

# BondWave Trade Insights - Volume 6

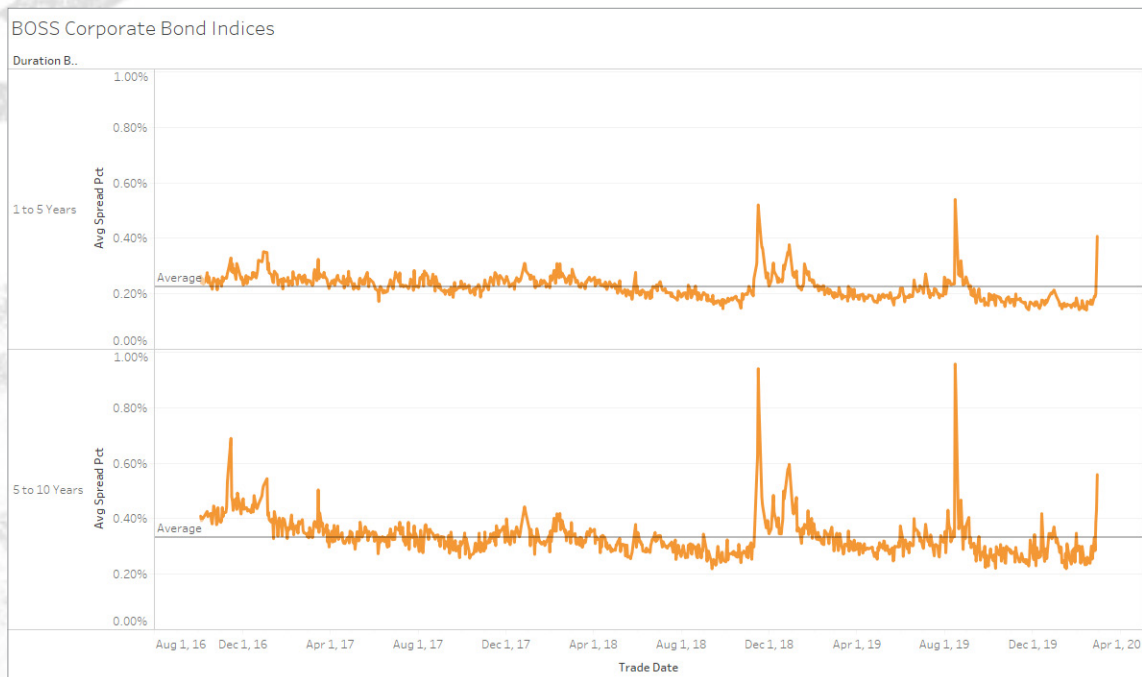
## Fixed Income Market Reaction to Equity Market Sell Off

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 sell off 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

As can be seen below, the cost of trading liquid, investment grade corporate bonds has spiked to nearly double its long term average for bonds with 1 to 5 years remaining to maturity, rising to 41 basis points as of February 28, 2020. The cost of trading these bonds has not quite risen to the levels seen in mid-2019 when PGE drove the cost higher with on-going forest fires in California being blamed on PGE equipment. The cost to trade 5 to 10 year bonds has also jumped to 56 basis points as of February 28, 2020.



Source: BondWave BDTI



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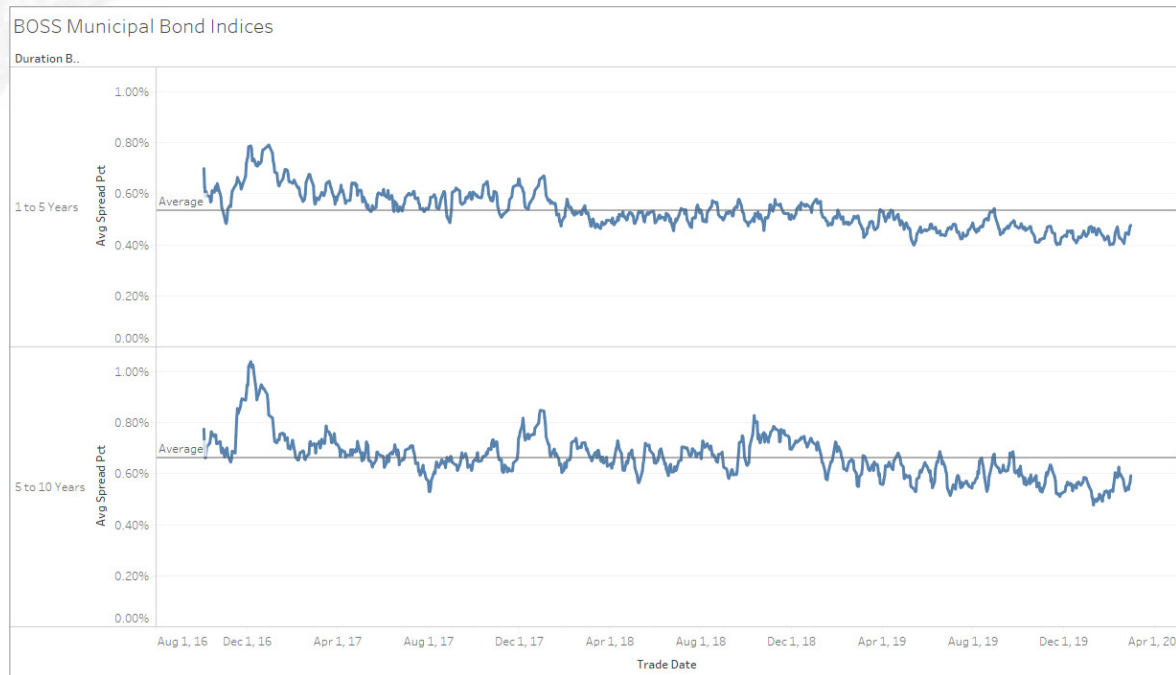
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### MUNICIPAL BONDS UNAFFECTED

Meanwhile, there has been no impact on the cost of trading in the municipal bond market where bid-offer spreads remain slightly below their long-term average.



Source: BondWave BDTI

To learn more, please visit [www.bondwave.com](http://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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