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# Exchange-traded funds in bullish and bearish markets

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## Abstract

An Exchange-Traded Fund (ETF) aims to track the performance of market indices. This article examines the performances of 15 worldwide ETFs across bearish and bullish markets over the period 1999 to 2007. The results indicate that ETFs always provide higher returns in a bullish market than in a bearish market by the Sharpe ratio test that shows that ETF returns are not positive, proportional to the market volatility. Additionally, ETFs with the same underlying index do not perform exactly the same. It is believed that active portfolio management plays an important role in ETFs.

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