Figure 2.2. Trends in Bond Markets—Market Liquidity Level

Imputed round-trip costs for U.S. corporate bonds have declined...

1. Imputed Round-Trip Cost, by Rating (Percent)

   ![Graph showing imputed round-trip cost by rating for U.S. corporate bonds between 2004 and 2015.]

   Note: The figure shows the imputed round-trip cost of U.S. corporate bonds, by credit rating.

   Liquidity for European sovereign bonds appears to be similar to precrisis levels...

   3. Effective Spread for European Sovereign Bonds (Percent)

   ![Graph showing effective spread for European sovereign bonds from 2005 to 2015, with lines for France, Germany, Italy, Netherlands, and Spain.]

   Note: The figure shows the effective spread of a two-year on-the-run government bond for the following countries: France, Germany, Italy, Netherlands, and Spain.

   European corporate bonds are generally more liquid now...

   5. Bid-Ask Spreads for European Corporate Bonds (Percent)

   ![Graph showing bid-ask spreads for European corporate bonds between 2005 and 2015, for Belgium, France, Germany, Italy, Netherlands, and Spain.]

   Note: The figure shows average bid-ask spreads for euro-denominated nonfinancial corporate bonds with a maturity greater than one year and all ratings from Belgium, France, Germany, Italy, Netherlands, and Spain. Dashed lines representing 95 percent confidence bands were added to account for increased sample coverage.

   ...while liquidity in the U.S. Treasury market has recently deteriorated.

   2. Estimated Bid-Ask Spreads for U.S. Treasuries (Percent)

   ![Graph showing estimated bid-ask spreads for U.S. Treasuries between 2004 and 2015.]

   Note: Bid-ask spread, as a percent of price, for on-the-run 10-year U.S. Treasury bonds, estimated using the high-low spread suggested by Corwin and Schultz (2012).

   ...and the liquidity of emerging market sovereign bonds has been stable.

   4. Estimated Bid-Ask Spread for Emerging Market Sovereign Bonds (Percent)

   ![Graph showing estimated bid-ask spread for emerging market sovereign bonds between 2005 and 2015, for Brazil, India, Indonesia, South Africa, and Turkey.]

   Note: Bid-ask spread, as a percent of price, for local currency government bonds from Brazil, India, Indonesia, South Africa, and Turkey, with a maturity of at least five years, estimated using the high-low spread suggested by Corwin and Schultz (2012).

   ...as are Japanese government bonds.


   ![Graph showing estimated bid-ask spreads for Japanese government bonds between 2007 and 2015.]

   Note: Bid-ask spread, as a percent of price, for on-the-run 10-year Japanese government bonds estimated using the high-low spread suggested by Corwin and Schultz (2012).

Sources: Bloomberg, L.P.; FINRA Trade Reporting and Compliance Engine; MTS; and IMF staff calculations.