Referee report "The causal linkages between sovereign CDS prices for the BRICS and major European economies"

General comments

The author investigates a causal relationship between the CDS quotes of BRICS and European countries, concluding that there has been limited contagion from the recent EU debt crisis. The author however acknowledges that EU sovereign credit risk can be transmitted to BRICs via other financial instruments and that correlations and principal component analysis indicate a high degree of comovement in the EU and BRICs CDS. On the back of these additional considerations, it is legitimate to question the conclusion of decoupling of the two markets. In addition, the author does not give an explanation of his econometric findings in terms of economic fundamentals.
The author further mentions the exception of Germany, but also in this case, he should elaborate on the fundamentals behind his empirical findings.
In our opinion, the paper is not too strong: it doesn't utilize any new modeling techniques or test statistics. The author basically just checks if there are some Granger causalities between the credit spreads in the developing and European countries.

Specific comments

Page 1: There is no definition of decoupling/coupling. For researchers not in statistics or mathematics, the author should at least define it once.

Page 2: "exploring causal linkages" is more complex than just referring to some hopefully significant Granger causalities. For example, there is a large literature on causality that could be cited.

Page 9: The GED is used but the author should elaborate on why this distribution is chosen. There are other (fat tailed) distributional competitors (Student's t, stable Paretian, discrete mixtures, etc.). More arguments than in Footnote 6 would be beneficial.