

ABSTRACT

A panel dataset of euro area countries was used to assess the determinants of sovereign bond yield spreads from first quarter of 1995 to the last quarter of 2017. In the period before the financial crisis, the government bond yield spreads were mostly determined by the expected debt to GDP, the credit risk factor and economic growth. With the eruption of the financial crisis, the analysis suggests that markets have started to take into consideration more fundamentals to determine the price of government bond yield spreads, such as liquidity risk and international risk. It was also concluded that there is a difference between the determinants of the government bond yield spread of core and periphery group.

JEL: C23, F34, G01, H50.

Keywords: sovereign yields, panel analysis, crisis.