

Global Sovereign Credit Risk Report

2nd Quarter 2010

3M Libor vs 6M Libor	20-Jun-2015	63 / 64	2,000,000
3M Libor vs 3M Libor	20-Jun-2015	227 / 237	2,500,000
CDSSN EUR France Telecom Sen EUR 5Y	20-Jun-2015	85 / 90	1,000,000
CDSSN EUR GKN Holdings Plc Sen EUR 5Y	20-Jun-2012	518 / 538	1,000,000
CDSSN USD Capital One Bank Sen USD 5Y	20-Dec-2013	518 / 538	2,000,000
CDSSN EUR British Airways Plc Sen EUR 5Y	20-Jun-2015	85 / 90	60,000,000
CDSSN USD Kroger Co Sen USD 5Y	29-Aug-2012	3.58% / 3.63%	1,000,000
CDSSN GBP SONIA vs 6M Libor	20-Jun-2015	590 / 610	1,000,000
CDSSN EUR UPC Holding BV Sen EUR 5Y	20-Dec-2013	127 / 132	1,000,000
CDSSN USD Whirlpool Corp. Sen USD 5Y	20-Jun-2012	43% / 45%	2,000,000
CDSSN EUR BCM Ireland Finance Ltd Sen EUR 5Y	20-Dec-2011	63 / 68	1,000,000
CDSSN USD American Electric Power Sen USD 5Y	20-Jun-2015	63 / 68	7,500,000
CDSSN EUR Cognis GmbH Sen EUR 5Y	20-Jun-2012	187 / 192.5	2,000,000
CDSSN USD Weyerhaeuser Co Sen USD 5Y	20-Jun-2012	65 / 70	7,500,000
CDSSN USD CVS Caremark Sen USD 5Y	20-Jun-2012	144.25 / 149.25	4,500,000
CDSSN USD Xerox Corp. Sen USD 5Y	20-Jun-2012	144.25 / 149.25	4,500,000
IRCF USD 3M Libor 4.65% Cap	12-Jun-2013	19.5 / 21.5	2,000,000
CDSSN USD Comcast Corp. Sen USD 5Y	20-Jun-2015	74 / 79	2,000,000
CDSSN USD Sempra Energy Sen USD 5Y	20-Jun-2015	74 / 79	5,000,000
CDSSN USD XL Capital Limited Sen USD 5Y	20-Jun-2011	175 / 185	10,000,000
IRCF INR 12M Libor vs Fixed 9.25% Payer	12-Apr-2016	3.72% / 3.78%	44,500,000
CDSSN USD 3M Penna. Gov. Sen USD 5Y	20-Jun-2015	203 / 213	5,000,000
CDSSN EUR Vici Acquisitions Corp. A. Sen EUR 5	20-Jun-2014	203 / 213	2,000,000
IRS USD 2M Libor vs Fixed	20-Jun-2013	0.958 / 0.993	2,000,000
CDSSN USD Transocean Ltd. Sen USD 5Y	20-Dec-2011	246.25 / 253.75	2,000,000
CDSSN USD RR Donnelley Sen USD 5Y	20-Jun-2015	246.25 / 253.75	1,000,000
CDSSN EUR 3M Libor vs Fixed 2.25% Payer	20-Jun-2015	246.25 / 253.75	15,000,000
CDSSN USD 3M Libor vs Fixed	20-Jun-2014	8% / 9%	7,500,000
CDSSN EUR 3M Libor 3.45% Floor	20-Jun-2014	8% / 9%	10,000,000
CDSSN USD Alcoa Inc. Sen USD 5Y	14-Nov-2013	15.1 / 15.7	65,000,000
CDSSN EUR 6M Libor vs Fixed	20-Dec-2013	339 / 349	7,500,000
CDSSN EUR ITV plc Sen EUR 5Y	18-Jul-2014	0.932 / 0.942	150,000,000
CDSSN USD AT&T Inc. Sen USD 5Y	20-Jun-2014	243.75 / 261.25	7,500,000
XIRSSWP CHF ORF EUR	20-Jun-2012	85 / 90	7,500,000
FXPWD CHF ORF EUR	18-Jun-2013	85 / 90	7,500,000
CDSSN EUR 3M Libor vs Fixed	20-Jun-2014	7.69 / 7.54	100,000,000
CDSSN EUR 3M Libor vs Fixed	20-Jun-2014	1.34% / 1.341%	4,000,000
CDSSN EUR 3M Libor vs Fixed	20-Jun-2014	275 / 300	15,000,000

Contents

Data: Methodology and Definitions	3
Changes in CMA Sovereign Debt Coverage	3
The World's Riskiest Sovereign Debt	Error! Bookmark not defined.
The World's Safest Sovereign Debt	5
Best Quarterly Performances – Percentage Change	6
Worst Quarterly Performances – Percentage Change	7
Regional Focus: UK & USA	8
Regional Focus: Western Europe	9
Regional Focus: Emerging Europe	11
Regional Focus: Scandinavia & The Nordic Region	12
Regional Focus: Middle East & North Africa	13
Regional Focus: Asia	14
Regional Focus: Australia and New Zealand	15
Regional Focus: Central and South America	16
Global Ranking by CPD	17
About CMA & Contact Details	19
Usage, redistribution and publication of data	20

Data: Methodology and Definitions

This paper focuses on changes in the risk profile of sovereign debt issuers, with the intention to identify trends and drivers of change.

We have divided world debt risk into eight regions: US & UK, Western Europe, Emerging Europe, Scandinavia, Latin & South America, Middle East & Africa, Australasia and Asia. In addition to identifying themes within each of these regions, macro trends across the sovereign debt sector are also discussed.

CDS Values are calculated by CMA DataVision – an independent CDS pricing service based on data collected from CMA's consortium of over 30 swap market participants. CMA DataVision is the only CDS pricing service to provide independent, intraday price verification for single name CDS, indices and tranches. Unless otherwise stated, all CDS values will be the midpoint on the 5 year tenor and are based on [London closing values from 29th June, 2010](#). Record highs are determined by using closing values and do not factor in intra-day highs.

Cumulative Probability of Default (CPD) quantifies the probability of a country being unable to honour its debt obligations over a given time period. Unless otherwise stated, all stated values are for the 5 year CPD. CPD is calculated using an industry standard model fed with proprietary credit data from CMA DataVision.

Implied Ratings are calculated using a proprietary model developed by CMA and fed with CDS pricing data from CMA DataVision.

Data Access: CMA provides independent, intra-day pricing on over 1,500 single name CDS and CDS Indices. Widely used by risk managers, treasurers and researchers in financial institutions across the world, CDS data is available directly from CMA or via our strategic partners. For more information about how CMA can help you effectively monitor and manage your credit exposures please contact us via info@cmavision.com

Changes in CMA Sovereign Debt Coverage

Deletions:

No deletions to our sovereign coverage this quarter.

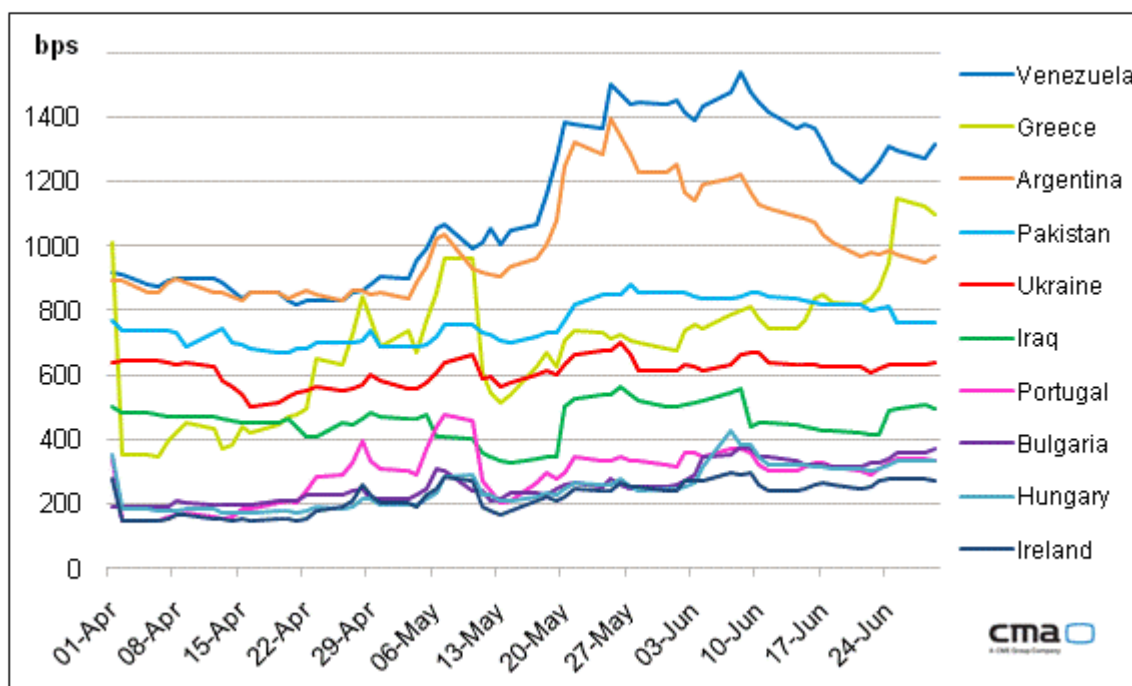
Additions:

This quarter, CMA has seen sufficient market activity to provide pricing on CDS referencing Dominican Republic, Guatemalan and Uruguayan sovereign debt.

Top 10 Most Risky

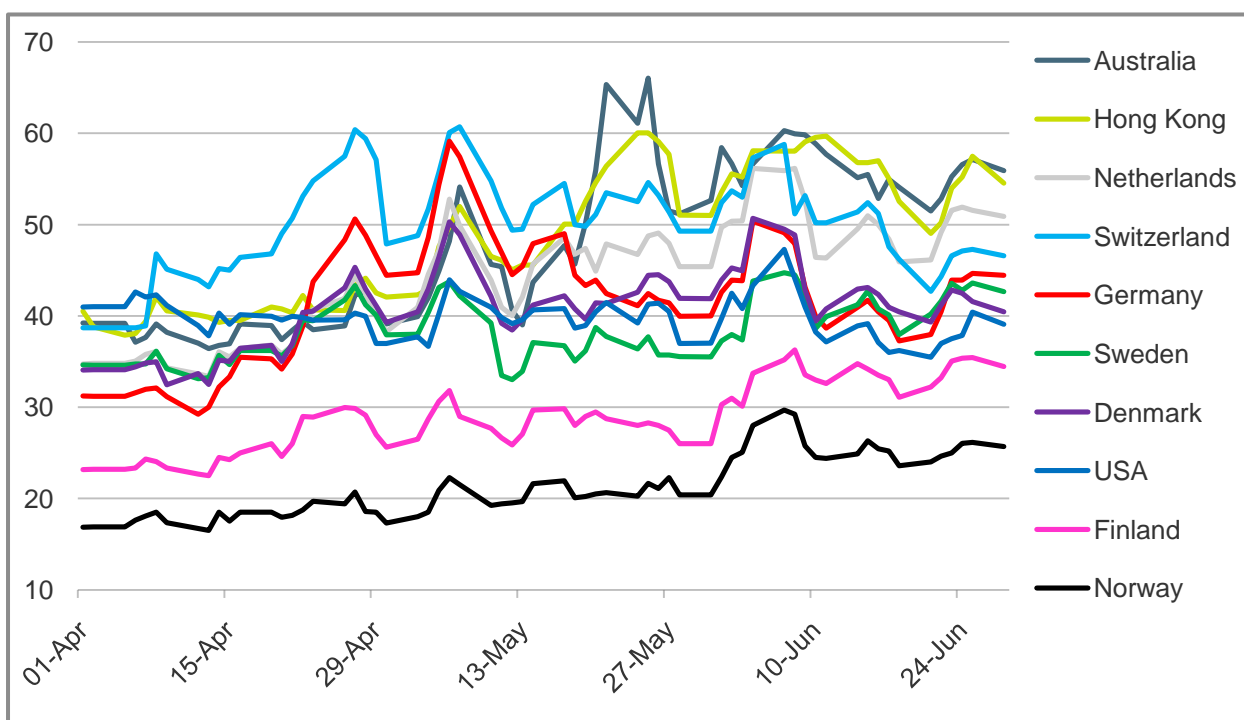
Position Q4	Country	5 Year CPD (%)	CMA Implied Rating	5 Year CDS Mid (bps)	Previous Ranking
1	Venezuela	58.7%	CMA_ccc-	1316.22	1 (No Change)
2	Greece	55.4%	CMA_ccc	1013	7 (Down 4)
3	Argentina	47.9%	CMA_ccc+	969.59	2 (Up 1)
4	Pakistan	39.0%	CMA_b	768.5	3 (Up 1)
5	Ukraine	35.9%	CMA_b	638.46	4 (Up 1)
6	Iraq	29.1%	CMA_b+	502.3	5 (Up 1)
7	Portugal	24.9%	CMA_bb-	336.98	New Entry
8	Bulgaria	22.9%	CMA_bb-	369.3	New Entry
9	Hungary	22.1%	CMA_bb	355.01	New Entry
10	Ireland	58.7%	CMA_bb	1316.22	New Entry

Note: CPD is a function of the markets recovery level which varies according to several factors and distance to default.



The World's Safest Sovereign Debt

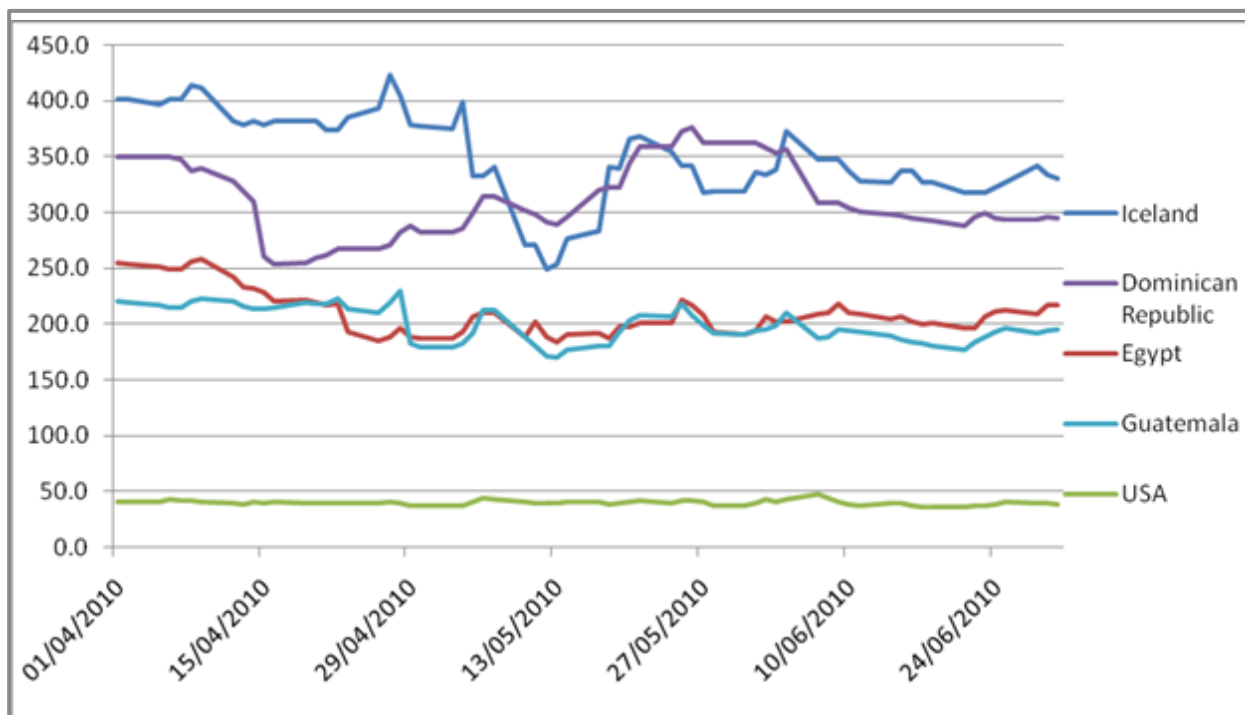
Position Q1	Country	5 Year CPD (%)	CMA Implied Rating	5 Year CDS Mid (bps)	Previous Ranking
1	Norway	2.4	CMA_aaa	26.7	1 (No Change)
2	Finland	3.1	CMA_aaa	35.5	2 (No Change)
3	USA	3.5	CMA_aaa	40	10 (Up 7)
4	Denmark	3.8	CMA_aaa	43.2	5 (Up 1)
5	Sweden	3.9	CMA_aaa	43.7	4 (Down 1)
6	Germany	4.1	CMA_aaa	46.3	3 (Down 3)
7	Switzerland	4.3	CMA_aa+	48.4	8 (Up 1)
8	Netherlands	4.6	CMA_aa+	52.4	6 (Down 2)
9	Hong Kong	4.9	CMA_aa+	56.6	9 (No Change)
10	Australia	5.2	CMA_aa+	59.8	7 (Down 3)



- Once again, the lowest default risk remains geographically concentrated around Western and Northern Europe
- No changes to the constituents of the top 10 safest sovereign debt issuers this quarter

Best Quarterly Performances – Percentage Change

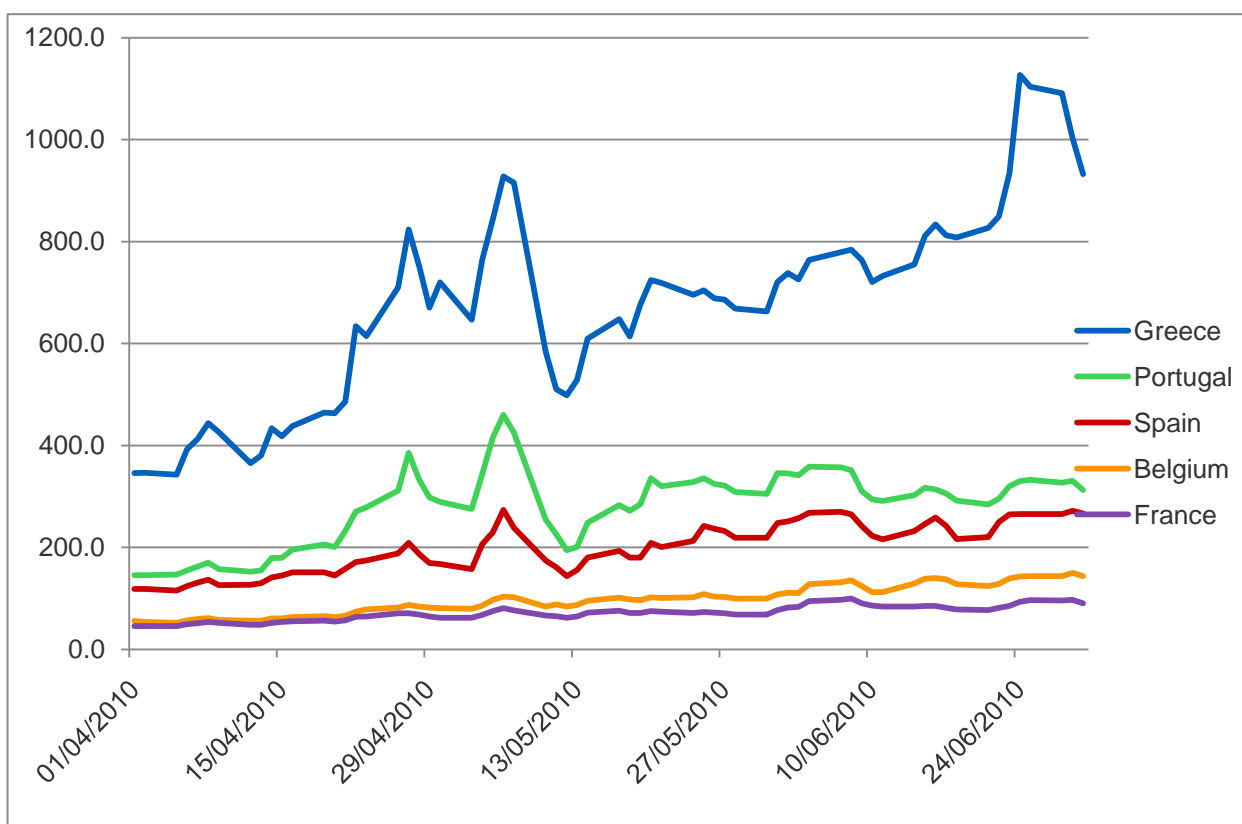
Country	5yr Mid 1 st April bps	5yr Mid June 29th bps	Change %
Iceland	401.7	333.4	-17.0
Dominican Republic	349.6	295.9	-15.3
Egypt	255	216.6	-15.0
Guatemala	220.1	194.3	-11.7
USA	41	40	-2.4



- Only 7% of the sovereign CDS that CMA tracks showed improvement this quarter

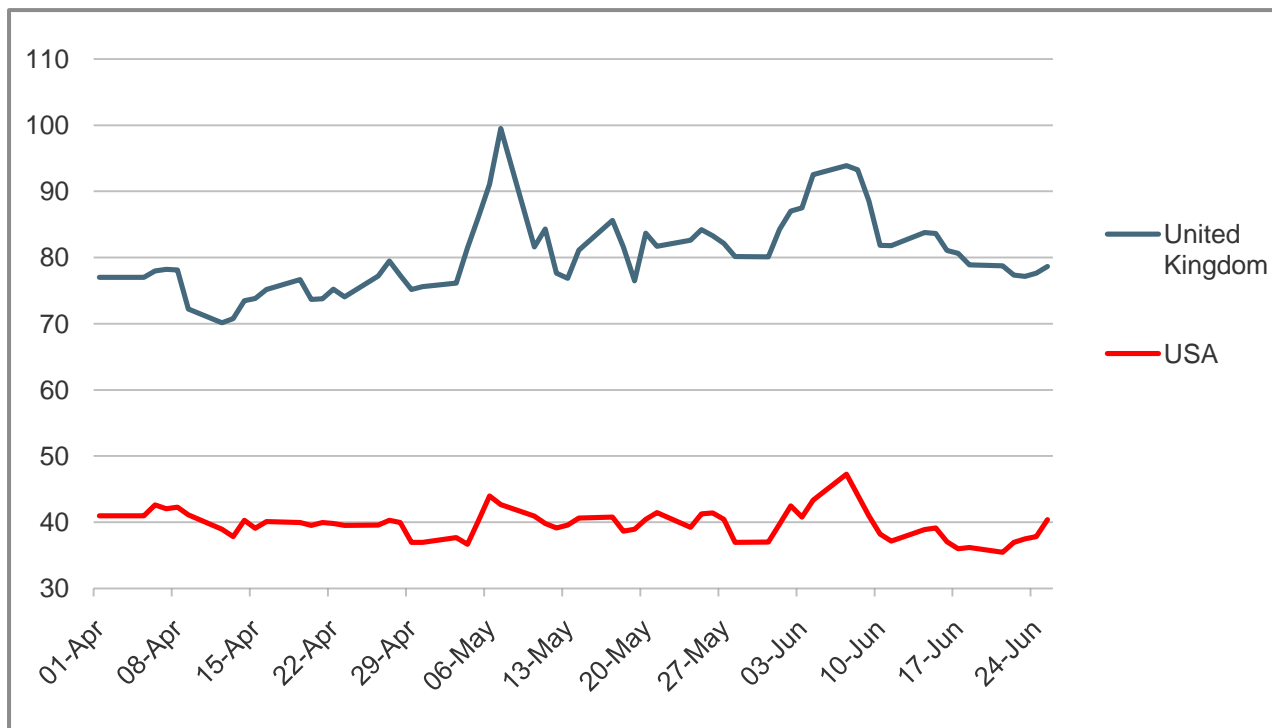
Worst Quarterly Performances – Percentage Change

Country	5yr Mid 1 st April bps	5yr Mid June 29 th bps	Change %
Greece	346	1003.4	190
Belgium	55.9	150.2	168.5
Spain	118.5	271.6	129.2
Portugal	145.4	330.6	127.3
France	45.9	97.5	112.3



- 93% of the sovereign CDS tracked by CMA widened over the second quarter with the cost of protection increasing by an average of 30%
- Greece, France and Portugal were also some of the weakest performers over the first quarter of the year.

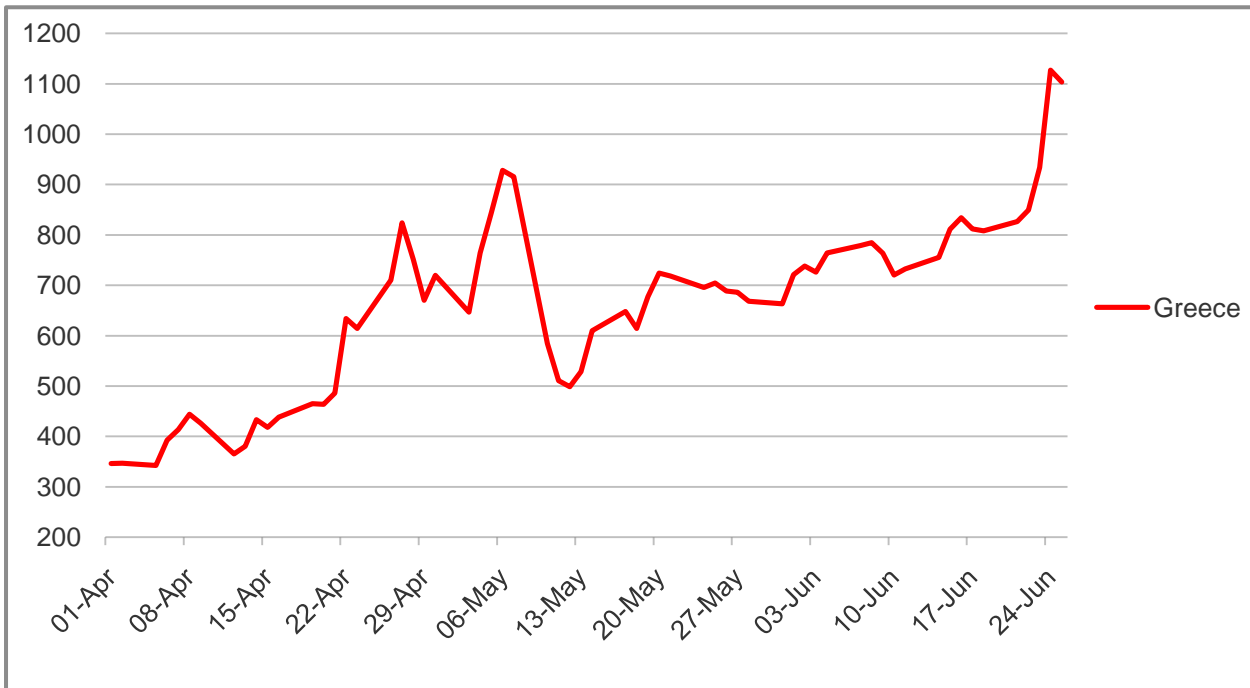
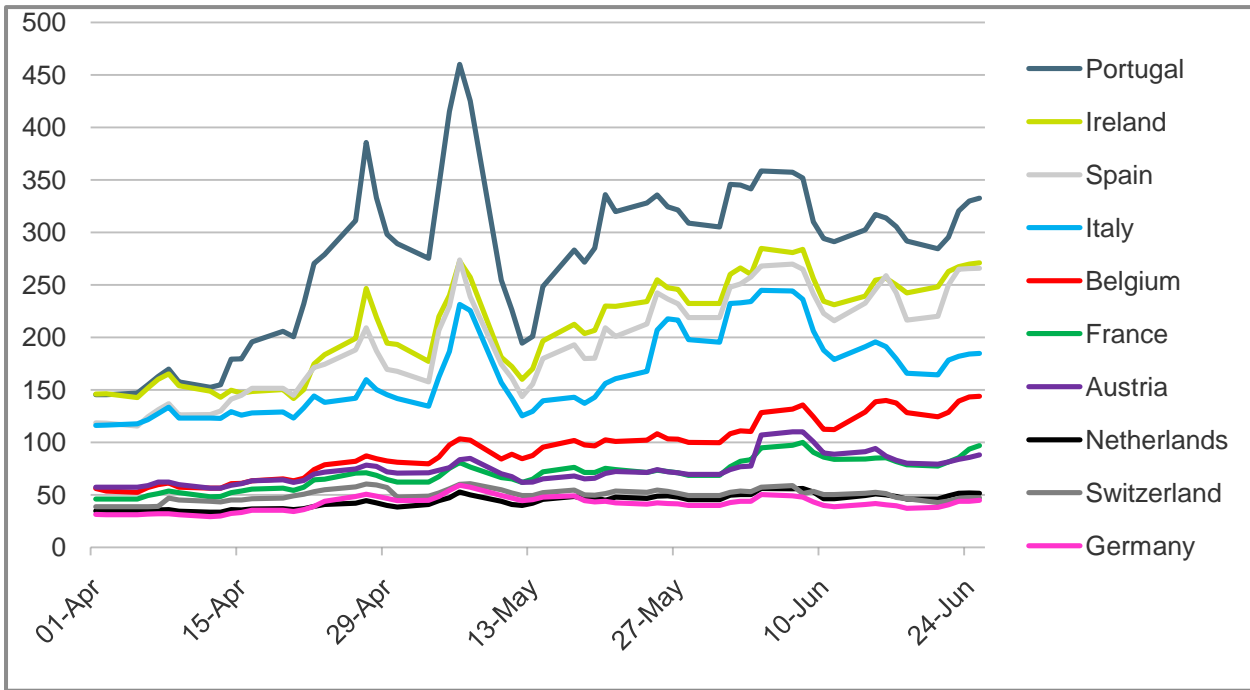
Regional Focus: UK & USA



Notes

- The U.S. has been one of only 8 sovereign CDS showing improvement over Q2, a modest 2.4% tighter
- The U.K. CDS has shown fairly little overall change this quarter, widening slightly by 2%.
- The new U.K. coalition government has announced a reduction in the scale of state spending and tax increases to help bring the U.K.'s public debt under control.
- Huge rally in U.S. Treasuries this quarter with the 10 year yield dropping under 3% - the first time for over a year.

Regional Focus: Western Europe



Notes on following page

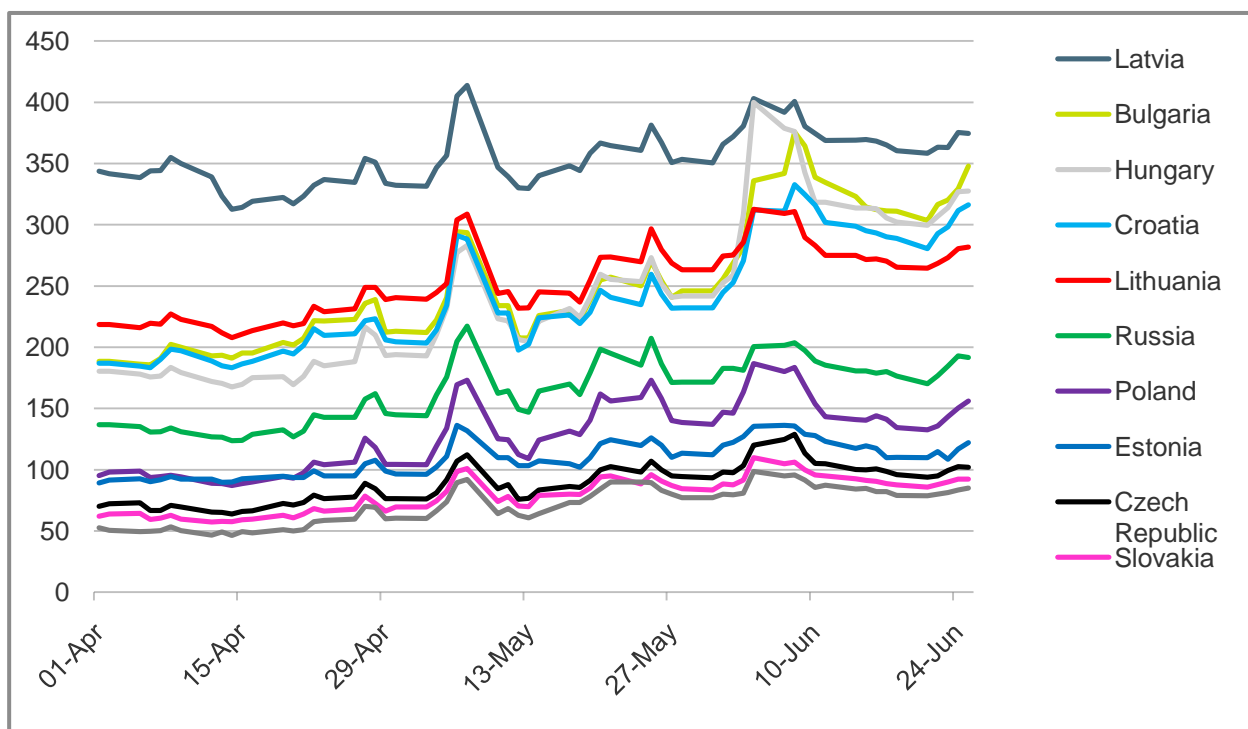
Notes

- Towards the end of the quarter Greece temporarily overtook Venezuela as the sovereign with the highest default probability and has been the worst performer this quarter globally.
- Many Eurozone sovereigns reached all time closing highs over this quarter:

Country	Record Closing High bps	Date
Spain	273.9	6 th May
Portugal	460	6 th May
Italy	244.7	4 th June
France	99.9	8 th June
Switzerland	65.6	10 th June
Greece	1126	24 th June

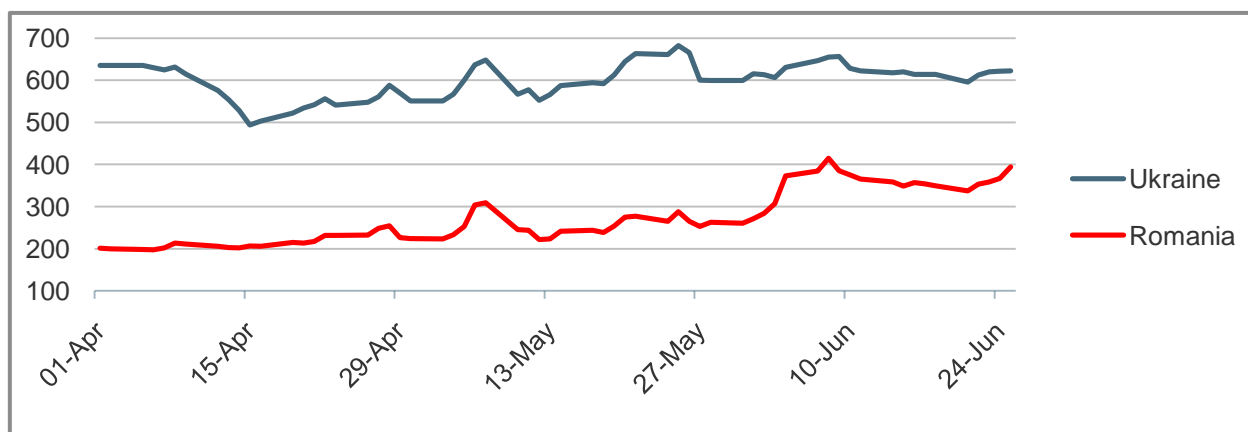
- The European Union has pledged € 750bn to help ease the region's escalating debt crisis
- All of the worst performers have come from Western Europe this quarter, with protection costs for the poorest performers more than doubling– Greece wider by a huge 190%, Belgium out by 168%, Spain out by 129%, Portugal widening 127% and France by 112%
- The major widening action in European sovereign credits indicates that the Eurozone remains the hub and focus of the global debt crisis- not a single Western European sovereign CDS has tightened this quarter
- In the wake of the Greek debt crisis, European governments discussed banning naked shorts on Sovereign CDS prompting the authors of a paper on sovereign CDS at Citi to famously comment that "You can't blame the mirror for your ugly face".
- Germany's unilateral ban on naked shorts on sovereign CDS and selected financials has not been followed by other European nations who, on the whole, have preferred to focus on austerity measures and to reduce debt to GDP ratios.

Regional Focus: Emerging Europe

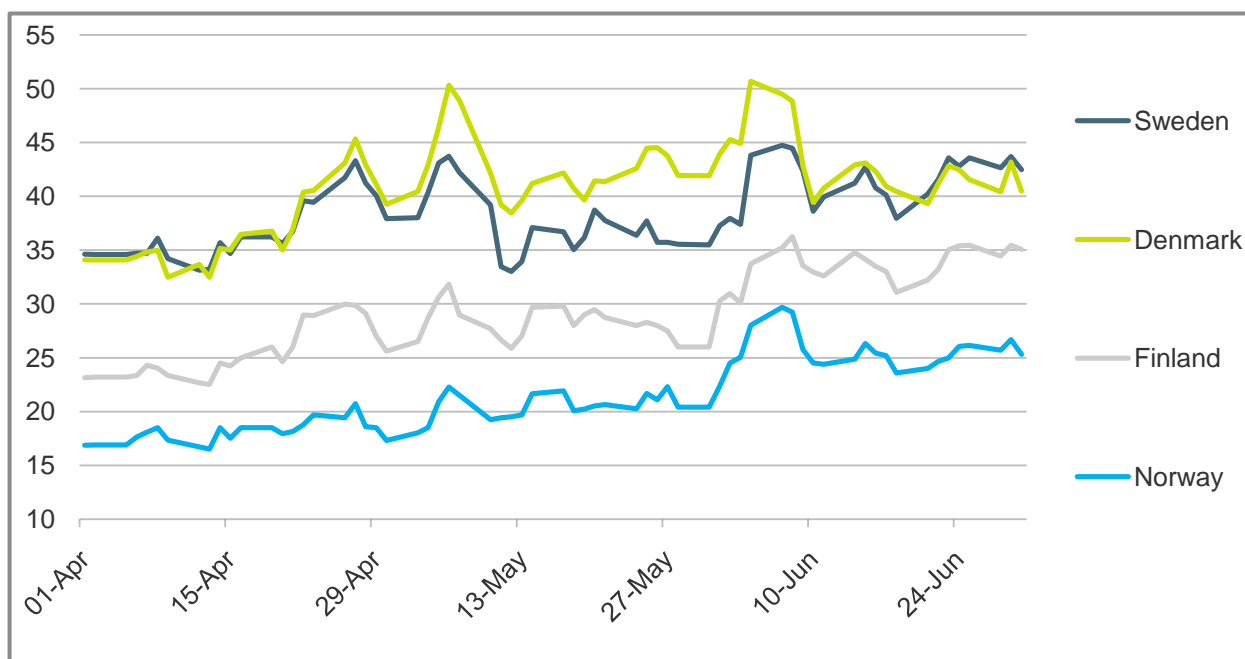


Notes

- Ukraine continues its tightening trend and was one of the region's best performers this quarter, tightening by 1%
- Romania, Hungary and Bulgaria have been the weakest performers in the region, widening by 105%, 95% and 93% respectively.
- Romania's Prime Minister survived a no confidence vote, clearing the way for a series of austerity measures and reforms
- Bulgaria and Croatia have performed similarly this quarter. Slovakia, Slovenia and the Czech Republic continue to follow each other closely.

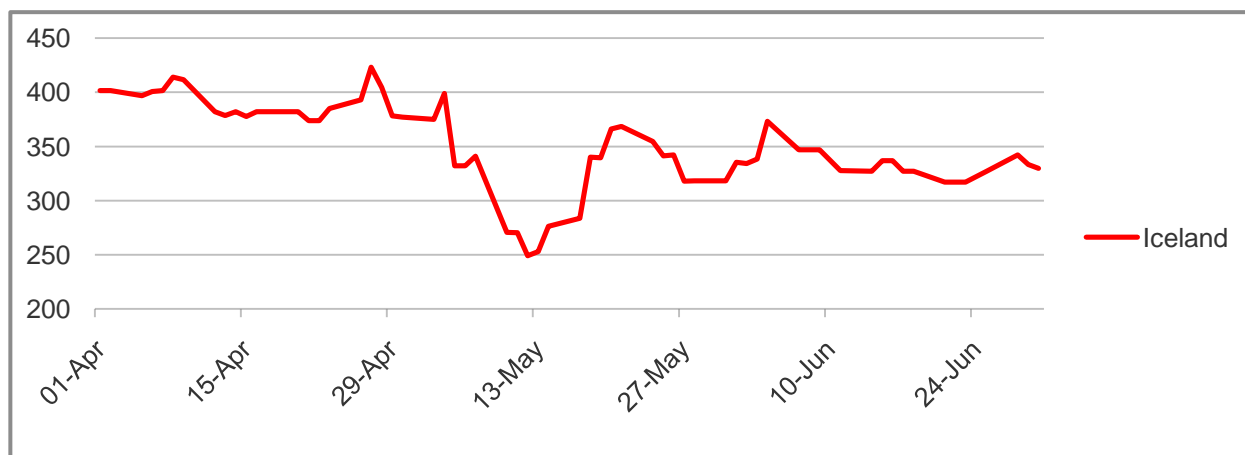


Regional Focus: Scandinavia & The Nordic Region

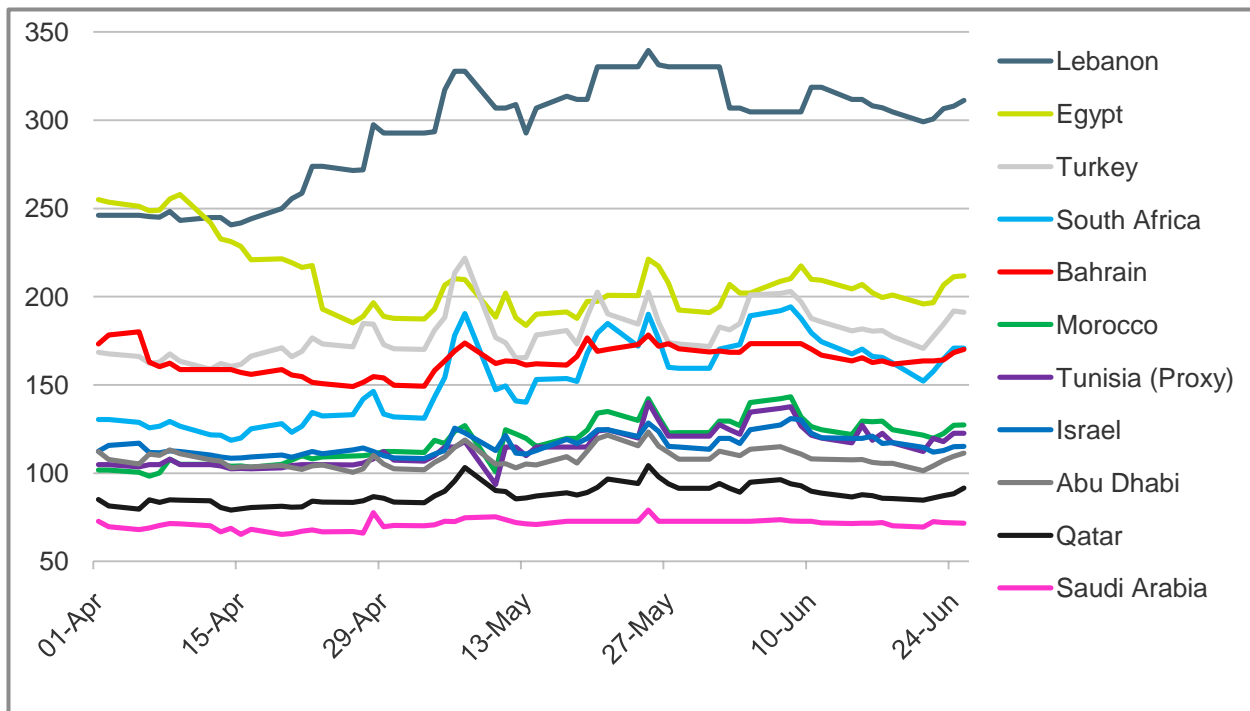


Notes

- The Nordic region has remained insulated from the worst effects of the global debt crisis
- Iceland has been the best performer in the region, and the world tighter by 17% over the quarter
- Norway still has the lowest cost of sovereign debt insurance globally, but has widened from 17bps to 26bps over the quarter.

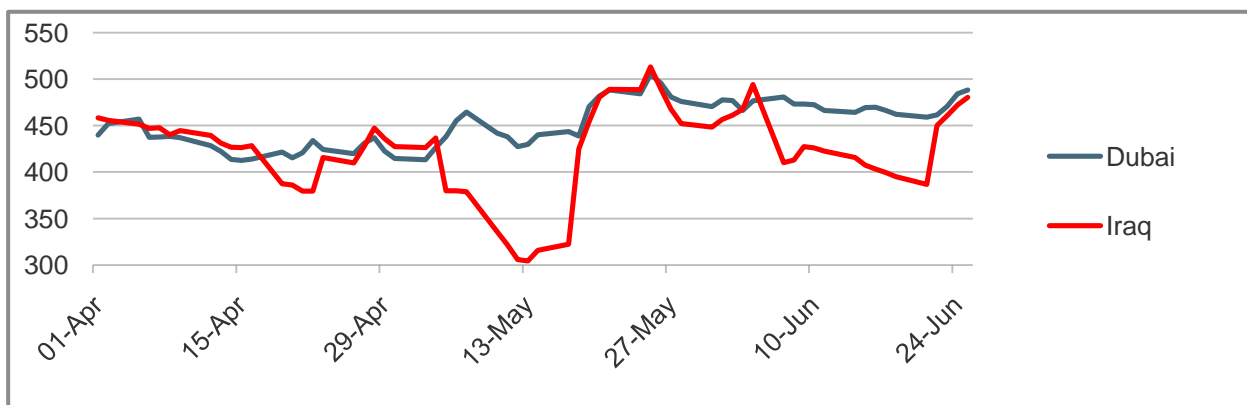


Regional Focus: Middle East & North Africa

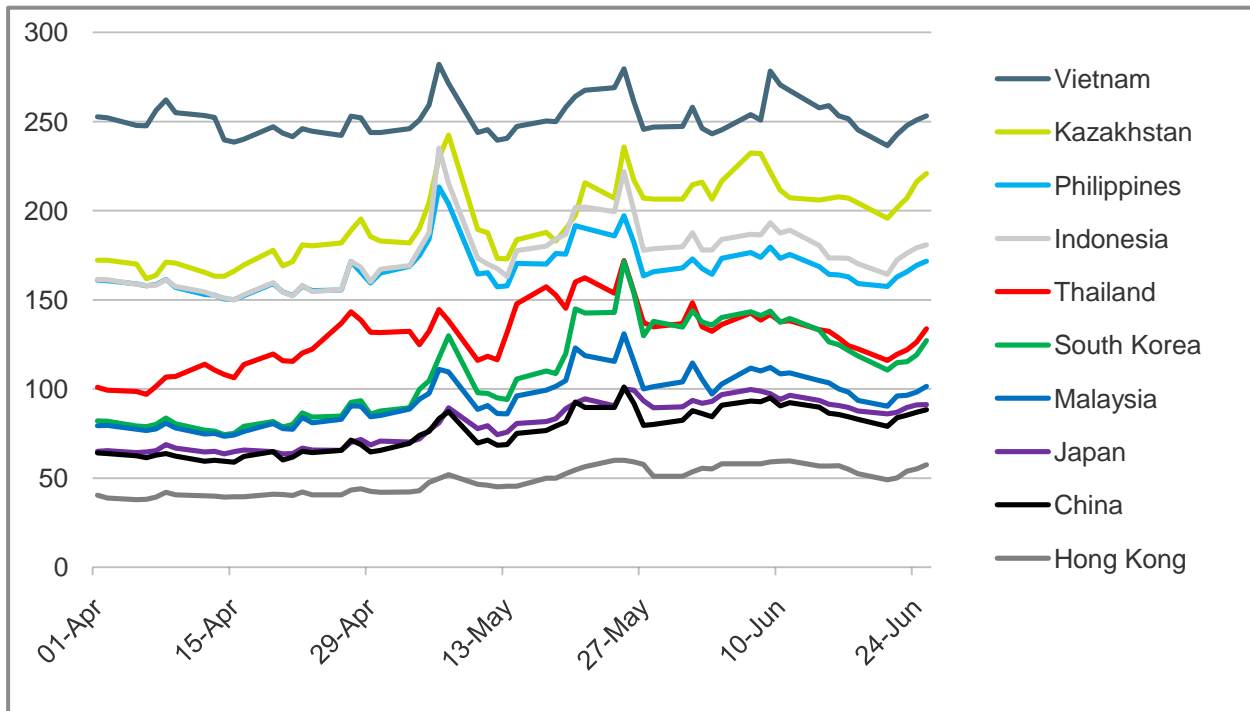


Notes

- Turkey's economy is growing fast – it posted a budget surplus in May as tax revenues increased substantially
- Morocco and Tunisia have once again been closely tracking one another this quarter
- The worst performer in the region has been Lebanon, wider by 30.3%%.
- Egypt, which was the region's weakest performer last quarter has reversed it's fortunes, outperforming regional peers and tightening by 15%
- The cost of insuring against a default by Dubai has exceeded that of Iraq this quarter. Dubai now has the most expensive protection costs in the region

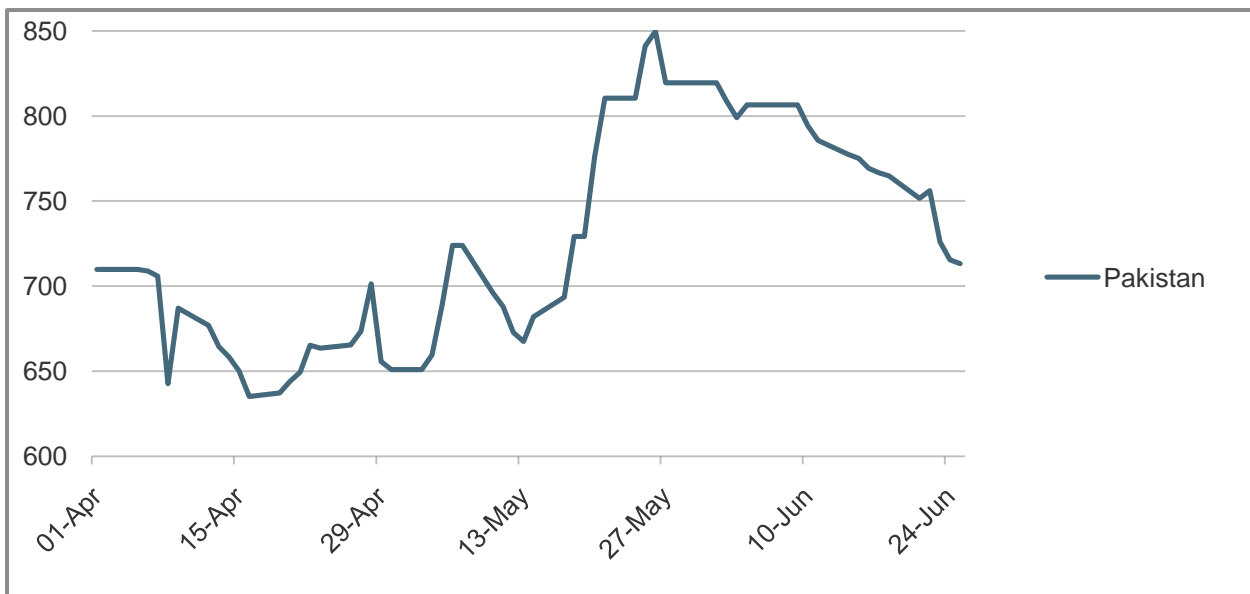


Regional Focus: Asia

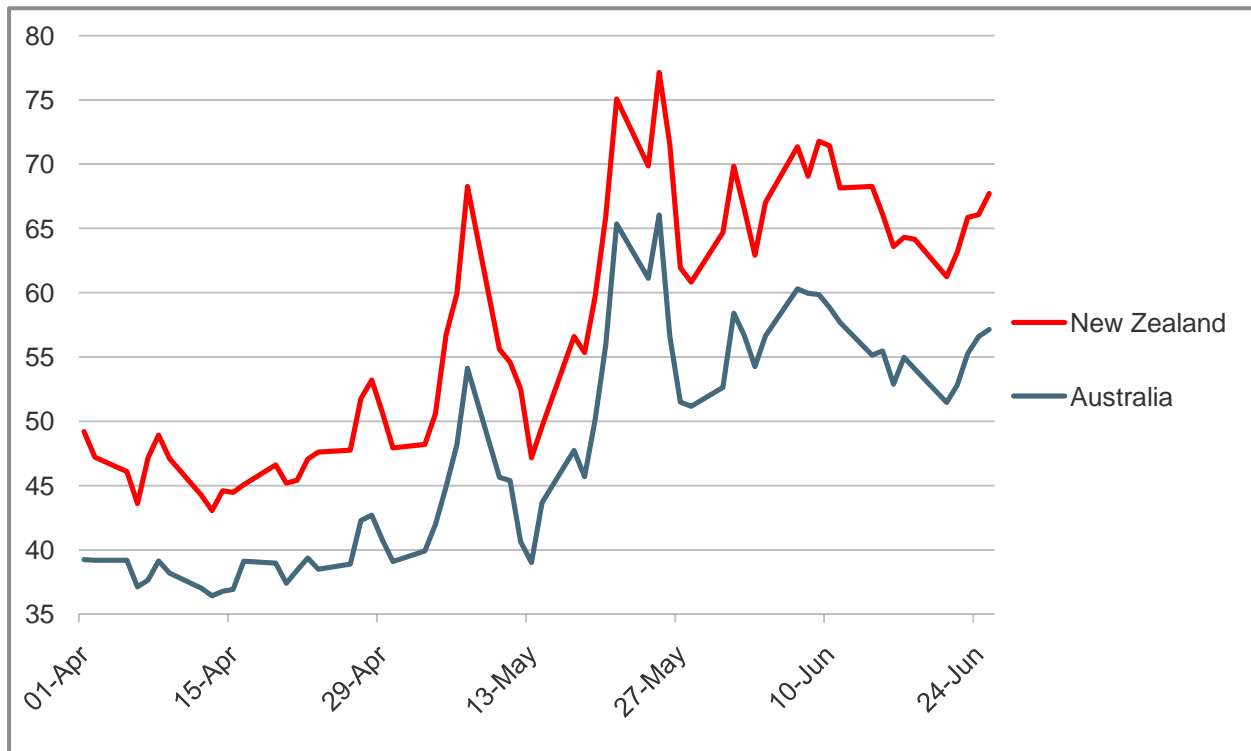


Notes

- Indonesia and the Philippines continue to track one another closely
- The worst performer in the region has been South Korea widening by 64.4% as tensions with it's northern neighbour increased.
- The best performer has been Vietnam, wider by only 1.2%
- Concern is mounting that the Chinese economy may be slowing at a faster rate than originally thought



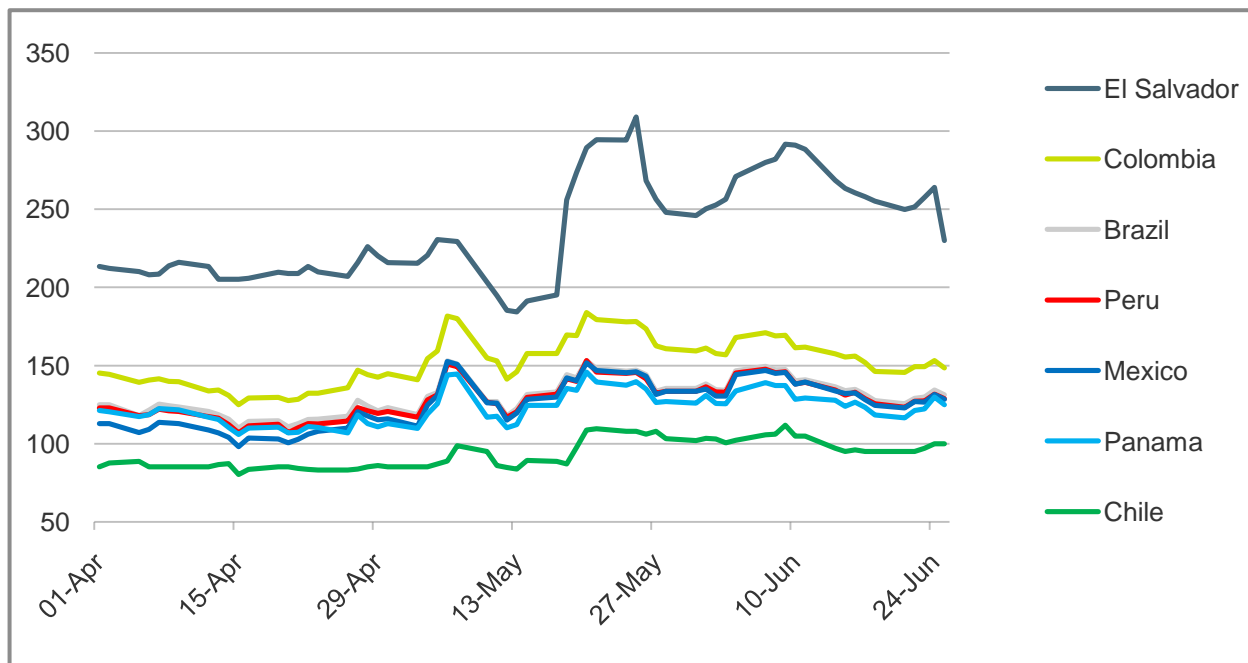
Regional Focus: Australia and New Zealand



Notes

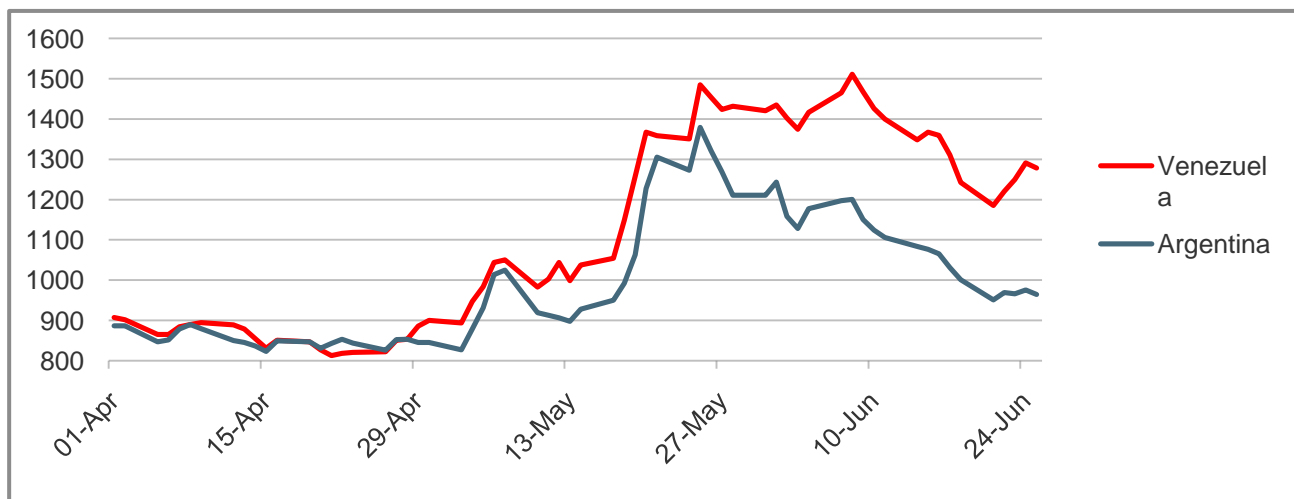
- Resources-focused Australia is planning a 40% tax on mining companies to boost revenues whilst commodity prices are falling over concerns about the health of the U.S. and Chinese economies
- Australia is viewed as having one of the lowest default risks globally but the costs of insuring its debt has increased by 52.3% this quarter with New Zealand widening by 42.7%

Regional Focus: Central and South America



Notes

- Venezuela, which was the strongest regional performer over the first quarter was the weakest over the second, widening by 43.9%
- Brazil's central bank raised interest rates in an effort to contain inflation whilst a record amount of lending by Brazil's development bank is contributing to fast economic growth.
- The appearance this quarter of CDS referencing Dominican, Uruguayan and Guatemalan is an encouraging sign of wider use of CDS across the region and greater interest in seeking protection on South American names globally. (Not shown on graph)
- Venezuela finishes the quarter as the sovereign with the highest cost of debt protection after jostling for position with Greece over the final weeks of June.
- Colombia has been the best performer in the region, widening by just 4.1%.
- Mexico, Panama, Brazil and Peru have tracked each other closely this quarter.



Global Ranking by CPD

Country	CPD (%)	5yr Mid (bps)	CMA Implied Rating 30 st June	CMA Implied Rating Q1
Venezuela	59.5%	1335.26	CMA_ccc-	CMA_ccc+
Greece	53.5%	909.47	CMA_ccc	CMA_b+
Argentina	48.2%	970.5	CMA_ccc+	CMA_b-
Pakistan	38.9%	717.1	CMA_b	CMA_b
Ukraine	35.9%	628.92	CMA_b	CMA_b
Iraq	29.0%	476.5	CMA_b+	CMA_b+
Portugal	23.6%	309.8	CMA_bb-	CMA_bbb+
Bulgaria	22.8%	362.67	CMA_bb-	CMA_bbb
Hungary	21.5%	341.93	CMA_bb	CMA_bbb
Ireland	20.8%	266.02	CMA_bb	CMA_bbb+
Croatia	20.6%	324.68	CMA_bb	CMA_bbb
Spain	20.5%	261.4	CMA_bb	CMA_a-
Lebanon	19.9%	308.94	CMA_bb	CMA_bb
Dominican Republic	19.3%	295.1	CMA_bb	CMA_bb-
Lithuania	18.0%	281.25	CMA_bb+	CMA_bb+
Vietnam	16.7%	254.37	CMA_bbb-	CMA_bb
Italy	15.5%	189.94	CMA_bbb	CMA_a
El Salvador	15.1%	228.1	CMA_bbb+	CMA_bb+
Kazakhstan	15.0%	226.31	CMA_bbb+	CMA_bbb+
Egypt	14.4%	216.59	CMA_a-	CMA_bb
Russia	13.1%	195.74	CMA_a+	CMA_a
Guatemala	13.1%	194.3	CMA_a+	CMA_bb+
Turkey	13.0%	193.96	CMA_a+	CMA_bbb+
Costa Rica	12.8%	190.7	CMA_a+	CMA_a-
Indonesia	12.6%	186.44	CMA_a+	CMA_a-
Belgium	12.1%	143.46	CMA_aa-	CMA_aa+
Bahrain	12.0%	178.2	CMA_aa-	CMA_bbb+
Uruguay	11.9%	178.2	CMA_aa-	CMA_bbb
Philippines	11.8%	173.8	CMA_aa-	CMA_a-
South Africa	11.7%	173.4	CMA_aa-	CMA_a
Thailand	11.3%	133.63	CMA_aa	CMA_a+
South Korea	11.1%	131.03	CMA_aa	CMA_aa
Poland	10.4%	153.8	CMA_aa	CMA_aa
Colombia	10.1%	148.41	CMA_aa	CMA_a-
Brazil	9.4%	137.7	CMA_aa	CMA_a+
Peru	9.3%	136.19	CMA_aa	CMA_a+
Mexico	9.2%	133.99	CMA_aa	CMA_aa-
Panama	9.1%	132.13	CMA_aa	CMA_a+

Malaysia	8.9%	102.47	CMA_aa	CMA_aa
Japan	8.3%	94.6	CMA_aa	CMA_aa+
Israel	8.2%	118.67	CMA_aa	CMA_aa
Tunisia	8.2%	119.69	CMA_aa	CMA_aa
China	7.9%	90.9	CMA_aa	CMA_aa+
Austria	7.8%	90.22	CMA_aa	CMA_aa+
Abu Dhabi	7.8%	113.16	CMA_aa	CMA_aa
France	7.8%	89.98	CMA_aa	CMA_aa+
Chile	7.3%	104.51	CMA_aa	CMA_aa+
Virginia	7.1%	83.4	CMA_aa	CMA_aa+
Czech Republic	7.0%	101.81	CMA_aa	CMA_aa
UK	6.6%	75.66	CMA_aa+	CMA_aa+
Qatar	6.4%	92.6	CMA_aa+	CMA_aa+
New Zealand	6.1%	70.21	CMA_aa+	CMA_aaa
Australia	5.2%	59.93	CMA_aa+	CMA_aa+
Saudi Arabia	5.0%	72.59	CMA_aa+	CMA_aaa
Hong Kong	4.9%	56.7	CMA_aa+	CMA_aaa
Netherlands	4.4%	50.15	CMA_aa+	CMA_aaa
Switzerland	4.2%	47.2	CMA_aa+	CMA_aaa
Germany	3.9%	44.83	CMA_aaa	CMA_aaa
Sweden	3.7%	41.74	CMA_aaa	CMA_aaa
Denmark	3.6%	40.44	CMA_aaa	CMA_aaa
USA	3.3%	37.98	CMA_aaa	CMA_aaa
Finland	3.1%	35.02	CMA_aaa	CMA_aaa
Norway	2.2%	25.01	CMA_aaa	CMA_ccc+

About CMA & Contact Details

CMA, the world's leading source of independent, accurate OTC credit market data, has unrivalled access to information about what is actually happening in the CDS markets. It combines this unmatched breadth and depth of pricing data with market-leading technology to deliver clear and valuable information to financial institutions around the world.

CMA is a wholly owned subsidiary of CME Group (www.cmegroup.com), the world's largest and most diverse derivatives exchange.

CMA Datavision

CMA Datavision is our intra-day and end-of-day CDS pricing service, delivering independent, timely and accurate consensus-based pricing on OTC credit instruments. CMA provides pricing on over 1,500 single name CDS and CDS indices.

If you have questions or comments about this report, or wish to learn more about the products and services that CMA offers, please contact us:

London

Watling House
33 Cannon Street
London
EC4M 5SB

+44 (0) 207 796 5100

New York

370 Lexington Avenue
Suite 701
New York
NY 10017

1 646 351 8787

Singapore

c/o Andrew Meyer
CME Group
Level 30, 6 Battery Road
049909

+65 65 50 96 13

Follow CMA on Twitter for intra-day updates: [Twitter.com/CMANews](https://twitter.com/CMANews)

Usage, redistribution and publication of data

For more information please contact us:

Telephone: +44 (0) 207 796 5100

Email: marketing@cmavision.com

Disclaimer and disclosure

This information has been compiled by Credit Market Analysis Limited (“CMA”) for general purposes only. Although every attempt has been made to ensure the accuracy of the information within this document, CMA assumes no responsibility for any errors or omissions. Additionally, all examples in this document should be treated as hypothetical situations, used for explanation purposes only, and should not be considered investment advice on the merits of buying, selling, subscribing for or underwriting a particular investment or the results of actual market experience. No opinions or information, obtained by you through or from the enclosed material shall create any warranty or other obligation between you and CMA.

Copyright © 2011 Credit Market Analysis Limited. All rights reserved.