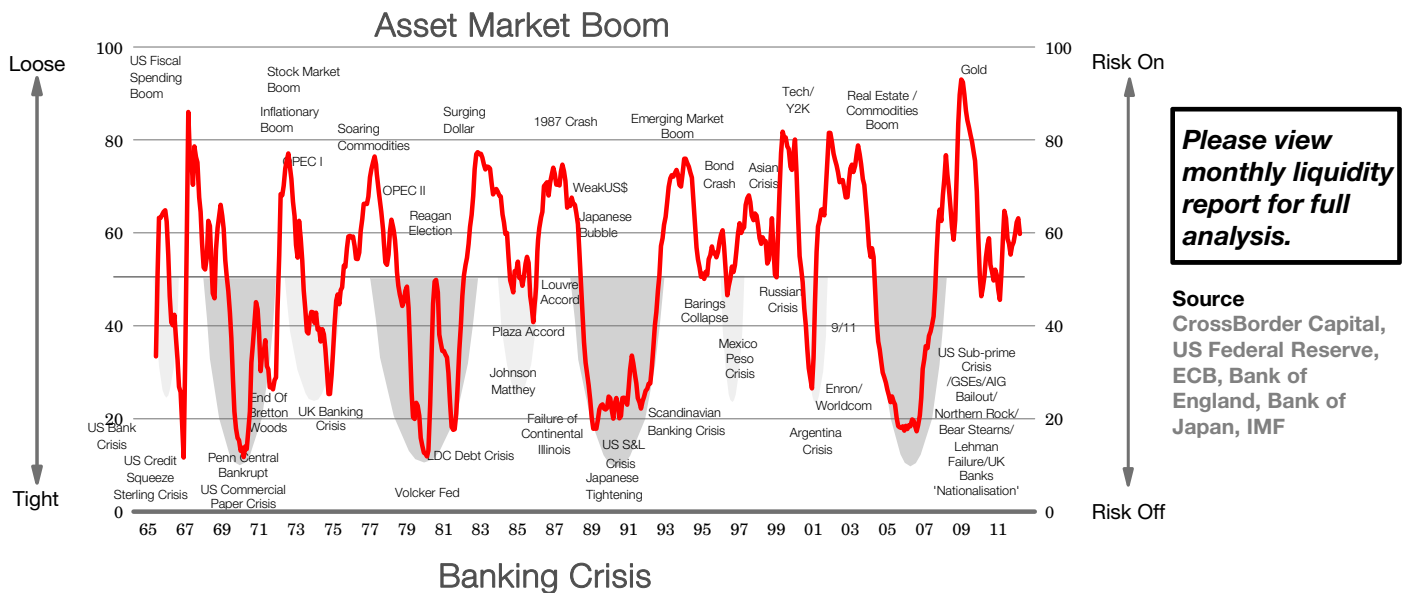




CBC Global Liquidity Index

March 2012

CrossBorder Capital's Global Liquidity Index ('normal' range 0% – 100%) fell back in March, 2012 to an index of 50.2%, or barely above average, against its 62.7% reading in February ('normal' range 0%-100%). February, too, was down on January. This may not yet be the table-thumping moment to exit risk assets, but things are far from well. This is not a time to take new or large investment risks. Markets will be jittery and range-bound



The CrossBorder Capital Global Liquidity Index is an internationally recognised measure of global Liquidity, which is a key indicator in forecasting economic activity and asset prices.

The Index quantifies the sources of funds, or so-called funding liquidity, available to world financial markets. It has been continuously refined and developed since its inception in the early 1980s. It comprises around 30 underlying data series for each of 80 countries that are combined together. The index is measured relative to the size of economies and standardised to move in a 'normal' range of 0%– 100%, with a 50% mean. Regional, national and sectoral sub-components also exist. The data is sourced from national flow of funds accounts that typically make-up the monthly reporting system for the IMF. Liquidity is defined as the flows of all cash and credit.

Global liquidity tends to move in regular 4/5 year cycles. Liquidity peaks tend to precede asset market booms by 1– 2 years. Equally, liquidity troughs warn of banking crises some 1 – 2 years ahead.



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