A risk premium shock results in costs to high-yield issuers and investors.

Figure 1.19. Systemic Implications of a Liquidity Shock

- **Reduction in market liquidity**
  - Higher liquidity premium (+200 basis points)

- **Investors:**
  - Mark-to-market losses ($124 billion)
  - Higher transaction costs ($3.4 billion)

- **Issuers:**
  - Higher refinancing costs ($28 billion; 6 percent of earnings)

Sources: Federal Reserve; Oliver Wyman; Securities Industry and Financial Markets Association; Trade Reporting and Compliance Engine (TRACE); and IMF staff estimates.

Note: Issuance costs account for 6 percent of high-yield companies’ one-year earnings as of 2015:Q1.