

## Internet Appendix to

### “Mind the Gap: Disentangling Credit and Liquidity in Risk Spreads” \*

This internet appendix contains results for the manuscript, “Mind the Gap: Disentangling Credit and Liquidity in Risk Spreads,” supplementary to the results reported in the paper itself. The appendix contains four tables that are complementary to tables in the manuscript. The tables are summarized as follows:

**Table 1:** This table reports the estimation results *for all maturity points* (1, 2, 3, 4, 5, 7, and 10 years) for equation (3) in the manuscript. The results are complementary to *Table 3* in the manuscript.

**Table 2:** This table reports estimation results *for all maturity points* (1, 2, 3, 4, 5, 7, and 10 years) for equation (4) in the manuscript. The results are complementary to those in *Table 4* in the manuscript.

**Table 3:** This table reports estimation results *for all maturity points* (1, 2, 3, 4, 5, 7, and 10 years) for equation (5) in the manuscript. The results are complementary to those in *Table 5* in the manuscript.

**Table 4:** This table reports results of an estimation in which the *regressand is equal to changes in the sovereign bond yield spread minus changes in the CDS spread*. The estimation is equivalent to equation (3) in the manuscript, when imposing a coefficient of one on the CDS spread.

---

\*Krista Schwarz, Department of Finance, The Wharton School, University of Pennsylvania, 3620 Locust Walk, Philadelphia, PA 19104. Tel. 215-898-6087. E-mail: [kschwarz@wharton.upenn.edu](mailto:kschwarz@wharton.upenn.edu).

**Table 1. Credit versus Liquidity in the Sovereign Bond Market**

Dependent Variable: Sovereign Yield Spread Changes<sub>cmt</sub>

Regressions onto K-Spread Changes<sub>mt</sub> and CDS Spread Changes<sub>cmt</sub>

**Panel A: Full Sample Period (January 1, 2007 to December 31, 2014)**

	Austria	Belgium	Finland	France	Ireland	Italy	Netherlands	Portugal	Spain
<i>1-Year Maturity</i>									
K-Spread <sub>1</sub>	0.33*** (0.13)	0.67*** (0.13)	0.28*** (0.11)	0.18*** (0.05)	1.01** (0.43)	1.09*** (0.20)	0.15** (0.07)	2.05*** (0.71)	0.82*** (0.20)
CDS Spread <sub>c1</sub>	0.05 (0.06)	0.44*** (0.04)	-0.20* (0.12)	0.09*** (0.03)	0.96*** (0.05)	0.59*** (0.03)	-0.13** (0.06)	0.65*** (0.04)	0.67*** (0.03)
R <sup>2</sup> - Adjusted (%)	0.02	0.30	0.02	0.08	0.52	0.45	0.01	0.35	0.48
<i>2-Year Maturity</i>									
K-Spread <sub>2</sub>	0.41*** (0.07)	0.59*** (0.13)	0.29*** (0.04)	0.29*** (0.06)	1.19*** (0.43)	1.10*** (0.21)	0.24*** (0.05)	1.10** (0.56)	0.71*** (0.19)
CDS Spread <sub>c2</sub>	0.16*** (0.03)	0.67*** (0.04)	0.09** (0.04)	0.28*** (0.03)	1.13*** (0.04)	0.66*** (0.03)	0.14*** (0.04)	0.80*** (0.03)	0.81*** (0.03)
R <sup>2</sup> - Adjusted (%)	0.21	0.46	0.13	0.25	0.63	0.52	0.11	0.56	0.61
<i>3-Year Maturity</i>									
K-Spread <sub>3</sub>	0.50*** (0.07)	0.60*** (0.10)	0.38*** (0.04)	0.40*** (0.06)	0.56 (0.35)	1.04*** (0.19)	0.33*** (0.05)	0.46 (0.45)	0.58*** (0.16)
CDS Spread <sub>c3</sub>	0.24*** (0.03)	0.74*** (0.04)	0.16*** (0.04)	0.41*** (0.04)	1.09*** (0.04)	0.70*** (0.03)	0.28*** (0.04)	0.91*** (0.03)	0.87*** (0.03)
R <sup>2</sup> - Adjusted (%)	0.33	0.57	0.20	0.38	0.66	0.57	0.27	0.63	0.67
<i>4-Year Maturity</i>									
K-Spread <sub>4</sub>	0.57*** (0.07)	0.67*** (0.09)	0.40*** (0.04)	0.52*** (0.06)	0.45 (0.29)	1.05*** (0.17)	0.36*** (0.05)	0.53 (0.38)	0.59*** (0.15)
CDS Spread <sub>c4</sub>	0.28*** (0.03)	0.78*** (0.03)	0.18*** (0.05)	0.42*** (0.04)	1.01*** (0.04)	0.72*** (0.03)	0.29*** (0.04)	0.94*** (0.03)	0.89*** (0.03)
R <sup>2</sup> - Adjusted (%)	0.38	0.62	0.21	0.43	0.67	0.59	0.29	0.66	0.70
<i>5-Year Maturity</i>									
K-Spread <sub>5</sub>	0.61*** (0.06)	0.71*** (0.09)	0.40*** (0.04)	0.57*** (0.06)	0.55** (0.25)	1.04*** (0.16)	0.38*** (0.04)	0.55 (0.34)	0.65*** (0.14)
CDS Spread <sub>c5</sub>	0.28*** (0.03)	0.76*** (0.03)	0.20*** (0.05)	0.42*** (0.04)	0.91*** (0.03)	0.72*** (0.03)	0.28*** (0.04)	0.93*** (0.03)	0.86*** (0.03)
R <sup>2</sup> - Adjusted (%)	0.40	0.63	0.19	0.42	0.66	0.61	0.32	0.66	0.70
<i>7-Year Maturity</i>									
K-Spread <sub>7</sub>	0.62*** (0.06)	0.69*** (0.09)	0.34*** (0.04)	0.57*** (0.06)	0.61*** (0.22)	0.95*** (0.15)	0.36*** (0.04)	0.48 (0.30)	0.68*** (0.13)
CDS Spread <sub>c7</sub>	0.29*** (0.02)	0.69*** (0.03)	0.17*** (0.04)	0.41*** (0.04)	0.72*** (0.03)	0.68*** (0.03)	0.24*** (0.03)	0.83*** (0.03)	0.78*** (0.03)
R <sup>2</sup> - Adjusted (%)	0.43	0.61	0.17	0.40	0.63	0.62	0.32	0.65	0.69
<i>10-Year Maturity</i>									
K-Spread <sub>10</sub>	0.59*** (0.06)	0.55*** (0.09)	0.30*** (0.04)	0.53*** (0.07)	0.45** (0.22)	0.87*** (0.14)	0.25*** (0.03)	0.43 (0.29)	0.67*** (0.13)
CDS Spread <sub>c10</sub>	0.27*** (0.02)	0.56*** (0.03)	0.14*** (0.03)	0.35*** (0.03)	0.55*** (0.03)	0.60*** (0.03)	0.18*** (0.03)	0.63*** (0.03)	0.68*** (0.03)
R <sup>2</sup> - Adjusted (%)	0.42	0.52	0.14	0.34	0.54	0.62	0.25	0.57	0.65

**Table 1 Continued**

**Panel B: Global Financial Crisis Sub-Sample (January 1, 2007 to December 31, 2009)**

	Austria	Belgium	Finland	France	Greece	Ireland	Italy	Netherlands	Portugal	Spain
<i>1-Year Maturity</i>										
K-Spread <sub>1</sub>	0.31*** (0.10)	0.63*** (0.06)	0.38* (0.20)	0.24*** (0.04)	0.89*** (0.18)	0.62*** (0.21)	0.76*** (0.07)	0.17*** (0.06)	0.68*** (0.06)	0.55*** (0.06)
CDS Spread <sub>c1</sub>	0.02 (0.04)	0.01 (0.05)	-0.65** (0.28)	-0.10 (0.07)	0.40*** (0.06)	0.29*** (0.06)	0.12*** (0.04)	-0.31*** (0.05)	-0.02 (0.04)	0.03 (0.04)
R <sup>2</sup> - Adjusted (%)	0.06	0.40	0.03	0.18	0.30	0.17	0.43	0.14	0.44	0.35
<i>2-Year Maturity</i>										
K-Spread <sub>2</sub>	0.25*** (0.07)	0.38*** (0.06)	0.20*** (0.05)	0.19*** (0.03)	0.78*** (0.19)	0.69*** (0.19)	0.71*** (0.08)	0.27*** (0.06)	0.47*** (0.09)	0.36*** (0.06)
CDS Spread <sub>c2</sub>	0.11*** (0.02)	0.10*** (0.03)	0.07 (0.05)	0.01 (0.04)	0.63*** (0.06)	0.36*** (0.05)	0.22*** (0.04)	0.05 (0.05)	0.23*** (0.04)	0.16*** (0.03)
R <sup>2</sup> - Adjusted (%)	0.25	0.27	0.11	0.16	0.52	0.30	0.46	0.12	0.23	0.32
<i>3-Year Maturity</i>										
K-Spread <sub>3</sub>	0.32*** (0.06)	0.36*** (0.06)	0.33*** (0.05)	0.22*** (0.03)	0.91*** (0.18)	0.39** (0.16)	0.83*** (0.07)	0.28*** (0.06)	0.53*** (0.10)	0.31*** (0.06)
CDS Spread <sub>c3</sub>	0.18*** (0.02)	0.28*** (0.05)	0.30*** (0.07)	0.10* (0.05)	0.81*** (0.06)	0.32*** (0.04)	0.30*** (0.04)	0.39*** (0.06)	0.25*** (0.06)	0.24*** (0.04)
R <sup>2</sup> - Adjusted (%)	0.41	0.42	0.29	0.24	0.57	0.27	0.59	0.35	0.27	0.37
<i>4-Year Maturity</i>										
K-Spread <sub>4</sub>	0.40*** (0.06)	0.42*** (0.06)	0.33*** (0.06)	0.30*** (0.04)	1.12*** (0.17)	0.41** (0.17)	0.91*** (0.07)	0.34*** (0.06)	0.64*** (0.10)	0.35*** (0.07)
CDS Spread <sub>c4</sub>	0.21*** (0.02)	0.41*** (0.05)	0.35*** (0.10)	-0.01 (0.09)	0.78*** (0.06)	0.30*** (0.04)	0.32*** (0.04)	0.40*** (0.06)	0.30*** (0.07)	0.30*** (0.04)
R <sup>2</sup> - Adjusted (%)	0.46	0.53	0.21	0.28	0.58	0.28	0.63	0.35	0.31	0.40
<i>5-Year Maturity</i>										
K-Spread <sub>5</sub>	0.45*** (0.07)	0.46*** (0.05)	0.34*** (0.06)	0.36*** (0.05)	1.16*** (0.17)	0.53*** (0.16)	0.90*** (0.08)	0.39*** (0.06)	0.69*** (0.10)	0.40*** (0.07)
CDS Spread <sub>c5</sub>	0.23*** (0.03)	0.57*** (0.06)	0.39*** (0.11)	-0.22 (0.14)	0.76*** (0.05)	0.33*** (0.04)	0.35*** (0.05)	0.44*** (0.06)	0.34*** (0.07)	0.35*** (0.05)
R <sup>2</sup> - Adjusted (%)	0.47	0.62	0.18	0.30	0.59	0.36	0.59	0.43	0.36	0.40
<i>7-Year Maturity</i>										
K-Spread <sub>7</sub>	0.47*** (0.07)	0.43*** (0.06)	0.31*** (0.05)	0.34*** (0.05)	1.07*** (0.16)	0.47*** (0.17)	0.76*** (0.10)	0.36*** (0.06)	0.66*** (0.10)	0.38*** (0.08)
CDS Spread <sub>c7</sub>	0.26*** (0.02)	0.59*** (0.05)	0.26*** (0.08)	0.07 (0.10)	0.69*** (0.05)	0.38*** (0.04)	0.37*** (0.04)	0.25*** (0.05)	0.42*** (0.07)	0.38*** (0.05)
R <sup>2</sup> - Adjusted (%)	0.49	0.56	0.21	0.22	0.56	0.39	0.47	0.37	0.37	0.40
<i>10-Year Maturity</i>										
K-Spread <sub>10</sub>	0.44*** (0.07)	0.29*** (0.08)	0.34*** (0.05)	0.22*** (0.05)	0.80*** (0.18)	0.24 (0.20)	0.59*** (0.12)	0.20*** (0.06)	0.56*** (0.12)	0.28*** (0.09)
CDS Spread <sub>c10</sub>	0.24*** (0.02)	0.44*** (0.05)	0.10 (0.08)	0.29*** (0.07)	0.58*** (0.05)	0.32*** (0.05)	0.44*** (0.04)	0.15*** (0.03)	0.43*** (0.06)	0.40*** (0.05)
R <sup>2</sup> - Adjusted (%)	0.52	0.39	0.22	0.09	0.48	0.30	0.37	0.22	0.32	0.37

**Table 1 Continued**

<b>Panel C: European Debt Crisis Sub-Sample (January 1, 2010 to December 31, 2014)</b>									
	Austria	Belgium	Finland	France	Ireland	Italy	Netherlands	Portugal	Spain
<i>1-Year Maturity</i>									
K-Spread <sub>1</sub>	0.35 (0.24)	0.63** (0.25)	0.19** (0.09)	0.06 (0.09)	2.04** (0.84)	1.69*** (0.40)	0.12 (0.12)	4.22*** (1.42)	1.35*** (0.39)
CDS Spread <sub>c1</sub>	0.16 (0.14)	0.51*** (0.05)	0.07 (0.08)	0.15*** (0.03)	1.01*** (0.06)	0.60*** (0.04)	0.12 (0.11)	0.65*** (0.05)	0.69*** (0.04)
R <sup>2</sup> - Adjusted (%)	0.01	0.32	0.01	0.10	0.56	0.47	0.00	0.35	0.51
<i>2-Year Maturity</i>									
K-Spread <sub>2</sub>	0.57*** (0.11)	0.75*** (0.22)	0.38*** (0.05)	0.39*** (0.10)	1.94*** (0.74)	1.69*** (0.38)	0.22*** (0.08)	1.92* (1.00)	1.19*** (0.35)
CDS Spread <sub>c2</sub>	0.24*** (0.06)	0.74*** (0.05)	0.08* (0.05)	0.31*** (0.05)	1.20*** (0.06)	0.65*** (0.04)	0.19*** (0.07)	0.79*** (0.04)	0.82*** (0.04)
R <sup>2</sup> - Adjusted (%)	0.28	0.49	0.15	0.29	0.66	0.53	0.11	0.56	0.63
<i>3-Year Maturity</i>									
K-Spread <sub>3</sub>	0.63*** (0.11)	0.87*** (0.19)	0.42*** (0.06)	0.59*** (0.10)	1.01* (0.61)	1.38*** (0.35)	0.40*** (0.07)	0.51 (0.82)	0.96*** (0.30)
CDS Spread <sub>c3</sub>	0.47*** (0.05)	0.77*** (0.05)	0.11** (0.05)	0.41*** (0.05)	1.16*** (0.05)	0.71*** (0.04)	0.20*** (0.06)	0.92*** (0.04)	0.88*** (0.04)
R <sup>2</sup> - Adjusted (%)	0.43	0.58	0.17	0.41	0.69	0.57	0.23	0.63	0.68
<i>4-Year Maturity</i>									
K-Spread <sub>4</sub>	0.69*** (0.10)	0.96*** (0.16)	0.47*** (0.06)	0.73*** (0.10)	0.74 (0.50)	1.27*** (0.32)	0.39*** (0.07)	0.49 (0.70)	0.94*** (0.27)
CDS Spread <sub>c4</sub>	0.52*** (0.05)	0.79*** (0.04)	0.15*** (0.05)	0.42*** (0.05)	1.08*** (0.04)	0.74*** (0.04)	0.23*** (0.06)	0.95*** (0.04)	0.90*** (0.04)
R <sup>2</sup> - Adjusted (%)	0.49	0.63	0.21	0.46	0.70	0.59	0.26	0.66	0.71
<i>5-Year Maturity</i>									
K-Spread <sub>5</sub>	0.72*** (0.10)	0.99*** (0.15)	0.45*** (0.06)	0.78*** (0.10)	0.75* (0.44)	1.20*** (0.30)	0.36*** (0.06)	0.47 (0.62)	0.96*** (0.25)
CDS Spread <sub>c5</sub>	0.49*** (0.04)	0.76*** (0.04)	0.16*** (0.05)	0.41*** (0.05)	0.96*** (0.04)	0.74*** (0.04)	0.22*** (0.05)	0.94*** (0.04)	0.88*** (0.04)
R <sup>2</sup> - Adjusted (%)	0.49	0.64	0.21	0.45	0.68	0.61	0.26	0.67	0.72
<i>7-Year Maturity</i>									
K-Spread <sub>7</sub>	0.74*** (0.09)	0.95*** (0.14)	0.37*** (0.05)	0.80*** (0.10)	0.78** (0.37)	1.16*** (0.27)	0.36*** (0.05)	0.33 (0.53)	1.01*** (0.23)
CDS Spread <sub>c7</sub>	0.41*** (0.04)	0.69*** (0.04)	0.14*** (0.04)	0.39*** (0.04)	0.75*** (0.03)	0.69*** (0.04)	0.21*** (0.04)	0.84*** (0.04)	0.79*** (0.04)
R <sup>2</sup> - Adjusted (%)	0.47	0.61	0.15	0.44	0.65	0.63	0.29	0.65	0.71
<i>10-Year Maturity</i>									
K-Spread <sub>10</sub>	0.70*** (0.09)	0.75*** (0.14)	0.27*** (0.05)	0.78*** (0.11)	0.64* (0.34)	1.12*** (0.23)	0.28*** (0.04)	0.33 (0.48)	1.01*** (0.22)
CDS Spread <sub>c10</sub>	0.33*** (0.04)	0.56*** (0.04)	0.12*** (0.03)	0.33*** (0.04)	0.57*** (0.03)	0.60*** (0.04)	0.16*** (0.03)	0.64*** (0.03)	0.69*** (0.03)
R <sup>2</sup> - Adjusted (%)	0.42	0.54	0.09	0.38	0.56	0.64	0.27	0.58	0.67

**Table 1:** This table reports the coefficient estimates, standard errors and adjusted R-squared values from the seemingly unrelated regression estimation of equation (3), *at all maturity points* in the sample: 1-, 2-, 3-, 4-, 5-, 7-, and 10-year maturities, with all variables in weekly first differences. The dependent regression variable is changes in the sovereign bond yield spread of each country relative to that of Germany. Panels A through C report the joint estimation of changes in the K-spread and changes in each country's sovereign CDS spread for three sample periods. The sample for Panel A is January 1, 2007 through December 31, 2014, Panel B is January 1, 2007 through December 31, 2009 (the Global Financial Crisis), and Panel C is January 1, 2010 through December 31, 2014 (the Sovereign Debt Crisis). The Greek sample ends on January 1, 2010. Newey-West standard errors are in parentheses with the Newey (1994) lag length. \*\*\* indicates significance at the 1 percent level, \*\* at the 5 percent level, and \* at the 10 percent level.

**Table 2. Controlling for Redenomination Risk in the Debt Crisis**

Dependent Variable: Sovereign Yield Spread Changes<sub>cmt</sub>

**Regressions onto K-Spread Changes<sub>mt</sub>, CDS Spread Changes<sub>cmt</sub> and Quanto CDS Changes<sub>cmt</sub>**

	Austria	Belgium	Finland	France	Ireland	Italy	Netherlands	Portugal	Spain
<i>1-Year Maturity</i>									
K-Spread <sub>1</sub>	0.35 (0.24)	0.49** (0.25)	0.18** (0.09)	0.05 (0.09)	2.04** (0.84)	1.69*** (0.40)	0.12 (0.12)	4.21*** (1.34)	1.37*** (0.39)
CDS Spread <sub>c1</sub>	0.18 (0.14)	0.57*** (0.05)	0.03 (0.11)	0.17*** (0.03)	1.01*** (0.06)	0.61*** (0.04)	0.14 (0.12)	0.60*** (0.05)	0.70*** (0.04)
Quanto CDS Spread <sub>c1</sub>	0.04 (0.18)	0.27** (0.11)	-0.05 (0.12)	0.21*** (0.06)	0.40 (0.28)	0.22 (0.20)	0.10 (0.13)	1.21*** (0.21)	0.40*** (0.15)
R <sup>2</sup> - Adjusted (%)	0.01	0.35	0.01	0.16	0.56	0.48	0.00	0.43	0.52
<i>2-Year Maturity</i>									
K-Spread <sub>2</sub>	0.55*** (0.11)	0.65*** (0.22)	0.39*** (0.06)	0.35*** (0.10)	1.90*** (0.74)	1.60*** (0.38)	0.21*** (0.08)	1.90* (0.99)	1.19*** (0.34)
CDS Spread <sub>c2</sub>	0.28*** (0.05)	0.78*** (0.05)	0.13** (0.06)	0.34*** (0.04)	1.18*** (0.06)	0.67*** (0.05)	0.25*** (0.07)	0.77*** (0.04)	0.82*** (0.04)
Quanto CDS Spread <sub>c2</sub>	0.26*** (0.08)	0.30** (0.13)	0.08 (0.07)	0.31*** (0.07)	0.97*** (0.27)	0.37 (0.23)	0.13* (0.07)	0.53*** (0.16)	0.55*** (0.18)
R <sup>2</sup> - Adjusted (%)	0.31	0.50	0.15	0.34	0.67	0.54	0.12	0.57	0.64
<i>3-Year Maturity</i>									
K-Spread <sub>3</sub>	0.61*** (0.10)	0.75*** (0.19)	0.44*** (0.06)	0.51*** (0.10)	1.02* (0.61)	1.30*** (0.35)	0.40*** (0.07)	0.48 (0.82)	0.97*** (0.30)
CDS Spread <sub>c3</sub>	0.51*** (0.05)	0.82*** (0.05)	0.20*** (0.06)	0.46*** (0.05)	1.14*** (0.05)	0.72*** (0.05)	0.20*** (0.07)	0.91*** (0.04)	0.86*** (0.04)
Quanto CDS Spread <sub>c3</sub>	0.51*** (0.08)	0.35*** (0.12)	0.15** (0.06)	0.42*** (0.07)	1.12*** (0.28)	0.40 (0.26)	0.02 (0.07)	0.38* (0.22)	0.67*** (0.19)
R <sup>2</sup> - Adjusted (%)	0.48	0.59	0.18	0.46	0.69	0.57	0.23	0.63	0.69
<i>4-Year Maturity</i>									
K-Spread <sub>4</sub>	0.68*** (0.10)	0.87*** (0.16)	0.48*** (0.06)	0.63*** (0.09)	0.79 (0.50)	1.21*** (0.32)	0.39*** (0.07)	0.57 (0.71)	0.97*** (0.26)
CDS Spread <sub>c4</sub>	0.57*** (0.05)	0.84*** (0.05)	0.22*** (0.06)	0.50*** (0.05)	1.05*** (0.04)	0.75*** (0.04)	0.22*** (0.07)	0.93*** (0.04)	0.88*** (0.04)
Quanto CDS Spread <sub>c4</sub>	0.56*** (0.09)	0.34*** (0.13)	0.12* (0.07)	0.46*** (0.07)	1.01*** (0.28)	0.63** (0.26)	-0.01 (0.08)	0.33 (0.26)	0.77*** (0.18)
R <sup>2</sup> - Adjusted (%)	0.53	0.64	0.22	0.52	0.71	0.60	0.25	0.66	0.72
<i>5-Year Maturity</i>									
K-Spread <sub>5</sub>	0.72*** (0.09)	0.90*** (0.15)	0.45*** (0.06)	0.70*** (0.09)	0.81* (0.43)	1.15*** (0.30)	0.36*** (0.06)	0.65 (0.63)	1.01*** (0.24)
CDS Spread <sub>c5</sub>	0.55*** (0.04)	0.82*** (0.04)	0.17*** (0.06)	0.50*** (0.05)	0.94*** (0.04)	0.75*** (0.04)	0.22*** (0.06)	0.90*** (0.04)	0.85*** (0.04)
Quanto CDS Spread <sub>c5</sub>	0.48*** (0.09)	0.40*** (0.12)	0.03 (0.07)	0.42*** (0.07)	0.93*** (0.29)	0.72*** (0.25)	0.01 (0.07)	0.68** (0.28)	0.82*** (0.17)
R <sup>2</sup> - Adjusted (%)	0.54	0.65	0.20	0.53	0.69	0.62	0.26	0.67	0.73
<i>7-Year Maturity</i>									
K-Spread <sub>7</sub>	0.73*** (0.09)	0.86*** (0.14)	0.37*** (0.06)	0.74*** (0.10)	0.81** (0.36)	1.10*** (0.26)	0.36*** (0.05)	0.48 (0.53)	0.99*** (0.22)
CDS Spread <sub>c7</sub>	0.48*** (0.04)	0.75*** (0.04)	0.12** (0.06)	0.48*** (0.05)	0.74*** (0.04)	0.70*** (0.04)	0.22*** (0.05)	0.81*** (0.04)	0.78*** (0.03)
Quanto CDS Spread <sub>c7</sub>	0.34*** (0.07)	0.39*** (0.10)	0.00 (0.06)	0.32*** (0.07)	0.67*** (0.21)	0.66*** (0.21)	0.03 (0.05)	0.80*** (0.23)	0.67*** (0.15)
R <sup>2</sup> - Adjusted (%)	0.53	0.63	0.15	0.50	0.66	0.64	0.30	0.66	0.73
<i>10-Year Maturity</i>									
K-Spread <sub>10</sub>	0.70*** (0.08)	0.66*** (0.14)	0.27*** (0.05)	0.74*** (0.10)	0.60* (0.33)	1.03*** (0.23)	0.28*** (0.04)	0.55 (0.46)	0.93*** (0.21)
CDS Spread <sub>c10</sub>	0.41*** (0.04)	0.63*** (0.04)	0.13** (0.06)	0.42*** (0.04)	0.55*** (0.03)	0.62*** (0.04)	0.19*** (0.04)	0.61*** (0.03)	0.69*** (0.03)
Quanto CDS Spread <sub>c10</sub>	0.30*** (0.06)	0.41*** (0.09)	0.05 (0.06)	0.26*** (0.06)	0.58*** (0.17)	0.60*** (0.16)	0.05 (0.04)	1.01*** (0.19)	0.59*** (0.14)
R <sup>2</sup> - Adjusted (%)	0.49	0.57	0.09	0.44	0.58	0.65	0.27	0.61	0.69

**Table 2.** This table reports the coefficient estimates, standard errors and adjusted R-squared values from the seemingly unrelated regression estimation of equation (4), *at all maturity points* in the sample: 1-, 2-, 3-, 4-, 5-, 7-, and 10-year maturities, with all variables in weekly first differences. The dependent regression variable is changes in the sovereign bond yield spread of each country relative to that of Germany. The regression is a joint estimation on changes in the K-spread, changes in each country's sovereign CDS spread, and changes in the Quanto CDS measure of redenomination risk. The equation is estimated over the sample period from January 1, 2007 to December 31, 2014, except that the Quanto CDS sample begins on January 1, 2010. CDS Newey-West standard errors are in parentheses with the Newey (1994) lag length. \*\*\* indicates significance at the 1 percent level, \*\* at the 5 percent level, and \* at the 10 percent level.

**Table 3. All Measures of Credit and Liquidity**

Dependent Variable: Sovereign Yield Spread Changes<sub>cmt</sub>

**Regressions onto Changes in the K-Spread<sub>mt</sub>, CDS Spread<sub>cmt</sub>, Quanto CDS<sub>cmt</sub> and Microstructure Liquidity<sub>cmt</sub>**

	Austria	Belgium	Finland	France	Ireland	Italy	Netherlands	Portugal	Spain
<i>1-Year Maturity</i>									
K-Spread <sub>1</sub>	0.32** (0.13)	0.62*** (0.13)	0.26** (0.11)	0.18*** (0.05)	0.95** (0.44)	1.08*** (0.20)	0.12* (0.07)	2.07*** (0.68)	0.82*** (0.20)
CDS Spread <sub>c1</sub>	0.06 (0.06)	0.49*** (0.04)	-0.29** (0.15)	0.10*** (0.03)	0.96*** (0.05)	0.60*** (0.03)	-0.13** (0.06)	0.60*** (0.04)	0.68*** (0.03)
Bid-Ask Spread <sub>c1</sub>	0.14 (1.12)	-0.51 (0.78)	0.63 (1.56)	0.52 (0.39)	-6.35 (8.86)	3.87*** (1.49)	-2.04*** (0.65)	-1.29 (7.23)	0.23 (1.38)
BW Index <sub>c1</sub>	0.06 (0.50)	-0.12 (0.32)	0.07 (0.50)	-0.11 (0.08)	-0.87 (1.13)	0.17 (0.61)	0.27 (0.17)	-0.81 (3.59)	0.14 (0.22)
Order Flow <sub>c1</sub>	0.05 (0.05)	0.02* (0.01)	0.02 (0.02)	0.00 (0.01)	-0.16 (0.14)	-0.03 (0.02)	0.00 (0.01)	-0.08 (0.12)	0.00 (0.03)
Daily Volume <sub>c1</sub>	25.79 (34.80)	6.00 (8.37)	-27.39 (26.02)	0.06 (4.24)	-143.30 (158.21)	0.56 (4.56)	2.32 (6.78)	-150.50 (98.44)	5.46 (21.12)
Trade Size <sub>c1</sub>	0.00 (0.43)	-0.20 (0.15)	-0.03 (0.27)	-0.08 (0.06)	-0.86 (1.33)	-0.49 (0.62)	-0.02 (0.12)	0.35 (1.39)	0.16 (0.24)
Quanto CDS Spread <sub>c1</sub>	0.00 (0.15)	0.23** (0.10)	-0.24 (0.20)	0.20*** (0.06)	0.48** (0.24)	0.21 (0.16)	-0.01 (0.11)	1.18*** (0.17)	0.43*** (0.13)
R <sup>2</sup> - Adjusted (%)	0.01	0.32	0.01	0.13	0.52	0.47	0.04	0.41	0.49
<i>2-Year Maturity</i>									
K-Spread <sub>2</sub>	0.40*** (0.07)	0.54*** (0.13)	0.29*** (0.04)	0.28*** (0.06)	1.16*** (0.43)	1.04*** (0.21)	0.24*** (0.05)	1.16** (0.55)	0.70*** (0.19)
CDS Spread <sub>c2</sub>	0.17*** (0.03)	0.70*** (0.04)	0.11** (0.04)	0.31*** (0.03)	1.12*** (0.04)	0.67*** (0.04)	0.15*** (0.05)	0.77*** (0.03)	0.80*** (0.03)
Bid-Ask Spread <sub>c2</sub>	0.00 (0.30)	-0.42 (0.50)	0.08 (0.21)	-0.57** (0.28)	1.06 (3.18)	0.75 (1.35)	-0.25 (0.33)	2.31 (3.51)	-0.07 (0.64)
BW Index <sub>c2</sub>	0.14* (0.09)	-0.03 (0.11)	-0.10** (0.05)	0.04 (0.06)	-0.34 (0.35)	-0.29 (0.32)	0.06 (0.08)	-0.15 (0.94)	-0.04 (0.11)
Order Flow <sub>c2</sub>	0.02 (0.01)	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)	-0.17 (0.12)	-0.01 (0.02)	0.00 (0.01)	0.01 (0.06)	-0.01 (0.02)
Daily Volume <sub>c2</sub>	-2.73 (9.69)	-8.11 (8.28)	-12.07* (6.39)	3.10 (2.65)	134.32 (126.08)	1.11 (3.18)	4.48* (2.49)	5.40 (40.53)	-2.84 (12.72)
Trade Size <sub>c2</sub>	0.19 (0.13)	0.16 (0.15)	0.01 (0.07)	0.10 (0.07)	-2.23** (1.10)	-0.61 (0.67)	-0.03 (0.07)	-1.49 (1.29)	-0.13 (0.22)
Quanto CDS Spread <sub>c2</sub>	0.24*** (0.07)	0.28*** (0.11)	0.06 (0.06)	0.30*** (0.06)	1.01*** (0.23)	0.44** (0.19)	0.10 (0.06)	0.56*** (0.13)	0.60*** (0.15)
R <sup>2</sup> - Adjusted (%)	0.23	0.46	0.14	0.30	0.63	0.53	0.11	0.57	0.62
<i>3-Year Maturity</i>									
K-Spread <sub>3</sub>	0.49*** (0.07)	0.56*** (0.10)	0.39*** (0.04)	0.37*** (0.06)	0.58* (0.35)	1.00*** (0.19)	0.33*** (0.05)	0.46 (0.45)	0.58*** (0.16)
CDS Spread <sub>c3</sub>	0.27*** (0.03)	0.78*** (0.04)	0.26*** (0.05)	0.42*** (0.04)	1.07*** (0.04)	0.71*** (0.03)	0.31*** (0.05)	0.90*** (0.03)	0.85*** (0.03)
Bid-Ask Spread <sub>c3</sub>	-0.09 (0.16)	-0.25 (0.34)	-0.14 (0.13)	0.30 (0.21)	-0.70 (1.13)	-1.07 (0.90)	-0.31 (0.21)	-0.90 (2.19)	0.23 (0.51)
BW Index <sub>c3</sub>	0.06 (0.04)	0.01 (0.08)	0.00 (0.04)	0.01 (0.04)	-0.25 (0.49)	-0.03 (0.25)	0.22*** (0.08)	0.03 (0.50)	-0.04 (0.08)
Order Flow <sub>c3</sub>	-0.01 (0.01)	-0.02 (0.01)	0.00 (0.00)	0.00 (0.01)	0.06 (0.10)	-0.01 (0.02)	0.00 (0.00)	-0.06 (0.06)	-0.01 (0.02)
Daily Volume <sub>c3</sub>	3.20 (6.22)	0.75 (6.98)	-1.35 (3.72)	5.65 (3.46)	-35.12 (93.25)	8.87*** (3.16)	1.47 (1.26)	0.91 (36.18)	-6.26 (8.31)
Trade Size <sub>c3</sub>	-0.05 (0.08)	-0.07 (0.17)	0.06 (0.08)	0.13* (0.08)	-0.83 (0.83)	-0.12 (0.71)	0.09 (0.08)	-0.90 (0.94)	-0.19 (0.21)
Quanto CDS Spread <sub>c3</sub>	0.49*** (0.08)	0.34*** (0.10)	0.19*** (0.06)	0.38*** (0.06)	1.20*** (0.24)	0.51** (0.21)	0.06 (0.06)	0.42** (0.18)	0.72*** (0.16)
R <sup>2</sup> - Adjusted (%)	0.37	0.57	0.21	0.43	0.66	0.58	0.27	0.63	0.67

**Table 3 Continued**

	Austria	Belgium	Finland	France	Ireland	Italy	Netherlands	Portugal	Spain
<i>3-Year Maturity</i>									
K-Spread <sub>3</sub>	0.49*** (0.07)	0.56*** (0.10)	0.39*** (0.04)	0.37*** (0.06)	0.58* (0.35)	1.00*** (0.19)	0.33*** (0.05)	0.46 (0.45)	0.58*** (0.16)
CDS Spread <sub>c,3</sub>	0.27*** (0.03)	0.78*** (0.04)	0.26*** (0.05)	0.42*** (0.04)	1.07*** (0.04)	0.71*** (0.03)	0.31*** (0.05)	0.90*** (0.03)	0.85*** (0.03)
Bid-Ask Spread <sub>c,3</sub>	-0.09 (0.16)	-0.25 (0.34)	-0.14 (0.13)	0.30 (0.21)	-0.70 (1.13)	-1.07 (0.90)	-0.31 (0.21)	-0.90 (2.19)	0.23 (0.51)
BW Index <sub>c,3</sub>	0.06 (0.04)	0.01 (0.08)	0.00 (0.04)	0.01 (0.04)	-0.25 (0.49)	-0.03 (0.25)	0.22*** (0.08)	0.03 (0.50)	-0.04 (0.08)
Order Flow <sub>c,3</sub>	-0.01 0.01	-0.02 0.01	0.00 0.00	0.00 0.01	0.06 0.10	-0.01 0.02	0.00 0.00	-0.06 0.06	-0.01 0.02
Daily Volume <sub>c,3</sub>	3.20 (6.22)	0.75 (6.98)	-1.35 (3.72)	5.65 (3.46)	-35.12 (93.25)	8.87*** (3.16)	1.47 (1.26)	0.91 (36.18)	-6.26 (8.31)
Trade Size <sub>c,3</sub>	-0.05 (0.08)	-0.07 (0.17)	0.06 (0.08)	0.13* (0.08)	-0.83 (0.83)	-0.12 (0.71)	0.09 (0.08)	-0.90 (0.94)	-0.19 (0.21)
Quanto CDS Spread <sub>c,3</sub>	0.49*** (0.08)	0.34*** (0.10)	0.19*** (0.06)	0.38*** (0.06)	1.20*** (0.24)	0.51** (0.21)	0.06 (0.06)	0.42** (0.18)	0.72*** (0.16)
R <sup>2</sup> - Adjusted (%)	0.37	0.57	0.21	0.43	0.66	0.58	0.27	0.63	0.67
<i>4-Year Maturity</i>									
K-Spread <sub>4</sub>	0.57*** (0.07)	0.63*** (0.09)	0.41*** (0.04)	0.46*** (0.05)	0.52* (0.29)	1.07*** (0.17)	0.36*** (0.05)	0.60 (0.39)	0.61*** (0.14)
CDS Spread <sub>c,4</sub>	0.30*** (0.03)	0.81*** (0.03)	0.25*** (0.06)	0.50*** (0.04)	0.99*** (0.04)	0.72*** (0.03)	0.30*** (0.05)	0.92*** (0.03)	0.86*** (0.03)
Bid-Ask Spread <sub>c,4</sub>	-0.28 (0.18)	-0.12 (0.23)	0.13 (0.10)	-0.09 (0.16)	-0.62 (0.80)	-0.91* (0.55)	-0.07 (0.13)	0.27 (1.20)	-0.61* (0.34)
BW Index <sub>c,4</sub>	0.01 (0.03)	-0.03 (0.04)	0.02 (0.03)	0.10*** (0.04)	0.03 (0.11)	-0.22 (0.16)	0.08* (0.04)	0.02 (0.35)	0.04 (0.04)
Order Flow <sub>c,4</sub>	0.00 0.01	0.00 0.01	-0.01* 0.01	-0.01* 0.01	0.04 0.07	-0.02 0.02	0.00 0.00	-0.01 0.05	-0.03 0.02
Daily Volume <sub>c,4</sub>	1.94 (9.21)	1.56 (7.25)	2.37 (5.26)	3.93 (4.56)	5.59 (64.89)	2.54 (3.06)	-0.36 (2.22)	10.03 (37.37)	-6.42 (12.55)
Trade Size <sub>c,4</sub>	0.01 (0.08)	0.26* (0.16)	0.07 (0.07)	0.05 (0.09)	0.86 (0.72)	-1.99*** (0.60)	0.04 (0.06)	-0.75 (1.08)	0.01 (0.19)
Quanto CDS Spread <sub>c,4</sub>	0.54*** (0.10)	0.32*** (0.11)	0.15** (0.07)	0.46*** (0.06)	1.18*** (0.24)	0.74*** (0.22)	0.04 (0.08)	0.37* (0.21)	0.81*** (0.15)
R <sup>2</sup> - Adjusted (%)	0.41	0.63	0.22	0.49	0.67	0.61	0.29	0.65	0.71
<i>5-Year Maturity</i>									
K-Spread <sub>5</sub>	0.61*** (0.06)	0.68*** (0.09)	0.40*** (0.04)	0.54*** (0.05)	0.59** (0.25)	0.92*** (0.16)	0.35*** (0.04)	0.62* (0.34)	0.68*** (0.13)
CDS Spread <sub>c,5</sub>	0.30*** (0.03)	0.79*** (0.03)	0.22*** (0.06)	0.47*** (0.04)	0.88*** (0.03)	0.73*** (0.03)	0.31*** (0.04)	0.90*** (0.03)	0.83*** (0.03)
Bid-Ask Spread <sub>c,5</sub>	-0.12 (0.10)	-0.08 (0.17)	0.03 (0.08)	-0.32** (0.13)	0.15 (0.68)	1.56*** (0.46)	0.15 (0.10)	0.62 (1.07)	-0.16 (0.26)
BW Index <sub>c,5</sub>	0.01 (0.02)	0.01 (0.04)	-0.04** (0.02)	-0.01 (0.03)	0.01 (0.05)	-0.25** (0.11)	-0.01 (0.03)	0.16 (0.35)	0.00 (0.04)
Order Flow <sub>c,5</sub>	0.00 0.01	0.00 0.01	0.00 0.00	0.00 0.01	0.03 0.07	0.01 0.02	-0.01*** 0.00	-0.02 0.05	-0.02 0.02
Daily Volume <sub>c,5</sub>	5.37 (6.58)	7.14 (4.79)	0.30 (2.86)	11.21*** (2.73)	27.95 (60.88)	2.11 (2.28)	4.77*** (1.35)	-2.56 (26.26)	-0.96 (6.05)
Trade Size <sub>c,5</sub>	0.10 (0.07)	0.15 (0.17)	-0.14** (0.06)	-0.12 (0.09)	0.67 (0.56)	-1.99*** (0.58)	-0.03 (0.07)	0.04 (0.95)	-0.23 (0.22)
Quanto CDS Spread <sub>c,5</sub>	0.45*** (0.10)	0.38*** (0.10)	0.08 (0.07)	0.42*** (0.06)	1.07*** (0.24)	0.70*** (0.20)	0.08 (0.07)	0.71*** (0.22)	0.84*** (0.14)
R <sup>2</sup> - Adjusted (%)	0.43	0.64	0.20	0.51	0.66	0.63	0.34	0.66	0.72



**Table 3 Continued**

	Austria	Belgium	Finland	France	Ireland	Italy	Netherlands	Portugal	Spain
<i>10-Year Maturity</i>									
K-Spread <sub>10</sub>	0.60*** (0.06)	0.52*** (0.09)	0.30*** (0.04)	0.51*** (0.06)	0.44** (0.21)	0.86*** (0.14)	0.25*** (0.03)	0.56** (0.28)	0.63*** (0.13)
CDS Spread <sub>c10</sub>	0.30*** (0.02)	0.63*** (0.03)	0.19*** (0.05)	0.42*** (0.04)	0.53*** (0.03)	0.61*** (0.03)	0.20*** (0.03)	0.61*** (0.03)	0.69*** (0.03)
Bid-Ask Spread <sub>c10</sub>	0.06 (0.05)	-0.15 (0.11)	0.06 (0.06)	-0.04 (0.07)	0.15 (0.33)	-0.16 (0.16)	-0.04 (0.04)	0.06 (0.36)	-0.25** (0.12)
BW Index <sub>c10</sub>	-0.01 (0.01)	0.01 (0.02)	-0.03 (0.02)	-0.01 (0.01)	-0.01 (0.02)	-0.04* (0.02)	0.00 (0.01)	-0.02 (0.08)	0.00 (0.01)
Order Flow <sub>c10</sub>	-0.02** (0.01)	-0.01 (0.01)	0.00 (0.00)	0.00 (0.01)	-0.03 (0.06)	0.00 (0.02)	0.00 (0.00)	0.03 (0.05)	0.00 (0.02)
Daily Volume <sub>c10</sub>	-3.67 (5.23)	1.02 (4.50)	-2.95 (2.74)	6.98** (2.89)	-23.09 (41.23)	-1.11 (2.64)	0.25 (1.07)	-8.84 (27.38)	-8.07 (10.50)
Trade Size <sub>c10</sub>	-0.08 (0.08)	-0.22 (0.18)	0.02 (0.10)	-0.14 (0.10)	-0.18 (0.38)	0.66 (0.54)	-0.05 (0.05)	0.29 (0.87)	0.03 (0.24)
Quanto CDS Spread <sub>c10</sub>	0.27*** (0.07)	0.42*** (0.08)	0.08 (0.06)	0.27*** (0.06)	0.65*** (0.14)	0.61*** (0.13)	0.07* (0.04)	1.00*** (0.15)	0.63*** (0.11)
R <sup>2</sup> - Adjusted (%)	0.46	0.56	0.13	0.41	0.55	0.64	0.25	0.60	0.67

**Table 3.** This table reports the coefficient estimates, standard errors and adjusted R-squared values from the seemingly unrelated regression estimation of equation (5), at all maturity points in the sample: 1-, 2-, 3-, 4-, 5-, 7-, and 10-year maturities, with all variables in weekly first differences. The dependent regression variable is changes in the sovereign bond yield spread of each country relative to that of Germany. The regression is a joint estimation on changes in the K-spread, changes in each country's sovereign CDS spread, changes in five country-specific microstructure liquidity measures, and changes in the Quanto CDS measure of redenomination risk. The equation is estimated over the sample period from January 1, 2007 to December 31, 2014, except that the Quanto CDS sample begins on January 1, 2010. CDS Newey-West standard errors are in parentheses with the Newey (1994) lag length. \*\*\* indicates significance at the 1 percent level, \*\* at the 5 percent level, and \* at the 10 percent level.

**Table 4. Regressions of Bond Yield Spread minus CDS Spread onto Liquidity Measures**

Dependent Variable: Sovereign Yield Spread minus CDS Changes<sub>cmt</sub>

**Panel A: Regressions onto Changes in the K-Spread<sub>mt</sub>**

	Austria	Belgium	Finland	France	Ireland	Italy	Netherlands	Portugal	Spain
<i>2-Year Maturity</i>									
K-Spread <sub>5</sub>	-0.03 (0.10)	0.33*** (0.12)	0.32*** (0.05)	0.06 (0.07)	1.50*** (0.43)	0.44** (0.21)	0.17*** (0.06)	0.56 (0.56)	0.40** (0.19)
R <sup>2</sup> - Adjusted (%)	0.00	0.02	0.08	0.00	0.03	0.01	0.02	0.00	0.01
<i>5-Year Maturity</i>									
K-Spread <sub>5</sub>	0.30*** (0.08)	0.58*** (0.08)	0.42*** (0.05)	0.43*** (0.06)	0.38 (0.25)	0.56*** (0.16)	0.33*** (0.05)	0.39 (0.34)	0.45*** (0.13)
R <sup>2</sup> - Adjusted (%)	0.03	0.10	0.16	0.11	0.00	0.03	0.11	0.00	0.03
<i>10-Year Maturity</i>									
K-Spread <sub>5</sub>	0.38*** (0.08)	0.33*** (0.09)	0.33*** (0.06)	0.35*** (0.07)	-0.19 (0.26)	0.20 (0.15)	0.17*** (0.05)	-0.33 (0.33)	0.26* (0.14)
R <sup>2</sup> - Adjusted (%)	0.05	0.03	0.08	0.05	0.00	0.00	0.02	0.00	0.01

**Panel B: Regressions onto Changes in the K-Spread<sub>mt</sub> and Microstructure Liquidity Measures<sub>cmt</sub>**

	Austria	Belgium	Finland	France	Ireland	Italy	Netherlands	Portugal	Spain
<i>2-Year Maturity</i>									
K-Spread <sub>5</sub>	-0.03 (0.10)	0.33*** (0.12)	0.32*** (0.05)	0.08 (0.07)	1.49*** (0.43)	0.42** (0.21)	0.17*** (0.06)	0.61 (0.57)	0.39** (0.19)
Bid-Ask Spread <sub>c,5</sub>	0.16 (0.52)	-0.59 (0.55)	0.18 (0.31)	-0.98** (0.40)	0.65 (3.36)	2.19 (1.44)	0.10 (0.43)	2.08 (3.75)	0.13 (0.64)
BW Index <sub>c,5</sub>	0.13 (0.15)	0.05 (0.12)	-0.09 (0.08)	-0.03 (0.09)	-0.29 (0.37)	0.20 (0.34)	-0.01 (0.11)	-0.17 (1.01)	-0.06 (0.12)
Order Flow <sub>c,5</sub>	0.04* (0.02)	0.01 (0.01)	0.01 (0.01)	0.00 (0.01)	-0.19 (0.13)	-0.01 (0.02)	0.00 (0.01)	0.00 (0.06)	-0.01 (0.02)
Volume <sub>c,5</sub>	-10.61 16.65	-8.57 9.05	-13.01 9.69	-1.09 3.74	130.01 133.12	0.91 3.40	2.56 3.21	3.08 43.28	-7.57 12.78
Trade Size <sub>c,5</sub>	0.22 (0.23)	0.27* (0.16)	0.02 (0.10)	0.10 (0.09)	-1.84 (1.16)	-0.28 (0.72)	-0.01 (0.09)	-1.08 (1.38)	-0.09 (0.22)
R <sup>2</sup> - Adjusted (%)	0.01	0.01	0.08	0.00	0.02	0.00	0.02	0.00	0.01
<i>5-Year Maturity</i>									
K-Spread <sub>5</sub>	0.30*** (0.08)	0.58*** (0.08)	0.41*** (0.05)	0.43*** (0.06)	0.38 (0.25)	0.47*** (0.16)	0.29*** (0.05)	0.36 (0.34)	0.45*** (0.13)
Bid-Ask Spread <sub>c,5</sub>	-0.07 (0.16)	-0.16 (0.18)	0.10 (0.10)	-0.22 (0.17)	0.07 (0.68)	1.68*** (0.48)	0.26** (0.12)	0.41 (1.08)	-0.17 (0.27)
BW Index <sub>c,5</sub>	0.07** (0.03)	0.01 (0.04)	-0.04 (0.03)	-0.01 (0.04)	0.01 (0.05)	-0.26** (0.11)	-0.03 (0.04)	0.21 (0.35)	-0.01 (0.05)
Order Flow <sub>c,5</sub>	-0.01 (0.01)	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)	0.02 (0.07)	0.02 (0.02)	-0.01*** (0.00)	-0.04 (0.05)	-0.01 (0.02)
Volume <sub>c,5</sub>	4.41 10.00	7.02 5.02	-0.62 3.82	7.07** 3.47	27.23 61.17	3.12 2.37	5.24*** 1.69	-0.01 26.43	-0.87 6.28
Trade Size <sub>c,5</sub>	0.18* (0.10)	0.10 (0.18)	-0.12 (0.08)	-0.09 (0.12)	0.57 (0.56)	-1.88*** (0.61)	-0.07 (0.09)	0.11 (0.96)	-0.31 (0.23)
R <sup>2</sup> - Adjusted (%)	0.03	0.10	0.16	0.12	0.00	0.07	0.12	-0.01	0.02
<i>10-Year Maturity</i>									
K-Spread <sub>5</sub>	0.39*** (0.08)	0.36*** (0.09)	0.32*** (0.06)	0.34*** (0.07)	-0.15 (0.27)	0.23 (0.15)	0.17*** (0.05)	-0.34 (0.33)	0.27* (0.14)
Bid-Ask Spread <sub>c,5</sub>	0.05 (0.09)	-0.17 (0.12)	0.13 (0.10)	-0.05 (0.10)	0.18 (0.40)	-0.05 (0.18)	-0.01 (0.06)	-0.17 (0.42)	-0.26* (0.14)
BW Index <sub>c,5</sub>	0.00 (0.02)	-0.01 (0.02)	-0.01 (0.03)	-0.01 (0.01)	-0.03 (0.03)	-0.05* (0.03)	-0.01 (0.01)	0.06 (0.09)	0.00 (0.01)
Order Flow <sub>c,5</sub>	-0.04*** (0.01)	-0.01 (0.01)	-0.01** (0.01)	0.01 (0.01)	0.02 (0.07)	0.02 (0.02)	0.00 (0.00)	0.03 (0.06)	0.01 (0.03)
Volume <sub>c,5</sub>	8.95 8.90	-3.84 5.20	-5.85 4.37	7.80** 3.86	-2.43 50.41	-1.88 2.95	2.22 1.81	1.31 31.48	-13.84 11.53
Trade Size <sub>c,5</sub>	0.00 (0.13)	-0.34* (0.20)	0.02 (0.17)	-0.08 (0.13)	-0.77* (0.46)	0.68 (0.60)	-0.05 (0.09)	0.54 (1.00)	-0.08 (0.27)
R <sup>2</sup> - Adjusted (%)	0.06	0.03	0.08	0.05	0.00	0.01	0.02	0.00	0.00

**Table 4.** This table reports the coefficient estimates, standard errors and adjusted R-squared values from the seemingly unrelated regression estimation of equation (3), at the 2-, 5-, and 10-year maturities, imposing a coefficient of one on the CDS spread, with all variables in weekly first differences. All variables in weekly first-differences. The dependent regression variable is the sovereign bond yield spread of each country relative to Germany, minus the CDS spread relative to Germany. Panels A reports the results of regressions on the K-spread liquidity measure alone. Panel B adds the five sovereign microstructure liquidity measures as additional controls. The equation is estimated over the sample period from January 1, 2007 to December 31, 2014. Newey-West standard errors are in parentheses with the Newey (1994) lag length. \*\*\* indicates significance at the 1 percent level, \*\* at the 5 percent level, and \* at the 10 percent level.