

Liquidity Cost Scores (LCS)[®]

Barclays Bond-Level Quantitative Liquidity Measure

Vadim Konstantinovsky, CFA
+1 212 526 8290
vkonstan@barclays.com
BCI, US

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 USD IG and HY corporates, EUR IG and HY corporates, USD emerging markets, and USD convertible bonds

Applications

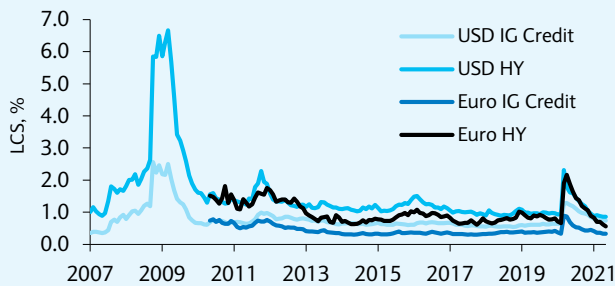
- Portfolio/benchmark liquidity monitoring and reporting
- Liquidity-constrained portfolios construction and optimization
- Quantifying the impact of transaction costs on alpha strategies
- Spread (OAS) decomposition into the risk premium, default, and liquidity components

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

Market Coverage	
25,000 bonds	USD58trn 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*	Sep-09
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
EMEA Convertible Bonds	Jan-13
JPY Treasuries	Sep-13

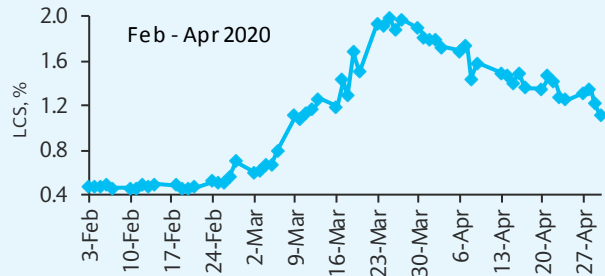
*Daily LCS available

Historical Patterns of Market Liquidity



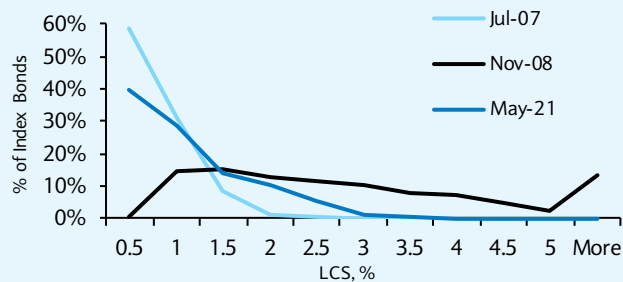
Monitoring Daily Liquidity Dynamics

Daily LCS, USD IG Corporates



Comparative Cross-Sectional Analysis

LCS Frequency Distribution, USD IG Credit



Source for all figures: Barclays Research

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

Disclaimer:**BARCLAYS**

This communication has been prepared by Barclays.

“Barclays” means any entity within the Barclays Group of companies, where “Barclays Group” means Barclays Bank PLC, Barclays PLC and any of their subsidiaries, affiliates, ultimate holding company and any subsidiaries or affiliates of such holding company.

CONFLICTS OF INTEREST

BARCLAYS IS A FULL SERVICE INVESTMENT BANK. In the normal course of offering investment banking products and services to clients, Barclays may act in several capacities (including issuer, market maker and/or liquidity provider, underwriter, distributor, index sponsor, swap counterparty and calculation agent) simultaneously with respect to a product, giving rise to potential conflicts of interest which may impact the performance of a product.

NOT RESEARCH

The information provided does not constitute ‘investment research’ or a ‘research report’ and should not be relied on as such, although it may contain references to views or information published by the Barclays Research department. Investment decisions should not be based upon the information provided.

BARCLAYS POSITIONS

Barclays may at any time acquire, hold or dispose of long or short positions (including hedging and trading positions) and trade or otherwise effect transactions for their own account or the account of their customers in the products referred to herein which may impact the performance of a product.

FOR INFORMATION ONLY

This information has been prepared by the Research Department within the Investment Bank of Barclays. The information, analytic tools, and/or models referenced herein (and any reports or results derived from their use) are intended for informational purposes only. Barclays has no obligation to update this information and may cease provision of this information at any time and without notice.

NO OFFER

Barclays is not offering to sell or seeking offers to buy any product or enter into any transaction. Any offer or entry into any transaction requires Barclays’ subsequent formal agreement which will be subject to internal approvals and execution of binding transaction documents. The products mentioned may not be eligible for sale in some states or countries, nor suitable for all types of investors.

NO LIABILITY

Neither Barclays nor any of its directors, officers, employees, representatives or agents, accepts any liability whatsoever for any direct, indirect or consequential losses (in contract, tort or otherwise) arising from the use of this communication or its contents or reliance on the information contained herein, except to the extent this would be prohibited by law or regulation.

NO ADVICE

Barclays is not acting as a fiduciary. Barclays does not provide, and has not provided, any investment advice or personal recommendation to you in relation to any transaction and/or any related securities described herein and is not responsible for providing or arranging for the provision of any general financial, strategic or specialist advice, including legal, regulatory, accounting, model auditing or taxation advice or services or any other services in relation to the transaction and/or any related securities described herein. Accordingly Barclays is under no obligation to, and shall not, determine the suitability for you of the transaction described herein. You must determine, on your own behalf or through independent professional advice, the merits, terms, conditions and risks of any transaction described herein.

NOT A BENCHMARK

The information provided does not constitute a financial benchmark and should not be used as a submission or contribution of input data for the purposes of determining a financial benchmark.

INFORMATION PROVIDED MAY NOT BE ACCURATE OR COMPLETE AND MAY BE SOURCED FROM THIRD PARTIES

All information is provided “as is” without warranty of any kind. Because of the possibility of human and mechanical errors as well as other factors, Barclays is not responsible for any errors or omissions in the information contained herein. Barclays is not responsible for information stated to be obtained or derived from third party sources or statistical services. Barclays makes no representation and disclaims all express, implied, and statutory warranties including warranties of accuracy, completeness, reliability, fitness for a particular purpose or merchantability of the information contained herein.

PAST & SIMULATED PAST PERFORMANCE

Any past or simulated past performance including back-testing, modelling or scenario analysis contained herein is no indication as to future performance. Past performance is not necessarily indicative of future results. No representation is made as to the accuracy of the assumptions made within, or completeness of, any modelling, scenario analysis or back-testing and no representation is made that any returns will be achieved.

OPINIONS SUBJECT TO CHANGE

All opinions and estimates are given as of the date hereof and are subject to change. The value of any investment may also fluctuate as a result of market changes. Barclays is not obliged to inform the recipients of this communication of any change to such opinions or estimates.

NOT FOR RETAIL

This document is being directed at persons who are professional investors and is not intended for retail customer use.
Not For Further Distribution or Distribution To Retail Investors.
For Discussion Purposes Only.

IMPORTANT DISCLOSURES

For important regional disclosures you must read, visit the link relevant to your region. Please contact your Barclays representative if you are unable to access.

EMEA

<https://www.home.barclays/disclosures/important-emea-disclosures.html>.

APAC

<https://www.home.barclays/disclosures/important-apac-disclosures.html>.

U.S.

<https://www.home.barclays/disclosures/important-us-disclosures.html>.

CONFIDENTIAL

This communication is confidential and is for the benefit and internal use of the recipient for the purpose of considering the securities/transaction described herein, and no part of it may be reproduced, distributed or transmitted without the prior written permission of Barclays.

ABOUT BARCLAYS

Barclays Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange. Barclays Bank PLC is registered in England No. 1026167 with its registered office at 1 Churchill Place, London E14 5HP.

COPYRIGHT

© Copyright Barclays 2021 (all rights reserved).

