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Data: Methodology and Definitions

This paper focuses on the recent fluctuations of international sovereign debt risk, 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 trends within each of these regions, macro trends across the sovereign debt sector are also discussed.

CDS Values are calculated by CMA Datavision – a unique 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 30th March, 2010.

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.

Changes in CMA Sovereign Debt Coverage

Deletions:

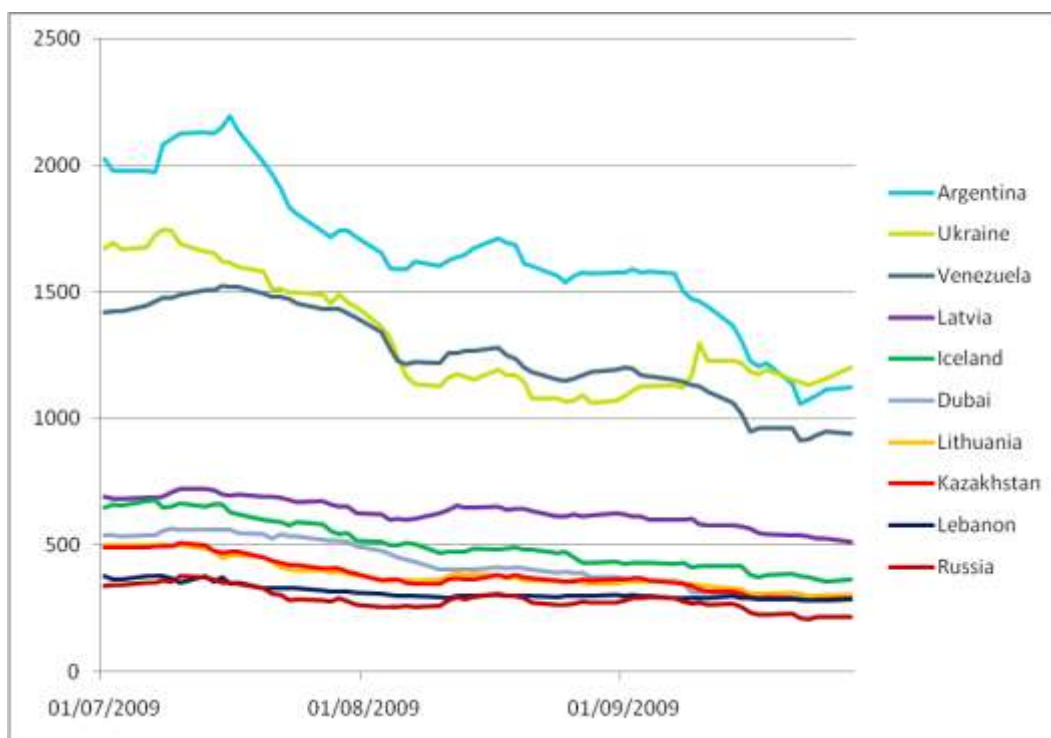
No deletions to our coverage this quarter

Additions:

No deletions to our coverage this quarter

The World's Riskiest Sovereign Debt

Country	5 Year CPD (%)	CMA Implied Rating	5 Year CDS Mid (bps)	Previous Ranking
Ukraine	53.7	cc	1200.7	2 (Down 1)
Argentina	52	cc	1125	1 (Up 1)
Venezuela	51	cc+	936.7	3 (No Change)
Latvia	29.9	ccc+	511.6	4 (No Change)
Iceland	22.4	b	363	5 (No Change)
Lithuania	19.3	bb-	305	7 (Down 1)
Dubai	19.2	bb-	300	6 (Up 1)
Kazakhstan	18.9	bb-	289.5	8 (No Change)
Lebanon	18.5	bb-	285	New Entry
Russia	14.5	bbb	215.6	New Entry



- Romania and Bulgaria have improved their relative standing this quarter and are out of the top ten, replaced by Lebanon and Russia

The World's Safest Sovereign Debt

Country	5 Year CPD (%)	CMA Implied Rating	5 Year CDS Mid (bps)	Previous Ranking
Norway	1.5	aaa	16.9	1 (No Change)
Finland	1.8	aaa	20.7	2 (No Change)
USA	1.9	aaa	21	5 (Up 2)
Germany	2	aaa	22.2	3 (Down 1)
France	2.2	aaa	24.6	4 (Down 1)
Netherlands	2.7	aaa	30.3	7 (Up 1)
Australia	2.7	aaa	31.2	New Entry
Denmark	2.9	aaa	32.8	No Change
Belgium	3	aaa	34.2	10 (Up 1)
New Zealand	3.6	aa+	48.6	New Entry



- The lowest default risk is concentrated around Northern Europe
- Australia and New Zealand have broken into the top 10 this quarter, knocking out Japan and Switzerland

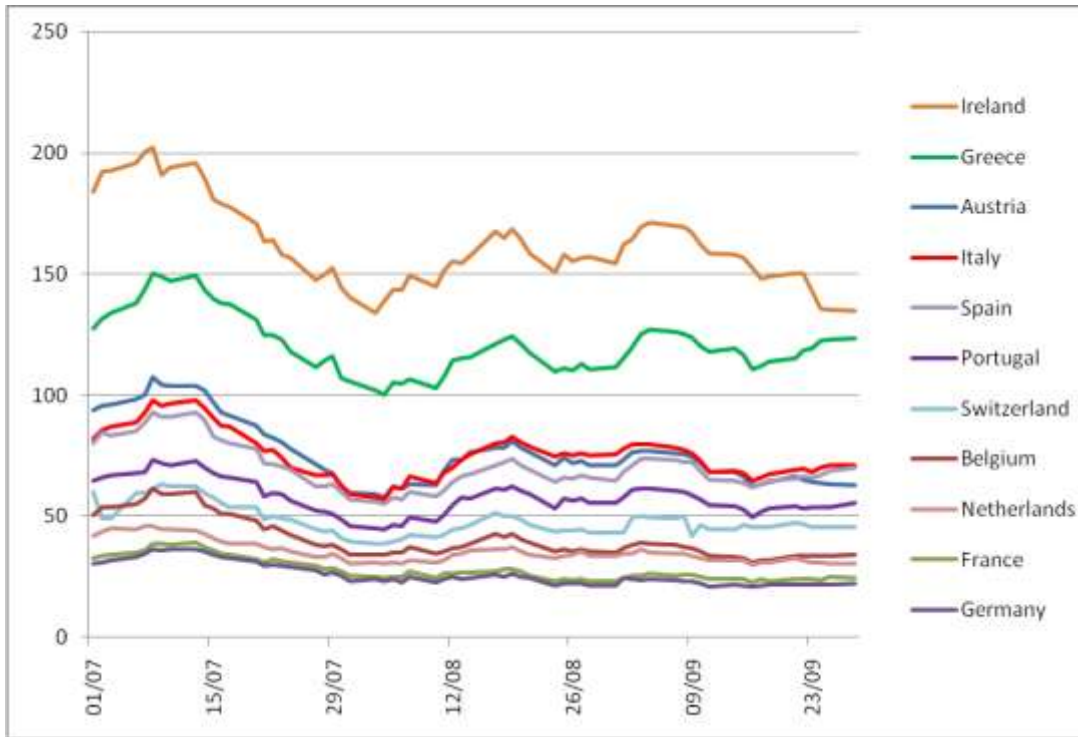
Regional Focus: UK & USA



Notes

- Contraction in the US economy is slowing
- Political uncertainty in UK as election looms in 2010
- Growing pressure to seek alternative to Dollar as global reserve currency
- Growing concerns at record levels of public debt in UK, and the effects of quantitative easing
- Britain faces potential rating downgrade, increasing cost of debt repayments
- Both equity and credit markets rallied this quarter as the uncertainty that characterised Q2 dissipates

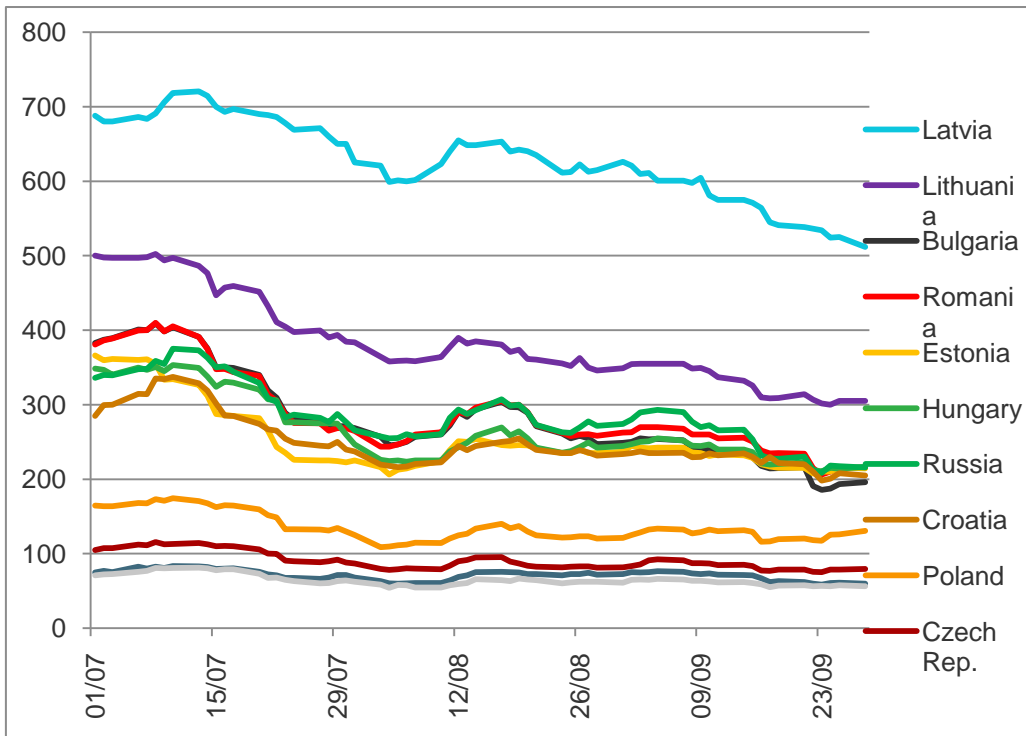
Regional Focus: Western Europe



Notes

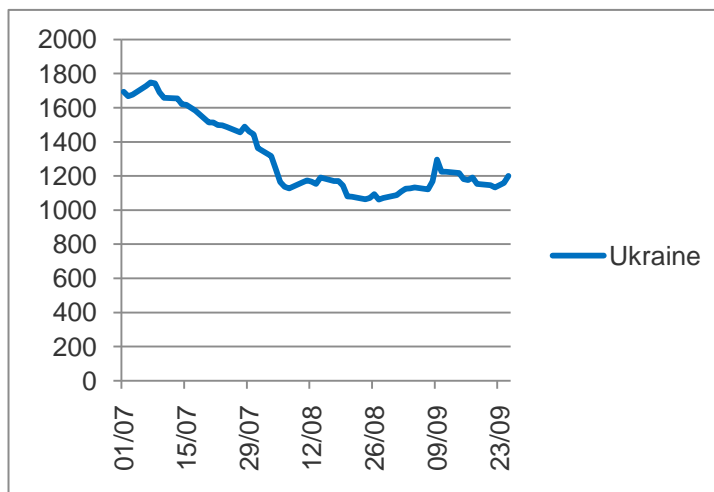
- Austria is the best performing CDS in Europe this quarter, tighter by 32.8%
- Greece is the weakest performing CDS this quarter, in by only 3.4% - the world's worst performance
- France and Germany remain highly correlated, as are Austria and Italy

Regional Focus: Emerging Europe

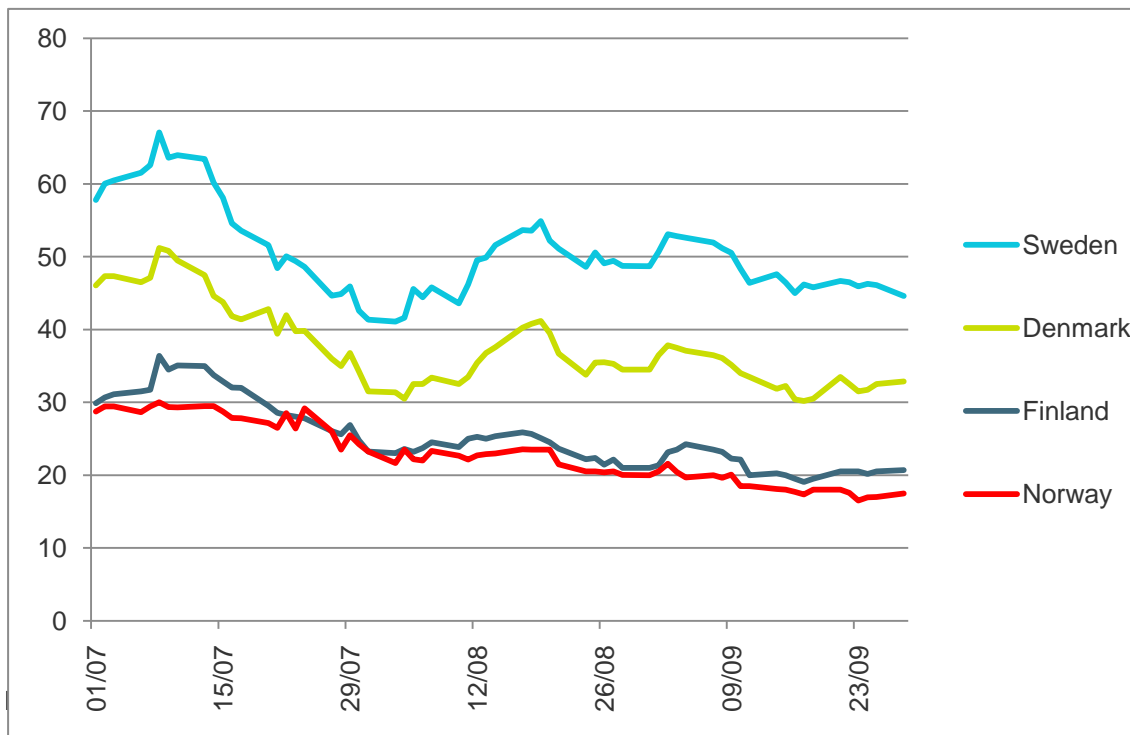


Notes

- IMF intervention helped stabilise Romanian, Latvian and Hungarian economies
- Romania and Russia remain tightly correlated
- Lithuania in particular suffering from a lack of external economic stimulus
- Latvia recently voted down a real estate tax, the passing of which was a condition of its IMF loan
- Bulgaria is the region's best performer this quarter, rallying by 48.8%
- Poland is the weakest performer, tighter by 20.7%
- Hungary and Croatia have resumed their tight relationship after a period of de-correlation at the end of Q2



Regional Focus: Scandinavia & The Nordic Region

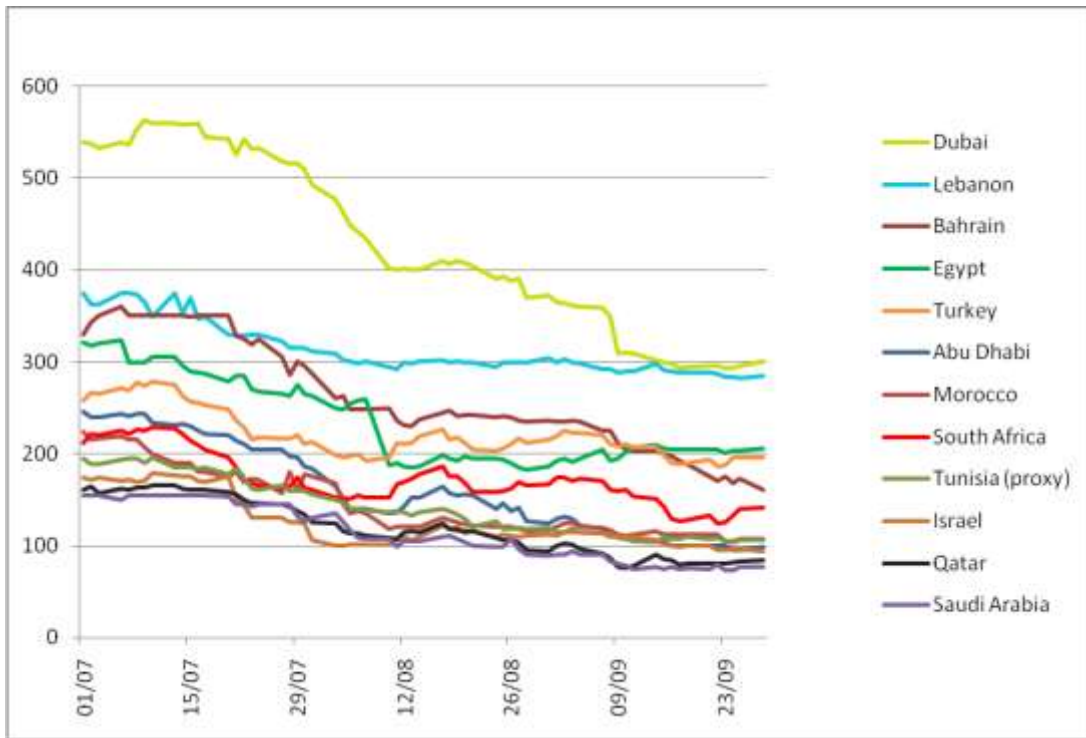


Notes

- Iceland's second IMF loan instalment dependent on resolving Icesave issue with Britain and Netherlands
- Iceland has rallied by 44% over this quarter, compared to Sweden, tighter by 22.8%



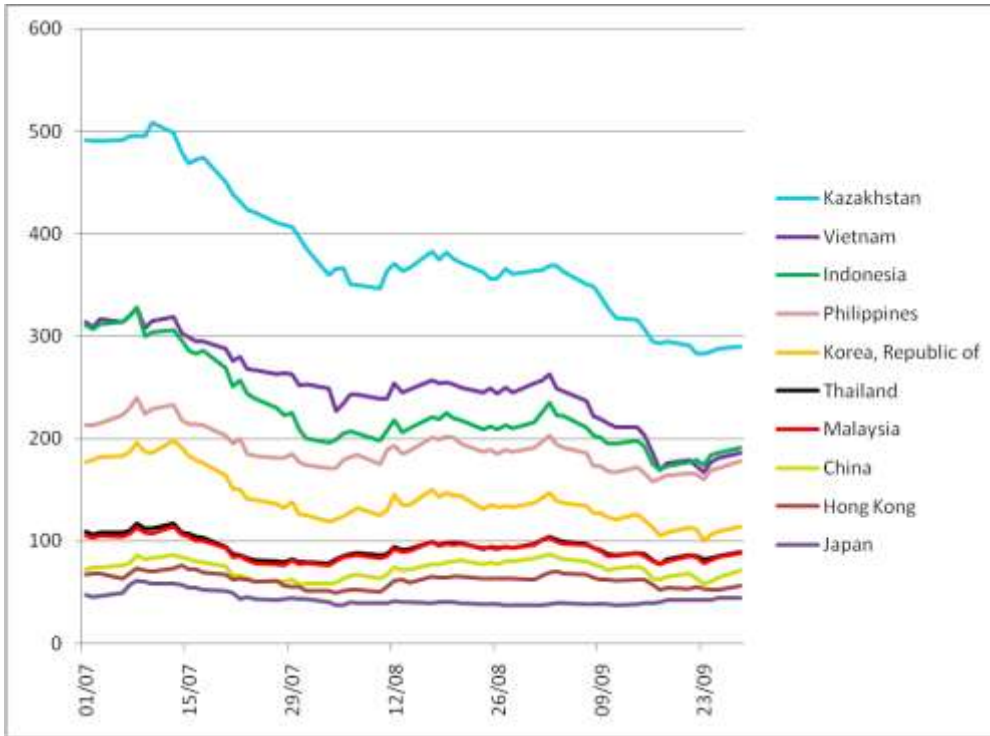
Regional Focus: Middle East & North Africa



Notes

- Oil prices on the rise
- GDP contractions predicted for Saudi Arabia, Dubai and Abu Dhabi
- Turkey’s mid-term economic plan well received, political instability remains a concern
- Abu Dhabi is the best performer in the region over this quarter, tighter by 59.9%
- Turkey is the weakest performer, in by 23.9%
- Correlation between Qatar and Saudi Arabia has become more pronounced over Q3
- The region has performed well this quarter- Abu Dhabi, Saudi Arabia, Morocco and Bahrain have been some of the best performers globally

Regional Focus: Asia



Notes

- China reigning in aggressive lending to ease fears of inflation
- Manufacturing and industrial production rising in China
- Thailand engaged in extensive stimulus plan but continued political and social instability is a cause for concern
- Thailand and Vietnam remain tightly correlated
- Kazakhstan has seen the greatest positive change this quarter, tighter by 41%
- China has seen the weakest quarterly performance, tighter by a modest 1.8%

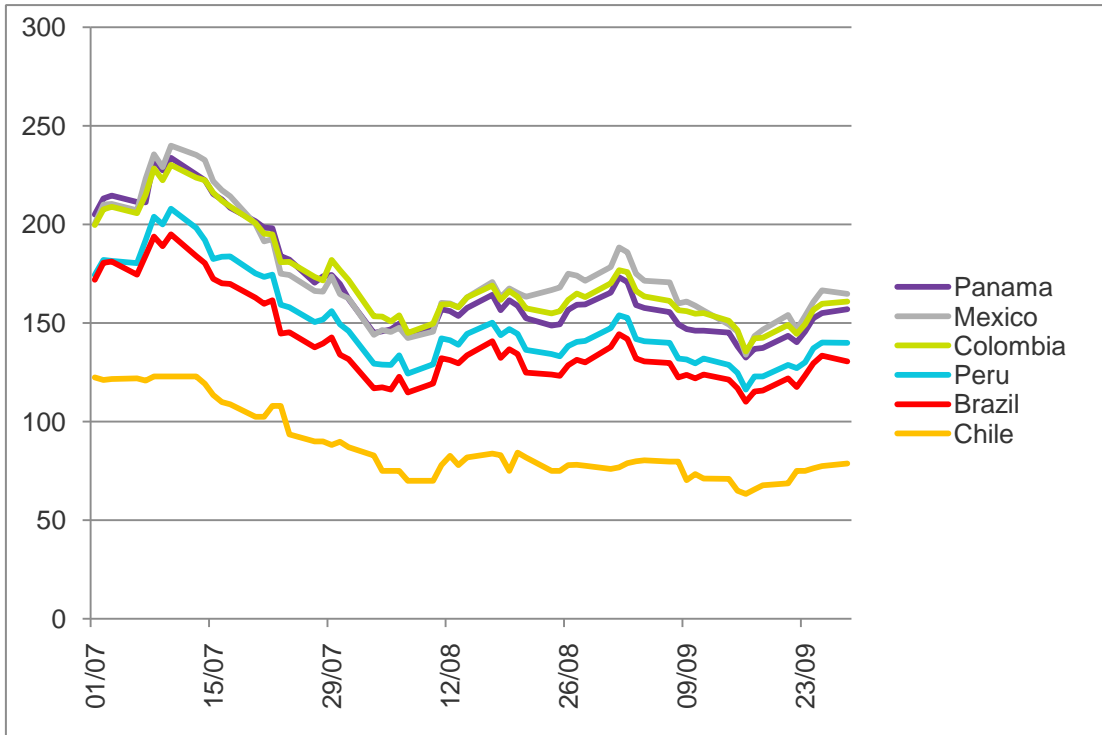
Regional Focus: Australia and New Zealand



Notes

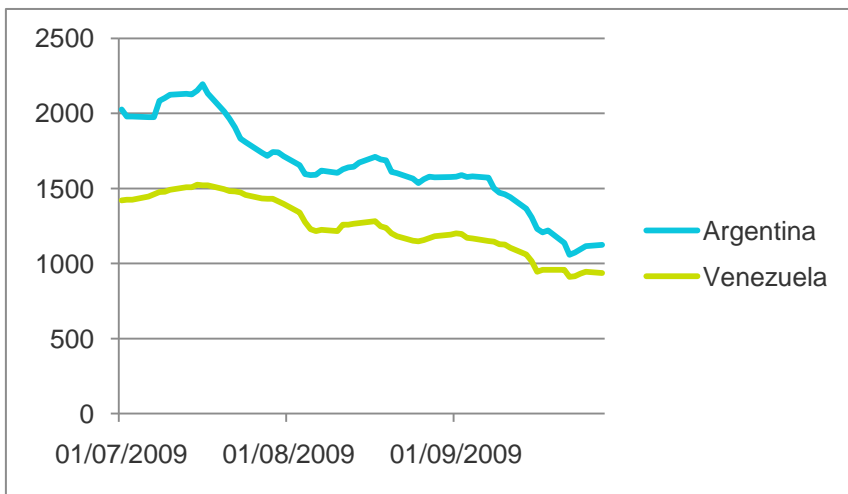
- Australia has relatively low levels of sovereign debt vs. GDP compared to other advanced economies
- Rising commodity prices are benefitting Australia
- Australia has benefitted from a 'flight to quality' among government bond investors

Regional Focus: Central and South America



Notes

- Mexican oil exports decreasing and country faces resurgence of civil disturbances and narcotic related violence
- Argentina has performed well this quarter, tighter by 44.5%
- Mexico is the region’s underperformer, tighter by 17.7%
- Colombia and Panama, Peru and Brazil remain closely correlated
- Rising tensions between Venezuela and Colombia and increasing likelihood of conflict



Global Ranking by CPD

Country	CPD (%)	5yr Mid (bps)	CMA Implied Rating	CMA Implied Rating Q2
Ukraine	53.7	1200	cc	cc-
Argentina	52	1124	cc	c
Venezuela	51	935.4	cc+	cc-
Latvia	29.9	510.3	ccc+	ccc+
Iceland	22.4	363	b	ccc+
Lithuania	19.3	305	bb-	b
Dubai	19.2	300	bb-	b
Kazakhstan	18.9	286	bb-	b
Lebanon	18.5	285	bb-	bb
Russia	14.5	214.1	bbb	bbb
Hungary	14.5	214.5	bbb	bb
Romania	14.2	210	bbb	bb-
Croatia	13.9	205	bbb+	bbb+
Egypt	13.9	205.8	bbb	bbb+
Estonia	13.8	213.5	bbb	bb
Turkey	13.5	195	bbb+	a-
Bulgaria	13	190	bbb+	bb-
Indonesia	12.8	191.8	bbb+	bbb+
Vietnam	12.3	185.8	bbb+	bbb+
Philippines	12	175.9	bbb+	a
Ireland	11.4	135.7	a-	a-
Mexico	11.2	164.3	a-	a
Colombia	11.1	160.3	a-	a
Panama	10.9	156.2	a-	a
Bahrain	10.9	163.6	a-	bbb
Greece	10.4	123.4	a-	aa
South Africa	9.8	138.2	a	a
South Korea	9.7	114	a	a
Peru	9.7	138.8	a	aa
Brazil	9.2	130.4	a	aa
Poland	9.1	128.9	a	a
Morocco	7.4	106.9	aa-	a
Banque Central de Tunisie	7.3	106.6	aa-	a+
Czech Republic	6.9	79.6	aa	aa
Abu Dhabi	6.8	99.3	aa	a-
Israel	6.6	96	aa	a
China	6.2	70.5	aa	aa+
Italy	6.2	70.5	aa	aa
Thailand	6.2	89.2	aa	aa
Spain	6.1	69.6	aa	aa

Credit Risk Report

3rd Quarter 2009

Malaysia	6.1	88	aa	aa
Qatar	5.9	85	aa	aa
Chile	5.6	78.8	aa	aa
Austria	5.5	62.6	aa+	aa
Slovakia	5.3	59.6	aa+	aa
Saudi Arabia	5.3	75.3	aa+	aa
Portugal	5	55	aa+	aa+
Slovenia	4.9	56.7	aa+	aa+
Hong Kong	4.9	56.3	aa+	aa+
United Kingdom	4	46	aa+	aa+
Switzerland	3.9	45.1	aa+	aa+
Japan	3.9	44.2	aa+	aa+
Sweden	3.9	45	aa+	aa+
New Zealand	3.6	40.7	aa+	aa+
Belgium	3	34.6	aaa	aa+
Denmark	2.9	31.7	aaa	aa+
Australia	2.7	31.2	aaa	aa+
Netherlands	2.7	30.5	aaa	aa+
France	2.2	24.6	aaa	aaa
Germany	2	22	aaa	aaa
USA	1.9	21	aaa	aaa
Finland	1.8	20.5	aaa	aaa
Norway	1.5	16.9	aaa	aaa

Best and Worst Quarterly Performances

Greatest Improvement

Country	5yr Mid July 1st	5yr Mid September 28th	Change %
Abu Dhabi	246.3	98.6	-59.9
Morocco	224	106.9	-52.3
Bahrain	330	160.7	-51.3
Saudi Arabia	155	75.3	-50.9
Bulgaria	382.8	190	-50.7

Least Improvement

Country	5yr Mid July 1 st	5yr Mid September 26 th	Change %
Greece	127.6	123.2	-3.4
China	73.2	70.5	-3.7
Japan	46.9	44.2	-5.6
Spain	80	69.9	-12.6
Italy	82.2	70.9	-13.8

About CMA & Contact Details

Credit Market Analysis (CMA) was founded in 2001 to improve the way that business was conducted in the credit markets. CMA provides transparency enhancing technology and independent data which speeds up credit trading and risk decision making.

Our products and services are used by over 300 banks, hedge funds, asset managers, fund administrators, audit groups and researchers across the world for price discovery and to increase operational efficiency, manage risk and accurately value credit portfolios.

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

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CMA Datavision

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Hundreds of firms across the world rely on CMA Datavision for price verification, risk management, compliance and research. For more information please visit <http://www.cmavision.com/products/view/datavision>

For daily updates on the CDS market, please register for our Market Flash: <http://www.cmavision.com/market-data>

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