Tests of Random Walk Hypothesis. Evidence from China

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GRIN Publishing Sep 2015, 2015. Taschenbuch. Condition: Neu. Neuware - Seminar paper from the year 2015 in the subject Economics - Finance, grade: 1.0, , course: Research Methodology and Dissertation, language: English, abstract: Until the 1970s empirical studies generally supported the prediction following from weak-form efficiency: prices cannot be predicted using past prices, and returns are serially uncorrelated. However inter alia Shiller, Fischer, and Friedman (1984) refuted the conclusion of economic insignificance in the case of negligible autocorrelations by modeling return processes with irrational bubbles where short-horizon returns are not significantly autocorrelated. Empirically, studies such as Lo and MacKinlay (1988) reject the random walk hypothesis (RWH) for US stocks using the more powerful variance ratio (VR) test. Similarly, RWH has also been tested for other markets with varying results. This report aims to examine the Chinese stock market as it stands out insofar that it is segmented by investor type 3 that face identical conditions otherwise. It also allows to observe consequences of loosening capital controls in terms of return-predictability. Empirical evidence so far has produced mixed results: for instance Long, Payne, and Feng (1999) do not find significant autocorrelation using a 100-week sample. On the other hand, Su and...

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