Abstract

In this paper we compute a daily time series for the intensity of long-bond market contagion from Greece and Ireland for each of ten other countries within the EU over the period from October 2009 until August 2016. These contagion indices are then regressed on potential economic, financial and policy drivers to show that market sentiment is an important driver raising contagion whereas economic policy changes, such as the Greek debt restructuring in March 2012 and the changes in tax rates in both Ireland and Greece were statistically significant in reducing the magnitude of contagion, in both countries, but also the duration of the contagion from Ireland which effectively ceased early in 2014.