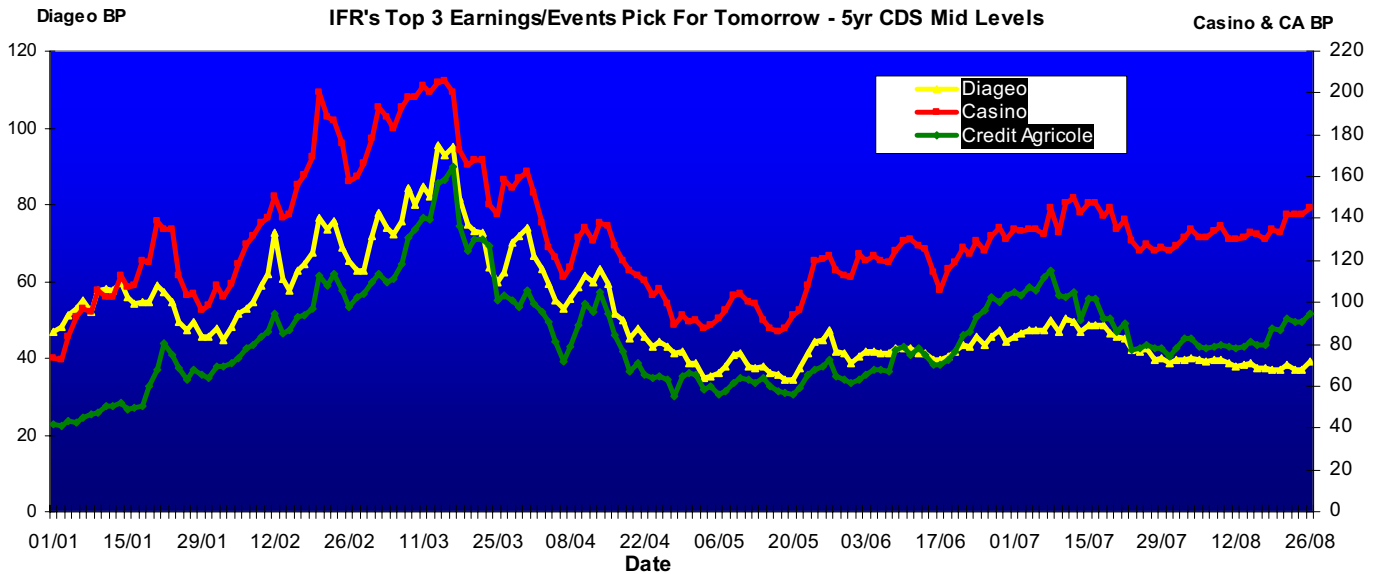


EUROPE CDS BRIEFING

Name	Event Info	CDS Mid	1D % Move	5D % Move	20D% Move
Accor	H1 Earnings	89	0	3.1	0.8
Ahold	Q2 Earnings	128	1.9	2.7	5.5
Bouygues	H1 Earnings	79	-0.4	0	2.6
Casino	H1 Earnings	145	2.3	7.7	15.2
Credit Agricole	H1 Earnings	95	4.4	7.6	20.8
Diageo	Preliminary Figures	39	4.8	4.8	-2.3
Natixis	H1 Earnings	144	2.4	1.8	-3.4



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Corporate Earnings/Events for Thursday 28th August

Accor SA, (A-, S9 Main, 5-yr CDS 86/91) will publish its interim earnings. Talk of management restructuring has been refuted in the press but the hotel group will do well not to disappoint with the figures tomorrow. Poor figures this year have led to default touching recent highs of just over a 100 but news of expansion plans in Asia and the winning of new contracts in emerging market regions have calmed some analyst's fears.

Ahold, (Baa3/BBB-, 5-yr CDS 123/133) will be hoping to benefit from the strong sales figures released at the start of the month when it releases its Q2 earnings. Default at the time slid from 125 to 120 on the news that the retailer expected to maintain its 2008 growth forecast on the back of increased sales. The retailer has also initiated a US rebranding programme in an attempt to offset weak consumer confidence and currency related declines in the region.

Bouygues, (A-, 5-yr CDS 75/84) is due with its H1 earnings. The construction, transport and real estate development divisions are expected to negate a poor showing from its telecommunication business. A poll of analysts conducted by Thomson Reuters indicates that operating profit should rise by just over 2%. Five-year CDS has made steady progress since a high of 97 in early July after brokers made wholesale downgrades to the telco sector.

Casino Guichard-Perrachon, (BBB-, S9 Main and HiVol, 5-yr CDS 140/150) will release interim earnings. Five-year default protection is moving back toward the July 11 high of 149. Analysts are concerned that although the retailer is due to post an increase in profits of just over 10%, the economic downturn and real estate asset valuation downgrades will impact future growth.

Credit Agricole, (Aa1/AA-, S9 Main, 5-yr CDS 92/97) will issue its H1 earnings. Five-year CDS has been trading in a 115-74bp range over the last two months as the market is of the opinion that the worst of the bank's credit

EUROPE CDS BRIEFING

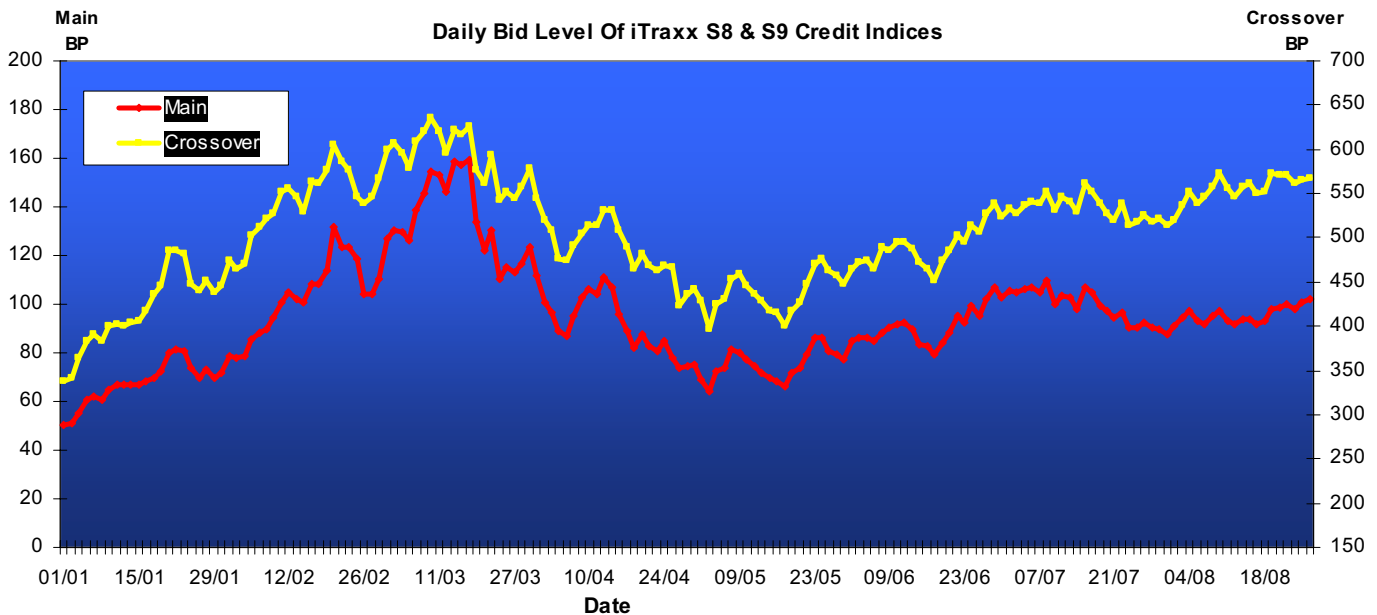
iTraxx Summary Table:

Wednesday August 27

	Open	Wide	Tight	Last	Daily Change/bp	Weekly Change/bp	Monthly Change/bp
Crossover	563	568	563	567	+4	+6	+38
Main	100	100	100	102	+2	+4	+9.5
HiVol	198	201	198	201	+3	+6	+15

Series 9 & 8 All Time Levels							
	S9 Open	S9 Wide	S9 Tight		S8 Open	S8 Wide	S8 Tight
Crossover	593	615	390		330	652	268
Main	139	139	60		35	164	28
HiVol	220	220	120		55	252	49

Levels indicative. Taken from market contacts and Thomson TradeWeb. All levels Mid. Daily Change from Open to Last. Weekly change from Friday Close to today's Last. Month to date change from Open on 1st or nearest trading day to today's Last.



crunch related losses have been accounted for. The bank had its long term rating downgraded earlier in the month by Fitch to AA- as the agency cited poor prospects for the group to offset the weak performance noted from Calyon in the sub-prime maelstrom.

Diageo, (BBB, S9 Main, 5-yr CDS 36.5/41.5) will announce preliminary figures. Analysts are looking for a 9% increase in sales to offset the negative impact seen in the drinks industry from the smoking ban in the UK. Sales have been boosted by increased demand for whisky from the retail sector as customers realign their consumption habits.

Natixis, (Aa3/AA-, 5-yr CDS 137/151) is due to publish interim figures. Five-year default protection reached a high this month of 146 as the market digested the full impact of its EUR3.7bn rights issue. The group has suffered write downs of around EUR1.5bn in the credit crunch with a high percentage of its core business focused on securitization. Rumours are that Natixis may even set its right issue at a modest premium to entice investors into the sale. Considering the struggle noted from the GBP400m issue for Bradford and Bingley recently, any incentive is likely to be well received.

LOOK OUT FOR:

Preliminary Q2 US GDP.

IFR expects the second calculation (of three) on GDP growth to show the U.S. economy expanded by a respectable 2.5% in the second quarter, though

following the stronger than expected durable goods orders for July, GDP may be higher still. Historically, the average revision from advance to final GDP is half a percentage point. Most expect Q2 output, which has been boosted by stimulus checks, to be the best of the year, with Q3 and Q4 GDP growth collapsing to near zero.

iTraxx Summary

It was another quiet day for the iTraxx, certainly as regards volatility for the indices continue to trade in narrow ranges. Flow was said to be light too. The tone remains skewed to the downside but most expect moves to remain limited until Labor Day has passed.

Opening moves were negligible as stock markets were fairly flat overnight and there was no real market moving news of note; rather just more speculation on the GSE's and Lehman.

As the morning progressed, the indices moved to the wides of the day as European Bourses sold off. This was on the back of a WSJ article that said the Federal Deposit Insurance Corp (FDIC) might have to borrow money from the Treasury Department in order to get it through an expected wave of bank failures.

The afternoon was fairly quiet too, though the stronger than expected July US durable goods orders helped the tone. However this was tempered by

EUROPE CDS BRIEFING

hawkish comments from Fed Lockhart, with Fed fund futures forecasting the next move as a hike, though not until next year. Lockhart was bearish on nearly everything, mortgages, house prices, inflation, banks and productivity. At the same time, a number of ECB members spoke and appeared to be attempting to reduce hopes of a cut. The result was that global stock markets are now pretty much flat, as are the iTraxx.

The Crossover began the day flat at 563, went as wide as 568 and is now at 565. The Main was a touch tighter at 100, traded up at 102.25 and is now at 102.

TRADER TALK:

"With Ahold reporting tomorrow and PPR on Friday we recommend selling 5yr CDS for PPR at 240bp and buying Ahold 5yr CDS at circa 130bp. We

anticipate Ahold to state that a difficult trading environment and weak consumer sentiment in the US as well as the USD weakness will weigh on its profitability and cash flows. As regards PPR, we think that its prospects are much brighter, because its luxury unit is less cyclical".

"Financials continue to underperform the market and volatility is low. I don't expect volatility to pick-up until after Labor Day on Monday and despite the current elevated levels, we still think the market will go wider. The same stories show no signs of going away. What will happen to the GSE's and until Lehman reports on September 18th, it will continue to attract negative headlines."

