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**Analyzing spillover effects between sovereign, financial and real sectors during
the euro zone crisis**

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Résumé :

The onset of euro crisis has rekindled the policy debate regarding credit risk interdependence among sovereign-bank nexus. In this vein, the importance of real sector is overlooked while formulating corrective measures for the recovery of economic growth in the EMU. This thesis presents a study that examined these issues in euro zone. First, we evaluate spillover effect of euro crisis on borrowing cost of non-financial firms in presence of austerity measures (*Chapter-I*). Our results suggest significant effect especially where creditor rights protection are weak. In addition during recent crisis, results indicate presence of credibility channel due to austerity measures whereas; there is a slight indication of aggregate demand channel before crisis. Second, we find traditional function of bank's liquidity creation as a significant conduit of sovereign distress to real sector (*Chapter-II*). Particularly, our main finding shows that bank liquidity risk acts as a conduit which propagates uncertainty towards non-financial firms and re-channels it back to respective government. Finally, we examine cross-market credit risk dynamics among sovereign-bank-firm nexus to identify presence of contagion during the euro crisis period (*Chapter-III*). Our results report grave evidence of credit risk contagion across sectors and member states in corresponding financial markets in the EMU. Moreover like peripheral countries, simulation results to shock in core countries risk premia strongly provide evidence of contagion towards the remaining euro zone.

Mots clés: sovereign debt, syndicated-loan spread, bank liquidity risk, CDS spread, simultaneous equations model, contagion, euro crisis