BARCLAYS

Quantitative Portfolio Strategy
Analytics
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Liquidity Cost Scores (LCS®)

Barclays Bond-Level Quantitative Liquidity Measure

Overview

- LCS is an objective, quantitative bond-level liquidity measure. It is expressed as a percent of the bond's price and measures the cost of an immediate, institutional-size, round-trip transaction
- LCS is based on simultaneous bid-offer quotes issued by Barclays traders
- Bond-level LCS are computed at the end of each month, incorporating data collected over the course of the month
- For bonds not quoted in a particular month, LCS are estimated by asset class-specific, econometric models calibrated to the available quotes
- Market segment-level Daily LCS are available for actively quoted sets of USD IG and HY credit, EUR IG and HY credit, USD EM, and USD convertible bonds

Applications

- Portfolio/benchmark liquidity monitoring and reporting
- Liquidity-constrained portfolios construction and optimization
- Quantifying the impact of transaction costs on alpha strategies
- Spread (OAS) decomposition into the risk premium, default, and liquidity components

QPS publications are available on these and other liquidity-related topics

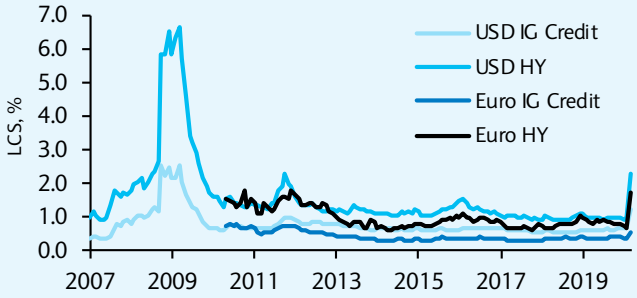
Market Coverage

23,000 bonds USD50trn outstanding

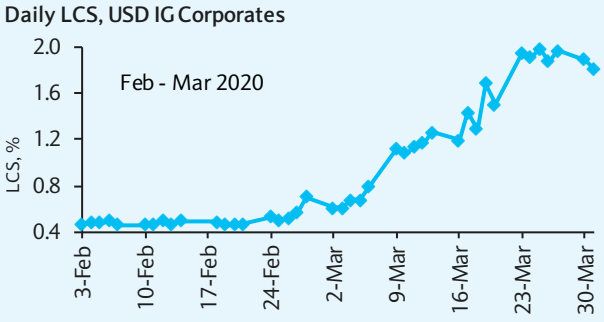
Index	Data from
USD IG Credit*	Jan-07
USD High Yield*	Jan-07
USD IG Credit 144A (no reg)	Jan-07
USD Treasuries	Nov-09
USD TIPS	Jul-10
USD Fixed Rate MBS	Mar-10
USD Emerging Markets*	Feb-12
USD Convertible Bonds*	Dec-19
Pan Euro IG Credit*	May-10
Pan Euro High Yield*	May-10
Pan Euro Credit FRN	May-10
GBP Corp £100–200mn	May-10
Pan Euro Agencies	May-10
Pan Euro Local Authorities	May-10
Pan Euro Treasuries	Feb-11
Pan Euro Inflation Linked	Mar-11
Global Covered Bonds	Sep-12
JPY Treasuries	Sep-13

*Daily LCS available

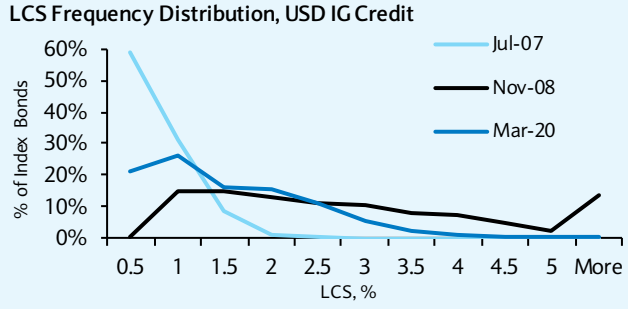
Historical Patterns of Market Liquidity



Monitoring Daily Liquidity Dynamics



Comparative Cross-Sectional Analysis



Insights into Drivers of Bonds Liquidity

Issue size, $mn	Age, yr <1	1-5	5-7.5	7.5+
<500	0.74	0.88	1.10	1.19
500-750	0.52	0.73	0.79	1.05
750-1,500	0.37	0.51	0.65	0.90
1,500-2,000	0.32	0.40	0.53	0.67
2,000-3,000	0.34	0.39	0.42	0.68
>3,000	0.28	0.31	0.27	0.46

Source for all figures: Barclays Research

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