

Macro Roundup Article

Headline: [US Default Insurance Cost Eclipses Brazil, Mexico as X-Day Nears](#)

Article Link: <https://www.bloomberg.com/news/articles/2023-05-10/us-default-insurance-cost-eclipses-brazil-mexico-as-x-day-nears?sref=U3dOGIDF>

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Publication	Bloomberg
Publication Date	May 10, 2023

Tweet: American CDS spreads are currently more expensive than insurance against a Mexican or Greek default. @markets.

Summary: Mounting investor anxiety about the prospect of a first-ever US default has made it more expensive to insure Treasuries than the bonds of — among others — Greece, Mexico and Brazil, which have defaulted multiple times and have credit ratings many rungs below that of the US's AAA. The imbroglio has fueled a surge in demand for euro-denominated US credit default swaps, the most actively traded. These contracts against a default over the next year traded at 166 basis points Wednesday, near a record high and surpassing the levels during previous debt-ceiling standoffs in 2011 and 2013. The trade has taken off due to a derivatives market quirk that will allow holders to reap handsome returns in the event of default. Their payoff will equal the difference between the market value and par value of the underlying asset, an attractive proposition when long-dated Treasury bonds are trading particularly cheap. The potential payout could exceed 2,400%, according to Bloomberg calculations.

Primary Topic: Politics

Topics: Financial Markets, GDP, News article, Politics

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