Taylor & Francis
Online

Applied Financial Economics ›
Volume 15, 2005 - Issue 18

664 Views | 30 CrossRef citations to date | 0 Altmetric

Original Articles

Volatility effect of ETFs on the constituents of the underlying Taiwan 50 Index

Ching-Chung Lin & Min-Hsien Chiang

Pages 1315-1322 | Published online: 20 Aug 2006

Cite this article https://doi.org/10.1080/09603100500389630

Sample our
Economics, Finance,
Business & Industry Journals
>> Sign in here to start your access
to the latest two volumes for 14 days

Full Article | Figures & data | References | Citations | Metrics
Reprints & Permissions | Read this article | Share

Abstract

Owing to the growing importance of the Taiwan Top 50 Tracker Fund (TTT), the first and the only Taiwanese Exchange Traded Fund (ETF), this study investigates the change in the volatility of the component stocks of the Taiwan 50 Index after the introduction of TTT. Using the volatility measure proposed by Andersen et al. (2001) and the unconditional variance of a GARCH model to measure the volatilities of the constituents of the Taiwan 50 Index, the empirical results of this study demonstrate that the volatility of the component stocks increased following the establishment of TTT. The patterns of volatility change do not differ statistically among different size categories. However, the volatilities of the electronic and the financial sector TTT constituent companies increased significantly after the introduction of TTT, while the volatility of companies in the mixed sector reduced.

Next article ›

Acknowledgements

The authors would like to thank an anonymous referee for many helpful comments and the National Science Council in Taiwan for financial support (Project #: NSC-94-2416-244-007).

Notes

[1] To save space, the detailed volatility tables for each component stock in pre- and post-TTT periods are not provided here, but are available upon request.

Related Research Data

Program Trading and Market Volatility: A Report on Interday Relationships
Source: Financial Analysts Journal
The effect of the introduction of Cubes on the Nasdaq-100 index spot-futures pricing relationship
Source: Journal of Futures Markets
Equity Trading, Program Trading, Portfolio Insurance, Computer Trading and All That
Source: Financial Analysts Journal
The incremental volatility information in one million foreign exchange quotations
Source: Journal of Empirical Finance
Using monthly returns to model conditional heteroscedasticity
Source: Applied Economics
Price discovery on the S&P 500 index markets: An analysis of spot index, index futures, and SPDRs
Source: International Review of Financial Analysis
Intraday Price Formation in U.S. Equity Index Markets

Related research

People also read | Recommended articles | Cited by 30

Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Keep up to date

Register to receive personalised research and resources by email

Sign me up

Copyright © 2026 Informa UK Limited Privacy policy

Cookies Terms & conditions Accessibility

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG