

Sanctions, What Sanctions? Russian Credit Risk Collapses to 4-Year Lows

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After more than **three years of US sanctions** (and almost a year of constant attacks from the western media) Russian credit risk has collapsed to its **lowest level since September 2013**.

As Bloomberg notes, **high demand for Russia's dollar-denominated assets** is driving the cost of the country's credit-default swaps back near record lows...



Investors with a bullish view on the nation's debt **sell the default protection and collect regular payments for the instruments rather than buying the country's dollar bonds and receiving interest**.

After **sanctions caused a dearth of new dollar securities**, CDS have become an increasingly popular way for investors to gain exposure to Russia, according Societe Generale SA's Rosbank PJSC unit.

While Russian 10Y bond yields have tumbled back to 4.00% - the lowest since the election, **Chinese bond yields have exploded higher (up almost 100bps to 3.7% - the highest since Dec 2014)**.



Perhaps **Rex Tillerson** was right after all - despite the liberal media's desperation to paint him as yet another 'friend of Putin' - when he **questioned the efficacy of US sanctions on Russia** this week during his confirmation hearings...

The long-serving executive said the Trump administration **needs to review the efficacy of the sanctions and judge whether there might be better ways to try to constrain, or potentially woo, the Kremlin**.

"Sanctions, in order to be implemented, do impact American business interests," Mr. Tillerson said in response to questioning. **"When sanctions are imposed, they are, by design, going to harm American business."**

"In protecting American interests....sanctions are a powerful tool. Let's design them well... Let's ensure those sanctions are applied equally."

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