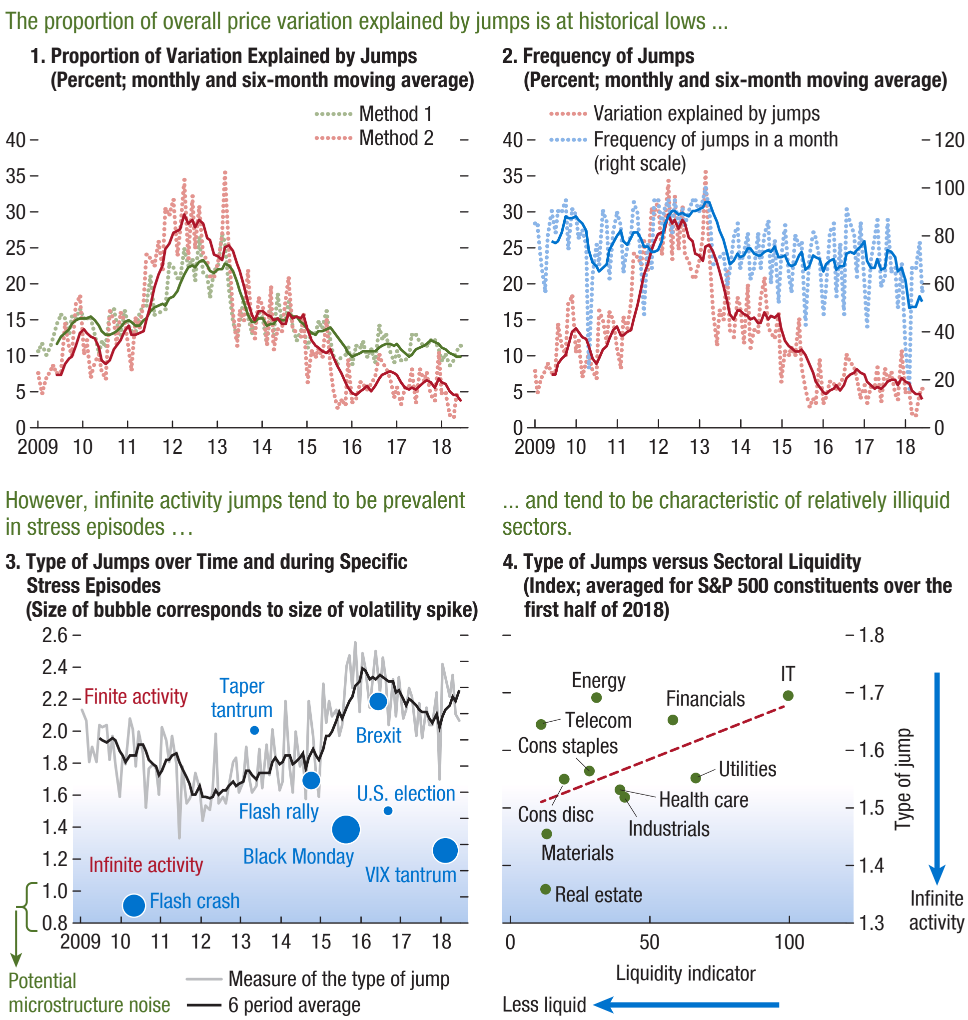
Figure 1.4.1. Jumps and U.S. Stock Market Liquidity



Sources: Bloomberg Finance L.P.; and IMF staff estimates.
Note: In panel 1, "Method 1" is based on Huang and Tauchen (2005) and Andersen and others (2006); "Method 2" is based on Ait-Sahalia and Jacod (2012). In panel 2, frequency of jumps is based on the former method, and variation explained by jumps is based on the latter method. In panel 3, the black and gray lines measure the type of jump: finite activity (that is, news-related shocks) versus infinite activity (that is, a series of small jumps reflecting insufficient liquidity); the size of circles depicts the level of the Chicago Board Options Exchange Volatility Index (VIX) on selected stress event days. In panel 4, trading volumes serve as a proxy for liquidity. Cons = consumer; cons disc = consumer discretionary; IT = information technology; telecom = telecommunications.