

Market Efficiency

Market Efficiency

- ▶ What is the Efficient Markets Hypothesis?
 - ▶ The set-up
 - ▶ Prices reflect _____...
_____!
 - ▶ Therefore, no unusual or excess profits from trading on information.

Levels of Market Efficiency

► Three forms (or levels) of market efficiency:

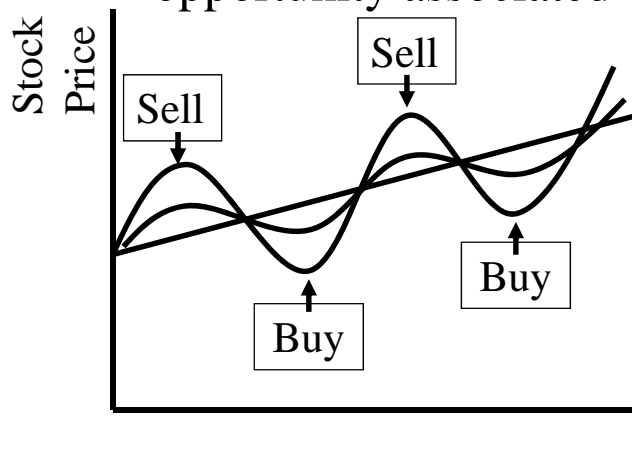
► _____ Form Efficiency

► _____ Form Efficiency

► _____ Form Efficiency

Why Technical Analysis Fails

Investor behavior tends to eliminate any profit opportunity associated with stock price patterns.



If it were possible to make big money simply by finding “the pattern” in the stock price movements, everyone would do it and the profits would be competed away.

Market Efficiency

- ▶ What do we know?

- ▶ Market Reaction

- ▶ Reporting

Index Funds

Suggested Problems

- ▶ Concepts Review and Critical Thinking Questions:

- ▶ Chapter 12: 1, 2, 3, 5, 6, 9, and 10