

European government bond dynamics and stability policies: taming contagion risks

Description

The aim of this project was to analyze the evolution of the yield correlations of government bonds in the euro area. The center for asset management cooperated with scientists of other internal and external institutions.

<https://www.esm.europa.eu/publications/european-government-bond-dynamics-and-stability-policies-taming-contagion-risks>



Partner

The European Stability Mechanism is an international financial institution, which was founded in 2012 as successor of the European Financial Stability Facility. Its goal is to support EUR-countries that face financial difficulties.

Content

From 2004 to 2015, the market perception of the sovereign risks of euro area government bonds experienced several different phases, reflected in a clear time structure of the correlation matrix between the yield changes. “Core” and “peripheral” bonds cluster in a bloc-like structure, but the correlations between the blocs are time-dependent and even become negative in periods of stress.

