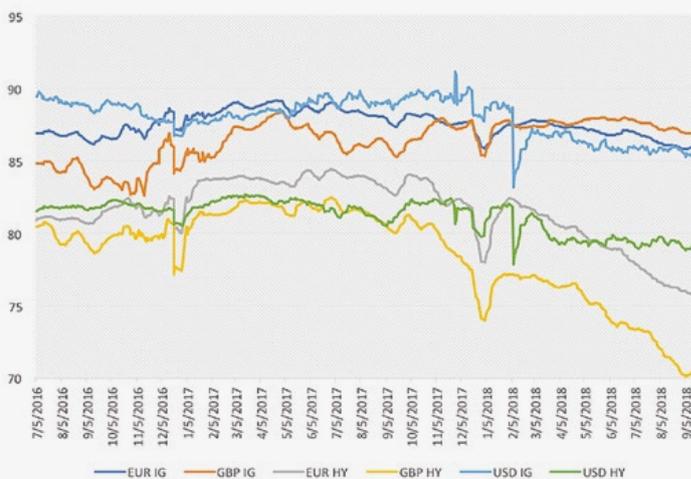


ICE Data Services Corporate Bond Market Liquidity Tracker



September 2018

Liquidity Tracker



Source: ICE Data Services

Commentary

As discussed in previous Quarterly Reports, corporate bond market liquidity appears to show a sharp decline in Q1 2018, which largely correlates with the US led sell-off in global credit markets. But IG market liquidity seems to recover in Q2 and has remained relatively rangebound through Q3.

EUR and GBP HY liquidity, however, shows a fairly steep decline through Q2 and Q3. While it is difficult to attribute causality, a possible explanation for the deterioration in EUR HY liquidity could be the announcement of the wind-down of the ECB's Corporate Sector Purchase Programme (CSPP). While HY is not in scope of the purchase programme, the sector has benefited from a "portfolio rebalancing" effect. Meanwhile, it seems probable that the deep decline in GBP HY liquidity is compounded by the increasing economic uncertainty stemming from Brexit.

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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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