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Nota di contenuto	<p>Intro -- Contents -- I. Introduction -- II. The Data and Econometric Approach -- III. Domestic Finance Matters -- IV. The Phases of the Crisis -- A. From Subprime Onset to Bear Stearns -- B. After Bear Stearns -- C. After the Anglo Irish Nationalization -- D. Monthly Variations in Spreads -- V. Country Differences -- A. Following Bear Stearns: Spotlight on Countries' Loss of Competitiveness -- B. The Role of Public Debt -- VI. Interpreting the Findings -- VII. Conclusions -- References -- Tables -- 1. Weekly Changes in Spreads (basis points) -- 2. Does Domestic Finance Matter? -- 3. Domestic Finance Does Matter -- 4. Phases of the Crisis -- 5. Explaining the Jump in Spreads After the Anglo Irish Nationalization -- 6. Phases as Seen Through Monthly Changes in Spreads -- 7. Subprime to Bear Stearns: Limited Differentiation Across Countries -- 8. Post Bear Stearns: Country Differentiation By Loss of Competitiveness -- 9. The Role of Public Debt -- 10. Post-Bear Stearns Country Variations: Monthly Data -- Figures -- 1. Trends and Dispersion of Eurozone Sovereign Spreads -- 2. Sovereign Spreads and Prospects of the Financial Sector -- 3. Real Effective Exchange Rate Appreciation from January 2003 to July 2008 -- 4. Correlation Between Debt-to-GDP Ratio and Sovereign Spreads -- 5. Eurozone: Evolving Real GDP Consensus Forecasts for 2009 -- 6. Change in Growth Projections for 2009 as F-Ratio Changed During 2008 -- 7. Do Sovereign Spreads Anticipate GDP Growth? -- 8. Regimes of High and Low Sovereign Spreads.</p>
Sommario/riassunto	<p>This paper attempts to explain the recent rise and differentiation of sovereign spreads across the countries of the eurozone. Following the onset of the subprime crisis in July 2007, spreads rose but mainly on account of common global factors. The rescue of Bear Stearns in March 2008 marked a turning point. Countries thereafter were increasingly differentiated. Sovereign spreads of a eurozone country tended to rise when the prospects of its domestic financial sector worsened. It appears, therefore, that the rescue of Bear Stearns created a link between financial sector vulnerabilities and a larger contingent liability on public finances. Following the failure of Lehman Brothers, spreads also rose faster for countries with higher ratios of public debt-to-GDP. These transitional dynamics appear to have concluded with the nationalization of Anglo Irish: sovereign spreads throughout the eurozone jumped, with the jump emphasizing the differentiation by</p>

financial sector vulnerability and public debt levels. The results imply that, to varying degrees, countries may have moved to a new regime of weak economic outlook, financial sector fragilities, and strains on public finances.
