

# The European Bond Markets under EMU

[Get access >](#)

Marco Pagano, Ernst-Ludwig von Thadden

*Oxford Review of Economic Policy*, Volume 20, Issue 4, Winter , Pages 531–554,  
<https://doi.org/10.1093/oxrep/grh031>

**Published:** 01 December 2004

## Abstract

In this paper, we document how, in the wake of monetary unification, the markets for euro-area sovereign and private-sector bonds have become increasingly integrated. Issuers and investors alike have come to regard the euro-area bond market as a single one. Primary and secondary bond markets have become increasingly integrated on a pan-European scale. Issuance of corporate bonds has taken off on an unprecedented scale in continental Europe. In the process, both investors and issuers have reaped the considerable benefits afforded by greater competition in the underwriting of private bonds and auctioning of public ones, and by the greater liquidity of secondary markets. Bond yields have converged dramatically in the transition to EMU. The persistence of small and variable yield differentials for sovereign debt under EMU indicates that euro-area bonds are still not perfect substitutes. However, to a large extent, this does not reflect persistent market segmentation but rather small differentials in fundamental risk. Liquidity differences play at most a minor role, and this role appears to arise partly from their interaction with fundamental risk. The challenges still lying ahead are numerous. They include: the imbalance between the German-dominated futures and the underlying cash market; the vulnerability of the cash markets' prices to free-riding and manipulation by large financial institutions; the possibility of joint bond issuance by euro-area countries; the integration of clearing and settlement systems in the euro-area bond market; and the participation of new accession countries' issuers in this market.

This content is only available as a PDF.

Oxford Review of Economic Policy vol. 20 no. 4 2004 © Oxford University Press and the Oxford Review of Economic Policy Limited 2004; all rights reserved.

You do not currently have access to this article.

## Sign in

 [Get help with access](#)


### Personal account

- Sign in with email/username & password
- Get email alerts
- Save searches
- Purchase content
- Activate your purchase/trial code
- Add your ORCID iD

[Sign in >](#)

[Register](#)

### Institutional access

 [Sign in through your institution](#)

 [Sign in through your institution](#) >

[Sign in with a library card](#)

[Sign in with username/password](#)

[Recommend to your librarian](#)

### Institutional account management

[Sign in as administrator](#)

## Purchase

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

## Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

The European Bond Markets under EMU - 24 Hours access

EUR €53.00

GBP £44.00

USD \$58.00

## Rental



This article is also available for rental through DeepDyve.