Corporate bonds liquidity - Cost of forced selling of USD 10 million

- Some thawing was observed in global bond market liquidity over the past week, with transaction costs having decreased for both investment-grade and high-yield bonds for the first time since the start of the Russia-Ukraine conflict.
- Market depths have also increased (as indicated by increasing quote sizes), particularly for investment-grade bonds.
- There was a significant drop in the standard deviation of prices quoted by different dealers, which may indicate decreasing uncertainty in pricing instruments.
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 Report
Data through March 24, 2022
Special report showing key liquidity indicators during the Russia-Ukraine conflict
MSCI Liquidity Risk Monitor Report
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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

- High-yield
- Investment-grade

Bid-ask spread

Market impact

Depth at best price

Quoted price uncertainty

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Corporate bonds - Eastern Europe ex. Russia

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

Cumulative return [bps]

Trading cost [bps]

Bid-ask spread

Market impact

Depth at best price

Quoted price uncertainty

High-yield
Investment-grade
MSCI EUR HY Corporate Bond Index cumulative return (right axis)
MSCI EUR IG Corporate Bond Index cumulative return (right axis)
Bank loans liquidity - Cost of forced selling of USD 10 million

- Similar to the trends observed for corporate bonds, there was a marked drop in transaction costs for both U.S. and non-U.S. bank loans.
- The sharply decreasing trend in market depth has reversed as quoted sizes have increased across all regions.
- Broker-dealers appear to have had an easier time pricing bank loans as the quoted-price uncertainty has decreased.
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Non-US bank loans

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

Trading cost [bps]
Cumulative return [bps]

Bid-ask spread

Market impact

Depth at best price

Quoted price uncertainty

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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