

Liquidity Premium and Buyback Auctions

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This article investigates the return differential between liquid and illiquid Brazilian Government bonds, to find out if there is a liquidity premium among this asset like the evidence for the United States. We also investigate the effect of the Brazilian Treasury buyback auctions on the liquidity premium and the market impact cost by the Treasury. The result does not show positive or negative significant premium even when the bonds object of the buyback where excluded.