
Allen Dennis, Eung Ju Kim, Cristina Savescu, Nadia Spivak

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**European sovereign credit risk rises amid Greek default fears.** The cost of protecting against default on European government bonds jumped, reversing a four-day decline, after European leaders ended a weekend meeting without agreeing on new measures to halt the region’s debt crisis. The Markit iTraxx SovX Western Europe Index of swaps on 15 sovereign debts widened 14 basis points (bps) to 339 bps, approaching a historic high of 3544 bps reached on September 12th, according to JP Morgan Chase & Co. An increased in CDS spreads generally signals deterioration in investor perception of credit quality. Investors are waiting on clarity on Greek situation as European officials further postponed last week a decision on the country’s second rescue package. The Greek government is holding conference calls with European Union and International Monetary Fund inspectors to discuss the nation’s compliance with terms of last year’s €110 billion ($151.6 billion) bailout package. Greece is waiting to receive a sixth tranche of loans from its first bailout agreement due in October.

**Confidence among US home builders remains low.** Along with other US confidence indicators released over the past few weeks (consumer sentiment, business optimism etc), confidence in the market for newly built single-family homes remains in low territory. Battered by overall weak US economic news (weaker than expected Q2 growth, grid lock on US debt discussions, S&P down grade of sovereign debt, fall in stock market etc) as well as ongoing housing sector specific challenges: accessing construction credit, obtaining accurate appraisal values, and competing against foreclosed properties, the September release of the National Association of Home Builders/Well Fargo Housing Market Index fell by a point to 14. With readings of 50 and above considered good, the September figure shows that confidence in the home building sector continues to remain very low. Further, prospects for the future also remain dim, as the sub-index which captures sales expectations in the next six months and traffic of prospective buyers each declined by 2 points to 17 and 11 respectively.

**Among Emerging Markets…** In Central and Eastern Europe, Georgia’s real GDP grew at 4.7%(y/y) in the second quarter of 2011 and Russia’s unemployment rate fell to 6.1% in August from 6.5% recorded in July, translating to 4.67 million unemployed people.

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