

# Macro Review

This review examines the relationship between the 5-yr sovereign CDS spread of a country and its main equity index. Specifically, the review has examined the percentage changes in each instrument over the last six months, as the vast majority of sovereign CDS spreads bottomed in August 2009 (six months ago).

The table below highlights the CDS spread changes on a regional basis. The spreads have been averaged (unweighted) across the regions. The full table is shown overleaf.

	Average % Change of 5-yr CDS over 6M	Average % Change of main equity index over 6M
<b>Southern Europe</b>	140.4%	-6.6%
<b>Northern Europe</b>	45.9%	5.5%
<b>Asia - Pac</b>	12.7%	0.9%
<b>Scandinavia</b>	2.0%	8.9%
<b>Middle East &amp; Africa</b>	-5.2%	0.5%
<b>Eastern Europe</b>	-11.9%	18.3%
<b>Latin America</b>	-15.5%	15.0%

The tables above (and on the next page) look at the percentage changes of the CDS spreads rather than their absolute values. This is relevant because although the two charts to the right have very similar values (Spain: 134 and Brazil: 141), they have very different charts:

- The Spanish CDS has rallied to retest its previous high from early 2009, whilst the IBEX has fallen 5%.
- The Brazil CDS remains close to its 2008 lows, whilst the IBOV has rallied 16%.



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**Date:** 15<sup>th</sup> February 2010

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The table below highlights the percentage change in the 5-yr CDS and main equity indices of the countries listed over the last six months

Rank	5 Year CDS	% Change 6M
1	Argentina	-37%
2	Russia	-35%
3	Bahrain	-28%
4	South Korea	-25%
5	Venezuela	-20%
6	Norway	-19%
7	Mexico	-18%
8	Sweden	-13%
9	Romania	-11%
10	Chile	-11%
11	Turkey	-11%
12	Indonesia	-9%
13	Qatar	-9%
14	South Africa	-8%
15	Ireland	-7%
16	Peru	-6%
17	Hungary	-5%
18	Philippines	-1%
19	Brazil	-1%
20	Israel	1%
21	Poland	2%
22	New Zealand	2%
23	Vietnam	3%
24	Denmark	4%
25	Australia	5%
26	Dubai	5%
27	Abu Dhabi	8%
28	China	9%
29	Austria	11%
30	Netherlands	14%
31	Thailand	20%
32	Malaysia	21%
33	Switzerland	27%
34	Finland	36%
35	UK	48%
36	Belgium	60%
37	Italy	65%
38	Germany	77%
39	Spain	85%
40	Japan	103%
41	France	137%
42	Greece	191%
43	Portugal	221%

Rank	Main Equity Index	% Change 6M
1	Russia	29%
2	Argentina	29%
3	Romania	23%
4	Israel	21%
5	Venezuela	18%
6	Brazil	16%
7	Turkey	16%
8	Hungary	15%
9	Norway	15%
10	Chile	15%
11	Mexico	11%
12	Netherlands	10%
13	UK	10%
14	Finland	9%
15	Belgium	8%
16	Switzerland	8%
17	Poland	8%
18	South Africa	7%
19	Denmark	7%
20	Sweden	6%
21	Indonesia	5%
22	Malaysia	5%
23	Thailand	5%
24	Germany	4%
25	Philippines	4%
26	France	4%
27	Austria	3%
28	Australia	2%
29	Peru	1%
30	South Korea	0%
31	Vietnam	0%
32	Portugal	-1%
33	China	-1%
34	Italy	-1%
35	Bahrain	-2%
36	Qatar	-2%
37	Ireland	-2%
38	New Zealand	-3%
39	Spain	-5%
40	Abu Dhabi	-5%
41	Japan	-9%
42	Dubai	-16%
43	Greece	-19%

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