Public Statements on Sovereign Yield Spreads:
The Greek Case †
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Abstract
This paper aims to examine whether the shaping of Greece’s sovereign yield spreads in the last two years (1/2010 – 11/2011) under extreme pressure from the financial markets was affected, inter alia, by the statements of political and institutional factors related to the Greek crisis. By implementing probit methodology, we conclude that positive statements, as a whole, do not have any effect on the probability of change of the sovereign yield spread, yet the same does not apply to negative statements, which increase the probability of an upward spread movement. Having distinguished the statements per originating country/institution, we find that only Germany’s and France’s negative statements affect the probability of an increase of the sovereign spread, while France’s positive statements are, also, proven statistically and economically significant.

Keywords: Binary choice model, economic crisis, public statements, spread.

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