CONTENTS

Abstract		VI
1. Introduction		1
2. Data and Premliminary Results		3
3. Explanation and Testable Implications4. Empirical Evidence		12 18
References		23
Appendix		25
TI		
List of Tal	oles .	
Table 1:	Ten-Year Benchmark Government Bond Spreads (basis points)	6 11
Table 2: Table 3:	Change in the Spread (basis points) Test I – Strengthening the Conditions for A Likely Yield Undershooting	19
Table 4:	Test III – Time-Series Evidence	20
List of Fig	ures	
Figure 1:	Benchmark Yield (Germany) & Spreads (Netherlands, Belgium)	7
Figure 2:	Change in the Spread (ΔS_t) vs. Change in the German Yield ($\Delta S_{g,t}$)	9
Figure 3:	Likely Spread Adjustment when the German Yield Increases	1.4
T7' 4	$(\Delta y_{G,t} > 0)$ Consistency Check-Hindershooting vs. Adjustment Speed	14 21
Figure A :	Consistency Check-Undershooting Vs. Addistrictic SDCCU	_ 1