Richard Baillie is one of four members of the European Union Grant # 3202 to work on the project “Macro risk assessment and stabilization policies with new early warning signals”. The main part of the grant is for investigation of the feasibility of the construction of early warning indicators of broadly defined crises with the euro currency, and the various component bond markets of the member countries. Part of the work will be concerned with the modeling of the implied probability of sovereign defaults by member countries. The methodology is expected to use nonlinear econometric time series models based on the financial markets and macro economic environment.