

TRADING LARGE BLOCKS OF EMERGING MARKET DEBT ETFs: LOOKING BEYOND THE SCREENS

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The content of this post is relevant to institutional investors interested in trading ETFs in significant size. Individual investors do not always have access to liquidity providers to trade ETFs as referenced below. Exchange-traded funds (ETFs) are often criticized for their perceived illiquidity, especially when looking at “size on the screen.” Ten years ago, it was much more difficult to execute large blocks in ETFs. At that time there were really only a few large-block liquidity providers, typically bank trading desks. It was also a time when trading underlying holdings of an ETF in hard-to-access markets was difficult and expensive. Now, however, the market has evolved drastically and there are a wide variety of liquidity providers willing to make very large-size markets in the broad spectrum of ETFs. A recent example is an \$85 million block in an emerging market local debt ETF. The screenshot below shows a Bloomberg historical price table for the Fund. I have highlighted the average daily volume (ADV) in a yellow circle—230,071 shares per day. In the yellow square you can see that on September 24 (as of 12:38pm) the fund traded 1,768,910 shares, significantly more than

CLOSE/PRICE Page 1/6 Historical Price Table
WISDOMTREE EMRG MKTS DEB (ELD US) PRICE 52.0948 D \$

Range 09/26/2011 - 09/24/2012 Period Daily High 52.76 Low 47.5228 Avg 50.6783 Vol 230071

DATE	PRICE	VOLUME	DATE	PRICE	VOLUME	DATE	PRICE	VOLUME
F 9/24	52.0948	1768910	F 9/7	52.00	146166	F 8/17	51.44	88843
T 9/20	52.20	83152	T 9/6	51.7401	213458	T 8/16	51.53	58618
W 9/19	52.45	61778	W 9/5	51.48	99856	W 8/15	51.53	87554
T 9/18	52.49	107372	T 9/4	51.42	72749	T 8/14	51.66	110693
M 9/17	52.50	76837	M 9/3			M 8/13	51.68	40468
F 9/14	52.70	208982	F 8/31	51.39	86641	F 8/10	51.8036	54119
T 9/13	52.34	107772	T 8/30	51.07	102305	T 8/9	51.82	77391
W 9/12	52.12	74131	W 8/29	51.16	172620	W 8/8	51.90	56163
T 9/11	52.24	89269	T 8/28	51.37	96528	T 8/7	51.838	54173
M 9/10	52.01	47380	M 8/27	51.39	80666	M 8/6	51.82	66623
F 9/7	52.00	146166	F 8/24	51.63	84839	F 8/3	51.74	49468
T 9/6	51.7401	213458	T 8/23	51.76	48046	T 8/2	51.10	182512
W 9/5	51.48	99856	W 8/22	51.69	101139	W 8/1	51.39	150846
T 9/4	51.42	72749	T 8/21	51.54	73614	T 7/31	51.3972	125619
M 9/3			M 8/20	51.46	84165	M 7/30	51.368	71470

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 3204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2012 Bloomberg Finance L.P.
SN 192825 1 24-Sep-12 12:27:00 EDT GMT-4:00

the ADV.

Bloomberg. For illustrative purposes only. The next screenshot shows the Bloomberg trade/quote recap screen, which shows scrolling quotes and actual trades throughout each day. In the yellow square I have highlighted a block trade of 1,613,000 shares at a price of \$52.20 that took place at 10:54:45 a.m. on September 24, 2012. If you look further down the screen, you can see that the quoted market at the time of the print was \$52.15 bid and \$52.18 offered with very little size shown. So the trade took place just above the displayed market.

Source:

ELD US Equity									
<div> <div>Actions</div> <div>Settings</div> <div>Feedback</div> <div>Page 13</div> <div>Trade/Quote Recap</div> <div>USD</div> </div>									
<div> <div>Trade Recap</div> <div>Quote Recap</div> </div>									
From	09/24/12	04:00:00	Min Vol						
To	09/24/12	20:30:00	Price Range			High	52.20	Low	52.0604
Time	BMMKR	E	Bid/Trd/Ask	E	Size	AMMKR	Cond		
10:55:01	P		52.18		20		R6,IS		
10:55:01	P		52.15/ 52.18	Z	3x5				
10:55:01	P		52.15/ 52.21	Z	3x1				
10:55:01	T		52.18		6		IS		
10:55:01	Z		52.18		5		R6,IS		
10:54:56	D		52.17		10		T		
10:54:55	P		52.15		1		R6,IS		
10:54:55	P		52.165		1		R6,IS		
10:54:55	P		52.15/ 52.18	P	3x20				
10:54:53	P		52.15/ 52.18	P	4x20				
10:54:51	D		52.17		1		T		
10:54:51	D		52.17		10		T		
10:54:51	D		52.17		1		T		
10:54:51	D		52.17		5		T		
10:54:45	D		52.20		16.13K		T,R6,IS		
10:54:43	C		52.18		4		R6,IS		
10:54:43	P		52.15/ 52.18	P	4x21				
10:54:43	P		52.15/ 52.18	P	4x20				
10:54:43	B		52.18		2		IS		
10:54:43	P		52.15/ 52.18	Y	4x10				
<div> <div>Price</div> <div>White: Best qt</div> <div>Amber: MM qt</div> <div>Gray: Prev qt</div> <div>*Volume scaled by 100</div> <div>Zoom</div> <div>100%</div> </div>									
<div> <div>Australia 61 2 3777 8600</div> <div>Brazil 5511 3048 4500</div> <div>Europe 44 20 7330 7500</div> <div>Germany 49 69 9204 1210</div> <div>Hong Kong 852 2977 6000</div> <div>Japan 81 3 3201 8900</div> <div>Singapore 65 6212 1000</div> <div>U.S. 1 212 318 2000</div> <div>Copyright 2012 Bloomberg Finance L.P.</div> <div>SN 192825 I 24-Sep-12 12:26:43 EDT GMT-4:00</div> </div>									

Source: Bloomberg. For illustrative purposes only. The final screenshot shows the level-two quote screen for the same Fund. This indicates the bids and offers and sizes available beyond the inside market. You can see that at 12:38 p.m. there were only 11,000 shares (yellow circle)

ELD US Equity									
<div> <div>Settings</div> <div>Feedback</div> <div>Market Depth Monitor</div> </div>									
<div> <div>Exchanges: <input checked="" type="checkbox"/> US <input checked="" type="checkbox"/> ARCA (All) <input type="checkbox"/> BATS (All) <input type="checkbox"/> Totalview</div> <div>Zoom</div> <div>100%</div> </div>									
<div> <div>1) Order Book</div> <div>2) Broker Book</div> </div>									
E	Time	Total	Mmkr	Size	Bid	Ask	Size	Mmkr	Total
J	12:44	1	EDGA	1	52.12	52.15	15	NSDQ	15
P	12:48	2	ARCX	1	52.10	52.15	15	BATS	30
K	12:25	4	EDGX	2	52.06	52.15	10	EDGX	40
Y	12:46	5	BYXX	1	52.06	52.15	16	ARCX	56
B	12:47	6	NQBX	1	52.06	52.17	3	ARCX	59
P	12:45	7	ARCX	1	52.02	52.18	10	ARCX	69
Z	12:46	8	BATS	1	52.02	52.19	11	ARCX	80
P	09:43	10.50	ARCX	2.50	52.01	52.20	30	ARCX	110
P	12:16	13.50	ARCX	3	52.00	52.22	10	ARCX	120
P	12:48	23.50	ARCX	10	51.99	52.23	10	ARCX	130
P	12:48	33.50	ARCX	10	51.97	52.24	10	ARCX	140
T	11:30	39.50	NSDQ	6	51.96	52.26	10	ARCX	150
P	12:48	59.50	ARCX	20	51.96	52.28	10	ARCX	160
P	12:48	69.50	ARCX	10	51.95	52.38	11	ARCX	171
P	12:48	79.50	ARCX	10	51.93	52.40	3	CBSX	174
P	12:48	119.50	ARCX	40	51.92	52.44	1	ARCX	175
		477.90		358.40 Under		Over	113.04		288.04
<div> <div>WisdomTree Emerging Markets Lo</div> <div> <div>VWAP</div> <div>Beta</div> <div>% Change</div> </div> <div> <div>52.20</div> <div>.930</div> <div>-.35%</div> </div> <div> <div>Avg Vol 30 Day</div> <div>Theo Auct Price</div> <div>Theo Auct Vol</div> </div> <div> <div>95021</div> <div>.00</div> <div>N.A.</div> </div> </div>									
<div> <div>Australia 61 2 3777 8600</div> <div>Brazil 5511 3048 4500</div> <div>Europe 44 20 7330 7500</div> <div>Germany 49 69 9204 1210</div> <div>Hong Kong 852 2977 6000</div> <div>Japan 81 3 3201 8900</div> <div>Singapore 65 6212 1000</div> <div>U.S. 1 212 318 2000</div> <div>Copyright 2012 Bloomberg Finance L.P.</div> <div>SN 192825 O 24-Sep-12 12:48:10 EDT GMT-4:00</div> </div>									

offered up to \$52.20. Source: Bloomberg. For illustrative purposes only. This light volume on the order book is typical of many ETFs. There is a lot of liquidity available from the community of liquidity providers, but they do not post the available liquidity electronically, so the order books look very thin. In the current market regulatory environment, many ETF liquidity providers do not post markets electronically in size. This is why it has become critical in the ETF market to develop a relationship with a variety of liquidity providers who can handle your large-block trades, regardless of what the average daily volume and the order book look like on your quote screens. Don't let average daily volumes limit your use of the wide variety of ETFs. Spend the time and energy necessary to understand ways to effectively trade the products.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

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