

BondWave Trade Insights - Volume 6

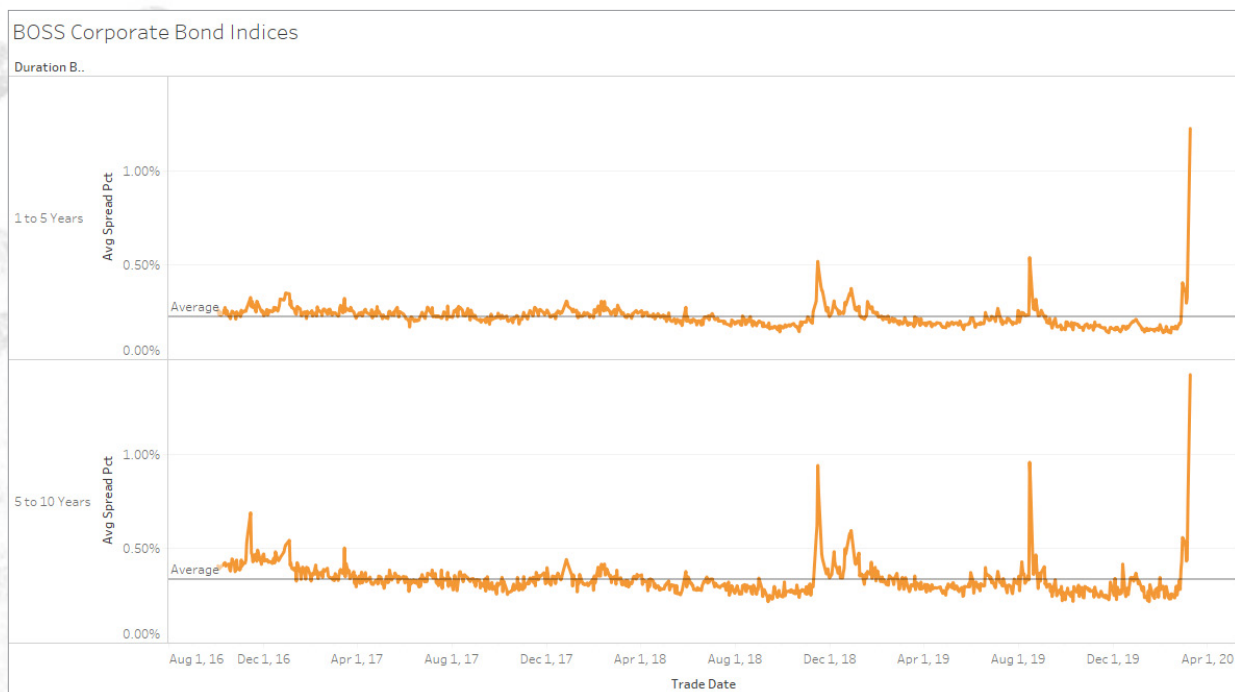
Fixed Income Market Reaction to Equity Market Selloff - 3/10/2020 UPDATE

By Paul Daley, Managing Director, BondWave

With concern about the impact to economic activity of the COVID-19 virus being blamed for the recent steep selloff in equities, we are also seeing an impact on the cost of trading liquid, investment grade corporate bonds. The BondWave Benchmark Data and Trading Indices includes two corporate bond bid-offer spread indices. The BondWave Bid-Offer Spread Service (BOSS) measures the width of the bid-offer spread in the dealer-to-dealer market for A and BBB rated corporate bonds as well as the bid-offer spread in the dealer-to-dealer market for AA and A municipal bonds.

CORPORATE BOND LIQUIDITY COST RISING

Corporate bond bid-offer spreads continue to rise. With the selloff in equities on Monday the cost of liquidity in corporate bonds also reacted sharply. The BOSS 1 to 5 Year Corporate Index hit 1.22% on 3/9/2020 while the BOSS 5 to 10 Year Corporate Index hit 1.42%. However, there is measurement bias at work in the data too. The companies most likely to be impacted by a COVID-19 drag on economic activity are also the most likely to trade. This can cause widening of the average bid-offer spread that is greater than the actual average as bonds that are less impacted are also less represented in the data.



Source: BondWave BDTI



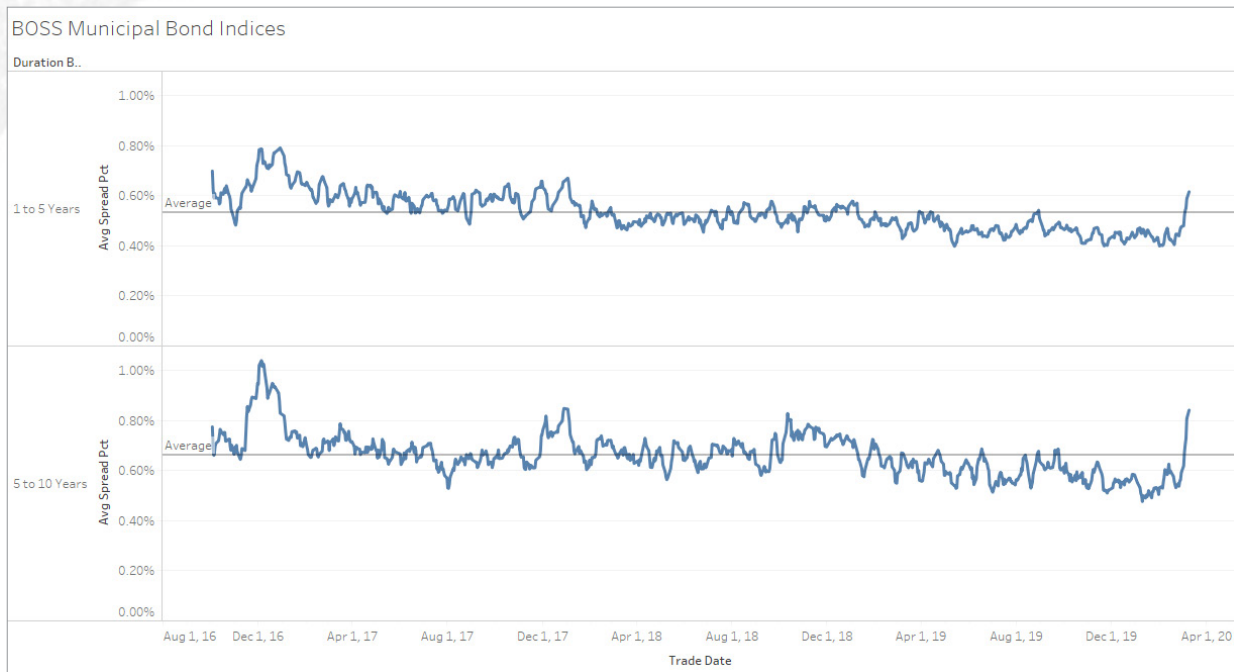
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MUNICIPAL BONDS BEGIN TO REACT

Municipal bond bid-offer spreads moved above their historic average on Monday while remaining in their historic range.



Source: BondWave BDTI

To learn more, please visit www.bondwave.com,
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ABOUT BONDWAVE LLC

Founded in 2001, BondWave is a financial technology company specializing in fixed income solutions. We serve a wide range of customers, from small independent RIAs to some of the largest broker-dealers and custody providers in the financial services industry. Traders, portfolio and asset managers, advisors and compliance professionals use our tools to provide a superior fixed income experience to their clients while supporting critical compliance mandates.

Effi™, our Engine for Fixed Income, is the single platform through which we deliver all our solutions, including analytics and reporting, monitoring, trade opportunity mining, proposal generation, mark-up disclosure and oversight, best execution tools, and transaction cost analysis (TCA). BondWave leverages advanced data science and technologies to develop proprietary data that fuels our innovative solutions. We are agnostic to the liquidity pool or execution venue, so we can provide unbiased analytics that help our clients find the best bonds for their customers.

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