



BlackRock Sovereign Risk Index - Australia still strong, France slips

Sydney, February 06, 2012 The BlackRock Investment Institutes latest paper shows notable country moves on the BlackRock Sovereign Risk Index (BSRI) over 4Q11 and revisits the eurozone after downgrades by rating agencies.

The BSRI assesses and ranks 44 countries that issue government bonds and provides investors with a framework for tracking sovereign credit risk by drawing on a pool of financial data, surveys and political insights.

In 4Q11, France dropped four spots on the BSRI ranking based on its perceived worsening investor climate and political risk. Moving up in the BSRI rankings are Japan (five spots), and China, Poland and Peru (three spots each). Thailand declined the most, dropping six spots due to the impact of flooding, while South Africa slipped three spots.

The squeaky clean and economically robust Scandinavian countries are at the low-risk end of the BSRI risk scale. On the other hand, the eurozones heavily indebted and slow-growing countries populate the high-risk side of the index. South Korea and Chile still rank ahead of Germany and the United States.

Australia currently ranks an impressive eighth on the index. Steve Miller, head of fixed income, BlackRock Australia said:

The latest BSRI results continue to challenge long-held assumptions that Western government bonds are risk-free. Theyre also puncturing the notion that automatically equates emerging countries with high risk. The findings that South Korea and Chile rank ahead of Germany and the United States, and that Frances financial metrics are slipping, emphasise the scale of structural change across the global economy.

We would argue that fixed income allocations must respond to contemporary risks and economic realities and move on from the mindset of an older era, especially those associated with conventional sovereign bond benchmarks.

Contacts

Erin Taylor
+61 (0) 2 8264 1007
mailto: e.taylor@fcr.com.au