



Financial and real sector interactions: enter the sovereign

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Figure 1: Boom in corporate and/or household lending

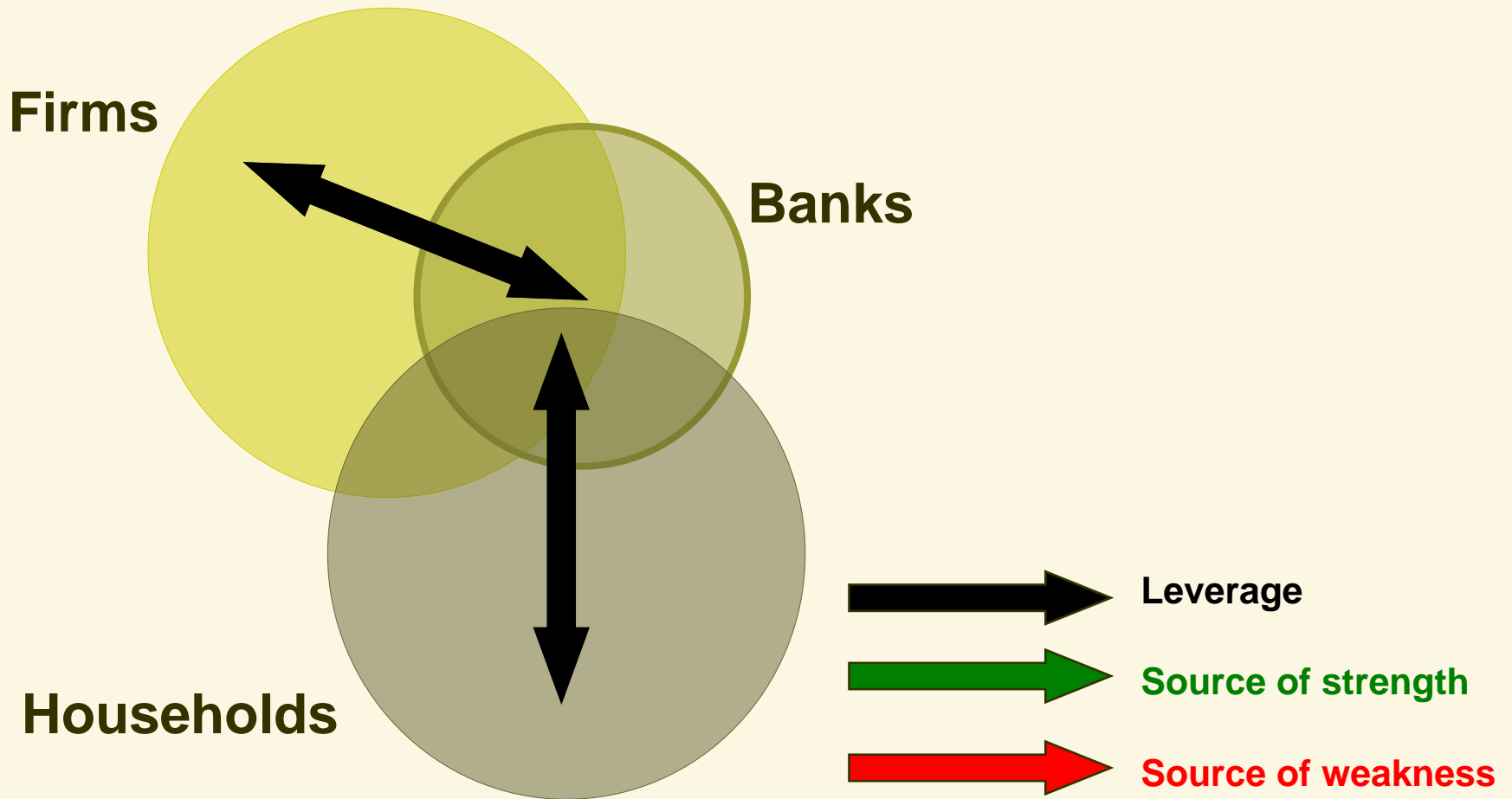




Figure 2: Bust in corporate and/or household lending

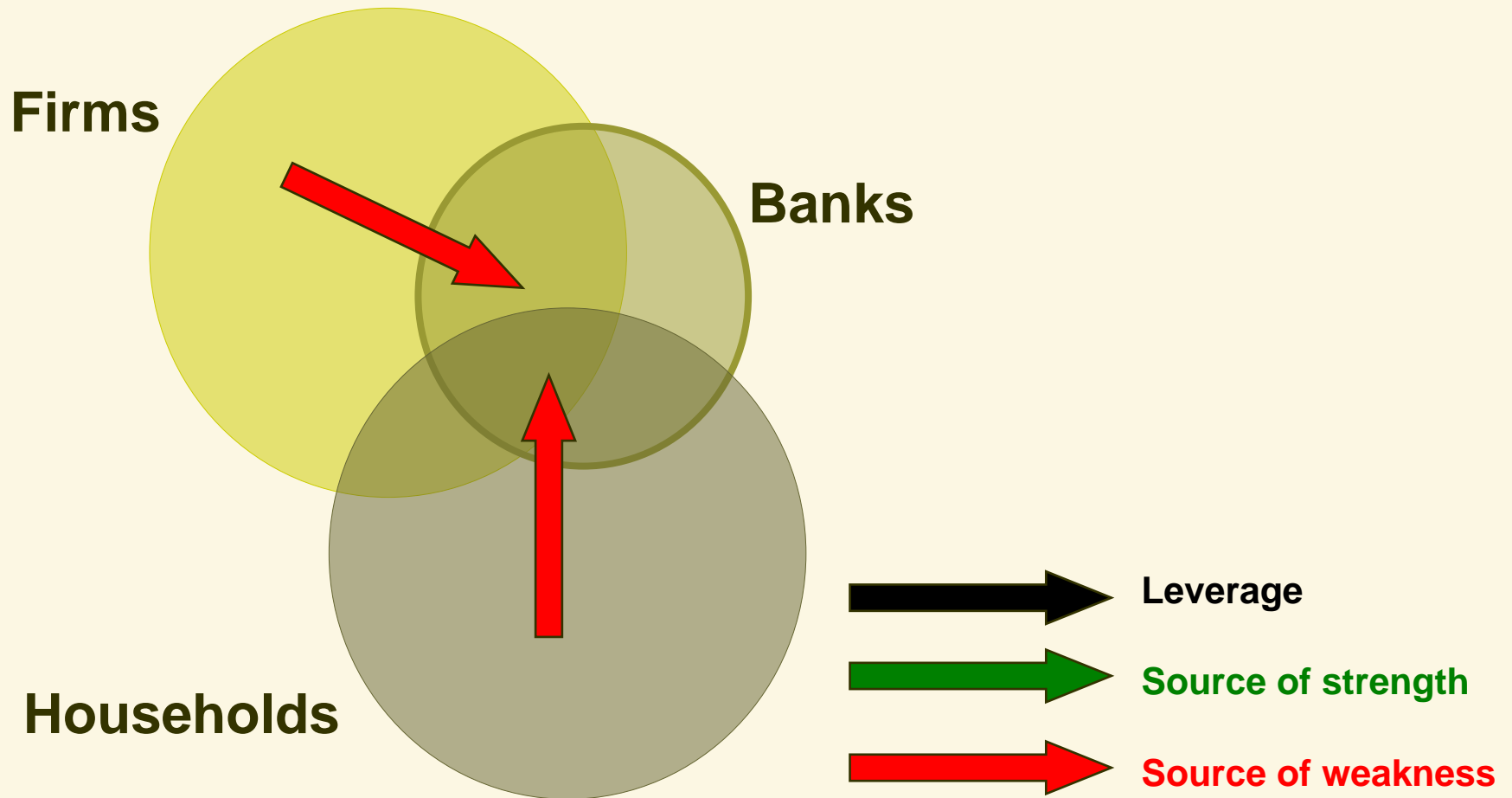




Figure 3: Bust in corporate and/or household lending leading to credit crunch

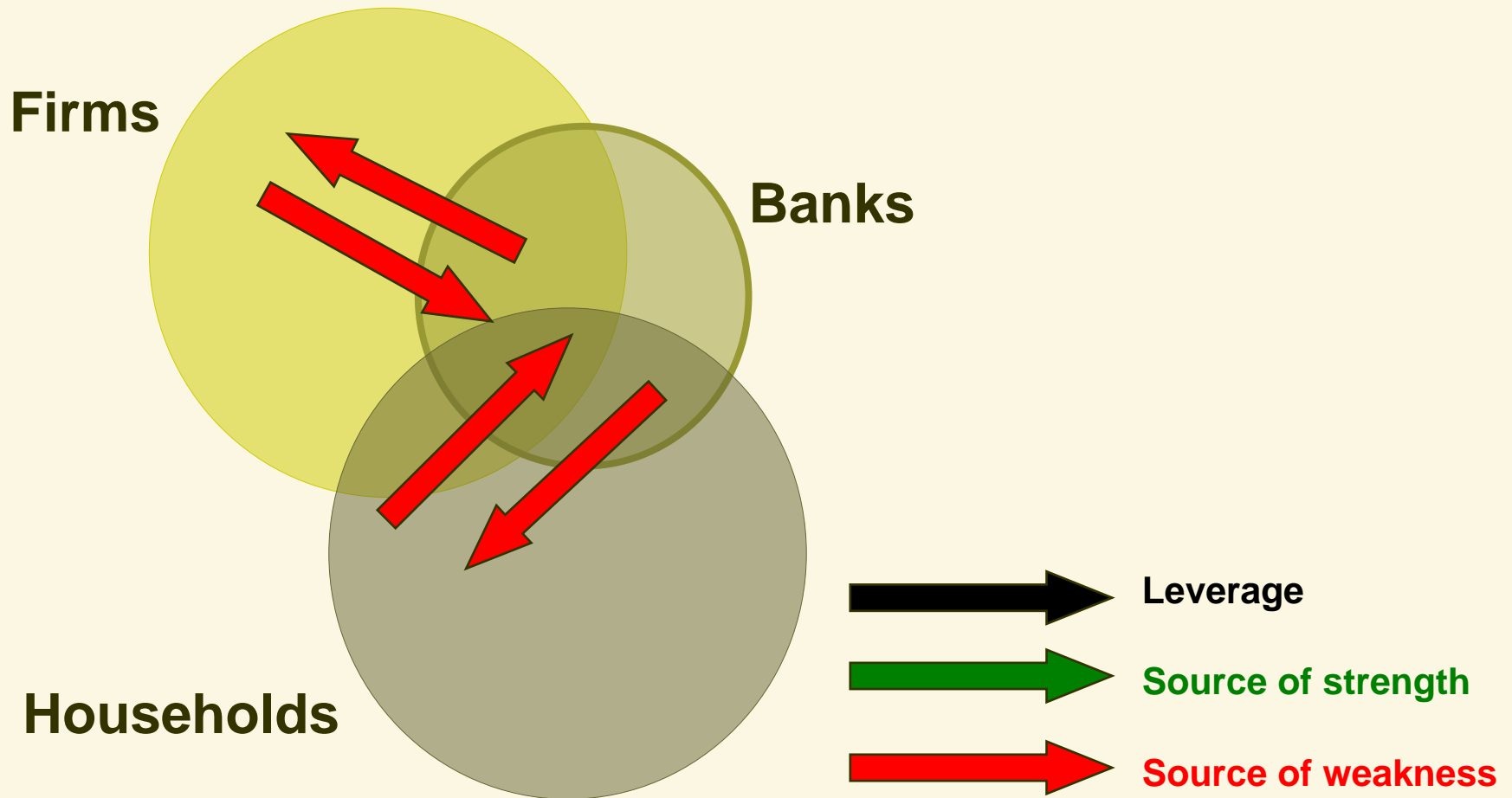




Figure 4: Bust in corporate household and/or lending leading to government recapitalisation of banks

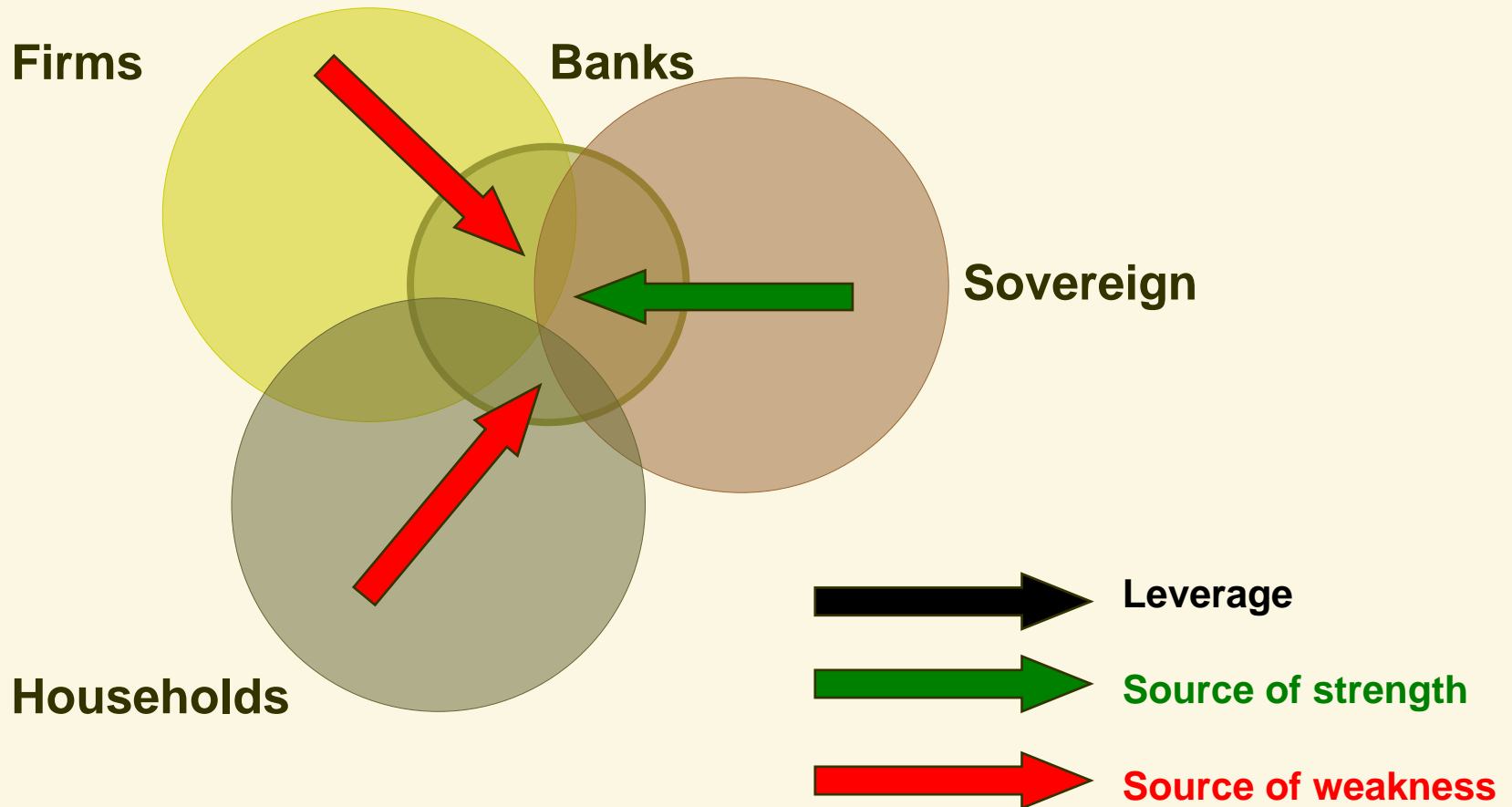
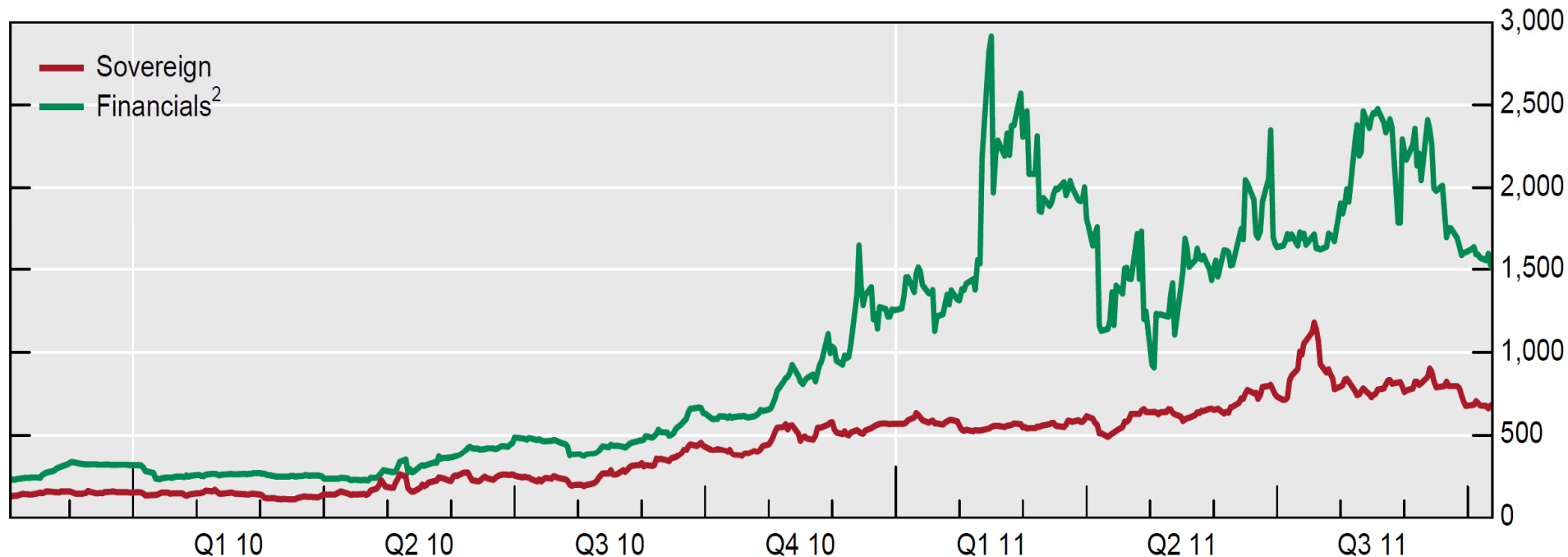




Figure 5: Interaction between bank and sovereign spreads Contamination of sovereign by banks

Irish CDS spreads¹ In basis points



¹ Five-year on-the-run CDS premia. ² Simple average over a sample of domestic financial institutions.

Source: Markit.



Figure 6: Banks as source of weakness to sovereign

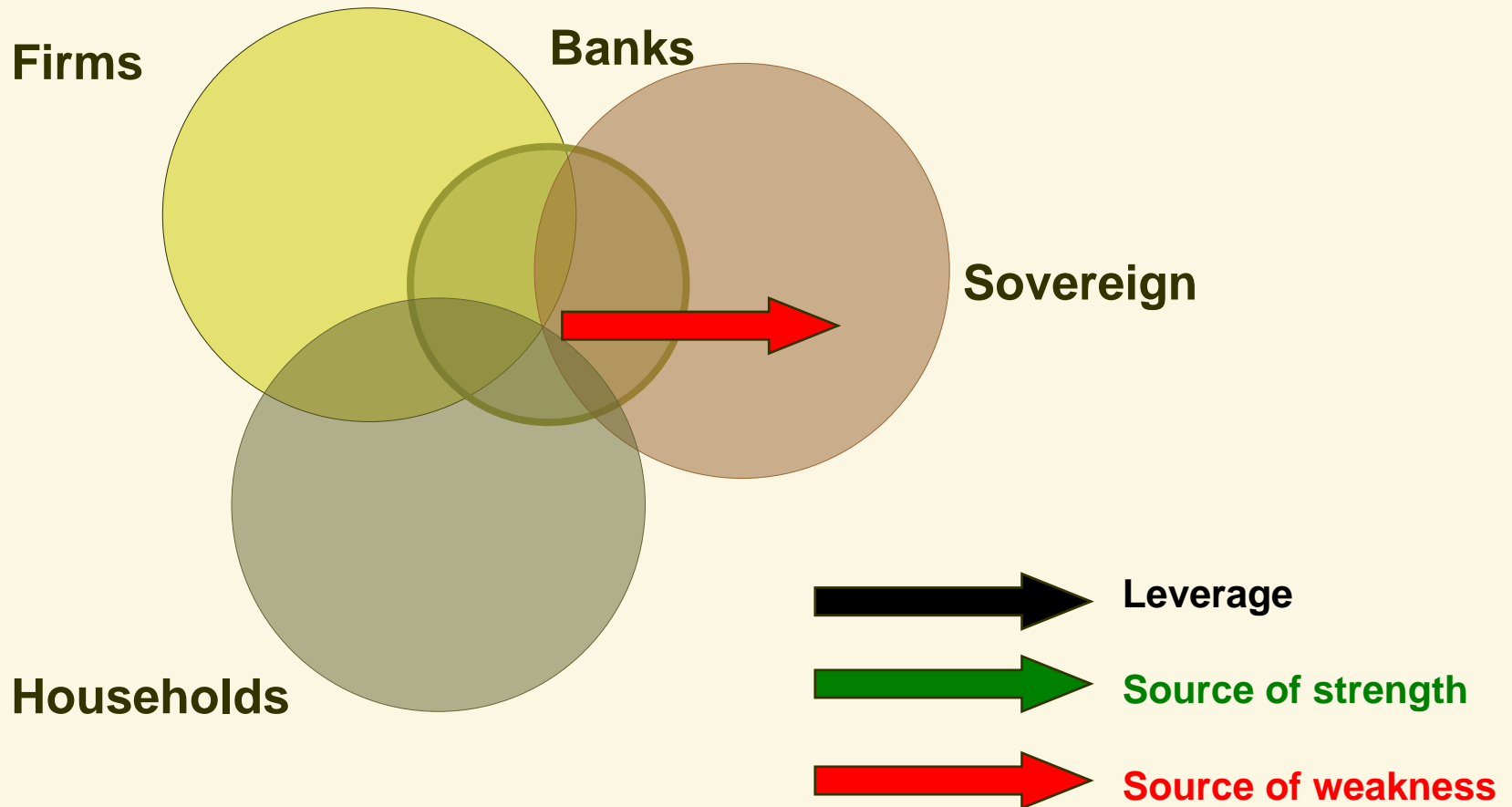




Figure 7: Sovereign as source of weakness to banks

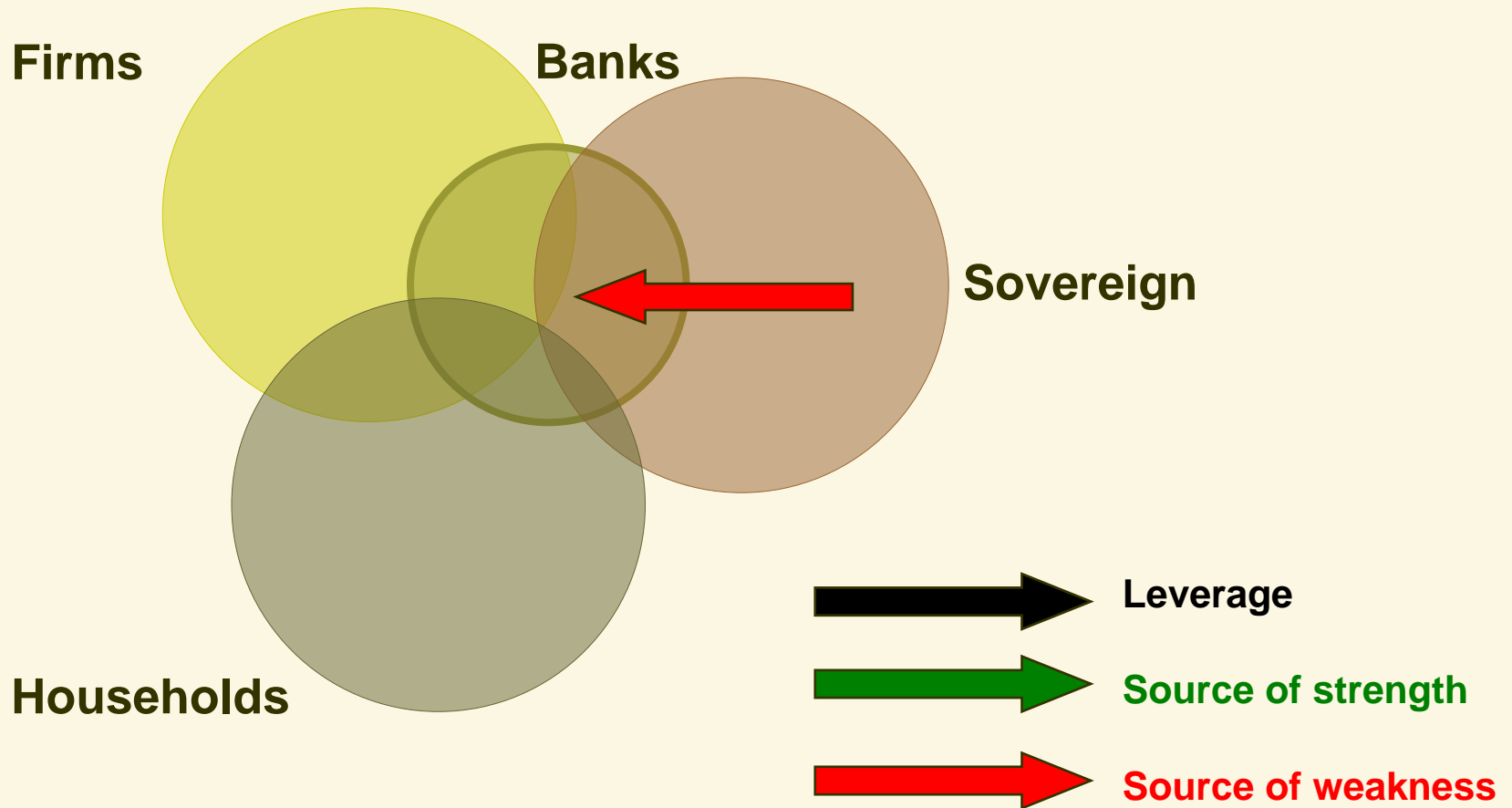
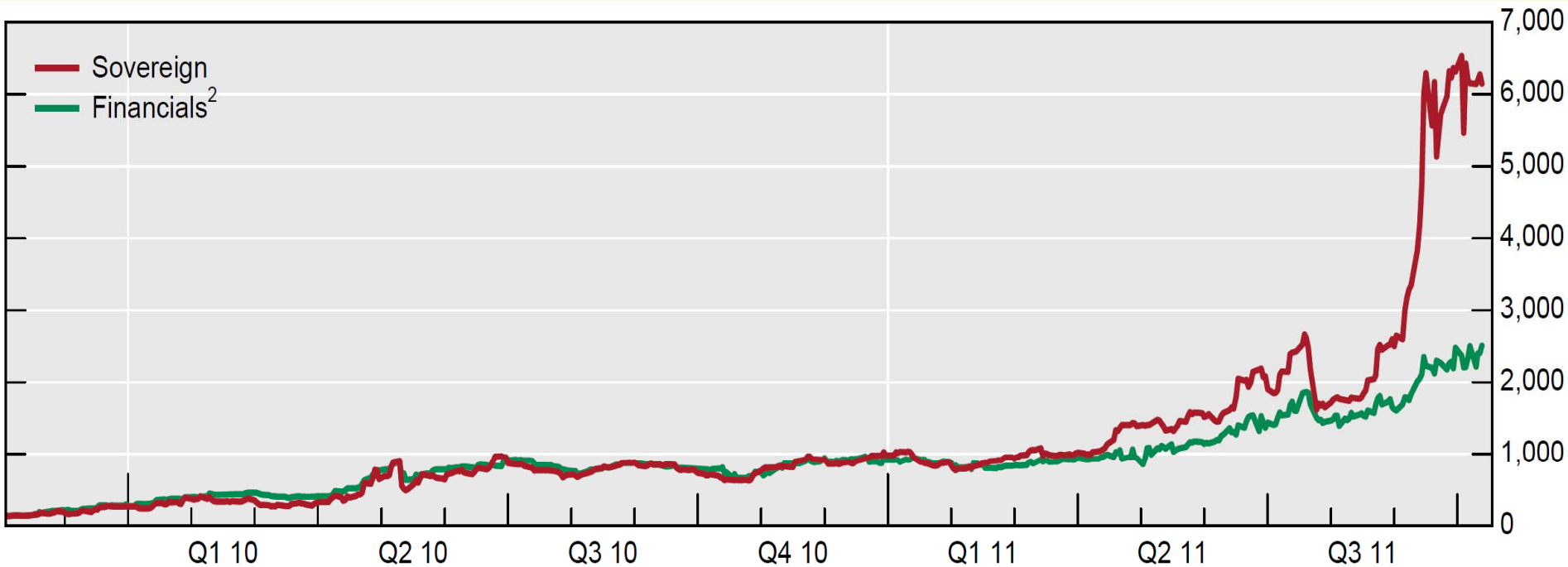




Figure 8: Interaction between bank and sovereign spreads Contamination of banks by sovereign

Greek CDS spreads¹

In basis points



¹ Five-year on-the-run CDS premia. ² Simple average over a sample of domestic financial institutions.

Source: Markit.



Figure 9: Sovereign and banks as two-way sources of weakness

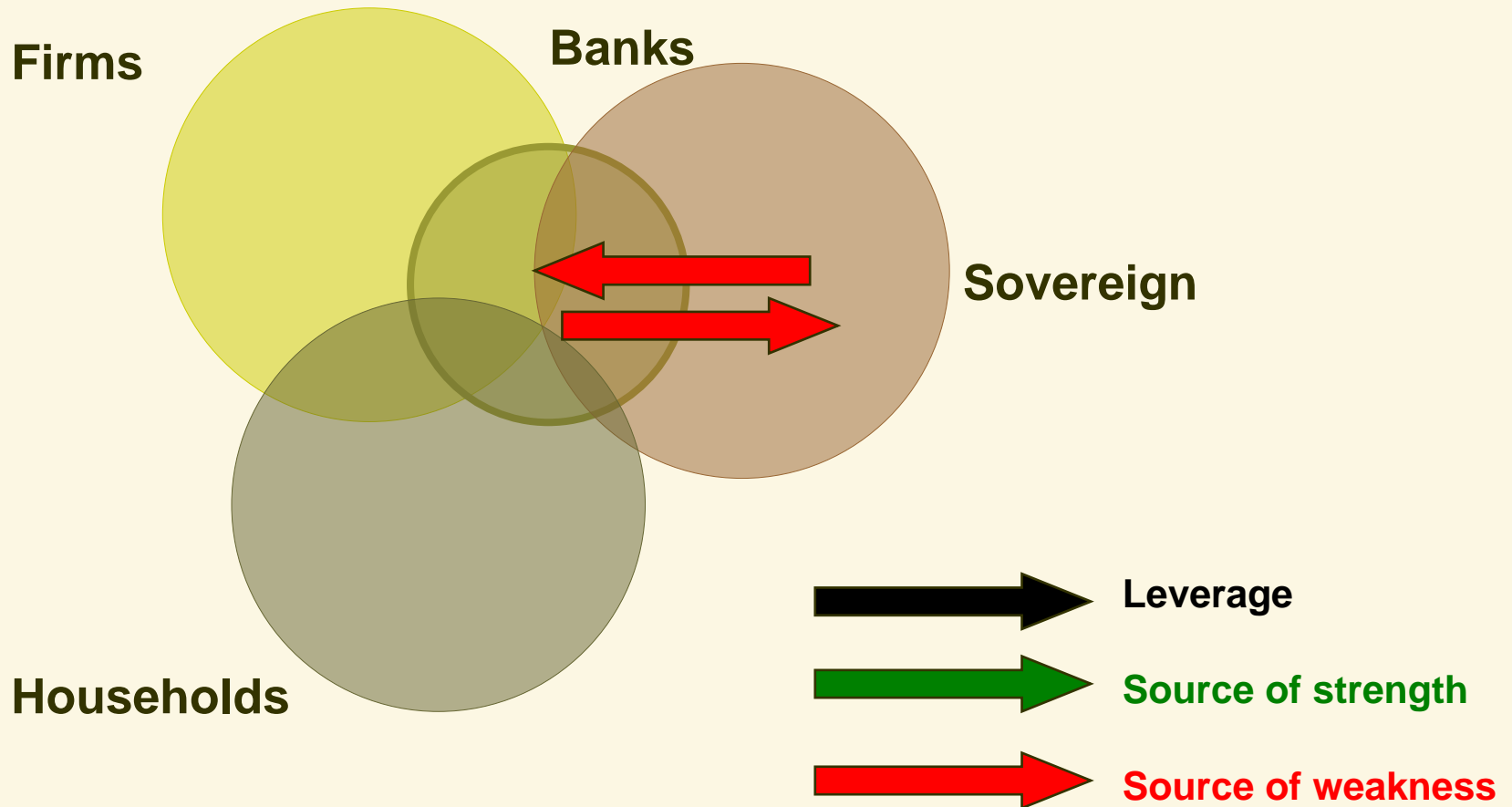




Figure 10: Interaction between bank and sovereign spreads

Banks and sovereign spreads are highly correlated

CDS spreads (in basis points)¹

Italy



Spain



Belgium



France



¹ Five-year on-the-run CDS premia. ² Simple average over a sample of domestic financial institutions.



Figure 11: Sovereign and banks as two-way sources of weakness leading to credit crunch

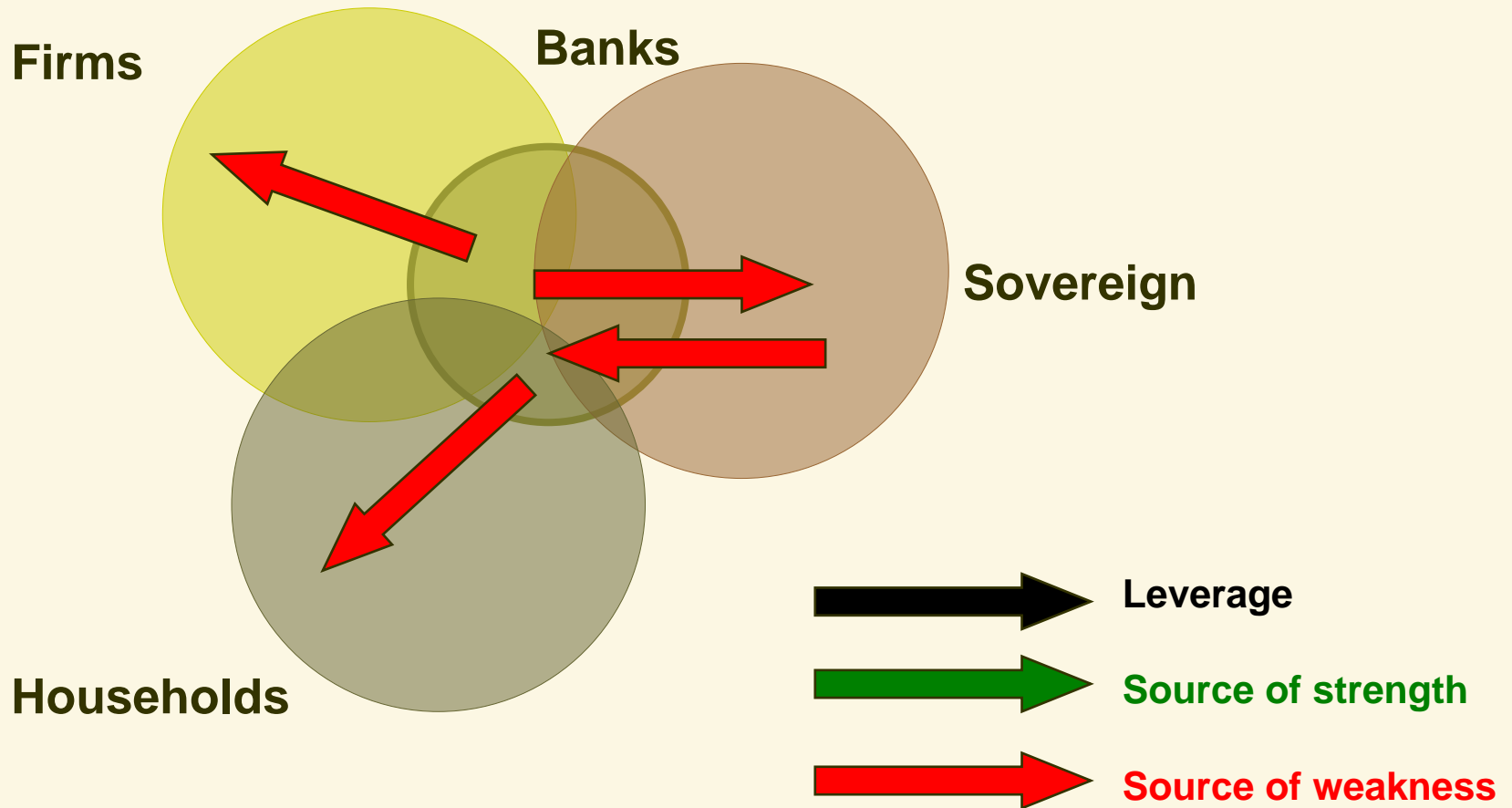




Figure 12: Multi-sovereign backstop for sovereign and banks

