# Bloomberg Liquidity Assessment (LQA)

Bloomberg's award winning solution for Liquidity Assessment (LQA) provides objective quantitative evaluation of market liquidity across multiple asset classes.

LQA facilitates regulatory compliance and enhances risk management and investment processes:

- Estimate liquidation cost and horizon at position level
- Compare liquidity analytics across asset classes and global coverage using consistent output
- Customizable model to allow firm-specific views to be incorporated, along with Scenario and Stress testing
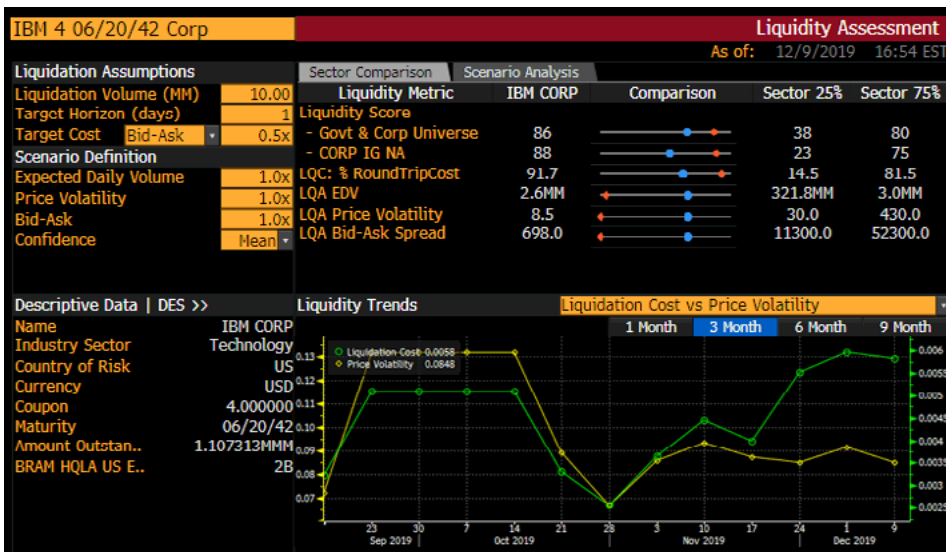
LQA Single Security and comparative sector liquidity metrics.

Customizable liquidity analytics

Fully configurable liquidity model (sample values shown below).

Customizable inputs

Security level

- Market Depth ($7.543mm)
- Average Transaction Cost (0.08% of price)
- Volatility (2.3%)

Transaction specific

- Position Size ($2.45mm)
- Liquidation Cost (<0.15%)
- Time (<2 days)

Stress/scenario analysis

- Market Depth (x 0.75)
- Avg Transaction Cost (x 1.25)
- Volatility (x 1.5)

Confidence level

- 70th centile

Proxy security data

Bloomberg

Model output

Transaction level
- Liquidation Cost (0.16%)
- Liquidation Horizon (1.3 days)
- Time to Cash (3 days)
- LQC (round trip trade cost)

Regulatory output
- SEC22e4 (MLI)
- AIFMD (2-7 days)
- EBA Prudent Valuation:
  - Market Price Uncertainty AVA
  - Close-Out Cost AVA
  - Concentrated Position AVA Price

Relative liquidity
- Liquidity Score (72)
- Sector Score (61, U.S. High Yield)

Stress/scenario results
- Liquidation Cost (0.19%)
- Liquidation Horizon (1.7 days)
- Time to Cash (4 days)

Uncertainty metrics
- Liquidation Cost (0.12%)
- Liquidation Horizon (0.9 days)

LQA lient configurable model allows the evaluation of historical and hypothetical scenarios.

Global coverage

- Government, Supranational, Agency and Corporate bonds (180,000)
- Municipal bonds (920,000)
- Global equities and ETFs (70,000)
- Securitized Products (ABS/MBS) (1,440,000)
- TBA securities (300)
- Secondary market Loans (4,600)
- Preferred Stock (4,500)
- Listed Equity Index Derivatives (1,620,000)

Data driven approach

Marking to Market – LQA leverages a robust financial dataset coupled with a big-data framework to ensure the relevant factors influencing liquidity are considered. This unique approach allows for liquidity estimation even for instruments with limited trading activity. Detailed quality assurance processes combined with a granular back-testing framework ensure the model output matches expectations. Customization of input parameters enables the calculation of user-specific scenarios.
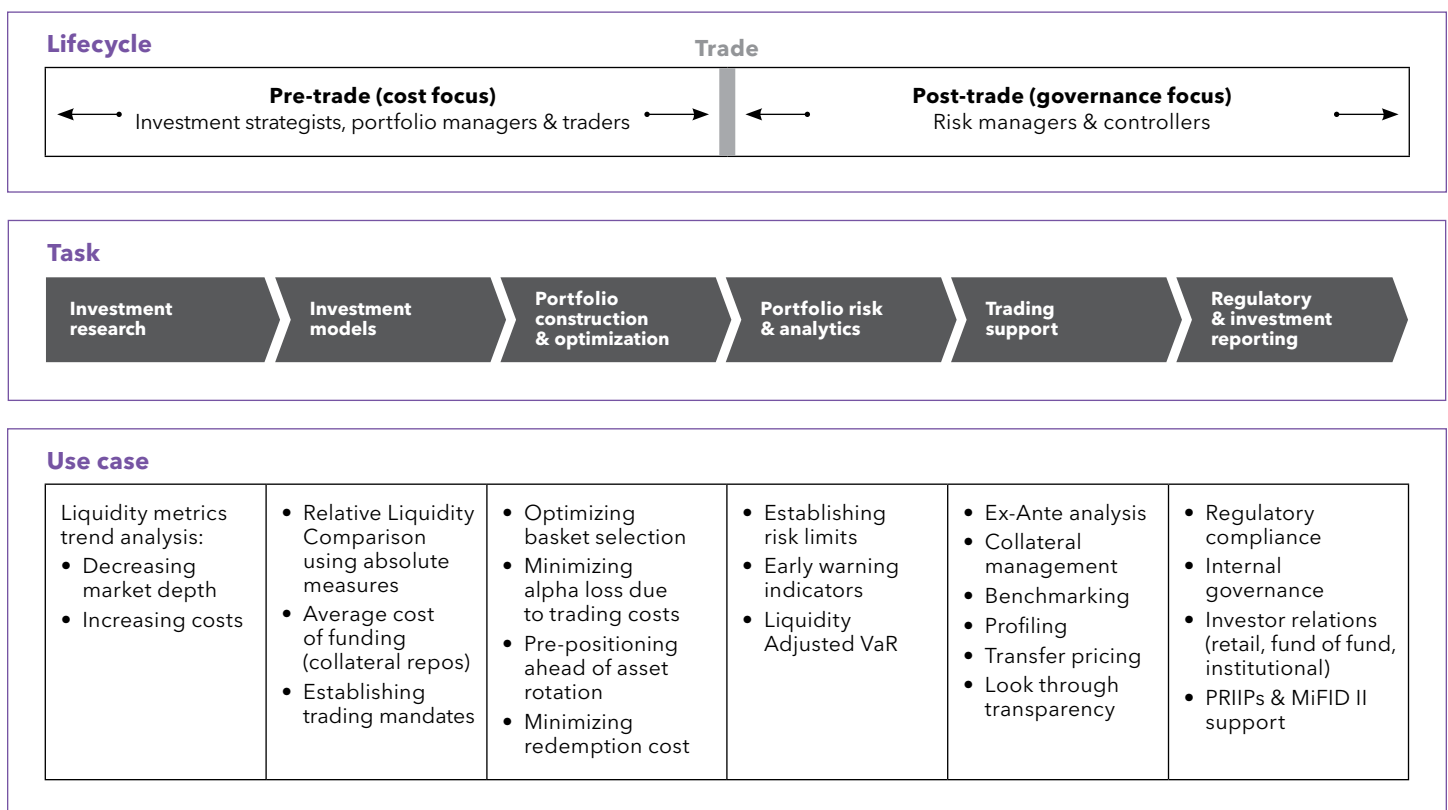
Workflow

- Available via Enterprise Data-Feed
- BLP API for programmatic connectivity via (for example) Python, R, C++
- Dedicated Excel API
- Terminal functionality:
    – LQA <GO> for single security and sector comparison
    – LQAP <GO> for portfolio liquidity profiling
    – LQA scores available on PORT <GO>, SRCH <GO> and IMGR <GO>

Comprehensive documentation is available to clients including implementation guidance, stress testing calibration and detailed model methodology papers.

Integrated enterprise risk management

Measurement of market liquidity is a central component of a robust enterprise risk management framework. Bloomberg's data-driven approach to measure liquidity provides reliable and consistent enterprise-wide analytics to facilitate integration into the full trade lifecycle, spanning both ex-ante and ex-post use cases.

Lifecycle

Trade

Pre-trade (cost focus) Investment strategists, portfolio managers & traders	Post-trade (governance focus) Risk managers & controllers

Task

Investment research	Investment models	Portfolio construction & optimization	Portfolio risk & analytics	Trading support	Regulatory & investment reporting

Use case

Liquidity metrics trend analysis: • Decreasing market depth • Increasing costs	• Relative Liquidity Comparison using absolute measures • Average cost of funding (collateral repos) • Establishing trading mandates	• Optimizing basket selection • Minimizing alpha loss due to trading costs • Pre-positioning ahead of asset rotation • Minimizing redemption cost	• Establishing risk limits • Early warning indicators • Liquidity Adjusted VaR	• Ex-Ante analysis • Collateral management • Benchmarking • Profiling • Transfer pricing • Look through transparency	• Regulatory compliance • Internal governance • Investor relations (retail, fund of fund, institutional) • PRIIPs & MiFID II support

Bloomberg for enterprise

To succeed today, financial institutions must respond to challenges that are not addressed by traditional approaches. They require world-class solutions that integrate people, processes, information and technology for the front office, middle office and operations. Bloomberg partners with these institutions to protect and capitalize on data, manage risk, deliver transparency and control costs. Through enterprise-level expertise and three decades of deep industry experience, Bloomberg creates real value through the use of innovative technology that turns data into a strategic asset.

Learn more

Learn more about how we can help your firm automate its data needs.
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