

REPORT

"Liquidity during the 2026 Iran conflict"

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Using QB's cost model as well as our recent realized results, we can see a clear increase in trading costs across almost all products last week. Energy products like G, BRN, RB, CL show large increases in costs of 60-170%. ES, MME and ZN show moderate increases of 15-30%. The Dollar Index DX has remained steady in terms of trading costs. These changes are largely in line with the increase in realized volatility.

Table 1 summarizes the changes by market. CF stands for Cost Factor (λ), which is calculated as the product specific (price) volatility over square root of market volume ($\sigma / \sqrt{V}$). For a given order of size X , our cost model computes the predicted cost as $C_j = \beta \lambda \sqrt{X_j}$, where β is a product specific, constant coefficient, and the cost factor λ is evaluated based on volatility and volume around the time of the order. Thus, the cost factor provides an order-independent measure of the cost of trading and can be used to compare costs over different time periods or market conditions.

TABLE 1

Cost of Trading
Futures During the
Iran Conflict: Before
and After

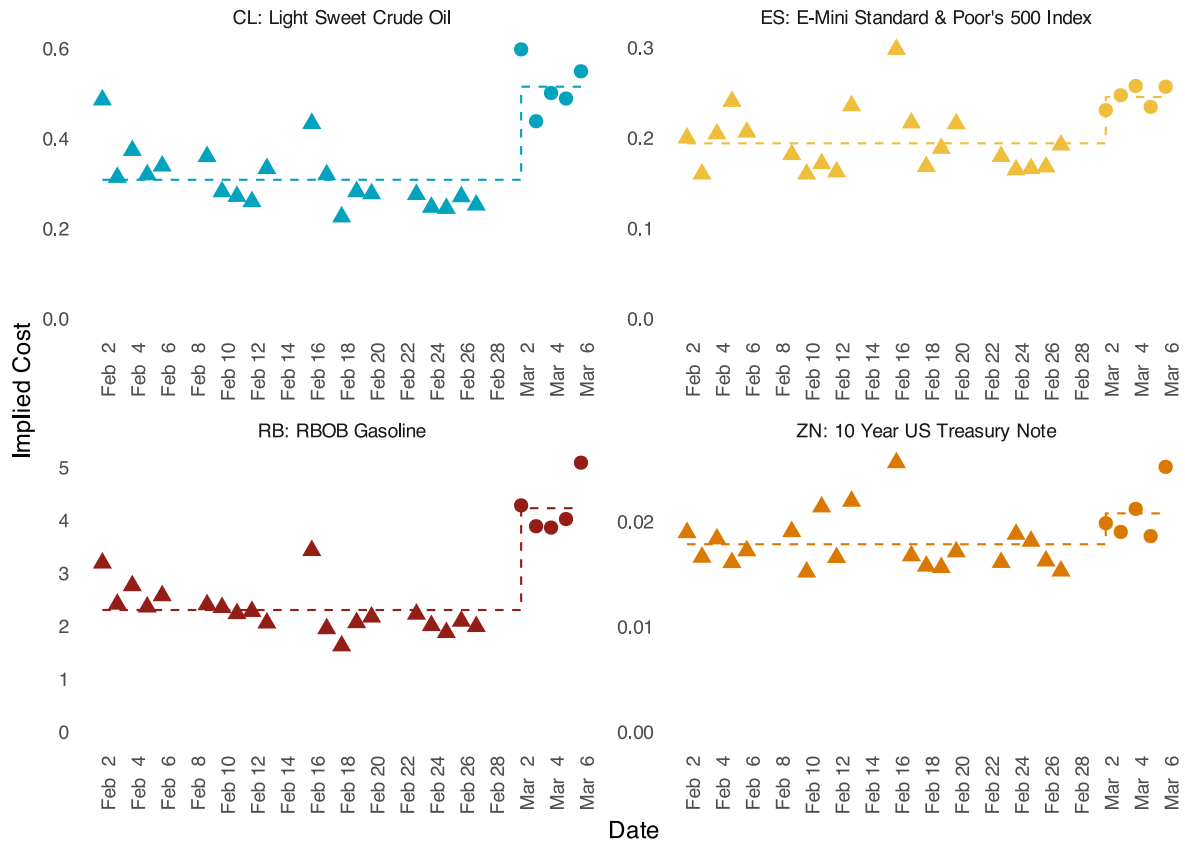
Sym	CF (Bef.)	CF (Af.)	β (Bef.)	β (Af.)	Cost (Bef.)	Cost (Af.)	Pct.Inc.
G	0.31	0.86	0.78(0.03)	0.75(0.02)	0.24	0.65	165
RB	2.33	4.25	0.25(0.02)	0.24(0.02)	0.58	1.02	75
CL	0.31	0.52	0.33(0.02)	0.33(0.02)	0.1	0.17	67
BRN	0.31	0.53	0.65(0.02)	0.62(0.02)	0.2	0.33	65
MME	0.55	0.71	0.45(0.01)	0.44(0.01)	0.25	0.31	27
ES	0.2	0.25	0.64(0.01)	0.63(0.01)	0.12	0.16	24
ZN	0.02	0.02	0.6(0.05)	0.61(0.05)	0.01	0.01	18
DX	0.56	0.56	0.58(0.01)	0.57(0.01)	0.33	0.32	-3

The columns show numbers 'before' (Bef) the crisis, and 'after' (Af). For a product like Gas Oil trade on ICE, observe that the cost factor has more than doubled. However, the regression coefficient from our model has remained stable and leads to an increase of 165% in trading costs.

Figures 1 and 2 show the cost factors that feed into QB's cost model and how they have changed during the crisis. Figure 3 shows our cost model fit for CL orders with recent trading data included - the cost model fit which is a robust regression remains relatively steady (see Table 1) for CL (WTI Crude) showing that the increased costs largely come from the increase in the cost factor (λ).



Cost Factor (CF) of Selected CME Products



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