THE KEY TO TRADING ETFs IS UNDERSTANDING TWO THINGS

01 TRADING VOLUME IS NOT THE SAME AS LIQUIDITY

02 MARKET ORDERS MAY NOT BE EXECUTED AT CURRENT BID/ASK PRICES

DON’T JUDGE AN ETF BY ITS TRADING VOLUME

You may already know that an ETF is a wrapper for underlying constituent securities, but did you know that it’s also a wrapper for liquidity? In fact, an ETF that trades 1 unit per day has the same liquidity as an ETF with the same constituent securities that trades 1 million units per day. How is that possible? Because a fund’s true liquidity is the combined liquidity of the underlying constituent securities. And it’s worth noting that the majority of ETFs invest in highly liquid securities.

TRADING EXCHANGE-TRADED FUNDS (ETFs)

VOLUME DOES NOT EQUAL LIQUIDITY

THE TRUTH ABOUT MARKET ORDERS

When trading with a market order, there is no guarantee that the trade will be executed at the listed bid/ask price. There are many reasons prices can fluctuate, but with a market order, the order will be bought or sold no matter what, and there is no limit to what you might pay—or lose.

Using limit orders lets you set a maximum price that you are willing to pay or a minimum price you are willing to accept—helping to protect you from price swings. If a trade cannot be executed within the limit, the order will not be filled.
TRADING TIPS

1 UTILIZE LIMIT ORDERS
Place limit orders in reasonable ranges of fair value, and try not to use market orders, especially during periods of volatility. Remember, stop-loss orders turn into market orders when triggered. Limit orders can help protect the investor.

2 KNOW WHEN NOT TO TRADE
Trading at the very beginning or very end of the day (the first or last 15 minutes) is not advisable, as this is the time when the market is most volatile and when traders have the least market information.

3 THERE IS NO “ONE SIZE FITS ALL ETF” TRADE EXECUTION
Each ETF has a different profile, and therefore your trading strategy will have to vary too. The size of an order is relative to the specific ETF. Some orders you can easily place on your own, while others may require support from your trading team or from the issuer’s capital markets desk. When in doubt, utilize your resources. It is better to ask than to make a costly mistake. Do not assume an order is too small for assistance.

For more information on WisdomTree or our Funds, visit WisdomTree.com, contact your representative or call 866.893.8733.