

Are stock prices a random walk? An empirical evidence of Asian stock markets

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Abstrak

ABSTRACT

Investigating if the market is efficient is an old issue as market efficiency is imperative for channeling investments to best-valued projects and its importance endures. There is contradictory evidence in the literature provided by empirical researches. The primary purpose of this research has been to find out whether share prices are a random walk process by applying multiple unit root tests, Runs Test and newly developed State Space Model. The empirical findings of the study provide sufficient evidence that the stock prices of KSE 100 Index, S & P BSE 500 Index, and CSE All Share Index is not a random walk process and are thus weak form inefficient hypothesis. In this study, the concept of the random walk is examined considering only the stock markets while bypassing the other asset markets. This research supply exciting facts about independent samples from Pakistan, India, and Bangladesh and complement the existing literature on emerging markets.