Appendix 4: Estimation outputs

Table A: Correlation matrix for the dependent and independent variables

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1. Yield spread	1.00									
2. Corporate spread (1)	0.24	1.00								
3. VIX	0.05	0.72	1.00							
4. Current account-to-GDP	-0.20	0.06	-0.01	1.00						
5. Debt service	0.40	0.14	0.00	-0.25	1.00					
6. Debt-to-GDP	0.47	0.15	-0.00	-0.20	0.77	1.00				
7. Budget Balance-to-GDP	-0.52	-0.32	-0.13	0.36	-0.41	-0.45	1.00			
8. Monetary policy (2)	-0.36	-0.30	0.01	-0.04	-0.16	-0.22	0.47	1.00		
9. Liquidity	-0.11	0.00	0.01	0.02	0.19	0.34	-0.00	-0.00	1.00	
10. GDP growth	-0.36	-0.02	0.05	0.21	-0.15	-0.21	0.33	0.25	-0.04	1.00

Notes:

(1) Yield spread between Moody's Seasoned US AAA corporate bonds and 10-year US Treasury Bonds
(2) EONIA rate

Table B: Descriptive statistics

Variables	Observations	Mean	Standard Deviation	Min.	Max	Expectation
Yield spread[r]	432	1.35001	3.1975	-.198	33.134	N/A
Corporate spread	432	1.57166	.496581	.7	2.68	+
VIX	432	20.9041	8.97573	11.03492	58.59594	+
Current account-to-GDP[r]	432	-6.96666	5.87986	-23.2	6.8	-
Debt service[r]	432	1.10289	4.15347	-4.839581	22.37172	+
Debt-to-GDP[r]	432	7.22638	30.1435	-43.4	96.7	+
Budget Balance-to-GDP[r]	432	-1.76472	5.00800	-28.477	7.958	-
Monetary policy	432	2.00410	1.36040	.107	4.265	+
Liquidity[r]	432	.36021	.38569	.0252485	1.462969	-
GDP growth[r]	432	-.04953	1.15143	-4.7	5.7	-

Notes:

[r] relative to Germany

Table C: Baseline specification

	Yield spread of country i relative to Germany					
	All countries		Central countries		Peripheral countries	
X_{it}	β	*z-stats*	β	*z-stats*	β	*z-stats*
Corporate spread (1)	.1978***	(3.97)	.1775***	(5.30)	.4393***	(4.44)
Current account-to-GDP	.0045	(0.77)	-.0034	(-0.96)	-.0097	(-0.46)
Debt service	-.0117	(-1.17)	-.0014	(-0.14)	-.0177	(-1.45)
Debt-to-GDP	.0430***	(9.87)	.0039	(1.06)	.0390***	(5.29)
Budget Balance-to-GDP	-.0508***	(-3.96)	.0006	(0.05)	-.0907***	(-4.76)
Monetary policy	-.0567**	(-2.42)	-.0576***	(-2.97)	-.1574***	(-3.00)
Liquidity	-3.5164***	(-7.82)	-.4594	(-0.79)	-2.5481***	(-3.91)
GDP growth	.0086	(0.66)	.0100	(1.33)	-.0052	(-0.18)
D_n	γ_n		γ_n		γ_n	
Dummy Belgium	Omitted[a]		Omitted[a]		Omitted[a]	
Dummy Finland	1.477***	(6.68)	-.190	(-1.03)		
Dummy France	3.097***	(7.88)	.209	(0.47)		
Dummy Greece	2.575	(1.16)			-.2691	(-0.12)
Dummy Ireland	1.917***	(5.66)			-.5650	(-1.40)
Dummy Italy	3.225***	(7.91)			-.0492	(-0.09)
Dummy Netherlands	1.240***	(5.71)	-.136	(-0.84)		
Dummy Portugal	1.684***	(2.76)			-.9148	(-1.49)
Dummy Spain	2.782***	(10.92)			/	/
Constant	.01401	(0.07)	.3209*	(1.91)	1.9878***	(4.50)
Number of Obs.	432		192		240	
Number of groups	9		4		5	
Avg. Obs. per group	48		48		48	
Wald χ^2	332.64		57.79		161.90	
Prob > χ^2	0.000		0.000		0.000	

Notes:
Panel FGLS regression with country dummies.
In the ordinary brackets are the z- statistics, computed using Parks-Kmentha(1986)'s HPAC-robust standard errors.
Significance at 1% denoted by ***, at 5% by ** and at 10% by*.
[a] Naturally coded: Omitted (to avoid multicollinearity, we include only N-1 dummies)
(1) Yield spread between Moody's Seasoned US AAA corporate bonds and 10-year US Treasury Bonds

Table D: Model with a crisis dummy

	Yield spread of country i relative to Germany					
	All countries		Central countries		Peripheral countries	
X_{it}	$\beta_1 (X_{it})$	$\beta_2(CRISIS_{it} * X_{it})$	$\beta_1 (X_{it})$	$\beta_2(CRISIS_{it} * X_{it})$	$\beta_1 (X_{it})$	$\beta_2(CRISIS_{it} * X_{it})$
Corporate spread (1)	.1045 (1.40)	.5631*** (3.08)	.0937***(3.02)	.2285*** (3.31)	.2412 (1.40)	1.628*** (4.00)
Current account-to-GDP	.0169* (1.76)	-.0217** (-2.17)	.0009 (0.24)	-.0021 (-0.45)	.0309 (0.94)	-.0729 (-1.48)
Debt service	-.0004 (-0.03)	-.0429 (-1.14)	-.0065 (-0.48)	.0112 (0.50)	.0047 (0.22)	-.1233* (-2.06)
Debt-to-GDP	.0207*** (4.01)	.0225*** (4.10)	.0019 (0.54)	.0055 (1.63)	-.0001 (-0.01)	.0643*** (4.25)
Budget Balance-to-GDP	-.0662***(-3.31)	-.0503** (-2.13)	-.0067 (-0.56)	.0547*** (3.60)	-.0420 (-0.82)	-.1528***(-2.62)
Monetary policy	.0469 (0.88)	-.1932** (-1.95)	.0398* (1.73)	-.1202***(-2.78)	.0183 (0.14)	-.3572* (-1.61)
Liquidity	-2.834***(-4.44)	-.3671* (-1.74)	-.8247 (-1.21)	.1827 (1.65)	-3.215***(-2.80)	-2.228** (-2.40)
GDP growth	-.0189 (-0.62)	-.0327 (-0.77)	-.0001 (-0.01)	.0237 (1.45)	-.0069 (-0.11)	-.1874** (-2.15)
D_n	γ_n		γ_n		γ_n	
Dummy Belgium	Omitted[a]		Omitted[a]		Omitted[a]	
Dummy Finland	.9359*** (3.93)		-.2747* (-1.69)			
Dummy France	2.291*** (4.48)		.3981 (0.81)			
Dummy Greece	2.091 (1.27)				-.2918 (-0.18)	
Dummy Ireland	1.090*** (4.20)				-1.790***(-3.44)	
Dummy Italy	2.865*** (5.02)				2.227*** (2.63)	
Dummy Netherlands	.6975*** (3.35)		-.1808 (-1.30)			
Dummy Portugal	1.234*** (2.71)				-1.146* (-1.81)	
Dummy Spain	2.005*** (5.59)				/	
	λ		λ		λ	
Crisis	-.6503* (-1.82)		.1220 (0.84)		-2.519** (-2.11)	
Constant	.0239 (0.09)		.2070 (1.09)		1.868** (2.06)	
Number of Obs.	432		192		240	
Number of groups	9		4		5	
Avg. Obs. per group	48		48		48	
Wald χ^2	541.49		239.21		510.96	
Prob > χ^2	0.000		0.000		0.000	

Notes:
Panel FGLS regression with country dummies.
In the ordinary brackets are the z- statistics, computed using Parks-Kmentha(1986)'s HPAC-robust standard errors.
Significance at 1% denoted by ***, at 5% by ** and at 10% by*.
Z-statistics within parameters.
[a] Naturally coded: Omitted (to avoid multicollinearity, we include only N-1 dummies).
(1) Yield spread between Moody's Seasoned US AAA corporate bonds and 10-year US Treasury Bonds

Table E: Baseline specification (Robustness check)

	Yield spread of country i relative to Germany					
	All countries		Central countries		Peripheral countries	
X_{it}	β	*z-stats*	β	*z-stats*	β	*z-stats*
VIX	.0097***	(3.76)	.0086***	(7.24)	.0091	(1.49)
Current account-to-GDP	-.0024	(-0.39)	-.0039	(-1.23)	-.0135	(-0.50)
Debt service	-.0077	(-0.66)	-.0105	(-1.08)	-.0074	(-0.44)
Debt-to-GDP	.0414***	(9.01)	.0087***	(2.58)	.0352***	(4.01)
Budget Balance-to-GDP	-.0527***	(-4.12)	-.0177*	(-1.89)	-.0846***	(-3.88)
Monetary policy	-.0559**	(-2.48)	-.0417***	(-2.88)	-.2110***	(-2.80)
Liquidity	-3.561***	(-7.07)	-.9045	(-1.59)	-2.264***	(-2.98)
GDP growth	.0094	(0.60)	.0075	(1.10)	.0201	(0.55)
D_n	γ_n		γ_n		γ_n	
Dummy Belgium	Omitted[a]		Omitted[a]		Omitted[a]	
Dummy Finland	1.430***	(6.49)	-.0052	(-0.03)		
Dummy France	3.090***	(7.18)	.5581	(1.27)		
Dummy Greece	2.370	(1.04)			-.0421	(-0.02)
Dummy Ireland	1.829***	(5.37)			-.4360	(-0.97)
Dummy Italy	3.254***	(7.20)			-.0827	(-0.13)
Dummy Netherlands	1.235***	(5.67)	.0070	(0.04)		
Dummy Portugal	1.568***	(2.64)			-.7352	(-1.19)
Dummy Spain	2.686***	(10.05)			/	/
Constant	.1280	(0.68)	.3854**	(2.20)	2.400***	(4.78)
Number of Obs.	432		192		240	
Number of groups	9		4		5	
Avg. Obs. per group	48		48		48	
Wald χ^2	292.78		115.65		96.30	
Prob > χ^2	0.000		0.000		0.000	

Notes:
Panel FGLS regression with country dummies.
In the ordinary brackets are the z- statistics, computed using Parks-Kmentha(1986)'s HPAC-robust standard errors.
Significance at 1% denoted by ***, at 5% by ** and at 10% by*.
[a] Naturally coded: Omitted (to avoid multicollinearity, we include only N-1 dummies)

Table F: Model with a crisis dummy (Robustness check)

	Yield spread of country i relative to Germany					
	All countries		Central countries		Peripheral countries	
X_{it}	$\beta_1 (X_{it})$	$\beta_2(CRISIS_{it} * X_{it})$	$\beta_1 (X_{it})$	$\beta_2(CRISIS_{it} * X_{it})$	$\beta_1 (X_{it})$	$\beta_2(CRISIS_{it} * X_{it})$
VIX	.0021 (0.42)	.0128** (1.97)	.0042* (1.62)	.0015 (0.47)	.0120 (0.73)	-.0152 (-0.73)
Current account-to-GDP	.0131 (1.36)	-.0045 (-0.44)	-.0006 (-0.16)	-.0031 (-0.55)	.0376 (1.02)	-.0401 (-0.75)
Debt service	-.0080 (-0.47)	-.0241 (-0.71)	-.0109 (-0.81)	.0135 (0.62)	.0058 (0.22)	-.0396 (-0.63)
Debt-to-GDP	.0206*** (3.93)	.0252*** (4.68)	.0065* (1.62)	.0077** (2.16)	.0030 (0.18)	.0401*** (2.51)
Budget Balance-to-GDP	-.0637***(-3.24)	-.0206 (-0.91)	-.0155 (-1.21)	.0625*** (3.59)	-.0263 (-0.44)	-.1374** (-2.01)
Monetary policy	.0524 (1.11)	-.1683* (-1.84)	.0273 (0.96)	-.0911** (-1.96)	.0509 (0.30)	.0412 (0.15)
Liquidity	-2.064***(-3.25)	-.4532** (-2.33)	-1.027 (-1.57)	.1363 (1.21)	-3.052** (-2.16)	-1.384 (-1.43)
GDP growth	-.0116 (-0.41)	.0224 (0.60)	-.0037 (-0.38)	.0315** (2.26)	-.0108 (-0.17)	-.0166 (-0.18)
D_n	γ_n		γ_n		γ_n	
Dummy Belgium	Omitted[a]		Omitted[a]		Omitted[a]	
Dummy Finland	1.099*** (4.27)		-.0101 (-0.06)			
Dummy France	1.830*** (3.68)		.6469 (1.36)			
Dummy Greece	2.435 (1.43)				.6331 (0.38)	
Dummy Ireland	1.312*** (4.85)				-1.471***(-2.54)	
Dummy Italy	2.164*** (3.81)				2.040** (2.09)	
Dummy Netherlands	.7244*** (3.36)		.0305 (0.21)			
Dummy Portugal	1.415*** (2.90)				-.6664 (-0.92)	
Dummy Spain	2.001*** (5.54)					
	λ		λ		λ	
Crisis	.2425 (1.12)		.5079*** (3.98)		.9266 (0.78)	
Constant	-.0641 (-0.25)		.1963 (1.00)		1.781* (1.64)	
Number of Obs.	432		192		240	
Number of groups	9		4		5	
Avg. Obs. per group	48		48		48	
Wald χ^2	355.30		184.95		254.81	
Prob > χ^2	0.000		0.000		0.000	

Notes:
Panel FGLS regression with country dummies.
In the ordinary brackets are the z- statistics, computed using Parks-Kmentha(1986)'s HPAC-robust standard errors.
Significance at 1% denoted by ***, at 5% by ** and at 10% by*.
Z-statistics within parameters.
[a] Naturally coded: Omitted (to avoid multicollinearity, we include only N-1 dummies).