

# AI-03183 The Pre Market Trading

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I'm monitoring the ETF FTEC and sometimes I noticed that the 24h trading or pre market or post market is showing movement, explain who is mostly executing those trades. Does the after and pre market pricing indicative to determine the actual price during trading days. Or just ignore. Enlighten me.

That's an excellent question that gets into the mechanics of how market pricing works! The trading activity for an ETF like FTEC outside of regular hours is driven by a different dynamic than the regular session.

Here is a breakdown of who is mostly executing those trades and how indicative the pricing is:

## 1. Who is Executing Trades After Hours?

Pre-market (typically 4:00 AM to 9:30 AM ET) and after-hours (typically 4:00 PM to 8:00 PM ET) trading is primarily handled by Electronic Communication Networks (ECNs), not the main exchanges like the NYSE or Nasdaq.

The participants who are active during these extended hours tend to be:

- ⚡ Institutional Traders: This includes professional traders, hedge funds, and other financial institutions. They often trade outside of regular hours to react immediately to news, earnings reports, or economic data released after the closing bell or overnight. They have the technology and sophistication to navigate the extended-hours environment.
- 👤 Market Makers: While their primary obligation to maintain quotes is during regular hours, they may still participate to manage their inventory and risks, especially if a major price-moving event occurs.

- 📱 Retail Traders: Many modern brokerages now offer access to extended-hours trading. Retail investors use this to react to news or simply to trade outside of their regular workday. However, retail volume is generally a smaller percentage of the total.

Key Difference: Unlike regular hours, where multiple exchanges, ECNs, and market makers provide consolidated quotes for the best price discovery, extended-hours trading is often more fragmented and relies heavily on limit orders executed through a handful of ECNs.

### 1. Is After-Hours Pricing Indicative of the Actual Price?

The pricing movement you see in the pre- and post-market is indicative of a shift in market sentiment based on new information, but you should not treat it as the final, actual price for the next trading day.

Here is why you should observe it but treat it with caution:

| Feature | Regular Trading Hours (9:30 AM – 4:00 PM ET) | Extended Trading Hours (Pre/Post-Market) |

|---|---|---|

| Liquidity | High (Large volume of buyers and sellers) | Low (Fewer participants) |



| Bid-Ask Spread | Tight (Small difference between buy and sell price) | Wider (Larger difference, making trades more expensive) |

| Volatility | Moderate (though still subject to news) | Higher (Smaller trades can cause disproportionately large price swings) |

| Price Discovery | Excellent (Consolidated quotes across all venues) | Fragmented (Prices may only reflect a few trading venues) |

🔍 How to Interpret the Movement:

- News Reaction: If a major holding of FTEC (like Apple or Microsoft) releases unexpected earnings after the close, the after-hours price of FTEC will react immediately. This move is a strong indicator of where the ETF might open the next day.
- Lack of Depth: Because of the lower liquidity, it takes far less volume to move the price. A few large trades can push the price up or down significantly, only for the price to revert once the full force of regular market liquidity returns at the open.

- The "Gap": The difference between the previous day's closing price and the next day's opening price (the gap) is often a direct result of activity in the extended hours.  
In summary: Don't ignore it, but don't blindly trust it.
-  Use it to prepare: A significant move tells you that major news has dropped and the stock/ETF is likely to be volatile at the open.
-  Don't rely on it for execution: The wide bid-ask spreads and low liquidity mean that the price you see may be difficult to execute at, and the price can change rapidly once the market opens.  
Would you like to search for the most recent pre-market activity or news for the FTEC ETF?

From ChatGPT

Below is a clear, no-nonsense explanation of what you're seeing with FTEC (Fidelity MSCI Information Technology Index ETF) during pre-market and after-hours sessions.

## 1. Who Is Mostly Trading FTEC in Pre-Market / After-Hours?

Pre-market (4:00–9:30 AM ET) and after-hours (4:00–8:00 PM ET) activity is dominated by:

### A. Institutional Players

- Hedge funds
- Algorithmic/high-frequency traders
- Large banks and brokers
- Market makers adjusting positions after news

These entities trade because they have:

- Better access to liquidity
- Privileged order routing
- Lower transaction costs

- Algorithms reacting instantly to tech-sector news

### **B. ETF Authorized Participants (APs)**

These are institutions responsible for creating or redeeming ETF shares.

They trade after-hours to rebalance or adjust their baskets relative to the Nasdaq / S&P futures or major tech stocks.

### **C. Professional Traders**

Some retail investors trade pre-market, but they are a very small percentage and usually not the drivers of price.

Summary:

99% of real price discovery for ETFs like FTEC occurs during regular hours.

Pre/after-market moves are mostly institutional adjustments and low-liquidity trades.

## **2. Is Pre-Market or After-Hours Price Indicative of the "Real" Next-Day Price?**

**Short answer:**

Sometimes, but not reliably.

It can be a signal, but it is not the real pricing mechanism for ETFs.

**Why it's usually unreliable**

### **A. Extremely low liquidity**

FTEC trades much less volume outside regular hours.

Low liquidity = wider spreads = distorted moves.

Example:

A \$50,000 order from an institution can move the price  $\pm 1\%$  even if NAV hasn't changed.

### **B. ETFs rely on NAV of underlying assets**

FTEC's true value = the collective value of big tech stocks (AAPL, MSFT, NVDA, etc).

Those stocks also have low volume pre-market.

So the ETF is flying blind.

### **C. Futures influence price, not fundamental tech stock movements**

Overnight moves mostly reflect:

- Nasdaq futures
- S&P futures
- Macro headlines
- Earnings reports

They are directional hints, not final prices.

## **3. When Pre-Market / After-Hours DOES Matter**

There are rare times you should pay attention:

### **A. Major earnings from big holdings**

Apple, Microsoft, Nvidia, Broadcom...

Their earnings can shift FTEC's NAV the next morning.

If NVDA reports blowout earnings at 4:01 PM, you'll see:

- After-hours NVDA surge
- FTEC after-hours movement
- Market opens next day adjusted in the same direction

### **B. Major macro news**

Examples:

- CPI/PPI shock
- Fed announcements
- War headlines
- Major tech regulation changes

These can signal tomorrow's trend.

### **C. Futures-driven sentiment**

Nasdaq futures down -2% at 5 AM?

FTEC will likely open red.

## **4. Should YOU monitor pre-market / after-hours if you're a long-term investor?**

### **Direct answer:**

If your investment horizon is multi-year (you are long tech ETF for FI/retirement), you can ignore it.

### **Key Reasons**

- ETF pricing normalizes at open
- Overnight noise disappears
- Long-term returns are driven by earnings, not 5-AM panic
- You avoid unnecessary stress

### **Exceptions:**

If you like watching markets out of curiosity, it's fine — just don't act on overnight data.

## **5. What's the Smart Way to Use This Info?**

### **If long-term (5–30 years):**

- Ignore pre-market / after-hours
- Buy FTEC on dips only during regular hours
- Focus on consistency, not timing

### **If tactical (short-term trading):**

- Use after-hours only as a sentiment indicator

- Never execute trades pre-market unless you understand spreads, liquidity, and risk

## **6. Bottom Line (Your Enlightenment)**

Here's the distilled truth:

Pre-market & after-hours FTEC prices are not "real."

They reflect low-volume institutional trades and futures-driven reactions, not true ETF value.

Use it only to gauge sentiment, not to predict or execute your real buying decisions.

For your long-term tech ETF strategy,

watch the trend,

ignore the noise,

stay invested,

and focus on progress over decades — not 5 AM shadows.

If you want, I can also explain:

- Why ETFs behave differently from individual stocks after-hours
- How APs (Authorized Participants) create/redeem ETF shares
- Whether FTEC vs VGT vs QQQ has better long-term risk-adjusted return

Just tell me.

Here is Part A: Why ETFs behave differently from individual stocks after-hours, explained cleanly and in a way that makes sense for an FTEC investor.

### **A. Why ETFs Behave Differently From Individual Stocks After-Hours**

ETFs like FTEC move differently from single stocks before market open and after market close because of how ETFs are priced, who trades them, and how liquidity works. Below is the simplest and most accurate breakdown.

# 1. Stocks Have a “True” Price After-Hours — ETFs Usually Don’t

## Individual stocks

- Apple (AAPL)
- Microsoft (MSFT)
- Nvidia (NVDA)
- etc.

These trade directly in pre-market/after-hours.

Their prices come from actual buyers and sellers of the stock itself.

## ETFs like FTEC

FTEC doesn’t have its own fundamentals.

Its “true price” comes from the NAV (Net Asset Value) of its 300+ tech stocks.

But in pre-market:

- almost all of those underlying stocks are not trading
- so the NAV is not yet updated
- the ETF price floats around based on very thin volume

This is why you see weird, erratic, sometimes meaningless price moves.

# 2. ETF Liquidity Depends on Underlying Stocks, Not ETF Volume

This is a key difference.

**Stocks are liquid because buyers/sellers directly trade them.**

**ETFs are liquid because the underlying constituents are liquid.**

During regular hours:

- AAPL, MSFT, NVDA, AMZN etc. trade heavily
- APs (Authorized Participants) can instantly create/redeem ETF shares

- This keeps ETF price very close to its NAV
- Arbitrage keeps the price “fair”

During pre-market:

- APs cannot redeem/create efficiently
- Underlying tech stocks are closed
- Arbitrage breaks
- Price can drift away from NAV

So FTEC’s pre-market price is not a true price — it’s only a shadow price.

### **3. ETF Prices After-Hours Are Mostly Driven by Futures, Not Real Trades**

After-hours movement in ETFs reflects:

- Nasdaq futures
- Macro headlines
- Tech sector sentiment
- AI-related news
- Earnings of major components

But not the actual basket value.

Example:

If NVDA surges +8% AH after earnings, FTEC will jump after-hours — but the move is exaggerated or distorted because its other 200+ holdings are not trading yet.

Think of it like this:

**After-hours ETF price = guesswork + sentiment + low volume**

**Regular hours ETF price = NAV + real liquidity**

## **4. ETFs Are “Synthetic” in Off-Hours — Their Price Is a Proxy**

ETFs are designed for regular-session trading, when:

- markets are deep
- spreads are small
- creation/redemption works
- arbitrage controls the price

Outside those hours:

- spreads widen
- volume disappears
- arbitrage stops
- the ETF becomes a “proxy index future,” not an exact representation of its holdings

This is why FTEC’s AH price is often:

- misleading
- volatile
- lagging
- not indicative of next morning’s actual open
- easily moved by institutional block orders

## **5. Stock After-Hours Prices Usually Matter More Than ETF After-Hours Prices**

When Apple releases earnings at 4:01 PM:

- AAPL after-hours price is real (someone is buying/selling Apple)
- FTEC after-hours price is derivative (price is responding to Apple, but imprecisely)

This is the hierarchy:

**Most Real → Least Real Pricing**

1. Individual stocks after-hours
2. Index futures
3. Sector futures
4. Large ETFs (QQQ, SPY)
5. Sector ETFs like FTEC
6. Small or niche ETFs

Meaning:

**FTEC's after-hours price is the least accurate signal in the chain.**

## **6. Practical Interpretation for You (The Enlightenment)**

### **A. After-hours price for stocks = useful**

For example, NVDA, MSFT, AAPL after-hours can tell you how the next day might open.

### **B. After-hours price for ETFs = mostly noise**

Unless you are day trading, it has little predictive value.

### **C. What to focus on instead**

- Earnings of FTEC's top holdings

- Nasdaq futures
- Major CPI/PCE/Fed news
- Tech sector macro indicators
- Trend, not AH ticks

**D. If you're long-term investing in FTEC (decades) — ignore AH.**

Your compounding doesn't care what happens at 5:17 AM.

## **Summary in One Sentence**

**ETF after-hours prices are not "real" prices because ETFs derive their value from underlying stocks that aren't trading yet, resulting in distorted, low-volume, sentiment-driven movements dominated by institutions — not true price discovery.**

If you want, I can proceed with Part B: How APs (Authorized Participants) create and redeem ETF shares, which will help you understand exactly how ETFs stay aligned with NAV.