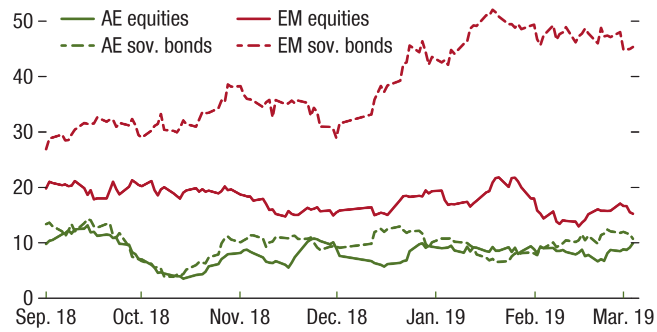
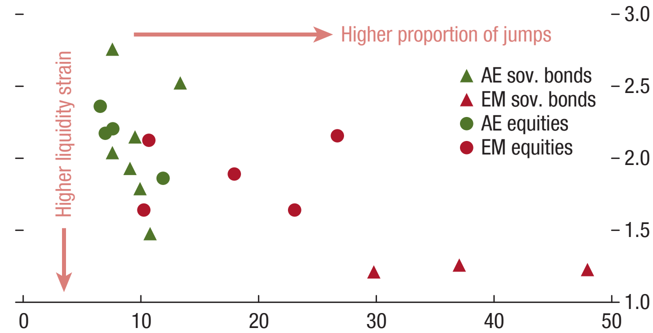
Figure 1.SF.3. Prevalence of Jumps and Liquidity Strain in Advanced and Emerging Markets

The frequency of liquidity strained days has been higher in emerging markets than in advanced economies during September 2018–March 2019. Sovereign bond markets seem to be more prone to liquidity strains than equity markets, especially in emerging market economies.

1. Proportion of Intraday Price Variability Explained by Jumps: EM and AE Average
(Percent; 10-day moving average)

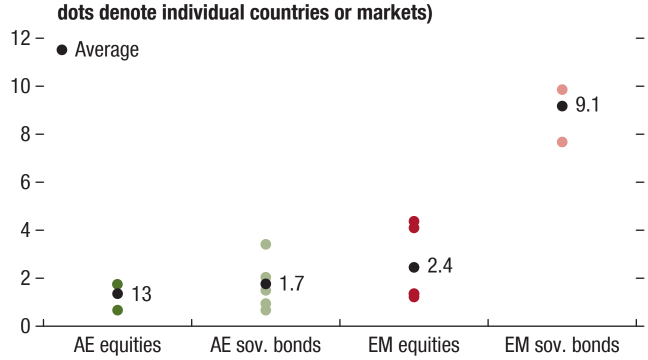


2. Proportion of Jumps versus Liquidity Strain
(Index and percent; September 2018–March 2019; dots and triangles denote individual countries or markets)

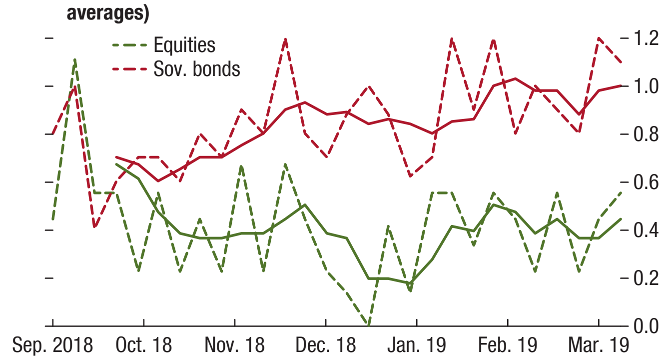


The frequency of liquidity strain in sovereign bond markets seems to have increased over the past six months.

3. Average Frequency of Liquidity Strained Days
(Number of days per month; September 2018–March 2019; dots denote individual countries or markets)

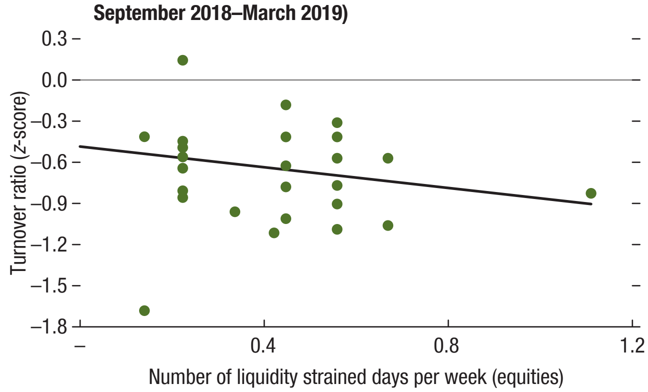


4. Average Frequency of Liquidity Strained Days across Markets
(Number of days per week; solid lines denote four-week moving averages)

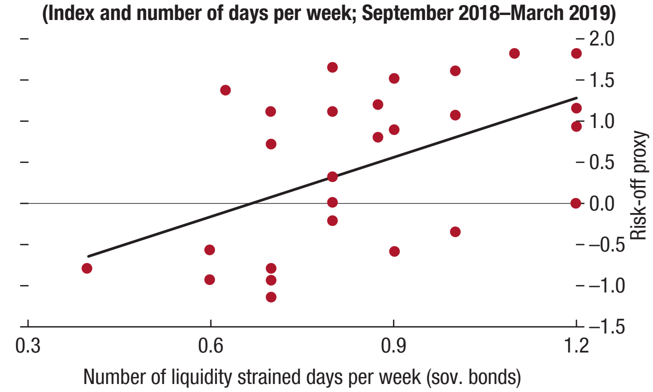


The frequency of liquidity strain is correlated with standard liquidity metrics and a proxy for risk-off periods.

5. Frequency of Liquidity Strain in Equities versus Turnover Ratio
(*Z*-score and number of days per week; September 2018–March 2019)



6. Frequency of Liquidity Strain in Sovereign Bonds versus a Proxy for the Risk-Off Periods
(Index and number of days per week; September 2018–March 2019)



Sources: Bloomberg Finance L.P.; and IMF staff calculations.
Note: “Jumps” refer collectively to finite activity (large) and infinite activity (small) price jumps. Uncovering significant evidence of infinite activity jumps in intraday data is interpreted as suggestive of liquidity strain. Panel 1 represents average across emerging markets (EM) and advanced economies (AE). Panel 3 considers frequency of liquidity strained days per month. In panel 6, “risk-off proxy” is the second principal component of US Treasury 10-year yields and US dollar index, both in levels. Sov. bonds = sovereign bonds.