J-INTERSECT

IMPROVING PERFORMANCE AT THE NEXUS OF THE COMMERCIAL AND SOCIAL SECTORS

ABSTRACT

CREDIT DEFAULT SWAPS ON FRENCH GOVERNMENT BONDS

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Investors are looking for clever ways to protect themselves against the risk of a euro dropout. In both developed and developing economies, a credit default swap (CDS) is, in effect, insurance against non-payment. The French government bond has continuously depreciated since January 2017, as uncertainty increased regarding the French presidential election because presidential candidate Marine Le Pen claimed she would take France out of the Eurozone, thus having to redenominate its current debt. France's 5-Years CDS quotation and implied probability of default as of mid-January 2019 have been 39.30 and 0.66 percent, respectively. That CDS value has been close to one year maximum value. As of 31 January 2019, 5-Years CDS quotation and implied probability of default have been 36.50 and 0.61 percent, respectively. CDS value has changed +117.26 percent during last year. The CDS market insures against French bonds defaulting and also has become a way to be positioned for protection against specific political risk.