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Have leveraged and traditional ETFs impacted the volatility of real estate stock prices?

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Abstract

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volatility in the underlying real estate securities. Traditional ETFs were second, causing

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slightly more than a 70% increase in volatility, while the leveraged ETFs linked to the Russell 1000 Financial Services Index, having induced a 50% increase in volatility, were third. The increased volatility could not be attributed to any other external event.

Keywords: [ETFs](#) [REITs](#) [volatility](#) [real estate](#)

JEL Classification: [G10](#) [G12](#) [G13](#) [G14](#)

Notes

¹ See ProShares press release,

<http://www.proshares.com/resources/news/1830296.html>.

² See ETF Database, <http://etfdb.com/compare/volume/>.

³ While XLF, Financial Select Sector Standard & Poor's Depository Receipts (SPDR), was the first ever financial ETF, inception date 16 December 1998, it contained no real estate stocks. IYF was the first financial ETF that contained real estate stocks.

⁴ See Deville ([2008](#)) for a more detailed explanation of this creation/redemption process.

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⁷ See De... tion of
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⁸ See the... /text/text-
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[.0.1.1.1.0.1.12,1010-12,cc=ecf](#), which states The required margin for each security

position held in a margin account shall be. . . 50 percent of the current market value of the security or the percentage set by the regulatory authority where the trade occurs, whichever is greater’.

⁹ See ProShares press release, <http://www.proshares.com/resources/news/1830296.html>.

¹⁰ See FINRA press release, <http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p119906.pdf>.

¹¹ See SEC press release, <http://www.sec.gov/news/press/2010/2010-45.htm>.

¹² See Reuters 29 March 2010 news report ‘Finra eyes new rules for ETF products’, <http://www.reuters.com/article/idUSTRE62S4H520100329>.

¹³ See US SEC press release, <http://www.sec.gov/investor/pubs/leveragedetfs-alert.htm>.

¹⁴ See Deville (2008) for a more detailed explanation of the ETF, in-kind, tax free, creation/redemption process.

¹⁵ 66 securities were identified as real estate companies on both the IYF and IYR. One company was eliminated from these 66 securities for lack of complete data over the

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¹⁶ 78 sec d IYR. This entire sa as available on a



¹⁷ The M benchmark indices k mann and Verhofer

¹⁸ It sho cks (94.4%) examine

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