Applied Economics Letters
Volume 17, 2010 - Issue 16

Original Articles

Exchange-traded funds in bullish and bearish markets

Karen H. Y. Wong & Wai Cheong Shum

Pages 1615-1624 | Published online: 22 Jan 2010

Cite this article https://doi.org/10.1080/13504850903085035

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.