Liquidity is a per-name property

> **LIQUIDITY TIER**
>
> The band a name trades in: from megacaps turning over more in a day than small companies are worth, down to listed names that trade by appointment. Tiers differ in spread, depth, and how much any order moves the price - so two shares on the same exchange can be, practically, different markets wearing one word.

Every prior track dealt in a handful of instruments, each deeply liquid. Equities is thousands of names on one exchange, and the single word 'shares' spans a liquidity range of roughly a hundredfold. This lesson installs the tiers.

The range, honestly

Megacaps: spreads of a few hundredths of a percent, depth that absorbs retail size without noticing, continuous genuine two-way flow. The earlier tracks' liquidity assumptions hold.Mid-caps: spreads of tenths of a percent, depth that notices size; fine for most retail purposes, priced accordingly.Small and micro-caps: spreads of whole percents, books that are sometimes one market maker's obligation, and days where a name simply does not trade. The earlier tracks' assumptions fail entirely.

What the tier decides before anything else does

The spread is a round-trip cost paid at entry, so a 3% small-cap spread means the position starts 3% down - a hurdle module 3 prices and module 6 must clear. Depth decides whether your size is invisible or is the day's event. And the tier moves with stress: small-name spreads gap wider exactly when holders want out, which is module 4's single-name risk wearing its execution clothes. The habit: check the spread and typical volume before caring about a name's chart - the tier is the first fact about any stock, because it prices every other fact.

The index shadow

Tiers also decide how much of lesson 3's flow a name receives. Index membership brings the obligated buyers and the closing-auction depth; falling out of an index removes them. The same company can occupy different tiers in different years purely through membership - a preview of module 8's index-effect material, and one more way liquidity is a property of the name-as-listed, not the business underneath.

Check your understanding

1. Why are two names on the same exchange 'different markets wearing one word'?

a. Exchanges apply different rules by company size

b. Liquidity is per name: spreads, depth and price impact can differ a hundredfold, so the same order is invisible in one and the day's event in the other

c. Settlement cycles differ by tier

Answer: b. The venue is shared; the market in each name is its own. The tier prices execution, sizing and honesty of the chart - which is why it is the first fact to check about any stock.

2. When do small-cap spreads widen most?

a. At the open, like all spreads

b. Exactly when holders want out - stress widens thin books most, so the exit is dearest when it is most wanted

c. During index rebalances

Answer: b. Thin liquidity is procyclical: the quoted spread in calm times understates the exit cost in bad ones. Module 4 counts this as part of single-name risk, not as bad luck.