

Abstract

This thesis investigates dynamics of determinants of government bond spreads in EMU and non-EMU countries, using non-linear Markov-switching method and Dynamic model averaging. Utilizing Dynamic model averaging we found evidence of three bond pricing regimes – pre-crisis, crisis and post Outright monetary transaction announcements. These three regimes are characteristic for all EMU countries (except Slovak Republic) and Czech Republic. Announcements of OMTs triggered post OMTs announcement regime also in Slovak republic. Third regime is not present in Poland, Hungary and United Kingdom. Moreover United Kingdom has only one regime and is dominated solely by market expectations. We found that there is heterogeneity in the determinants of bond spreads across all examined countries. Moreover we found that spreads are significantly related to market and economic sentiments.

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