

Risk.Net: Worrying Trends in Sovereign Risk

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Sovereign credit risk is a complex beast. It is often country-specific, but can also be driven by regional and global themes.

Currently, all three factors are in play.

Looking ahead, changing geopolitical alliances, trade flows and supply chains will have a more profound and far-reaching effect. It all adds up to a more volatile environment for sovereign credit risk. From mid-2017 to late 2018, sovereign credit volatility more than doubled. And while it has come down recently, sovereign credit volatility remains worryingly high, at just above 4%.

In this series of monthly articles from Risk.net, David Carruthers, head of research at Credit Benchmark, reports on the increasingly volatile state of Sovereign credit risk. Also this month, the global airline industry suffers some major setbacks, and a look at the contrasting credit fortunes of US large oil vs Opec sovereigns. We also examine similarities and differences in basic materials vs utilities credit quality.

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