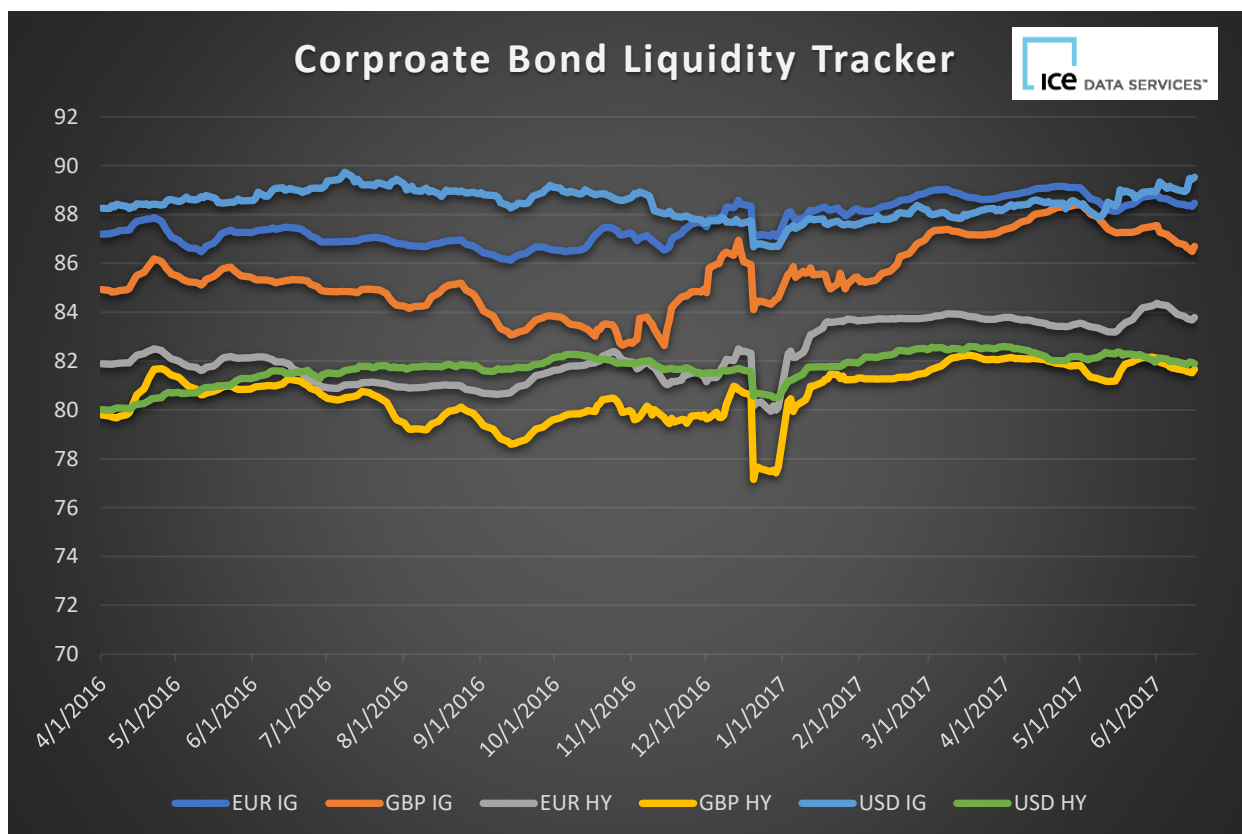


ICE Data Services Corporate Bond Market Liquidity Tracker

June 2017

Liquidity Tracker

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.



Source: ICE Data Services

Commentary

Perhaps not surprisingly, the revised trackers suggest that IG is more liquid than HY, and that GBP, for the most part, tends to be less liquid than USD and EUR. The trackers also seem to imply that liquidity conditions for both IG and HY for USD and EUR, as well as GBP HY have been relatively stable since the series begins (April 2016), with a somewhat predictable sharp decline around 2016 year-end. GBP IG liquidity, however, appears to have been more volatile, declining steadily until the middle of November 2016, before recovering sharply to “normalize” with EUR and USD IG liquidity levels by Q2 of 2017. The timing of this decline and recovery seems to correlate closely with the timing of the initiation and cessation of the Bank of England’s Corporate Bond Purchase Scheme.

ICE Liquidity Indicators™

ICE Liquidity Indicators™ launched in September 2015, with coverage of over 2.35mm securities globally spanning European corporates and sovereigns, U.S. corporate bonds, U.S. municipal bonds, U.S. agency debentures, Latin American corporates and sovereigns, Asia-Pacific corporates and sovereigns, and certain U.S. mortgage-related securities.

ICE Data Service’s approach to measuring liquidity of fixed income securities involves the use of statistical techniques to estimate future potential trading volume and price uncertainty, which when taken together, forms a view of expected price response per amount traded. ICE Data Services uses a uniform scale to produce a variety of Liquidity Indicators at the security and portfolio level.

ICE Data Services sources publicly available data sets from trade repositories and procures information from non-public sources of market colour and transactional data across global markets. Additionally, market colour, bid lists, dealer runs, and other transactional data is received from their global network of clients on the buy-side and sell-side. Importantly, this market data drives the creation of the evaluated pricing content within their evaluated pricing business. The liquidity models leverage this raw market data, as well as the end result evaluated pricing content (price, yield, bid-ask spreads, duration, etc.) as critical inputs to our models when determining our viewpoints and quantifying liquidity across the marketplace.

Prepared by Andy Hill
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