Trading Exchange-Traded Funds (ETFs)

Does volume matter?

Understanding the key to trading ETFs means

1 TRADING VOLUME DOES NOT REFLECT THE ETF'S LIQUIDITY

2 MARKET ORDERS MAY NOT ALWAYS GET EXECUTED AT CURRENT BID/ASK PRICES.

Volume versus liquidity

- Low trading volume of an ETF can be as liquid as any other ETF.
- Accurate reflection of an ETFs liquidity is the result of the designated market maker whose core responsibility is to maintain an inventory of units of the ETF to provide liquidity for investors.
- Generally, the main factor which could affect the liquidity of an ETF is the liquidity of its underlying basket of securities.

DID YOU KNOW?

An ETF that trades one million units a day has the same liquidity as an ETF with the same underlying securities or index that trades one unit a day.

ETF trading tips

1. PLACE LIMIT ORDERS

Utilizing limit orders in a reasonable range of fair value will help protect investors when buying or selling.

2. KNOW WHEN NOT TO TRADE

Avoid trading during the first and last 5-15 minutes of any trading day as they tend to be periods with more volatility.

3. NO "ONE SIZE FITS ALL" TRADE EXECUTION

Keep in mind the different times in which the underlying securities of the ETF are open. Commodity and currency markets open and close at different times than North American equity markets. The same goes for international and overseas markets.

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