

This homework is due on Thursday, December 10 at the end of class

When you are asked to make a graph please carefully label all variables, axis, and the slope of each line you draw.

The homework consists of 3 questions.

Question 1: (30 points)

Please explain the two-way feedback link between high spreads for the sovereign and week bank balance sheet (what is commonly referred to as ``*doom-loop*'')

Question 2: (35 points)

Please do Exercise 1 at the end of Chapter 12.

Question 3: (35 points)

Please do Exercise 2 at the end of Chapter 12 in the lecture notes.