SPRINGER NATURE Link

Log in

Japan and Hong Kong Exchange-Traded Funds (ETFs): Discounts, Returns, and Trading Strategies

Published: February 2004

Volume 25, pages 57–69 (2004) Cite this article



Journal of Financial Services Research

Timothy E. Jares[1] & Angeline M. Lavin[2]

1197 Accesses 64 Citations Explore all metrics

Abstract

Foreign exchange-traded funds (ETFs) trade on U.S. exchanges but provide broad exposure to foreign markets. ETFs are designed to minimize the deviation between price and value of the underlying securities. However, nonoverlapping trading hours between the United States and many foreign markets inhibit this mechanism. The data for Japan and Hong Kong iShares show that deviations exist between the ETF price and the value of the underlying securities. The deviations are positively related to subsequent ETF returns creating potential profit opportunities. A simple trading rule based on this observation produces impressive gross returns when compared to a buy-and-hold strategy.

This is a preview of subscription content, log in via an institution to check access.

Access this article

Log in via an institution →

Subscribe and save

Springer+ from €37.37 /Month

- Receive 10 units per month
- Download 1 article/chapter for 1 unit
- Get selected eBooks for 7 units
- Cancel anytime

View plans →

Buy Now

Buy article PDF 39,95 €

Price includes VAT (Poland)

Instant access to the full article PDF.

Institutional subscriptions →

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

Asian Economics | Quantitative Finance | Capital Markets | Behavioral Finance | Islamic Finance | International Finance | Financial Market Dynamics and Investor Behavior

References

Barney, L. “Challenges Seen in Exchange Fund Growth.” *Mutual Fund Market News* 8 (2000), 3–5.

Damato, K., and A. Lucchetti. “Critics Worry about Risks of Exchange-Traded Funds.” *The Wall Street Journal* (July 7, 2000).

DeBondt, Werner F. M., and R. Thaler. “Further Evidence on Investor Over-reaction and Stock Market Seasonality.” In: R. Thaler, ed., *Quasi Rational Economics*. The Russell Sage Foundation, 1991.

DeBondt, Werner F.M., and R. Thaler. “Does the Stock Market Overreact?” *Journal of Finance* 40 (1985), 793–808.

Dellva, W. “Exchange-Traded Funds Not for Everyone.” *Journal of Financial Planning* 14 (2001), 110–124.

Fama, Eugene F. “Market Efficiency, Long-Term Returns, and Behavioral Finance.” *Journal of Financial Economics* 49 (1998), 283–306.

Financial Research Corporation. “Exchange-Traded Funds: An Emerging Alternative to Mutual Funds.” Working Paper, Boston, 2000.

Gastineau, G. “Exchange-Traded Funds: An Introduction.” *Journal of Portfolio Management* 27 (2001), 88–96.

Gastineau, G. *The Exchange Traded Funds Manual*. New York: John Wiley and Sons, 2002.

iShares Prospectus, Barclays Global Investors. Available at www.ishares.com (January 2002).

iShares Statement of Additional Information. Available at www.ishares.com

(January, 2002).

McNally, K., D. Emanuel, and J. Chiu. “FUNDamental Ideas for Exchange-Traded Funds.” Salomon Smith Barney U.S. Equity Research report (October 18, 2000).

Novakoff, J. L. “Exchange Traded Funds: A White Paper.” Levitt Novakoff & Co., LLC. (February 24, 2000).

Regnier, P. “The New Force in Funds.” *Money* 29 (2000), 126–128.

Salomon, R. S. Jr., and D. H. Tarasow. “The virtues of ETFs.” *Forbes* 166 (October 2, 2000), 206.

Wiandt, J. “Lee Kranefuss Interview.” Available at www.indexfunds.com (September 25, 2000).

Williams, F. “ETFs: market up 82% to nearly $76 billion.” *Pensions and Investments* 29 (2001), 25–30.

Author information

Authors and Affiliations

Monfort College of Business, University of Northern Colorado, USA
Timothy E. Jares

University of South Dakota, USA
Angeline M. Lavin

Rights and permissions

Reprints and permissions

About this article

Cite this article

Jares, T.E., Lavin, A.M. Japan and Hong Kong Exchange-Traded Funds (ETFs): Discounts, Returns, and Trading Strategies. *Journal of Financial Services Research* **25**, 57–69 (2004).
https://doi.org/10.1023/B:FINA.0000008665.55707.ab

Issue date
February 2004
DOI
https://doi.org/10.1023/B:FINA.0000008665.55707.ab

Foreign exchange-traded funds
asynchronous trading.

Search

Search by keyword or author

Navigation

Find a journal

Publish with us

Track your research