

**FIN01**

## **The Volatility-Liquidity Dynamics of Single-Stock ETFs**

Le Zhao<sup>1</sup>, Vinh Huy Nguyen<sup>1</sup>, Chen Li<sup>2</sup>

<sup>1</sup>California State University, Fresno, Fresno, CA, USA. <sup>2</sup>Florida International University, Miami, FL, USA

### **Abstract**

Single-stock exchange-traded fund (SSETF) is the latest innovation in the ETF arrays of products. We examine the dynamics of the volatility-liquidity relationship between these SSETFs and their underlying stocks. We find that SSETFs have higher volatility and lower liquidity than the underlying stocks. During periods of higher stock volatility, the liquidity of SSETFs is significantly reduced. We also find evidence that SSETF traders can mitigate the liquidity problem by using intermarket sweep orders and routing orders to lit exchanges.

### **Conference Track**

Finance and Investment