Cost of forced selling of USD 10 million

- Transaction costs across all regions continued to decrease over the past week for both investment-grade and high-yield corporate bonds.
- The quoted-price uncertainty appears to have flattened out at a highly elevated level, meaning that prices quoted by different dealers for the same asset have an unusually wide range, making it hard to pinpoint the true market price.
- The levels of most liquidity indicators are still significantly worse than at the peak of the December 2018 high-yield sell-off. An exception to this observation is the market depth, which appears to have recovered to pre-crisis levels for corporate bonds.
US corporate bonds

Cost of forced selling of USD 10M in one trading day

- High-yield
- Investment-grade
- iBoxx $ Liquid High Yield Index cumulative return (right axis)
- iBoxx $ Liquid Investment Grade Index cumulative return (right axis)

Bid-ask spread

Market impact

Depth at best price

Quoted price uncertainty
MSCI Liquidity Risk Monitor Special Report
Data through May 28, 2020
Weekly report highlighting the behavior of key liquidity indicators during the COVID-19 global crisis

Corporate bonds - non-US developed countries

Cost of forced selling of USD 10M in one trading day

Bid-ask spread

Market impact

Depth at best price

Quoted price uncertainty
Corporate bonds - emerging countries

Cost of forced selling of USD 10M in one trading day

Bid-ask spread

Market impact

Depth at best price

Quoted price uncertainty

MSCI Liquidity Risk Monitor Special Report
Data through May 28, 2020

Weekly report highlighting the behavior of key liquidity indicators during the COVID-19 global crisis
Cost of forced selling of USD 10 million

- Transaction costs for bank loans have continued to slowly decrease since last week. Both the bid-ask spreads and the market impact components have decreased.
- The market depth for U.S. bank loans has continued to recover and a modest increase was observed for non-U.S. bank loans as well.
- The decreasing trend in the quoted-price uncertainty has halted. The dispersion of quoted prices has increased slightly for U.S. bank loans.
MSCI Liquidity Risk Monitor Special Report

Data through May 28, 2020

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

US bank loans

Cost of forced selling of USD 10M in one trading day

Bid-ask spread

Market impact

Depth at best price

Quoted price uncertainty

Trading cost [bps]

iBoxx USD Liquid Leveraged Loan Index cumulative return (right axis)

MSCI

powered by

IHS Markit
Non-US bank loans

Cost of forced selling of USD 10M in one trading day

- Trading cost in bps
- iBoxx USD Liquid Leveraged Loan Index cumulative return (right axis)

Bid-ask spread

Market impact

Depth at best price

Quoted price uncertainty