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# Bets on Treasury Defaults Are Performing Nicely

The “Sell America” trade is hot. So is the “Short Uncle Sam” trade.

Betting against U.S. Treasuries using credit-default swaps has been a big winner this year.

CDS  
Credit Default  
Swaps

The price of insuring five-year U.S. Treasury notes passed half a percentage point on Thursday and has remained above that level since. It finished at 0.504 percentage point on Monday, up 70% in the year to date, according to data compiled by LSEG.

President Trump’s attacks on Federal Reserve Chair Jerome Powell appear to have helped fuel the surge. The swaps provide protection against the U.S. government defaulting on its debt.

The last time the five-year CDS on Treasuries broke half a percentage point was in November 2023, when there was talk of a possible government shutdown. The peak was 0.9 percentage point in February 2009.

At the moment, 17 countries have lower CDS prices on their sovereign debt than the U.S. including Portugal, Ireland and Spain, according to the website World Government Bonds.

—Jonathan Weil

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