Cost of forced selling of USD 10 million

- The recovery of liquidity indicators continued for corporate bonds across all regions. Transaction costs decreased further for both investment-grade and high-yield corporate bonds.
- The dispersion of quoted prices decreased further, indicating improving market efficiency.
- To put the current state of liquidity indicators into perspective, their levels are still much worse than the peak of the December 2018 high-yield sell-off, which was a significant liquidity deterioration event that saw transaction costs almost double.
MSCI Liquidity Risk Monitor Special Report
Data through May 14, 2020
Weekly report highlighting the behavior of key liquidity indicators during the COVID-19 global crisis

US corporate bonds

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

Corporate bonds - emerging countries

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

- High-yield
- Investment-grade

Bid-ask spread

Market impact

Depth at best price

Quoted price uncertainty

MSCI  IHS Markit
Cost of forced selling of USD 10 million

- Transaction costs for bank loans continued to decrease over the last week across all regions. The bid-ask spread and market impact levels are very similar for both U.S. and non-U.S. bank loans.

- A difference between the market depth recovery of U.S. and non-U.S. bank loans can still be observed. While the market depth of U.S. bank loans continued to increase, it remained low for non-U.S. bank loans.

- Similar to the trend observed for corporate bonds, the transaction costs for bank loans are still significantly higher than during the peak of the December 2018 sell-off.
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**US bank loans**

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

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

**Bid-ask spread**

- Bid-ask spread [bps]

**Market impact**

- Market impact [bps/million USD]

**Depth at best price**

- Normal market size [million USD]

**Quoted price uncertainty**

- Relative standard deviation [%]
Non-US bank loans

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

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

Bid-ask spread

Market impact

Depth at best price

Quoted price uncertainty

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