

Global Sovereign Credit Risk Report

4th Quarter 2009

3M Libor vs 6M Libor	20-Jun-2015	63 / 64	2,000,000
3M Libor vs 6M Libor	20-Jun-2015	227 / 237	2,500,000
3M Libor vs 6M Libor	20-Jun-2012	85 / 90	1,000,000
3M Libor vs 6M Libor	20-Dec-2013	518 / 538	1,000,000
3M Libor vs 6M Libor	20-Jun-2015	85 / 90	2,000,000
3M Libor vs 6M Libor	29-Aug-2012	3.58% / 3.63%	60,000,000
3M Libor vs 6M Libor	20-Jun-2015	590 / 610	1,000,000
3M Libor vs 6M Libor	20-Dec-2013	127 / 132	1,000,000
3M Libor vs 6M Libor	20-Jun-2012	43% / 45%	2,000,000
3M Libor vs 6M Libor	20-Dec-2011	63 / 68	1,000,000
3M Libor vs 6M Libor	20-Jun-2015	63 / 65	7,500,000
3M Libor vs 6M Libor	20-Jun-2012	187 / 192.5	2,000,000
3M Libor vs 6M Libor	20-Jun-2012	65 / 70	7,500,000
3M Libor vs 6M Libor	20-Jun-2012	144.25 / 149.25	2,000,000
3M Libor vs 6M Libor	12-Jun-2013	19.5 / 21.5	4,500,000
3M Libor vs 6M Libor	20-Jun-2015	74 / 79	5,000,000
3M Libor vs 6M Libor	20-Jun-2011	175 / 185	10,000,000
3M Libor vs 6M Libor	12-Apr-2016	3.72% / 3.78%	44,500,000
3M Libor vs 6M Libor	20-Jun-2015	203 / 213	5,000,000
3M Libor vs 6M Libor	20-Jun-2014	200 / 215	2,000,000
3M Libor vs 6M Libor	20-Jun-2013	0.958 / 0.993	2,000,000
3M Libor vs 6M Libor	20-Dec-2011	250 / 266	2,000,000
3M Libor vs 6M Libor	20-Jun-2015	246.25 / 253.75	1,000,000
3M Libor vs 6M Libor	20-Jun-2015	246.25 / 253.75	1,000,000
3M Libor vs 6M Libor	20-Jun-2015	8% / 9%	7,500,000
3M Libor vs 6M Libor	20-Jun-2014	80 / 85	10,000,000
3M Libor vs 6M Libor	14-Nov-2013	15.1 / 15.7	65,000,000
3M Libor vs 6M Libor	20-Dec-2013	339 / 349	7,500,000
3M Libor vs 6M Libor	16-Jul-2014	0.932 / 0.942	150,000,000
3M Libor vs 6M Libor	20-Jun-2014	243.75 / 261.25	7,500,000
3M Libor vs 6M Libor	20-Jun-2012	85 / 90	7,500,000
3M Libor vs 6M Libor	19-Jun-2013	7.59 / 7.54	100,000,000
3M Libor vs 6M Libor	20-Jun-2014	1.34% / 1.341%	4,000,000
3M Libor vs 6M Libor	20-Jun-2014	1.34% / 1.341%	10,000,000

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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 14th September, 2009.

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.

Access Data: CMA provides independent intra-day pricing on over 1,500 single name CDS and CDS Indices. Data is available directly from CMA or via a wide variety of third party technology platforms. To subscribe to our data feeds please contact us at info@cmavision.com

Changes in CMA Sovereign Debt Coverage

Deletions:

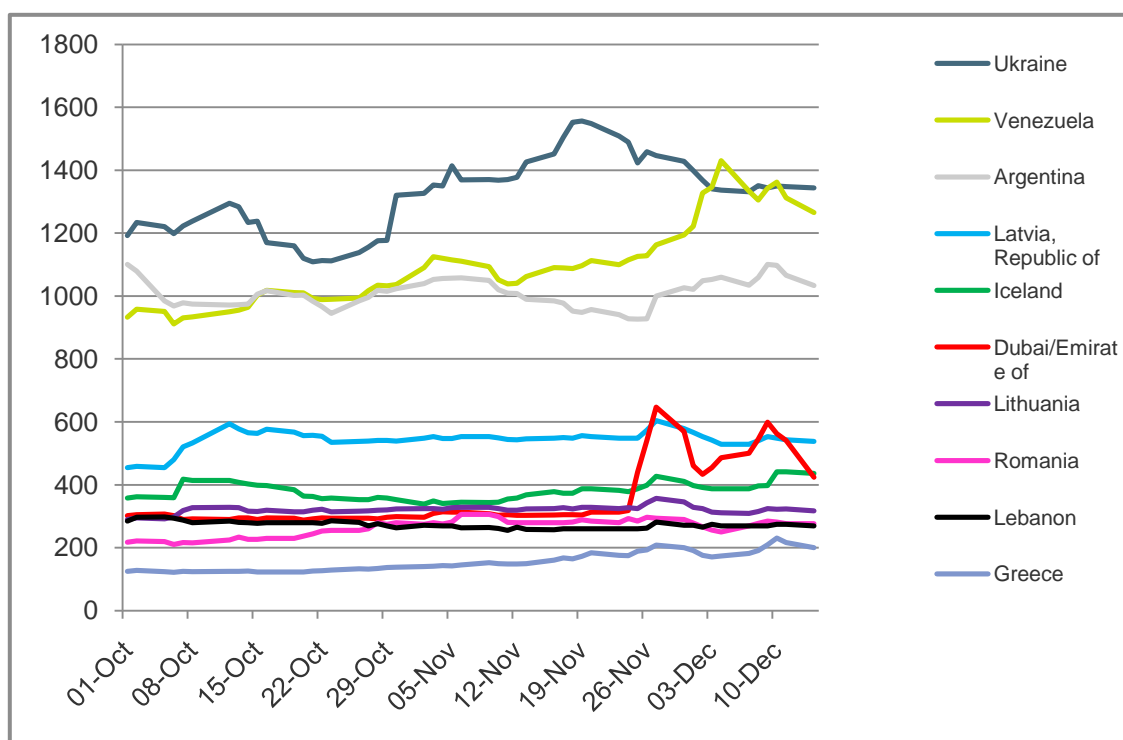
No deletions to our sovereign coverage this quarter.

Additions:

No additions to our sovereign coverage this quarter.

The World's Riskiest Sovereign Debt

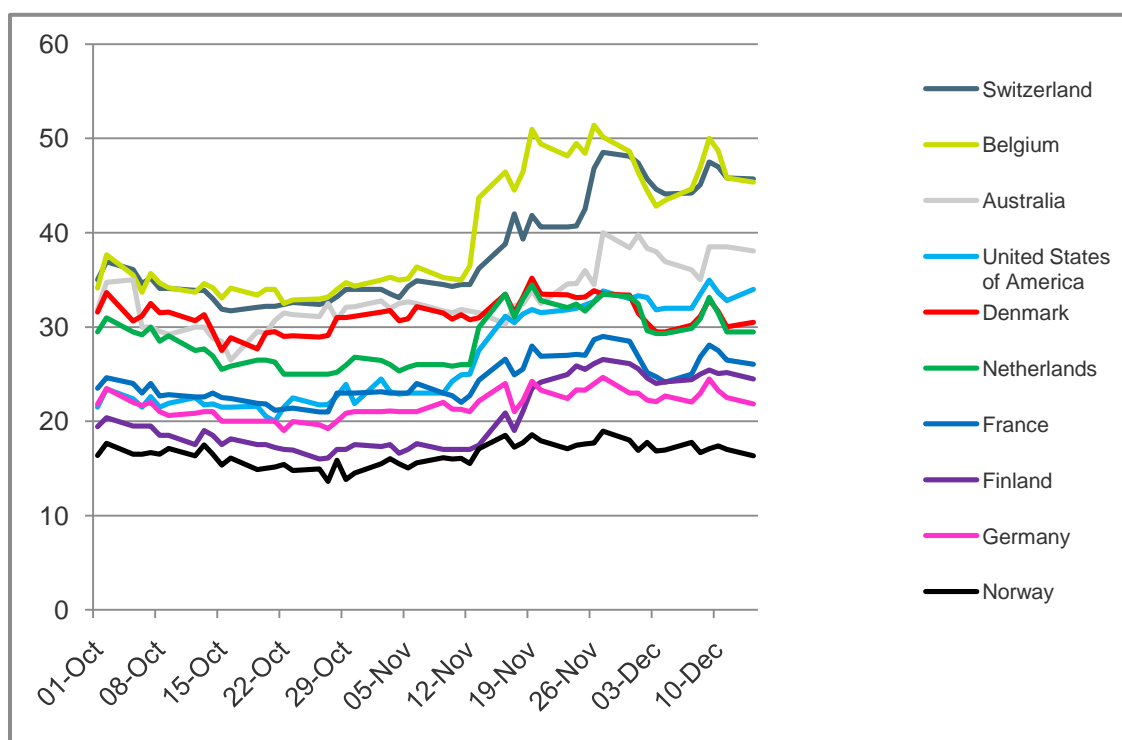
Position Q4	Country	5 Year CPD (%)	CMA Implied Rating	5 Year CDS Mid (bps)	Previous Ranking
1	Venezuela	57.7	ccc	1265	3 (Down 2)
2	Ukraine	54.6	ccc	1344	1 (Up 1)
3	Argentina	49.1	ccc+	1033	2 (Up 1)
4	Latvia	30.1	b+	538	4 (No Change)
5	Iceland	25.4	bb-	538	5 (No Change)
6	Dubai	25.1	b+	422.8	8 (Down 2)
7	Lithuania	19.3	bb-	316.8	6 (Up1)
8	Romania	17.2	bb	276.3	New Entry
9	Lebanon	17	bb	269.6	9 (No Change)
10	Greece	17.4	bb	220	New Entry



- Russia and Kazakhstan are out of the top ten riskiest sovereign debtors list, replaced by new additions, Greece and Romania.

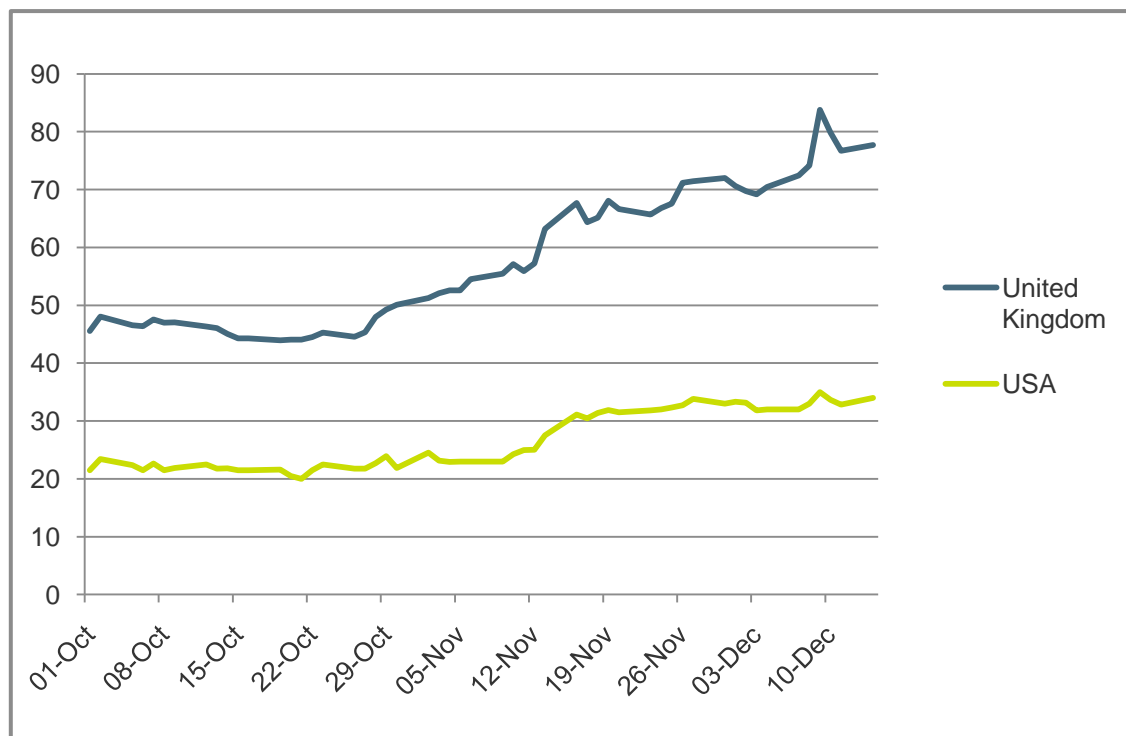
The World's Safest Sovereign Debt

Position Q4	Country	5 Year CPD (%)	CMA Implied Rating	5 Year CDS Mid (bps)	Previous Ranking
1	Norway	1.4	aaa	15.6	1 (No Change)
2	Germany	1.9	aaa	22	4 (Up 2)
3	Finland	2.1	aaa	24.5	2 (Down 1)
4	France	2.2	aaa	26	5 (Up 1)
5	Netherlands	2.5	aaa	29.5	6 (Up 1)
6	Denmark	2.6	aaa	30.5	8 (Up 2)
7	USA	2.9	aaa	34	3 (Down 4)
8	Australia	3.2	aaa	38.1	7 (Down 1)
9	Belgium	3.8	aa+	45.3	9 (No Change)
10	Switzerland	3.9	aa+	45.7	New Entry



- The lowest default risk remains geographically concentrated around Western and Northern Europe
- Switzerland moves back into the top ten safest sovereign credits, relegating New Zealand

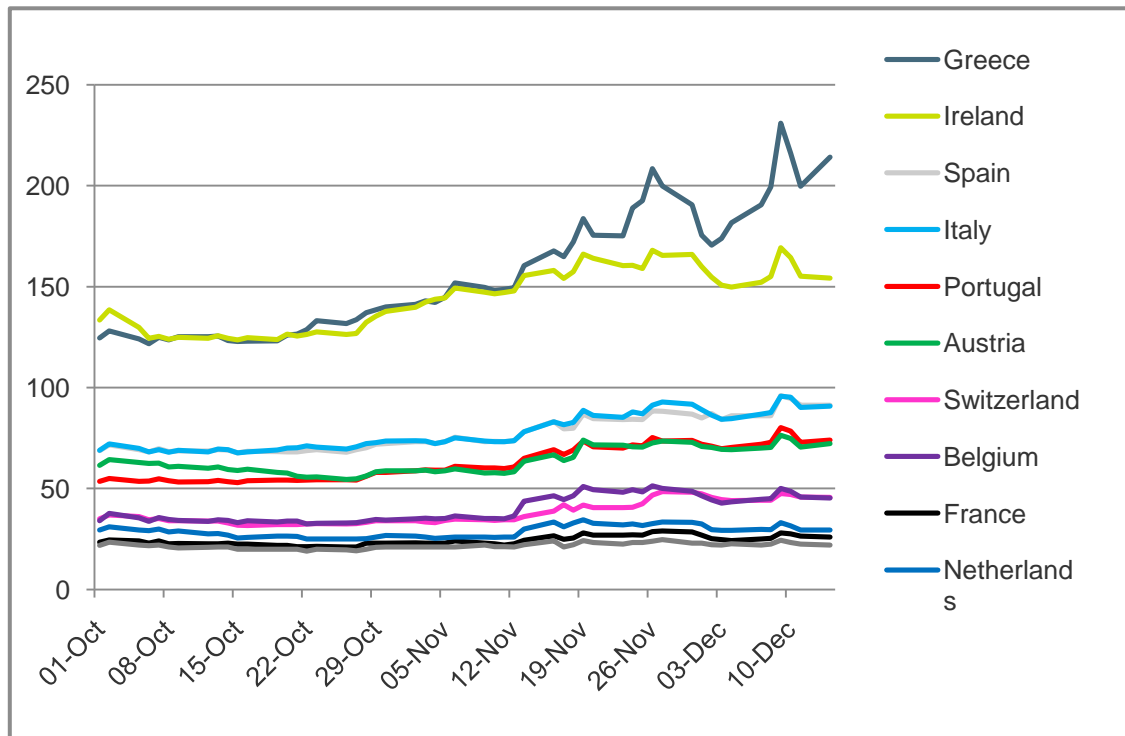
Regional Focus: UK & USA



Notes

- Both the USA and UK have been among the worst performing sovereign CDS this quarter- the UK is some 77% wider, the USA out by nearly 66%.
- Concerns are mounting about the increase of debt to GDP ratios in UK and USA, 97% and 75% respectively.

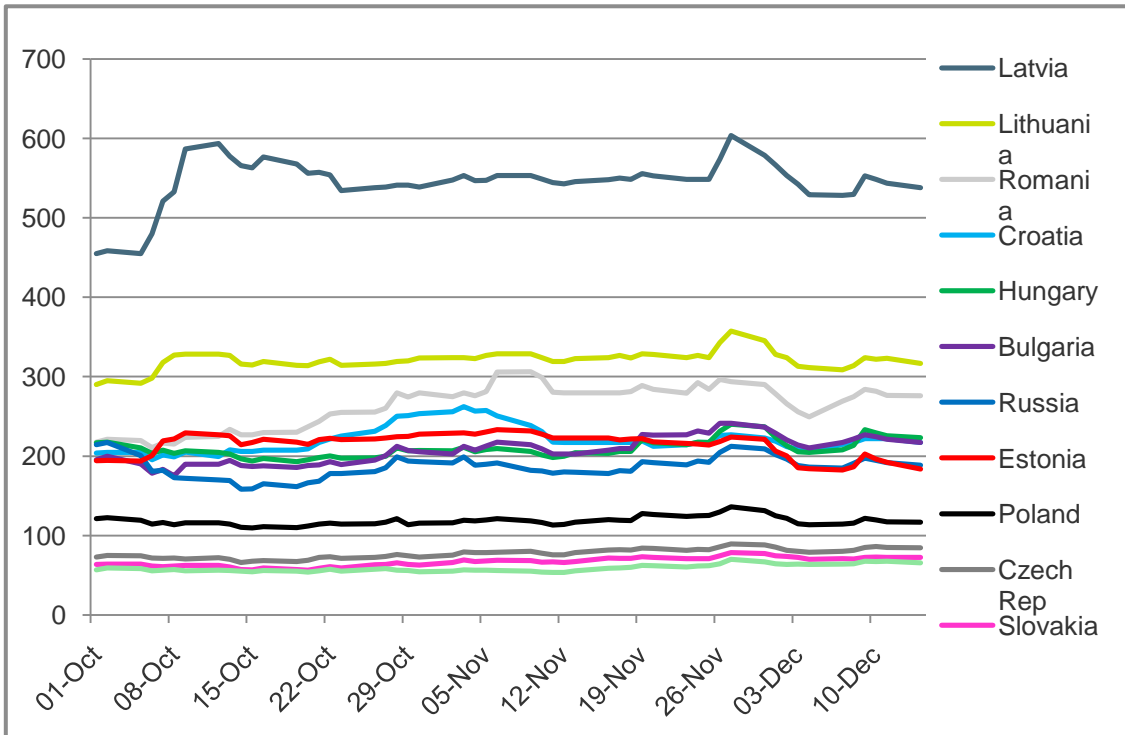
Regional Focus: Western Europe



Notes

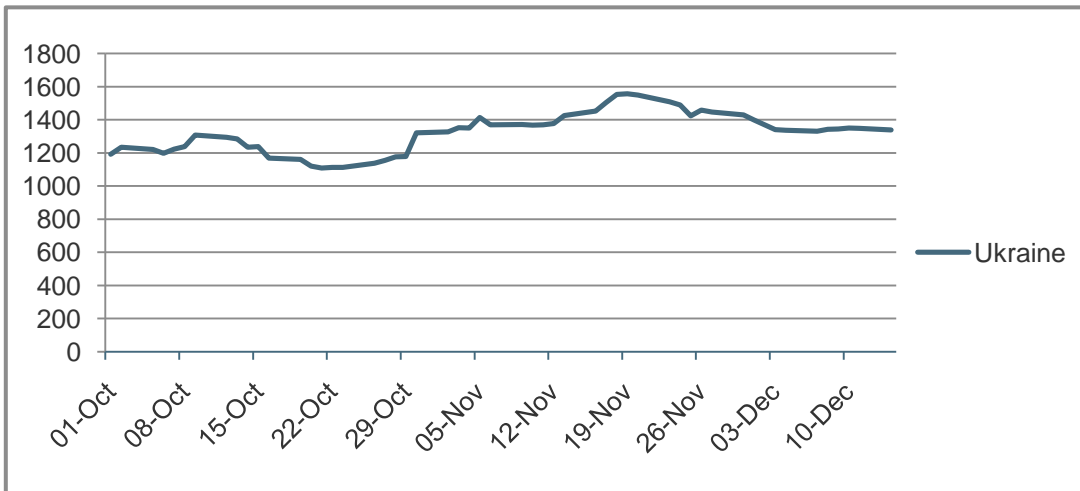
- CDS for Spain and Italy have behaved similarly this quarter, as have the CDS for Poland and Austria
- Greece has been the worst performer in Europe this quarter as it struggles to get its budget deficit under control. The Greek CDS also showed the worst performance globally over Q3.
- Ireland's efforts to reign in the budget appear to bear fruit. Ireland's CDS level has stabilised relative to other countries in Western Europe.
- Germany has been the best performer in the region this quarter, tighter by 5.5%

Regional Focus: Emerging Europe

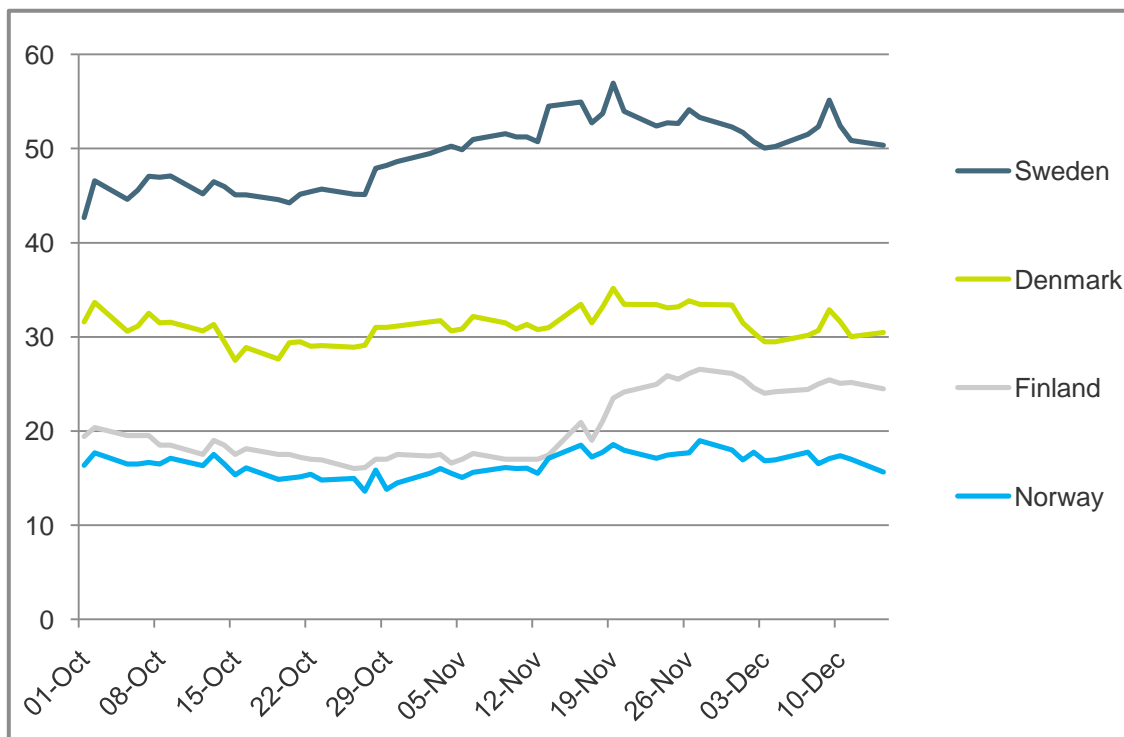


Notes

- Romania unable to access IMF funding due to political crisis.
- Latvia’s economy continues to shrink as industrial output and consumer spending decline, but budget balancing is ahead of scheduled plans.
- Romania has seen the worst performance in the region, wider by 41% this quarter
- Estonia has been the best performer, tighter by 5.8% since the end of September

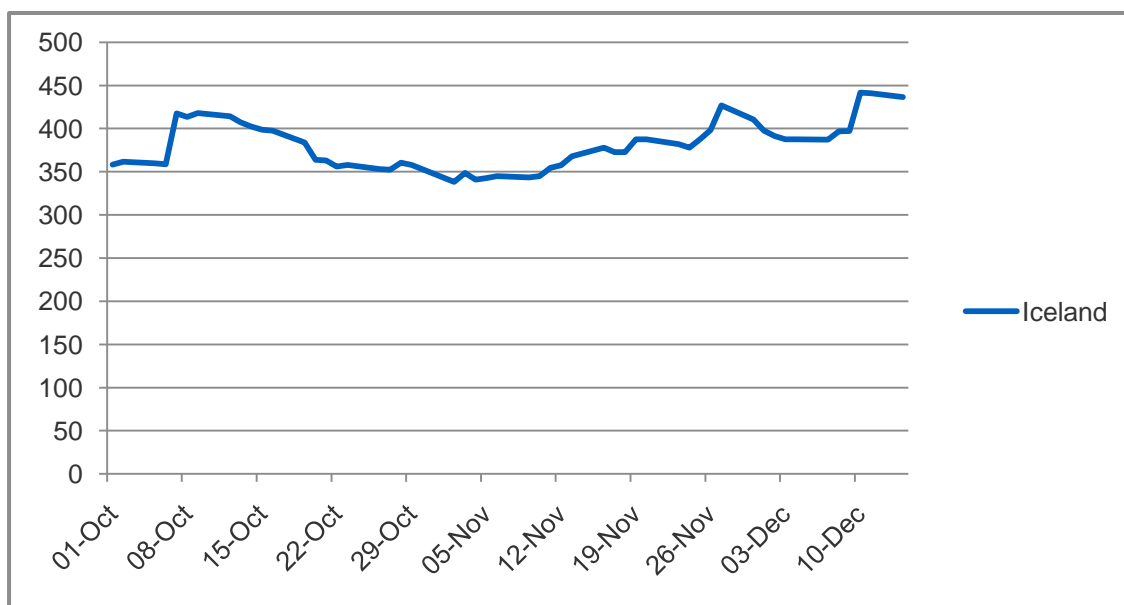


Regional Focus: Scandinavia & The Nordic Region

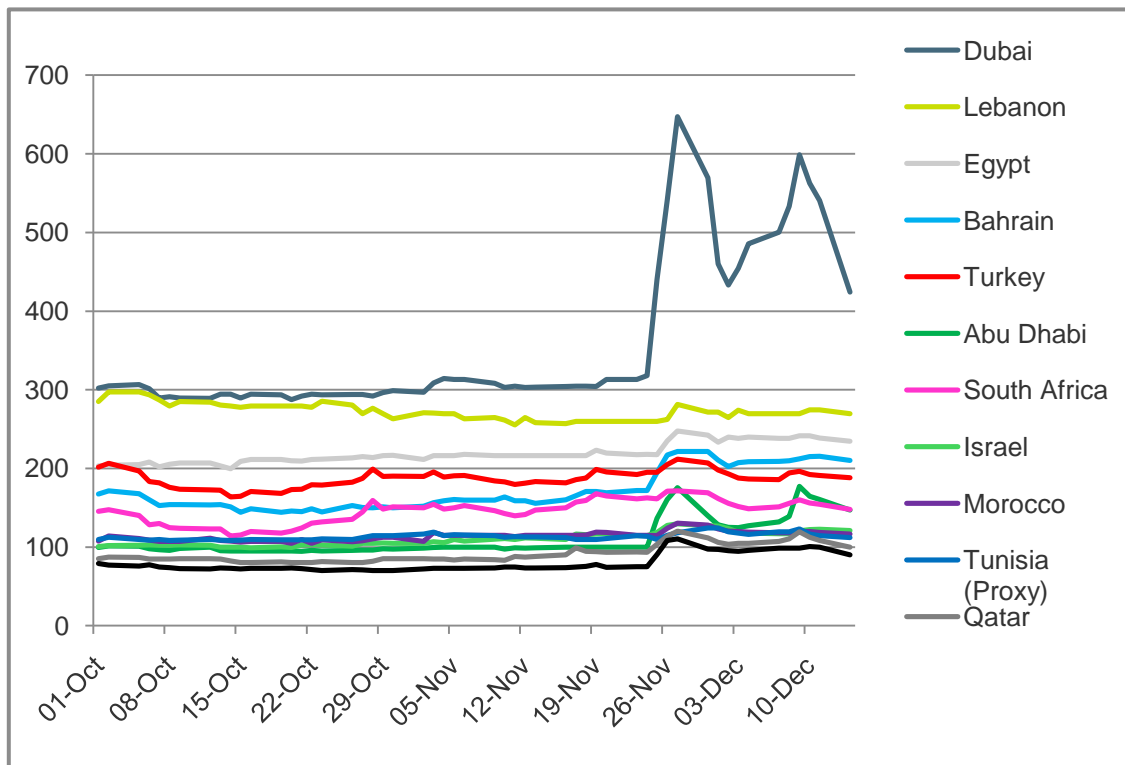


Notes

- The Scandinavian countries remain their status as a safe haven.
- The fears about the exposure of Swedish banks towards Eastern Europe have largely been dissipated
- Iceland has widened by 22.2% this quarter, compared to Norway, tighter by 3.9%



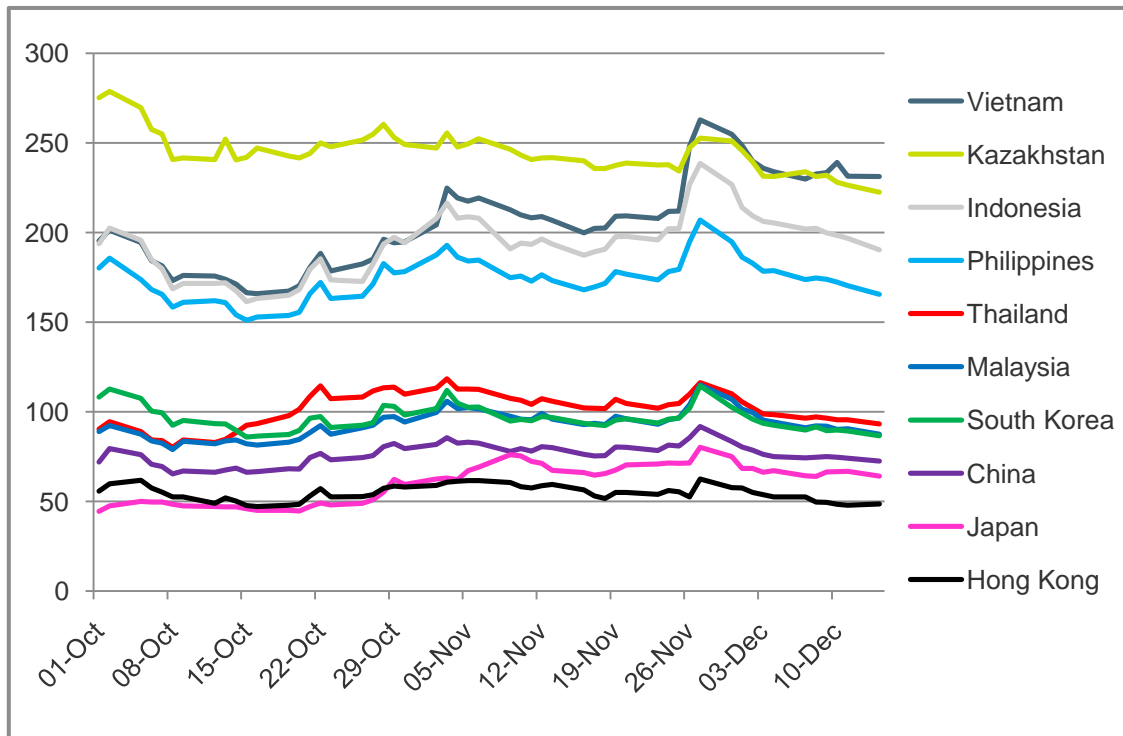
Regional Focus: Middle East & North Africa



Notes

- Correlation between Qatar and Saudi Arabia remains strong
- Abu Dhabi has seen some of the worst performance globally this quarter, wider by 53.5%
- Dubai shocked the markets in November when the government-owned company Nakheel requested a standstill agreement from creditors. A last minute bail-out from Abu Dhabi calmed investor's nerves and brought the CDS back from its highs.
- Lebanon has seen the best performance in the region, 5.4% tighter
- South Africa fiscal position is deteriorating, it doubled its deficit projection in late November

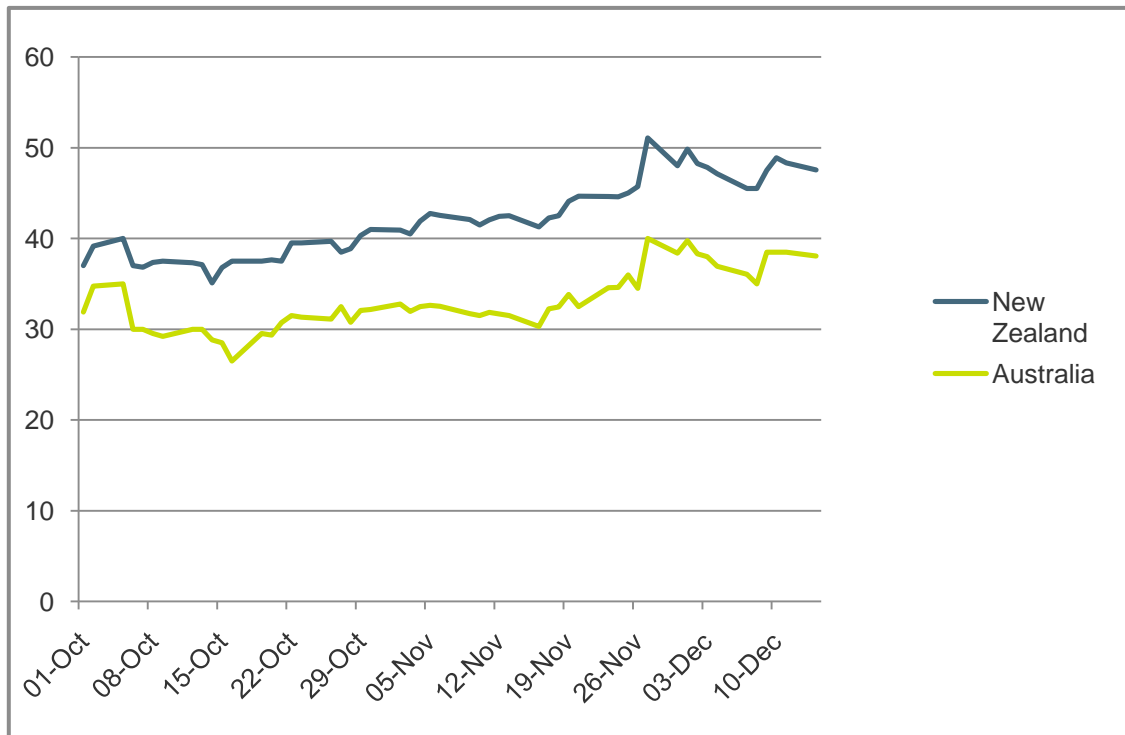
Regional Focus: Asia



Notes

- Some of the best performing sovereign CDS this quarter have been Asian names – Kazakhstan tighter by 18.3%, south Korea in by 15.4% and Hong Kong in by 13.8%
- CDS for South Korea and Malaysia have behaved similarly this quarter
- Hong Kong has overtaken Japan as the tightest CDS in the region.
- Japan has been the regional underperformer in Q4, wider by 46.9%
- Vietnams’ credit situation is worsening over inflation concerns, falling foreign currency reserves and increasing trade deficit.

Regional Focus: Australia and New Zealand



Notes

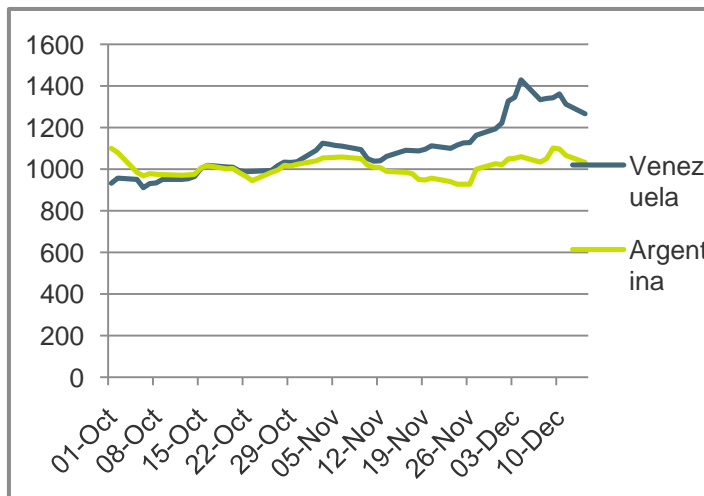
- Australia’s infrastructure spending programme has been beneficial, promoting strong growth
- High demand for commodities, especially iron, coal and gas have had positive effects for Australia
- Australia is still in a rising interest rate environment with three consecutive rate increases

Regional Focus: Central and South America



Notes

- Mexico has reversed last quarter’s poor performance to be one of the strongest performers globally over Q4 – 11.1% tighter. Panama has also shown strong performance compared to regional peers, some 9.9% tighter since the end of September.
- Peru and Brazil remain closely correlated
- Increasing militarisation of Venezuela causing concern for regional stability.
- Venezuela has stepped up its nationalisation plans- seizing banks, agricultural and industrial resources



Global Ranking by CPD (as of 14th Dec 2009)

Country	CPD (%)	5yr Mid (bps)	CMA Implied Rating	CMA Implied Rating Q2
Venezuela	57.7%	1265.6	ccc	cc+
Ukraine	54.6%	1344.0	ccc	cc
Argentina	49.1%	1033.1	ccc+	cc+
Latvia	30.1%	538.0	b+	b-
Iceland	25.4%	436.4	bb-	b
Dubai	25.1%	422.8	b+	bb-
Lithuania	19.3%	316.8	bb-	bb-
Romania	17.2%	276.3	bb	bbb+
Lebanon	17.0%	269.6	bb	bb-
Greece	16.8%	215.9	bb+	a-
Egypt	15.1%	234.9	bbb-	bbb
Vietnam	14.8%	231.3	bbb	bbb+
Hungary	14.3%	223.6	bbb	bbb
Kazakhstan	14.2%	222.6	bbb	bb-
Croatia	13.9%	217.1	bbb	bbb+
Bulgaria	13.8%	217.2	bbb	bbb+
Bahrain	13.4%	210.3	bbb	bbb+
Ireland	12.4%	154.2	bbb+	a-
Indonesia	12.4%	190.4	bbb+	bbb+
Turkey	12.2%	188.1	bbb+	bbb+
Russia	12.2%	188.7	bbb+	bbb
Estonia	11.7%	183.8	bbb+	bbb+
Philippines	10.8%	165.5	a-	bbb+
South Africa	9.7%	147.4	a	a-
Abu Dhabi	9.7%	147.5	a-	aa-
Colombia	9.6%	146.5	a	a-
Mexico	9.2%	139.8	a	a-
Panama	8.8%	133.5	a+	a-
Peru	8.2%	123.7	aa-	a
Israel	8.1%	122.6	Aa	aa
Brazil	8.1%	121.8	aa-	a
Morocco	7.8%	118.5	Aa	aa-
Poland	7.7%	116.7	aa	a
Spain	7.7%	91.3	aa	aa
Italy	7.6%	90.8	aa	aa
Tunisia (Central Bank)	7.5%	112.3	aa	aa-
South Korea	7.2%	86.7	aa	a
Qatar	6.6%	100.0	aa	aa
UK	6.6%	77.7	aa	aa+
Thailand	6.3%	93.3	aa	aa

Credit Risk Report

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Portugal	6.2%	74.0	aa	aa+
Austria	6.1%	72.2	aa	aa
Saudi Arabia	6.0%	90.1	aa	aa
China	6.0%	72.5	aa	aa
Slovakia	6.0%	72.3	aa+	aa
Malaysia	5.9%	87.6	aa+	aa
Czech Republic	5.7%	84.4	aa	aa
Slovenia	5.5%	65.5	aa+	aa+
Japan	5.4%	64.1	aa+	aa+
Chile	4.7%	69.6	aa+	aa
Sweden	4.3%	50.4	aa+	aa+
Hong Kong	4.1%	48.6	aa+	aa+
New Zealand	4.0%	47.6	aa+	aa+
Switzerland	3.9%	45.7	aa+	aaa
Belgium	3.8%	45.3	aa+	aaa
Australia	3.2%	38.1	aaa	aaa
USA	2.9%	34.0	aaa	aaa
Denmark	2.6%	30.5	aaa	aaa
Netherlands	2.5%	29.5	aaa	aaa
France	2.2%	26.0	aaa	aaa
Finland	2.1%	24.5	aaa	aaa
Germany	1.9%	22.0	aaa	aaa

Best and Worst Quarterly Performances

Greatest Improvement

Country	5yr Mid September 30th	5yr Mid December 14 th	Change %
Kazakhstan	272.6	222.6	-18.3
South Korea	102.7	86.9	-15.4
Hong Kong	56.4	48.6	-13.8
Mexico	157.5	140	-11.1
Panama	149.1	134.4	-9.9

Least Improvement

Country	5yr Mid September 30th	5yr Mid December 14 th	Change %
United Kingdom	43.8	77.8	77.7
Greece	121.9	215.9	77.1
USA	20.5	34	65.8
Abu Dhabi	98.4	147.5	53.5
Japan	43.3	64.1	48.1

About CMA & Contact Details

Credit Market Analysis (CMA) combines independent credit market pricing data with innovative technology solutions to deliver unprecedented transparency to OTC markets..

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If you have questions or comments about this report, or 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

Usage, redistribution and publication of data

For more information please contact us:

Telephone: +44 (0) 207 796 5100

Email: marketing@cmavision.com

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