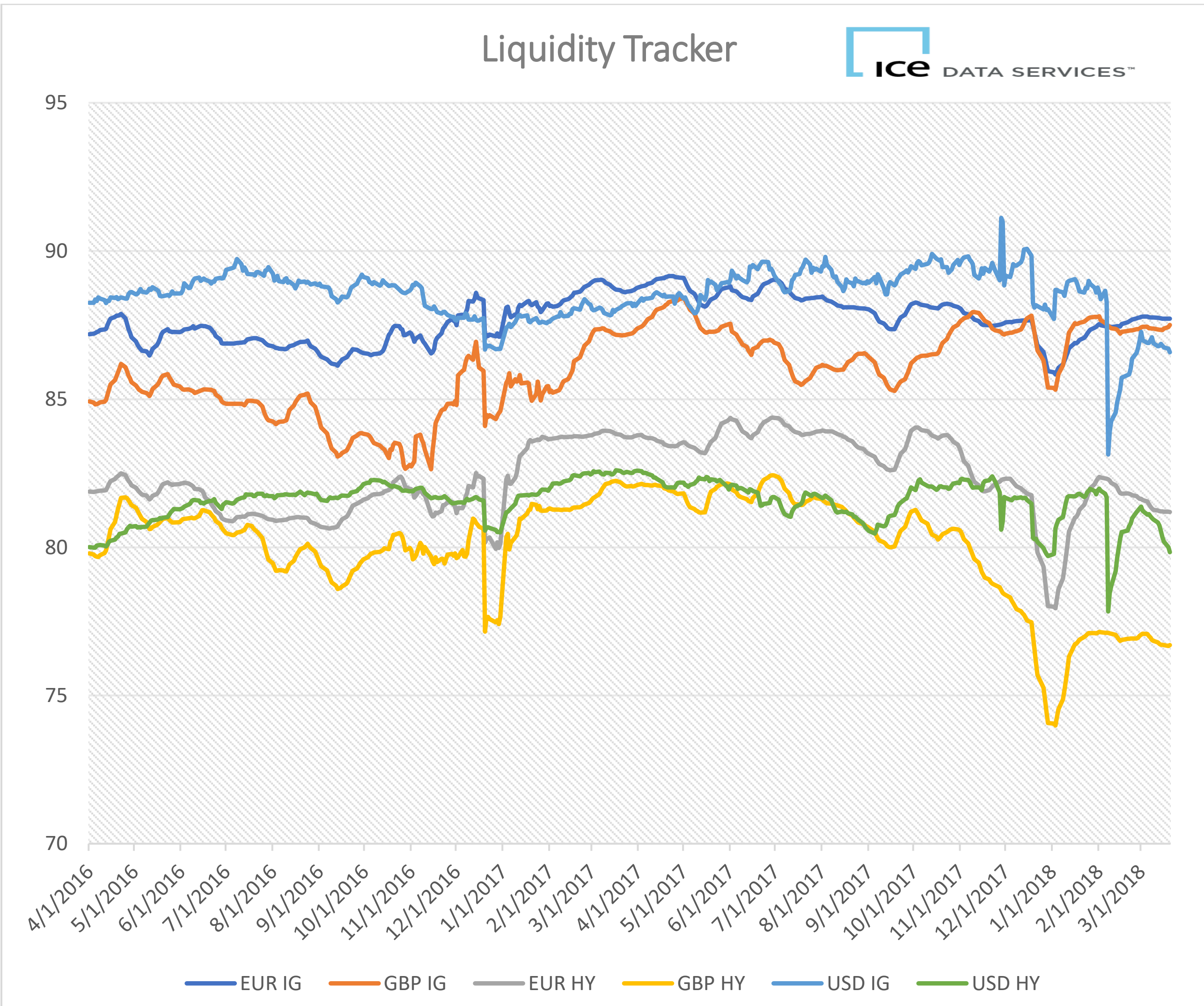
ICE Data Services Corporate Bond Market Liquidity Tracker

a I-ǊŎK 2018



Source: ICE Data Services

Commentary

The trackers are of particular interest going into 2018 in light of the implementation of MiFID II/R and the potential implications for EUR and GBP corporate bond market liquidity. While there is the usual seasonal decline in liquidity across all markets going into year-end, EUR and GBP IG and HY liquidity seems to recover quite quickly, reverting to pre-year-end levels, which corroborates the anecdotal evidence (see earlier article on MiFID II implementation). Perhaps more notable is the sharp drop in liquidity in USD IG and HY in early February, which seems to be closely correlated with the sell-off in US credit spreads. A steady decline in GBP HY liquidity can also be observed over Q4 of 2017, which appears to have stabilized since the beginning of 2018.

ICE Liquidity Trackers are designed to reflect average liquidity across global markets. The ICE Liquidity Trackers are bounded from 0 to 100, with 0 reflecting a weighted-average liquidity cost estimate of 10% and 100 reflecting a liquidity cost estimate of 0%. The ICE Liquidity Trackers are directly relatable to each other, and therefore, the higher the level of the ICE Liquidity Tracker the higher the projected liquidity of that portfolio of securities at that point in time, as compared with a lower level. Statistical methods are employed to measure liquidity dynamics at the security level (including estimating projected trade volume capacity, projected volatility, projected time to liquidate and projected liquidation costs) which are then aggregated at the portfolio level to form the ICE Liquidity Trackers by asset class and sector. ICE Data Services incorporates a combination of publicly available data sets from trade repositories as well as proprietary and non-public sources of market colour and transactional data across global markets, along with evaluated pricing information and reference data to support statistical calibrations.

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