

SCHOOL OF COMMERCE RESEARCH SEMINAR SERIES

CENTER FOR APPLIED FINANCE AND ECONOMICS

FRIDAY 19TH OF MAY

Presenter: Huu Duong, Senior Lecturer in Finance, Monash University

Title: Asymmetric Illiquidity and Corporate Bond Yield Spreads

Abstract: This study proposes the asymmetric illiquidity measure for U.S. corporate bonds and investigates the asset-pricing implication of asymmetric illiquidity. Using intraday bond transaction data from 2004 to 2014, we decompose the aggregate bond illiquidity into buy- and sell- order components. Our analysis shows that the illiquidity premium in the U.S. corporate bond market is purely driven by the sell-order illiquidity and the buy-order illiquidity in fact plays no role in explaining bond yield spreads. Using the natural experiment provided by 2005 Hurricane Katrina, we show that the sell-order illiquidity effect on bond returns is priced independently of the underlying credit-risk information.

Date and Time: Friday 19 May, 11:00am – 12:30pm

Location: Way Lee Building, H6-10
City West Campus, University of South Australia

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