

# SPDR® Straits Times Index ETF Capital Markets Perspective

# STTF SP

December 2018 | Market Commentary

Listed in 2002, the SPDR® Straits Times Index ETF was *Singapore's first exchange traded fund (ETF)*. SPDR® Straits Times Index ETF seeks to offer investors liquid, cost efficient and transparent access to the Straits Times Index through a single security that trades on an exchange. As the *largest and most heavily traded ETF tracking the Straits Times Index* with more than SG\$650 million in assets and an average of over SG\$2 million traded daily,<sup>1</sup> SPDR® Straits Times Index ETF's liquidity offers compelling benefits for investors.

## On-exchange Liquidity

Trading volume is a key determinant of cost. That's why the size of the market in which a security is traded matters for investors.

**SPDR® Straits Times Index ETF was the most heavily traded ETF on the Singapore Exchange during Q4 2018.**<sup>1</sup> With more than SG\$128m of turnover in Q4 2018, it represents a 21% of the aggregated turnover of all ETFs listed on the Singapore Exchange.<sup>1</sup>

**SPDR® Straits Times Index ETF is also the most heavily traded ETF tracking the Straits Times Index**, with a 3-month average daily notional trading volume 5.9 times higher than DBSSTI — Nikko AM Singapore STI ETF.

**Figure 1: Notional Trading Volume Comparison**

Ticker	Average Daily Notional Trading Volume
STTF SP	SG\$ 2,009,235
DBSSTI SP	SG\$ 338,737

Source: Bloomberg, State Street Global Advisors as of 12/31/2018. Average Daily Notional Trading Volume is the 3-Month daily average.

Liquidity can be a source of cost advantage for investors — the higher the liquidity, the tighter bid-ask spreads, which translates into lower trading costs for investors.

## Cost Efficiency

**SPDR® Straits Times Index ETF has the lowest expense ratio — 0.30%** across all ETFs globally tracking either the Straits Times Index or the MSCI Singapore.

**Figure 2: Total Expense Ratio Comparison**

Ticker	Underlying Index	TER (%)
STTF SP	Straits Times Index	0.30
DBSSTI SP	Straits Times Index	0.33
SGPDU SW	MSCI Singapore	0.45
EWS US	MSCI Singapore	0.48
09A SP	MSCI Singapore	0.50

Source: Bloomberg, State Street Global Advisors, as of 12/31/2018.

Following the recent *tick size reduction* on the Singapore Exchange, **SPDR® Straits Times Index ETF also displays the best average on-exchange bid-ask spreads versus its two local competitors.**

**Figure 3: Bid-Ask Spread Comparison**

Ticker	Bid/Ask Spreads (bps)
STTF SP	15.9bps
DBSSTI SP	40.2bps
09A SP	36.2bps

Source: Bloomberg, State Street Global Advisors, as of 12/31/2018. Bid/ask spreads are the 3-Month daily average.

Whether opening or closing a position, rebalancing, or tactically over/under weighting, trading the higher volume SPDR® Straits Times Index ETF could potentially offer investors savings when trading.

## ETF Liquidity Versus its Underlying Market

SPDR® Straits Times Index ETF tracks the Strait Times Index which is composed of the top 30 largest and most liquid companies listed on the Singapore Exchange according to the FTSE Russell rules.

The growing usage of ETFs has recently generated comments on the relative size of ETFs versus their underlying market. Whilst SPDR® Straits Times Index ETF is the most heavily traded ETF tracking the Straits Times Index, **its notional Trading Volume represented only 0.3% of the underlying market** Notional Trading Volume during Q4 2018.<sup>1</sup>

### Lower Trading Costs on the SGX vs Basket of Underlying Stocks

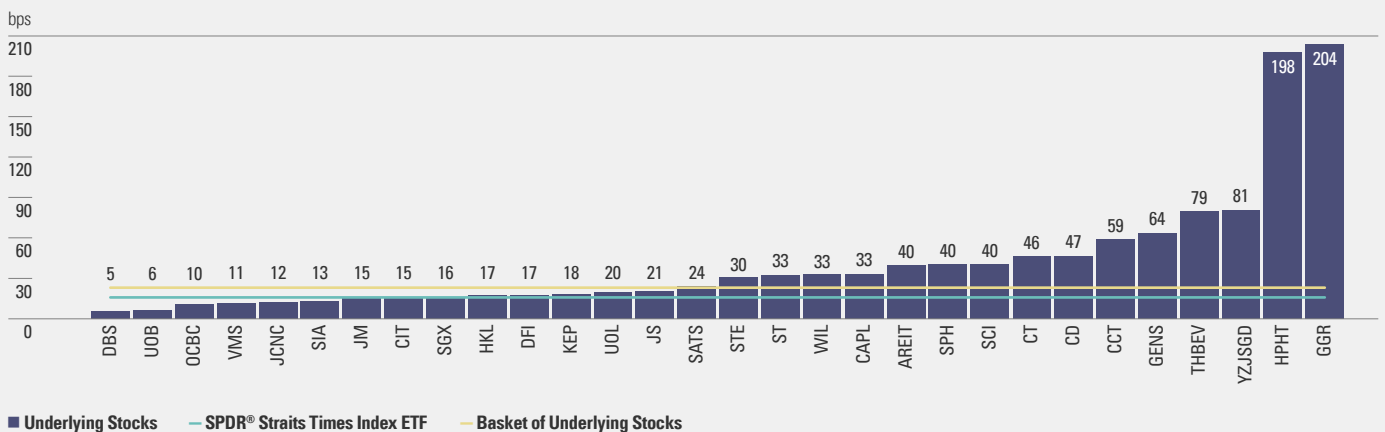
In order to create Units directly from the Fund, investors may request Participating Dealers to apply to the Manager (and Approved Applicants may apply directly to the Manager) for the issue of Units on any Dealing Day by tendering Index Shares comprising an Index Basket or Index Baskets, plus or minus a cash payment as determined by the Manager.

Looking at the basket file available for trading on the last Dealing Day in December 2018, the SPDR® Straits Times Index ETF has also a **lower average bid-ask spread than 73% of its underlying stocks** and its basket of underlying stocks. Adjusting the underlying stocks average bid-ask spreads by their respective weights, the basket has an average bid-ask spread of 23.1bps whilst SPDR® Straits Times Index ETF has an average bid-ask spread of 15.9bps.

It illustrates one of the potential **cost benefits of trading the SPDR® Straits Times Index ETF vs the basket of underlying stocks.**

<sup>1</sup> Source: Bloomberg Finance L.P., and State Street Global Advisors, as of 12/31/2018.

**Figure 4: On-Exchange Average Bid Ask Spreads vs Underlying Securities**



This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

Source: Bloomberg, State Street Global Advisors, as of 12/31/2018. Bid/ask spreads are the 3-Month daily average.

## Dedicated SPDR® Global Capital Markets Group for Asia-Pacific

As **one of the first dedicated ETF Capital Markets teams** established in Asia Pacific, the SPDR® Capital Markets team oversees the SPDR® ETF Trading ecosystem and manages relationships with Authorised Participants, Market Makers, Exchanges, Platforms, and Broker Dealers. For any questions related to ETF Trading and Liquidity, please do not hesitate to contact the team at [APACSPDR-CapitalMarkets@ssga.com](mailto:APACSPDR-CapitalMarkets@ssga.com).

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