

This thesis is devoted to spreads of sovereign bonds in central and eastern Europe relative to German government bonds. In the first part, a widely used government bond spread model is presented. It turns out that its assumption may be relaxed. Next, we show how spreads, inflation and exchange rates interact. Subsequently, we investigate the relationship between spreads and other macroeconomic variables by econometric methods. The most important factors affecting bond spreads in the region are public debt, GDP growth, openness of the economy, current account balance, and inflation. Bond markets in CEE put more weight on total level of public debt than on budget deficits. The effects of these variables differed before and after the year 2008. Two subgroups of central and eastern European countries with similar spread determinants were identified: the first group is formed by Lithuania, Poland, Slovakia, and Slovenia, while to the second one belong Bulgaria, Hungary, Latvia, and Romania. Uncertainty on global financial markets increases bond spreads in CEE as well as in western Europe. Bond spread determinants of the two groups differ from those of western European countries.