

"U.S. Treasury CDS Premiums Surpass those of Campbell Soup Co. on Bailout"
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By Shannon D. Harrington, Dec. 10 (Bloomberg) - The cost to hedge against losses on U.S. Treasuries surpassed the price of default protection on bonds from Campbell Soup Co. and drug-maker Baxter International Inc. (as well as those from France & Germany), as government spending on stimulus packages grows.

Credit-default swaps pay the buyer face value in exchange for the underlying securities or the cash equivalent if a borrower fails to meet its debt obligations. A basis point on a credit-default swap contract protecting \$10 million of debt from default for five years is equivalent to \$1,000 a year.

Credit-default swaps on U.S. government debt in euros for five years are trading at 66 basis points, according to CMA Datavision, meaning it costs 66,000 euros (\$85,700) to protect 10 million euros of debt. Contracts on Campbell of Camden, New Jersey, were quoted at about 52 basis points today, and Deerfield, Illinois-based Baxter contracts were at 54 basis points, CMA data show.

The Federal Reserve's assets have more than doubled from a year ago to \$2.14 trillion as the central bank seeks to revive credit markets. Economists including Harvard University professor Kenneth Rogoff and Nobel Prize winner Joseph Stiglitz say President-elect Barack Obama should push for a stimulus package of at least \$1 trillion to lift the economy out of a yearlong recession. The Fed's balance sheet may reach \$4 trillion, according to strategists including Ira Jersey at Credit Suisse Group AG in New York.

"It's a certain absurdity, but it's also a question of supply and demand," said Scott MacDonald, head of research at Aladdin Capital Management LLC in Stamford, Connecticut, who expects between \$1.5 trillion and \$2 trillion of Treasuries may be issued over the next 18 months. "We have another massive stimulus package coming. Does Campbell's Soup have a stimulus package coming? No."

U.K., Netherlands, Italy, France, & Germany

Contracts protecting U.K. government debt for five years were quoted at a mid-price of 114.6 basis points today, according to CMA. Swaps on Italy are at about 189, and the Netherlands at 92. France was quoted at 59 and Germany at 49, CMA data show.

A benchmark credit-default swap index tied to the bonds of 125 companies in the U.S. and Canada rose today. Contracts on the Markit CDX North America Investment-Grade index of 125 companies in the U.S. and Canada rose 2.5 basis points to 270.5 basis points as of 9:49 a.m. in New York, according to Barclays Capital. An increase suggests deterioration in investor confidence; a decline indicates the opposite.

Contracts on the Markit iTraxx Europe index of 125 investment-grade companies rose 8 basis points to 200 basis points, according to JPMorgan Chase & Co.

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