MSCI Liquidity Risk Monitor Special Report

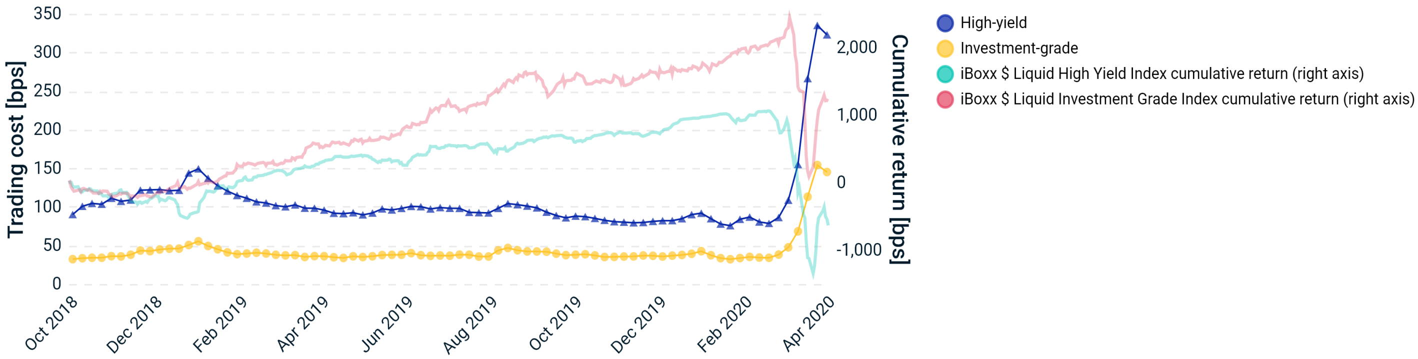
Data through April 2, 2020

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

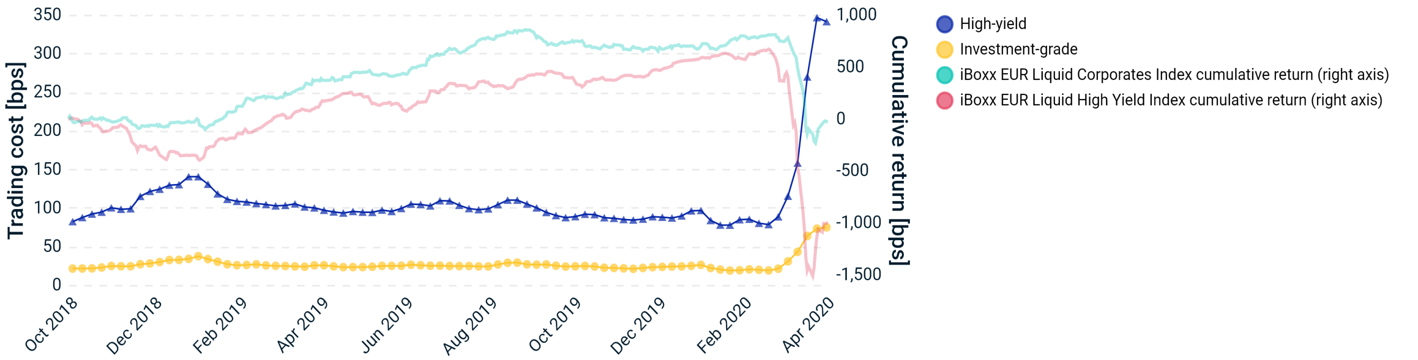
Cost of forced selling of USD 10 million

- The deterioration of corporate bond liquidity has stopped since last week. Transaction costs appear to have flattened at a very high level.
- The credit facilities launched by the Fed in the U.S., the ECB in the Eurozone and the BoE in the U.K. may have halted further escalation of the liquidity crunch. While these programs extend only to investment-grade bonds, liquidity in the high-yield market has not deteriorated further during the last week.
- There are some signs of renewed market making activity. The average number of dealers quoting an instrument has rebounded to some extent and the quoted price uncertainty has also decreased, indicating improving price discovery.

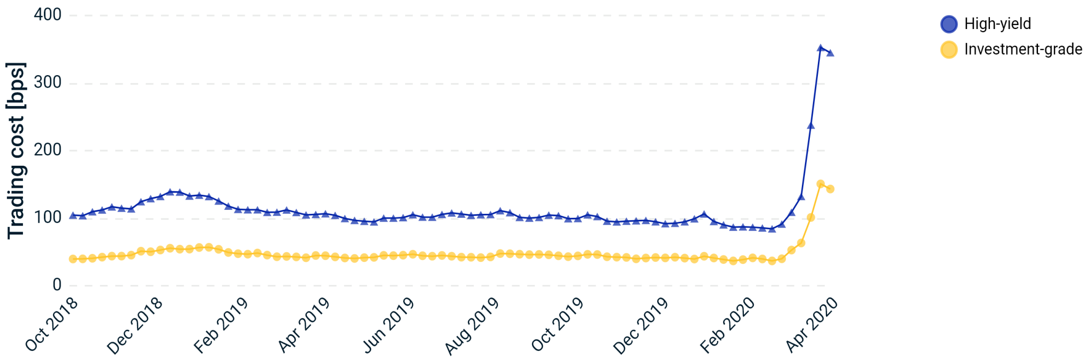
US corporate bonds



Corporate bonds - non-US developed countries



Corporate bonds - emerging countries



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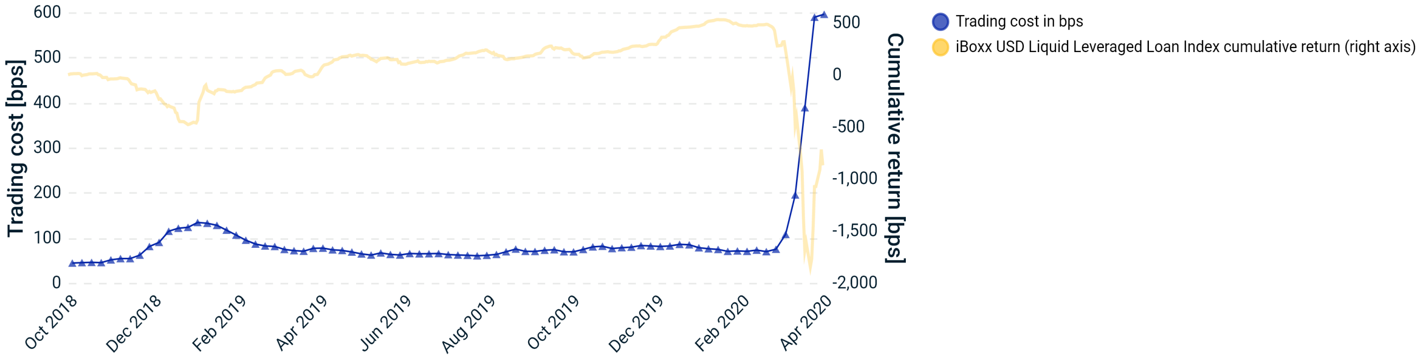
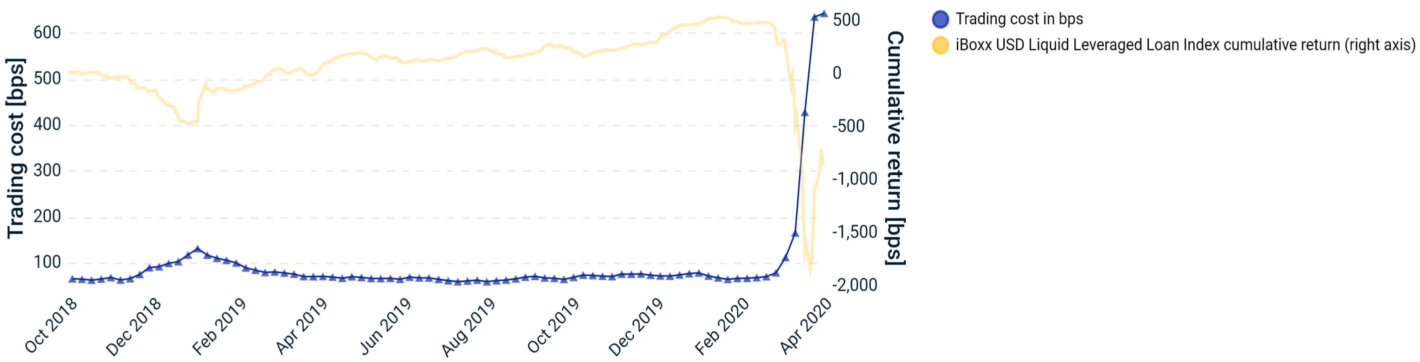
- For U.S. and non-U.S. bank loans, the bid-ask spread and the market impact have increased slightly but appear to flatten.
- The quoted price uncertainty has decreased, and the average number of dealers quoting an instrument has improved, indicating more market making activity.
- The quoted sizes are showing a slight increase, which indicate a small improvement in the market depth.

US bank loans



Non-US bank loans



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