



## **ICE Data Services Liquidity Tracker**

ICE Data Services has established a means of tracking liquidity conditions in fixed income markets, in response to a request from ICMA.

### ***ICE Data Services Liquidity Indicators***

The model is based on ICE Data Services' Liquidity Indicators, which are designed to provide an independent view of near-term relative liquidity, defined as "the ability to exit a position at or near the current value." The indicators use a transparent methodology to assign a liquidity ratio to an individual security, based on the interaction between projected price volatility and trade volume capacities.

ICE Data Services provide estimates of trade volume capacity, future price volatility, days to liquidate, and market price impact. Liquidity ratios for all securities are ranked from least liquid to most liquid, and scored between 0 and 10 (with 10 being the most liquid). These scores, based on ICE Data Services' extensive evaluation and reference data, are updated daily.

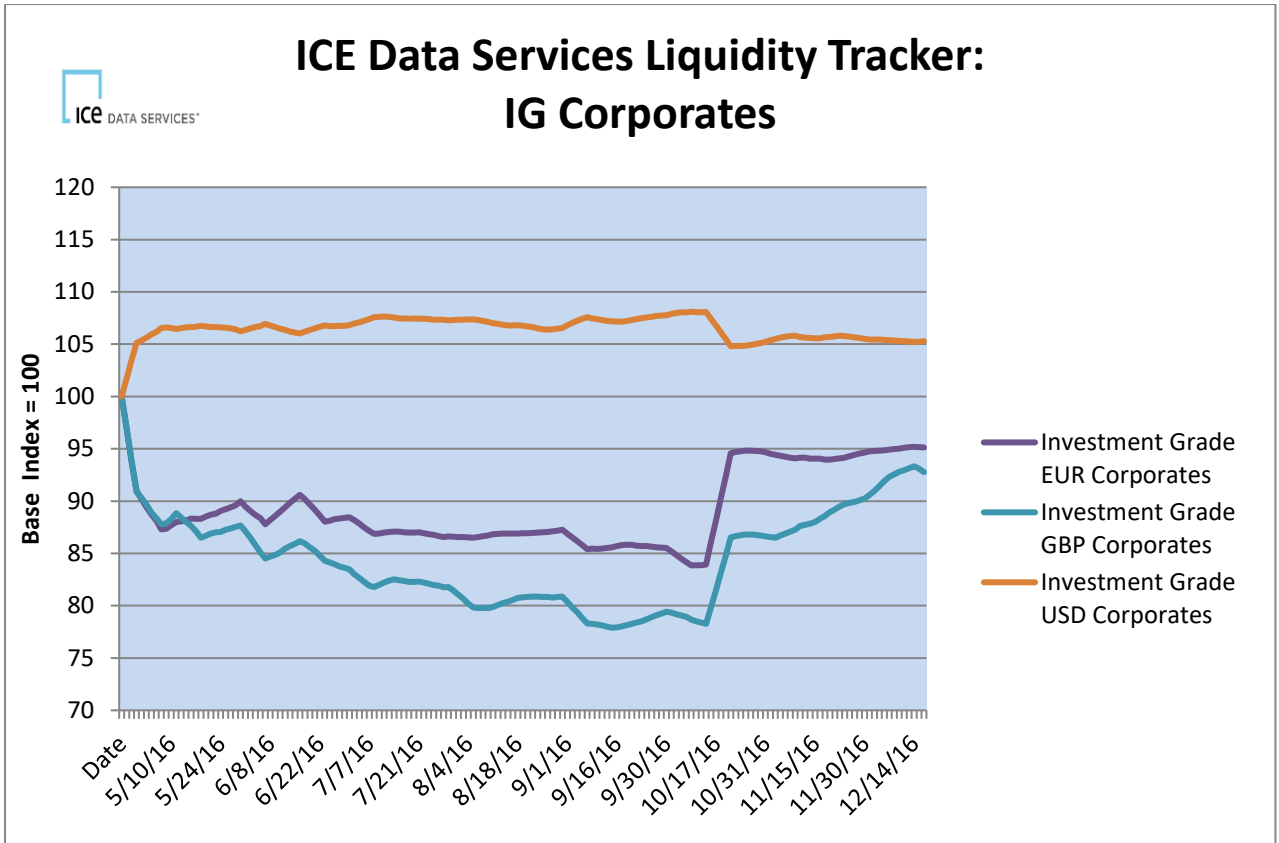
### ***ICE Data Services Liquidity Tracker***

The ICE Data Services Liquidity Tracker is based on the average liquidity ratios of an extensive basket of securities for each market segment. The current number of underlying ISINs used to calculate the tracker are: IG USD 14,525; IG EUR 2,494; IG GBP 413; HY USD 10,914; HY EUR 1,755; HY GBP 413. Investment grade is determined by a minimum BBB- rating from one of the three main rating agencies, and includes financials and non-financials.

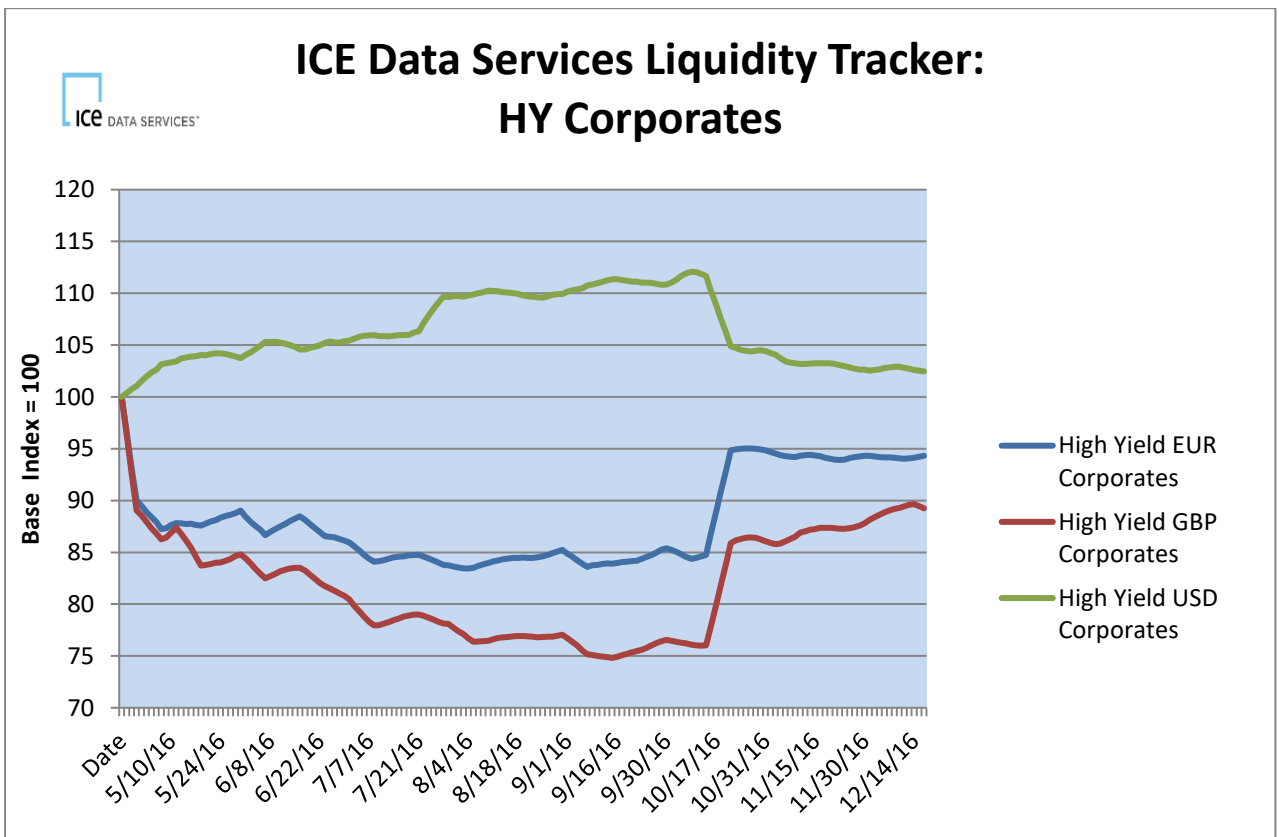
The starting reference point for the tracker is 27 April 2016, where it is assigned a value of 100. Data is then run on a look-back basis to determine relative changes in market liquidity since the reference date. To ensure continuity in the data series, only issues active at the reference date are included in the ICE Data Services Liquidity Tracker.

### ***Using the Tracker***

With the permission of ICE Data Services, ICMA intends to publish and monitor the ICE Data Services Liquidity Tracker on a quarterly basis. There is also the possibility of extending the ICE Data Services Liquidity Tracker to other asset classes, including sovereign bonds, as well as creating a more granular sector based tracker.



Source: ICE Data Services



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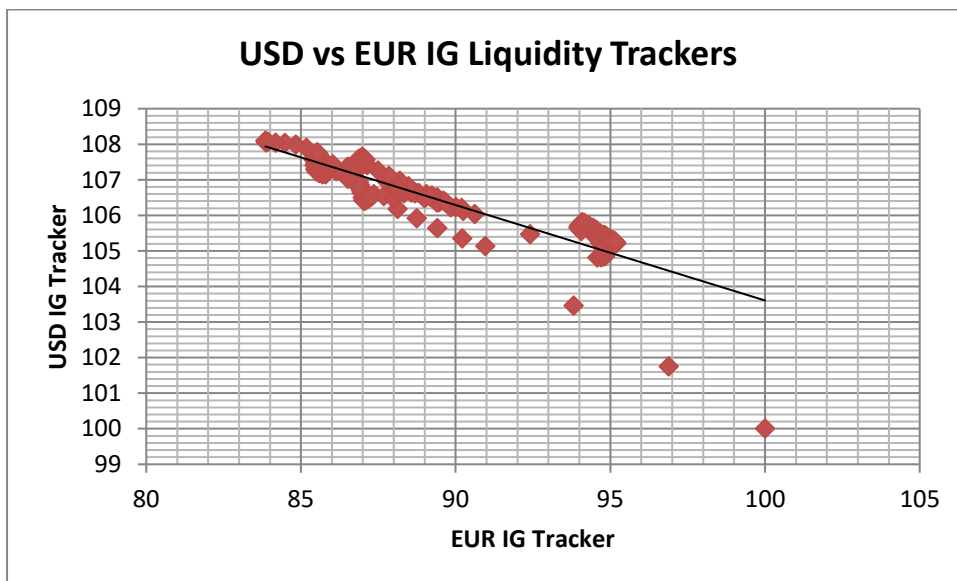
### **Interpreting the tracker data**

The Trackers suggest that liquidity in both the EUR and GBP investment grade and high yield markets declined during from the start of the series in April 2016, through to the end of the first quarter. This is perhaps not surprising in light of the market uncertainty generated by the UK's EU referendum results, and the ongoing intervention of the ECB and Bank of England through their respective corporate bond purchase programmes.

Interestingly, liquidity conditions in both the US IG and HY markets improved over the same timeline, perhaps suggesting a "flight to liquidity".

At the start of the fourth quarter, we see a sharp reversal in these trends, with USD IG/HY liquidity in sharp decline (perhaps sparked by uncertainty around the US election, stronger jobs data and the increased likelihood of Fed hikes, higher oil prices, and a sharp bond market sell-off). Meanwhile, liquidity conditions in the EUR and GBP markets appear to have improved.

Plotting the Tracker data for the USD and EUR IG markets in a scatter chart would seem to suggest a noticeable inverse relationship between the markets, which perhaps corroborates the suggestion of "liquidity flights" between the USD and non-USD corporate bond markets.



Source: ICE Data Services

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