

# Liquidity Cost Scores (LCS<sup>®</sup>)

## Barclays Bond-Level Quantitative Liquidity Metric

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### Overview

- LCS is an objective, quantitative bond-level liquidity metric. It is expressed as a percent of the bond's price and measures the cost of an immediate, institutional-size, round-trip transaction
- LCS relies on simultaneous bid-ask 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 is computed by an asset class-specific econometric model calibrated to the available quotes
- Daily LCS are available for liquid, trader-quoted subsets of the USD and EUR investment grade and high yield credit universe

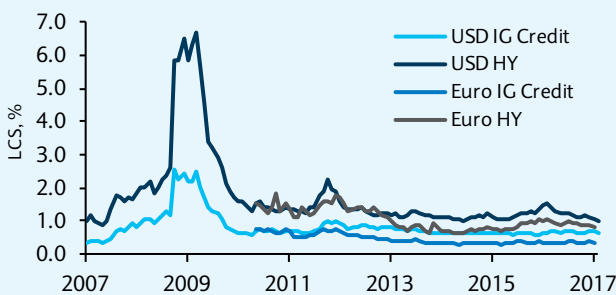
### Applications

- Portfolio/benchmark liquidity monitoring and reporting
- Liquidity-constrained portfolio/benchmark 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	
~20,000 bonds	USD45trn outstanding
Index	Data from
USD Credit IG*	Jan-07
USD Credit HY*	Jan-07
USD Credit IG 144A	Jan-07
USD Treasuries	Nov-09
USD TIPS	Jul-10
USD Fixed Rate MBS	Mar-10
USD Emerging Markets	Feb-12
Pan Euro Credit IG*	May-10
Pan Euro Credit HY*	May-10
Pan Euro Credit FRN	May-10
GBP Corp 100-200mn	May-10
Pan Euro Agencies	May-10
Pan Euro Treasuries	Feb-11
Pan Euro Infl Linkers	Mar-11
Global Covered Bonds	Sep-12
Asia Pacific Treasuries	Sep-13

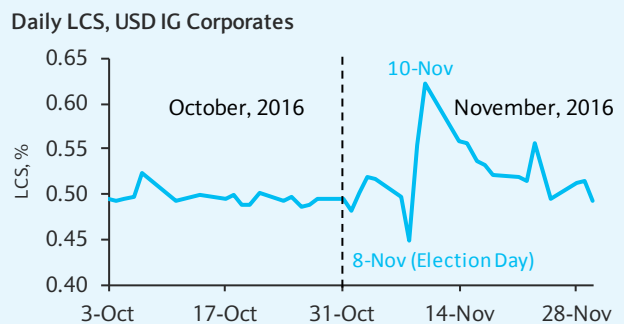
\*Daily LCS available

### Historical Patterns of Market Liquidity



Source: Barclays Research

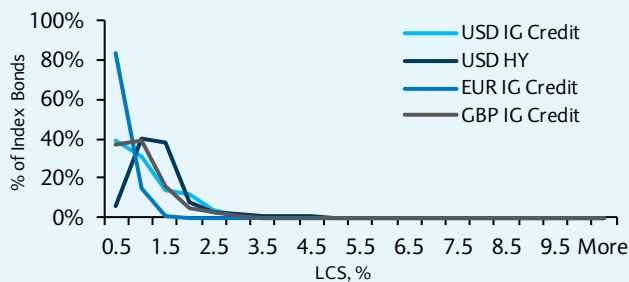
### Monitoring Daily Liquidity Dynamics



Source: Barclays Research

### Comparative Cross-Sectional Analysis

#### LCS Frequency Distribution



Source: Barclays Research

### Insights into Drivers of Bonds' Liquidity

#### USD IG Credit LCS, %

Issue size, \$mn	Age, yr			
	<1	1-5	5-7.5	7.5+
<300	1.15	1.20	1.12	1.41
300-500	0.87	1.03	1.09	1.23
500-750	0.63	0.85	0.91	1.09
750-1,500	0.39	0.58	0.77	0.97
1,500-2,000	0.33	0.43	0.56	0.76
2,000-3,000	0.36	0.43	0.56	0.74
>3,000	0.30	0.35	0.38	0.52

Source: Barclays Research

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