ONLINE APPENDIX FOR

HOW SOVEREIGN IS SOVEREIGN CREDIT RISK?

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Table A1

Correlation Matrix of Sovereign CDS Spread Changes. This table reports the pairwise correlation coefficients of monthly changes in the sovereign CDS spreads for the indicated countries. Each pairwise correlation is computed using all available overlapping observations for the two sovereigns.

	Brazil	Bulgar	Chile	China	Colom	Croatia	Hungary	Israel	Japan	Korea	Malays	Mexico	Pakistan
Brazil	1.00												
Bulgaria	0.38	1.00											
Chile	0.50	0.77	1.00										
China	0.50	0.74	0.81	1.00									
Colombia	0.82	0.55	0.64	0.65	1.00								
Croatia	0.20	0.66	0.76	0.77	0.53	1.00							
Hungary	0.11	0.84	0.78	0.72	0.53	0.84	1.00						
Israel	0.63	0.79	0.82	0.71	0.70	0.71	0.76	1.00					
Japan	0.29	0.66	0.58	0.55	0.48	0.62	0.74	0.64	1.00				
Korea	0.10	0.75	0.86	0.82	0.60	0.75	0.79	0.82	0.68	1.00			
Malaysia	0.24	0.70	0.79	0.81	0.64	0.70	0.77	0.72	0.71	0.82	1.00		
Mexico	0.57	0.75	0.87	0.83	0.79	0.65	0.69	0.83	0.66	0.75	0.69	1.00	
Pakistan	0.40	0.49	0.52	0.65	0.35	0.48	0.41	0.43	0.28	0.53	0.30	0.45	1.00
Panama	0.67	0.71	0.79	0.71	0.82	0.68	0.71	0.76	0.62	0.76	0.79	0.89	0.41
Peru	0.80	0.59	0.64	0.61	0.82	0.56	0.56	0.64	0.47	0.63	0.64	0.76	0.42
Philippines	0.25	0.53	0.65	0.68	0.63	0.52	0.54	0.69	0.46	0.71	0.62	0.65	0.53
Poland	0.19	0.67	0.83	0.82	0.54	0.79	0.88	0.78	0.72	0.79	0.72	0.75	0.48
Qatar	0.44	0.73	0.83	0.73	0.54	0.69	0.77	0.76	0.68	0.79	0.76	0.71	0.00
Romania	0.35	0.90	0.69	0.74	0.46	0.91	0.78	0.67	0.56	0.71	0.76	0.65	0.43
Russia	0.41	0.82	0.85	0.83	0.59	0.68	0.71	0.72	0.47	0.76	0.64	0.78	0.61
Slovak	0.23	0.67	0.81	0.85	0.46	0.67	0.63	0.77	0.51	0.74	0.57	0.70	0.70
S. Africa	0.24	0.61	0.86	0.83	0.63	0.70	0.79	0.75	0.54	0.77	0.76	0.74	0.41
Thailand	0.47	0.72	0.69	0.75	0.62	0.75	0.74	0.58	0.60	0.75	0.94	0.73	0.16
Turkey	0.59	0.54	0.49	0.48	0.51	0.28	0.27	0.72	0.28	0.40	0.40	0.62	0.43
Ukraine	0.43	0.59	0.65	0.59	0.49	0.58	0.68	0.55	0.54	0.64	0.44	0.65	0.61
Venezuela	0.33	0.55	0.51	0.60	0.34	0.53	0.48	0.34	0.26	0.52	0.32	0.43	0.76

Table A1 Continued

Correlation Matrix of Sovereign CDS Spread Changes.

	Panama	Peru	Phillip	Poland	Qatar	Romania	Russia	Slovak	S Africa	Thai	Turkey	Ukraine	Venez
Brazil													
Bulgaria													
Chile													
China													
Colombia													
Croatia													
Hungary													
Israel													
Japan													
Korea													
Malaysia													
Mexico													
Pakistan													
Panama	1.00												
Peru	0.81	1.00											
Philippines	0.76	0.59	1.00										
Poland	0.72	0.59	0.56	1.00									
Qatar	0.66	0.50	0.52	0.82	1.00								
Romania	0.62	0.57	0.46	0.78	0.72	1.00							
Russia	0.66	0.62	0.58	0.70	0.72	0.80	1.00						
Slovak	0.63	0.53	0.53	0.79	0.75	0.70	0.80	1.00					
S. Africa	0.77	0.65	0.65	0.82	0.67	0.73	0.69	0.74	1.00				
Thailand	0.69	0.57	0.59	0.67	0.72	0.75	0.67	0.50	0.73	1.00			
Turkey	0.75	0.73	0.49	0.31	0.54	0.41	0.56	0.37	0.34	0.43	1.00		
Ukraine	0.55	0.50	0.58	0.72	0.54	0.46	0.63	0.59	0.61	0.31	0.55	1.00	
Venezuela	0.31	0.35	0.48	0.53	0.58	0.51	0.67	0.59	0.51	0.27	0.37	0.79	1.00

Table A2

Correlation Matrix of Stock Returns. This table reports the pairwise correlation coefficients of monthly stock returns for the indicated countries. Each pairwise correlation is computed using all available overlapping observations for the two sovereigns.

	Brazil	Bulgar	Chile	China	Colom	Croatia	Hungary	Israel	Japan	Korea	Malays	Mexico	Pakistan
Brazil	1.00												
Bulgaria	0.32	1.00											
Chile	0.66	0.19	1.00										
China	0.65	0.35	0.55	1.00									
Columbia	0.46	0.21	0.48	0.49	1.00								
Croatia	0.50	0.43	0.41	0.39	0.30	1.00							
Hungary	0.63	0.44	0.55	0.58	0.58	0.51	1.00						
Israel	0.49	0.29	0.47	0.48	0.37	0.29	0.44	1.00					
Japan	0.48	0.32	0.44	0.55	0.47	0.42	0.52	0.39	1.00				
Korea	0.59	0.28	0.57	0.64	0.56	0.52	0.59	0.52	0.58	1.00			
Malaysia	0.49	0.35	0.51	0.50	0.49	0.41	0.48	0.34	0.36	0.53	1.00		
Mexico	0.69	0.32	0.67	0.57	0.62	0.50	0.71	0.53	0.56	0.73	0.54	1.00	
Pakistan	0.32	0.09	0.13	0.10	0.11	0.11	0.31	0.16	0.04	0.18	0.10	0.23	1.00
Panama	–	–	–	–	–	–	–	–	–	–	–	–	–
Peru	0.64	0.40	0.44	0.59	0.40	0.47	0.55	0.28	0.47	0.54	0.48	0.60	0.20
Philippines	0.35	0.26	0.45	0.43	0.45	0.42	0.40	0.35	0.25	0.42	0.45	0.52	0.09
Poland	0.61	0.30	0.51	0.52	0.48	0.45	0.78	0.40	0.50	0.61	0.42	0.68	0.34
Qatar	0.59	0.54	0.30	0.53	0.52	0.49	0.61	0.50	0.63	0.56	0.42	0.53	0.00
Romania	0.37	0.52	0.27	0.46	0.45	0.45	0.67	0.23	0.50	0.48	0.41	0.55	0.25
Russia	0.64	0.34	0.53	0.54	0.53	0.48	0.66	0.45	0.54	0.63	0.42	0.71	0.28
Slovak	0.24	0.38	0.20	0.20	0.20	0.12	0.41	0.26	0.22	0.12	0.10	0.22	0.12
S. Africa	0.67	0.34	0.57	0.70	0.60	0.50	0.69	0.43	0.68	0.65	0.45	0.68	0.20
Thailand	0.56	0.36	0.55	0.54	0.53	0.42	0.47	0.38	0.50	0.64	0.50	0.53	0.17
Turkey	0.55	0.32	0.57	0.58	0.47	0.39	0.63	0.62	0.50	0.66	0.40	0.62	0.17
Ukraine	0.33	0.33	0.31	0.31	0.36	0.40	0.42	0.23	0.46	0.34	0.42	0.40	0.11
Venezuela	0.15	−0.03	0.18	0.29	0.30	−0.02	0.22	0.18	0.25	0.24	0.11	0.30	−0.04

Table A2 Continued

Correlation Matrix of Stock Returns.

	Panama	Peru	Phillip	Poland	Qatar	Romania	Russia	Slovak	S Africa	Thai	Turkey	Ukraine	Venez
Brazil													
Bulgaria													
Chile													
China													
Colombia													
Croatia													
Hungary													
Israel													
Japan													
Korea													
Malaysia													
Mexico													
Pakistan													
Panama	–												
Peru	–	1.00											
Philippines	–	0.33	1.00										
Poland	–	0.47	0.40	1.00									
Qatar	–	0.52	0.28	0.51	1.00								
Romania	–	0.52	0.36	0.53	0.49	1.00							
Russia	–	0.58	0.30	0.53	0.49	0.55	1.00						
Slovak	–	0.16	0.03	0.28	0.31	0.27	0.17	1.00					
S. Africa	–	0.67	0.35	0.67	0.62	0.57	0.63	0.33	1.00				
Thailand	–	0.58	0.49	0.45	0.55	0.42	0.51	0.23	0.59	1.00			
Turkey	–	0.35	0.38	0.57	0.50	0.37	0.56	0.22	0.56	0.48	1.00		
Ukraine	–	0.35	0.28	0.34	0.50	0.57	0.42	0.22	0.37	0.36	0.28	1.00	
Venezuela	–	0.01	0.20	0.19	0.15	−0.07	0.22	0.05	0.14	0.14	0.25	0.07	1.00