

[Working Papers](#)

Exchange Traded Funds (ETFs)

Itzhak Ben-David, Francesco Franzoni & Rabih
Moussawi

SHARE



WORKING PAPER 22829

DOI 10.3386/w22829

ISSUE DATE November 2016

REVISION DATE September 2017

Over nearly a quarter of a century, ETFs have become one of the most popular passive investment vehicles among retail and professional investors due to their low transaction costs and high liquidity. By the end of 2016, the market share of ETFs topped over 10% of the total market capitalization traded on US exchanges, while representing more than 30% of the overall trading volume. ETFs revolutionized the asset management industry by taking market share from traditional investment vehicles such as mutual funds and index futures. Because ETFs rely on arbitrage activity to synchronize their prices with the prices of the underlying portfolio, trading activity at the ETF level translates to trading of the underlying securities. Researchers found that while ETFs enhance price discovery, they also inject non-fundamental volatility to market prices and affect the correlation structure of returns. Furthermore, ETFs impact the liquidity of the underlying portfolios, especially during events of market stress.

[Download a PDF](#)

Acknowledgements and Disclosures



Download Citation



Other Versions



Published Versions

Exchange-Traded Funds. Itzhak Ben-David, Francesco Franzoni, Rabih Moussawi Vol. 9, 2017, pp. 169–189

Related

TOPICS

Financial Economics
Portfolio Selection and Asset Pricing
Financial Markets

PROGRAMS

Asset Pricing
Corporate Finance

WORKING GROUPS

Behavioral Finance

Mentioned in the News

Fears grow that popularity of ETFs is a ticking time bomb

NOVEMBER 16, 2017

More from NBER

In addition to [working papers](#), the NBER disseminates affiliates' latest findings through a range of free periodicals — the [NBER Reporter](#), the [NBER Digest](#), the [Bulletin on Retirement and Disability](#), the [Bulletin on Health](#), and the [Bulletin on Entrepreneurship](#) — as well as online conference reports, [video lectures](#), and [interviews](#).



15th Annual Martin Feldstein Lecture:

**The Next Flight of the Bumblebee:
The Path to Common Fiscal Policy
in the Eurozone**

Mario Draghi, former President, European
Central Bank and former Prime Minister, Italy
Summer Institute, 2023

2023, 15th Annual Feldstein Lecture, Mario Draghi, "The Next Flight of the Bumblebee: The Path to Common Fiscal Policy in the Eurozone"

LECTURE

Dr. Mario Draghi, who served as President of the European Central Bank and Prime Minister of Italy, presented the 2023...



Methods Lecture:

Linear Panel Event Studies

Jesse M. Shapiro, Harvard University and NBER

Liyang Sun, CEMFI

July 28, 2023

2023 Methods Lectures, Jesse Shapiro and Liyang (Sophie) Sun, "Linear Panel Event Studies"

LECTURE

Overview: Linear panel event studies are increasingly used to estimate and plot causal effects of changes in policies...



Panel Discussion:

Long-Term Dynamics of the Employment-to-Population Ratio

Karen Glenn, Social Security Administration

Stephen Goss, Social Security Administration

Nicole Maestas, Harvard University and NBER

Julie Topoleski, Congressional Budget Office

July 26, 2023



2023, SI Economics of Social Security, Panel Discussion, "Long-Term Dynamics of the Employment-to-Population Ratio"

Supported by the Alfred P. Sloan Foundation, the National Science Foundation, and the Lynde and Harry Bradley...

National Bureau of Economic Research

Contact Us

1050 Massachusetts Avenue
Cambridge, MA 02138
617-868-3900
info@nber.org
webaccessibility@nber.org

HOME PAGE

Accessibility Policy

Diversity Policy

Privacy Policy

Standards of Conduct

FOLLOW

