

Greek bonds rally; Chesapeake spreads widen

With a third bailout close, Greek government bonds have begun to rally, while in North America the price of oil is sending Chesapeake's credit spread sky high.

- Greece's ten year [government bond](#) yield dropped below 10% for the first time since March
- [Markit iBoxx GEMX Turkey](#) index yield has risen 3% since mid-January
- Chesapeake's [5-yr CDS spread](#) has widened above 1,000bps; a new five year high

Greece bailout

Greece's ruling party Syriza has passed (not without stern opposition) a vote to win parliamentary approval for a new bailout agreement with its creditors. European finance ministers will now meet today to discuss the terms, the mood between ministers is optimistic.

GREECE 2.0% 2025



Source: Markit

With the \$96bn bailout imminent, bond markets have reacted positively with credit spreads tightening. Greece's government bond due 2025 has rallied, with its yield falling 200bps over the past week to 9.53%, according to Markit's bond pricing service. This fall marked the first time Greece's ten year bond yield has dropped below 10% since mid-March, but the number remains around 100bps shy of levels seen pre-Syriza.

Greek bond investors will now turn their attention to Greece's ability to implement the agreed reforms; something Greece have been guilty of not doing in the past. Added to the mix is possible political upheaval,

meaning that credit markets have remain cautioned with CDS spreads still implying a 57% chance of a Greek default over the three year bailout period. The Greek economy did however have something to cheer about this week, with [data showing](#) the economy had surprisingly grown by 0.8% in Q2.

Turkey

Political squabbling, public unrest and military action abroad have sent the lira to record lows against the US dollar.

iBoxx GEMX Turkey



Source: Markit

Bond investors have remained wary of Turkey's political situation, with the yield on the Markit iBoxx GEMX Turkey index, comprising Turkish government bonds, approaching 10%. Yields were just 7% in mid-January but an indecisive election result and [further political turmoil](#) have combined to push yields up.

[currency devaluation](#) acted as a catalyst for the recent turnaround in the price of gold.

Credit: winners and losers

Chesapeake Engy Corp 5-yr CDS Conv Spread



Source: Markit

The biggest credit widener over the past week has been Chesapeake Energy Corp which has seen its 5-yr CDS spread rocket past 1,000bps for the first time in five years. The oil and natural gas producer's credit spread was trading at half the current level just one and a half months ago. But with the price of oil taking another downturn, fears of further oil price deterioration straining operations further has sent investors rushing for cover.

Other major credit wideners over the past week included Bombardier, a Canadian aerospace and transportation firm. The firm has seen its 5-yr CDS spread widen over 100bps after delays in its new CSeries jet as the company struggles with performance and cash flow. Fitch has downgraded the firm further into junk territory.

On the credit improvers' front, Barrick Gold Corp, the largest gold mining company in the world saw its CDS spread tighten to 308bps from recent highs of 353bps. [China's recent](#)

Neil Mehta

Analyst

Markit

Tel: +44 207 260 2298

Email: neil.mehta@markit.com

For further information, please visit www.markit.com

The intellectual property rights to this report provided herein is owned by Markit Group limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omission or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.

This report does not constitute nor shall it be construed as an offer by Markit to buy or sell any particular security, financial instrument or financial service. The analysis provided in this report is of a general and impersonal nature. This report shall not be construed as providing investment advice that is adapted to or appropriate for any particular investment strategy or portfolio. This report does not and shall not be construed as providing any recommendations as to whether it is appropriate for any person or entity to "buy", "sell" or "hold" a particular investment.