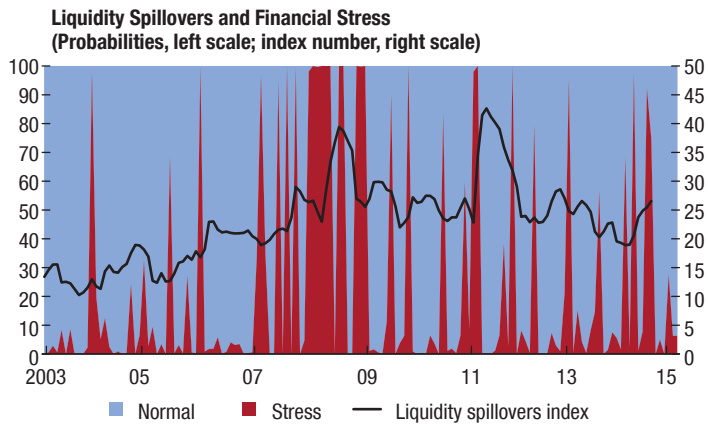


Figure 2.12. Liquidity Spillovers and Market Stress

Liquidity spillovers across asset classes seem to intensify in periods of financial stress.



Sources: Bloomberg, L.P.; FINRA Trade Reporting and Compliance Engine; Thomson Reuters Datastream; and IMF staff estimates.

Note: The figure shows (1) the monthly average of an index of liquidity spillovers (measured as in Diebold and Yilmaz 2014) across the following asset classes: U.S. equities; U.S. Treasuries; U.S. high-yield corporate bonds; U.S. investment-grade corporate bonds; European equities; emerging market equities; and an index of liquidity in the foreign exchange market; and (2) probabilities of being in a low-return and high-volatility regime as given by a Markov-Switching Bayesian vector autoregression model of monthly returns for the same asset classes as in (1).