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
- LCS is computed at the end of each month, incorporating market data 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
- Daily LCS are available for liquid, trader-quoted sets of USD IG and HY credit, EUR IG and HY credit, US 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
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