MSCI Liquidity Risk Monitor Special Report

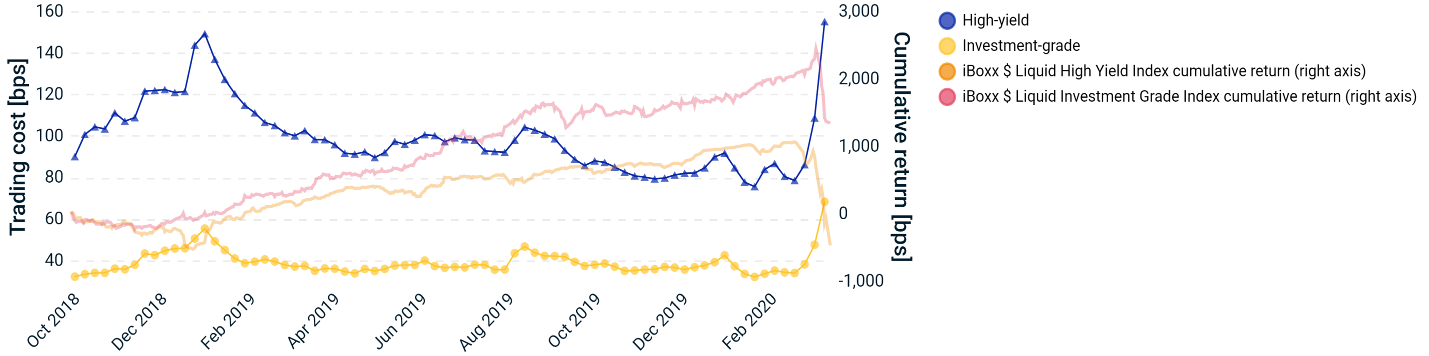
March 17, 2020

Weekly report highlighting the behavior of key liquidity indicators during the COVID-19 global crisis

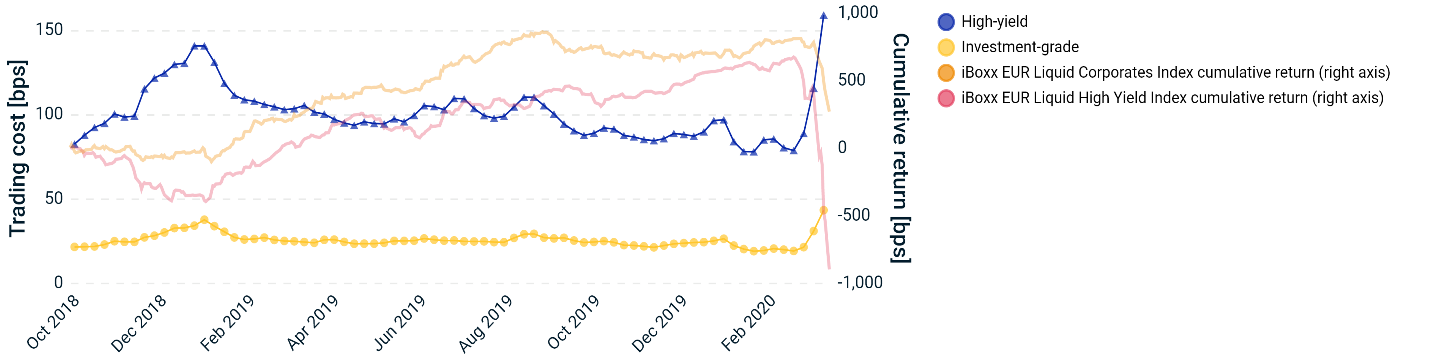
Cost of forced selling of USD 10 million

- Liquidity of corporate bonds has been deteriorating since late February 2020 due to the COVID-19 outbreak, for both investment-grade and high-yield bonds.
- Although trading volumes remained stable, transaction costs are observed to be significantly higher. Both bid-ask spreads and the market impact cost have increased rapidly, and have now exceeded the levels seen during the high-yield sell-off at the end of 2018.
- Price discovery is difficult and the uncertainty of quoted prices is extremely high.
- Corporate bonds of emerging countries seem to have suffered less than those of developed markets so far.

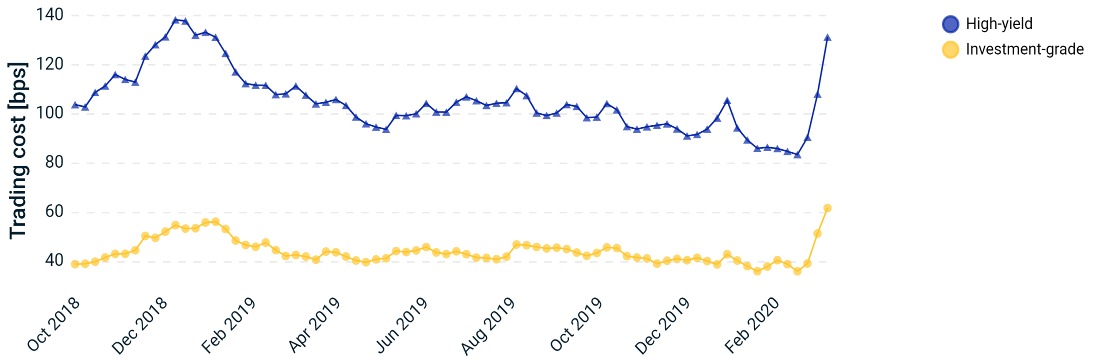
US corporate bonds



Corporate bonds - non-US developed countries



Corporate bonds - emerging countries



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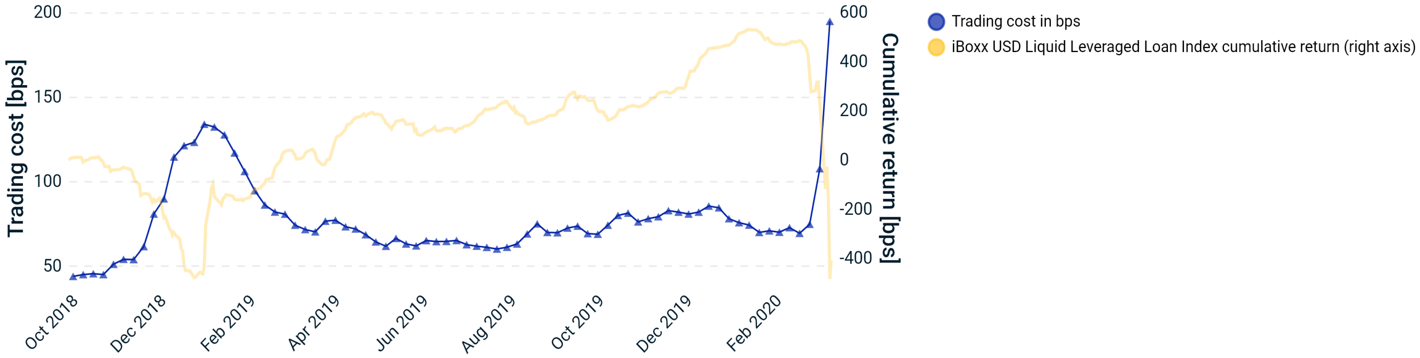
- The liquidity of bank loans has significantly deteriorated due to the COVID-19 global crisis, and the effects are even more drastic than for corporate bonds.
- Bid-ask spreads, market impact and overall transaction costs have increased drastically, and the quoted-price uncertainty is very high.
- Liquidity indicators have reached levels beyond those seen during the high-yield sell-off at the end of 2018.
- So far, the trends are observed to be somewhat worse for U.S. than for non-U.S. bank loans.

US bank loans



Non-US bank loans