federative Republic of Brazil, 11%, 2040 | 183,000 | 251,442 |
| Federative Republic of Brazil, 5.625%, 2041 | 323,000 | 360,145 |
| Net Servicos de Comunicacao S.A., 7.5%, 2020 | 226,000 | 262,725 |
| Petrobras International Finance Co., 5.375%, 2021 | 1,157,000 | 1,239,147 |
| Petrobras International Finance Co., 7.875%, 2019 | 453,000 | 550,848 |
| Vale Overseas Ltd., 6.875%, 2039 | 165,000 | 188,876 |

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

| | | |
|--|---------|---------|
| Vale Overseas Ltd., 4.625%, 2020 | 104,000 | 106,271 |
| Votorantim Participacoes S.A., 6.75%, 2021 (n) | 125,000 | 130,781 |

\$ 5,231,001

Canada 0.9%

| | | |
|---|--------------|--------------|
| Rogers Communications, Inc., 6.8%, 2018 | \$ 1,000,000 | \$ 1,221,084 |
| Talisman Energy, Inc., 7.75%, 2019 | 650,000 | 817,164 |

\$ 2,038,248

Chile 0.4%

| | | |
|--|------------|------------|
| Corporacion Nacional del Cobre de Chile, 3.75%, 2020 (n) | \$ 209,000 | \$ 210,283 |
|--|------------|------------|

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

MFS Government Markets Income Trust

PORTFOLIO OF INVESTMENTS (unaudited) 8/31/11 - continued

| Issuer | Shares/Par | Value (\$) |
|---|------------|--------------|
| Bonds continued | | |
| Foreign Bonds continued | | |
| Chile continued | | |
| Empresa Nacional del Petroleo, 6.25%, 2019 | \$ 214,000 | \$ 238,193 |
| Sociedad Quimica y Minera de Chile S.A., 6.125%, 2016 | 429,000 | 471,676 |
| | | \$ 920,152 |
| China 0.1% | | |
| CNPC (HK) Overseas Capital Ltd., 4.5%, 2021 (n) | \$ 226,000 | \$ 228,965 |
| Iceland 0.3% | | |
| Republic of Iceland, 4.875%, 2016 (n) | \$ 804,000 | \$ 793,552 |
| Italy 0.1% | | |
| UniCredito Luxembourg Finance S.A., 6%, 2017 (n) | \$ 200,000 | \$ 162,954 |
| Kazakhstan 0.3% | | |
| Development Bank of Kazakhstan, 5.5%, 2015 (n) | \$ 646,000 | \$ 665,380 |
| Luxembourg 0.0% | | |
| ArcelorMittal, 9.85%, 2019 | \$ 33,000 | \$ 40,376 |
| Malaysia 0.2% | | |
| Petronas Capital Ltd., 7.875%, 2022 | \$ 370,000 | \$ 493,883 |
| Mexico 0.5% | | |
| Pemex Project Funding Master Trust, 5.75%, 2018 | \$ 160,000 | \$ 178,077 |
| Petroleos Mexicanos, 8%, 2019 | 228,000 | 287,622 |
| Petroleos Mexicanos, 6%, 2020 | 404,000 | 458,136 |
| Petroleos Mexicanos, 5.5%, 2021 | 100,000 | 108,850 |
| Petroleos Mexicanos, 5.5%, 2021 (n) | 30,000 | 32,655 |
| | | \$ 1,065,340 |
| Peru 0.2% | | |
| Republic of Peru, 8.75%, 2033 | \$ 180,000 | \$ 267,300 |
| Southern Copper Corp., 6.75%, 2040 | 117,000 | 123,559 |
| | | \$ 390,859 |
| Poland 0.0% | | |
| Republic of Poland, 5.125%, 2021 | \$ 92,000 | \$ 95,680 |
| Portugal 0.0% | | |
| EDP Finance B.V., 6%, 2018 (n) | \$ 100,000 | \$ 83,855 |
| Russia 1.5% | | |
| Gaz Capital S.A., 8.125%, 2014 (n) | \$ 509,000 | \$ 570,716 |
| LUKOIL International Finance B.V., 6.125%, 2020 (n) | 810,000 | 828,687 |

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

| | | |
|---|---------|---------|
| OJSC Russian Agricultural Bank, FRN, 6%, 2021 (n) | 447,000 | 439,669 |
| SCF Capital Ltd., 5.375%, 2017 (n) | 447,000 | 439,178 |
| VEB Finance Ltd., 6.902%, 2020 (n) | 593,000 | 641,152 |
| VTB Capital S.A., 6.465%, 2015 (n) | 154,000 | 160,930 |
| VTB Capital S.A., 6.551%, 2020 (n) | 395,000 | 397,449 |

\$ 3,477,781

South Africa 0.7%

| | | |
|--|------------|------------|
| Gold Fields Ltd., 4.875%, 2020 (n) | \$ 964,000 | \$ 919,483 |
| Myriad International Holdings B.V., 6.375%, 2017 (n) | 174,000 | 187,050 |
| Republic of South Africa, 5.5%, 2020 | 140,000 | 159,530 |
| Republic of South Africa, 6.25%, 2041 | 344,000 | 404,200 |

\$ 1,670,263

United Kingdom 0.3%

| | | |
|---------------------------------|------------|------------|
| Diageo Capital PLC, 5.75%, 2017 | \$ 520,000 | \$ 611,190 |
|---------------------------------|------------|------------|

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

MFS Government Markets Income Trust

PORTFOLIO OF INVESTMENTS (unaudited) 8/31/11 - continued

| Issuer | Shares/Par | Value (\$) |
|---|------------|-----------------------|
| Bonds continued | | |
| Foreign Bonds continued | | |
| Total Foreign Bonds | | \$ 17,969,479 |
| Total Bonds | | \$ 220,596,319 |
| Money Market Funds (v) 3.6% | | |
| MFS Institutional Money Market Portfolio, 0.08%, at Net Asset Value | 8,381,670 | \$ 8,381,670 |
| Total Investments | | \$ 228,977,989 |
| Other Assets, Less Liabilities 0.6% | | 1,384,572 |
| Net Assets 100.0% | | \$ 230,362,561 |

- (f) All or a portion of the security has been segregated as collateral for open futures contracts.
- (n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was \$9,033,505 representing 3.9% of net assets.
- (v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted is the annualized seven-day yield of the fund at period end.
- (z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

| Restricted Securities | Acquisition Date | Cost | Value |
|--|------------------|--------------|--------------|
| Prudential Securities Secured Financing Corp., FRN, 7.318%, 2013 | 12/06/04 | \$ 1,861,645 | \$ 1,747,422 |

% of Net assets

0.8%

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 at period end.

PLC Public Limited Company

REIT Real Estate Investment Trust

STRIPS Separate Trading of Registered Interest and Principal of Securities

See attached supplemental information. For more information see notes to financial statements as disclosed in the most recent semiannual or annual report.

MFS Government Markets Income Trust

Supplemental Information (Unaudited) 8/31/11

(1) Investment Valuations

Debt instruments and floating rate loans (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Futures contracts are generally valued at last posted settlement price as provided by a third-party pricing service on the market on which they are primarily traded. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation as provided by a third-party pricing service on the market on which such futures contracts are primarily traded. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as futures. The following is a summary of the levels used as of August 31, 2011 in valuing the fund's assets or liabilities:

| Investments at Value | Level 1 | Level 2 | Level 3 | Total |
|--|---------------------|-----------------------|-----------|-----------------------|
| U.S. Treasury Bonds & U.S. Government Agency & Equivalents | \$ | \$ 85,654,381 | \$ | \$ 85,654,381 |
| Non-U.S. Sovereign Debt | | 11,813,748 | | 11,813,748 |
| Municipal Bonds | | 1,341,191 | | 1,341,191 |
| Corporate Bonds | | 16,476,584 | | 16,476,584 |
| Residential Mortgage-Backed Securities | | 89,111,067 | | 89,111,067 |
| Commercial Mortgage-Backed Securities | | 10,043,617 | | 10,043,617 |
| Foreign Bonds | | 6,155,731 | | 6,155,731 |
| Mutual Funds | 8,381,670 | | | 8,381,670 |
| Total Investments | \$ 8,381,670 | \$ 220,596,319 | \$ | \$ 228,977,989 |

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

Other Financial Instruments

| | | | | | | | | |
|---------|----|--------|----|--|----|--|----|--------|
| Futures | \$ | 42,874 | \$ | | \$ | | \$ | 42,874 |
|---------|----|--------|----|--|----|--|----|--------|

For further information regarding security characteristics, see the Portfolio of Investments.

MFS Government Markets Income Trust**Supplemental Information (Unaudited) 8/31/11 - continued****(2) Portfolio Securities**

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

| | |
|--|----------------|
| Aggregate cost | \$ 210,084,212 |
| Gross unrealized appreciation | \$ 19,428,227 |
| Gross unrealized depreciation | (534,450) |
| Net unrealized appreciation (depreciation) | \$ 18,893,777 |

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

(3) Derivative Contracts at 8/31/11**Futures Contracts outstanding at 8/31/11**

| Description | Currency | Contracts | Value | Expiration Date | Unrealized Appreciation (Depreciation) |
|----------------------------------|----------|-----------|--------------|-----------------|--|
| Asset Derivatives | | | | | |
| <i>Interest Rate Futures</i> | | | | | |
| U.S. Treasury Note 10 yr (Short) | USD | 67 | \$ 8,645,094 | December-2011 | \$ 812 |
| U.S. Treasury Bond 30 yr (Short) | USD | 47 | 6,393,469 | December-2011 | 42,062 |
| | | | | | \$ 42,874 |

At August 31, 2011, the fund had sufficient cash and/or other liquid securities to cover any commitments under these derivative contracts.

(4) Transactions in Underlying Affiliated Funds-Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be affiliated issuers:

| Underlying Affiliated Funds | Beginning Shares/Par Amount | Acquisitions Shares/Par Amount | Dispositions Shares/Par Amount | Ending Shares/Par Amount |
|--|-----------------------------|--------------------------------|--------------------------------|--------------------------|
| MFS Institutional Money Market Portfolio | 4,478,377 | 38,062,185 | (34,158,892) | 8,381,670 |
| Underlying Affiliated Funds | Realized Gain (Loss) | Capital Gain Distributions | Dividend Income | Ending Value |
| MFS Institutional Money Market Portfolio | \$ | \$ | \$ 5,567 | \$ 8,381,670 |

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, as amended, 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. DIORIODWYER
Maria F. DiOrioDwyer, President

Date: October 17, 2011

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. DIORIODWYER
Maria F. DiOrioDwyer, President
(Principal Executive Officer)

Date: October 17, 2011

By (Signature and Title)* JOHN M. CORCORAN
John M. Corcoran, Treasurer

(Principal Financial Officer

and Accounting Officer)

Date: October 17, 2011

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