

[Home](#) > [Journal of Financial Services Research](#) > [Article](#)

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](#)[Save article](#) [View saved research](#) >

**Journal of Financial Services
Research**

[Aims and scope](#) →[Submit manuscript](#) →[Timothy E. Jares](#)¹ & [Angeline M. Lavin](#)²[1186](#) Accesses [61](#) 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.

Access this article

[Log in via an institution](#) →

Subscribe and save

Springer+

from €37.37 /Month

- Starting from 10 chapters or articles per month
- Access and download chapters and articles from more than 300k books and 2,500 journals
- Cancel anytime

[View plans](#) →

Buy Now

[Buy article PDF 39,95 €](#)

Price includes VAT (Poland)

Instant access to the full article PDF.

[Institutional subscriptions](#) →

Similar content being viewed by others



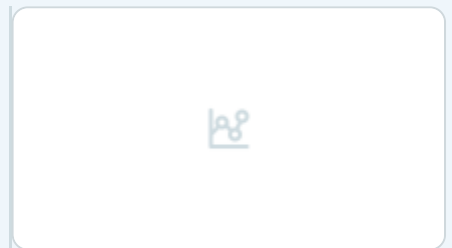
Single-Country Equity Exchange-Traded Funds

Chapter | © 2020



Exchange-Traded Funds: Concepts and Contexts

Chapter | © 2019



Analysis of International ETF Tracking Error in Country-Specific Funds

Article | 02 May 2018

Explore related subjects

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

[Asian Economics](#)

[Behavioral Finance](#)

[Capital Markets](#)

[International Finance](#)

[Islamic Finance](#)

[Quantitative Finance](#)

References

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

[Google Scholar](#)

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 Overreaction 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.

[Google Scholar](#)

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

[Google Scholar](#)

Fama, Eugene F. "Market Efficiency, Long-Term Returns, and Behavioral

Finance.” *Journal of Financial Economics* 49 (1998), 283–306.

[Google Scholar](#)

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.

[Google Scholar](#)

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

[Google Scholar](#)

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.

[Google Scholar](#)

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

[Google Scholar](#)

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.

[Google Scholar](#)

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