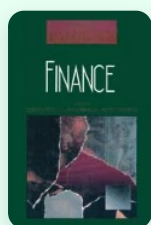


[Home](#) > [Finance](#) > Chapter

Efficient Market Hypothesis

| Chapter

| pp 127–134 | [Cite this chapter](#)[Save chapter](#)[View saved research](#) >**Finance**[Burton G. Malkiel](#)Part of the book series: [The New Palgrave](#) ((NPA))[1796](#) Accesses [149](#) Citations [3](#) [Altmetric](#)

Abstract

A capital market is said to be efficient if it fully and correctly reflects all relevant information in determining security prices. Formally, the market is said to be efficient with respect to some information set, ϕ , if security prices would be unaffected by revealing that information to all participants. Moreover, efficiency with respect to an information set, ϕ , implies that it is impossible to make economic profits by trading on the basis of ϕ .



This is a preview of subscription content, [log in via an institution](#) to check access.

Access this chapter

[Log in via an institution](#) →

Subscribe and save

✔ Springer+

from €37.37 /Month

- Starting from 10 chapters or articles per month
- Access and download chapters and articles from more than 300k books and 2,500 journals
- Cancel anytime

[View plans](#) →

Buy Now

^ **eBook**

EUR 24.99

Price includes VAT (Poland)

- Available as PDF
- Read on any device
- Instant download
- Own it forever

[Buy eBook](#) →

^ **Softcover Book**

EUR 32.09

Price includes VAT (Poland)

- Compact, lightweight edition
- Dispatched in 3 to 5 business days
- Free shipping worldwide - [see info](#)

[Buy Softcover Book](#) →

Tax calculation will be finalised at checkout

Purchases are for personal use only

[Institutional subscriptions](#) →

Unable to display preview. [Download preview PDF.](#)

Similar content being viewed by others



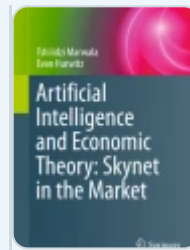
Information in Financial Markets

Chapter | © 2019



Whisperers Versus Analysts and Implications for Market Efficiency.

Chapter | © 2026



Efficient Market Hypothesis

Chapter | © 2017

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

[Capital Markets](#)

[Economic Psychology](#)

[Market Psychology](#)

[Market Structure and Economic Design](#)

[Risk Theory](#)

[Sociology of the Financial Market](#)

[Financial Market Dynamics and Investor Behavior](#)

Bibliography

Bachelier, L. 1900. *Théorie de la speculation*. *Annales de l'Ecole normale Supérieure*, 3rd series, 17, 21–86. Trans. by A.J. Boness in *The Random Character of Stock Market Prices*, ed. P.H. Cootner, Cambridge, Mass.: MIT Press, 1967

Ball, R. 1978. Anomalies in relationships between securities' yields and yield-surrogates. *Journal of Financial Economics* 6(2–3), 103–26, June/September, 1981

Banz, R. 1981. The relationship between return and market value of common

stocks. *Journal of Financial Economics* 9(1), March 3-18.

Basu, S. 1977. Investment performance of common stocks in relation to their price earnings ratios: a test of the efficient markets hypothesis. *Journal of Finance* 32(3), June, 663-82.

Basu, S. 1983. The relationship between earnings' yield, market value and the return of NYSE common stocks: further evidence. *Journal of Financial Economics* 12(1), June, 129-56.

Cornell, B. and Roll, R. 1981. Strategies for pairwise competitions in markets and organizations. *Bell Journal of Economics* 12(1), Spring, 201-13.

Cowles, A. 1933. Can stock market forecasters forecast? *Econometrica* 1(3), July, 309-24.

Cowles, A. and Jones, H. 1937. Some posteriori probabilities in stock market action. *Econometrica* 5(3), July, 280-94.

Dodd, P. 1981. The effect on market value of transactions in the market for corporate control, *Proceedings of Seminar on the Analysis of Security Prices*, CRSP. Chicago: University of Chicago, May.

Fama, E. 1965. The behavior of stock market prices. *Journal of Business* 38(1), January, 34-105.

Fama, E. and Blume, M. 1966. Filter rules and stock market trading. *Security Prices: A Supplement, Journal of Business* 39(1), January, 226-41.

Fama, E., Fisher, L., Jensen, M. and Roll, R. 1969. The adjustment of stock prices

to new information. *International Economic Review* 10(1), February, 1-21.

French, K. 1980. Stock returns and the weekend effect. *Journal of Financial Economics* 8(1), March, 55-69.

Friend, I., Brown, F., Herman, E. and Vickers, D. 1962. *A Study of Mutual Funds*. Washington, DC: US Government Printing Office.

Granger, D. and Morgenstern, O. 1963. Spectral analysis of New York Stock Market prices. *Kyklos* 16, January, 1-27.

Grossman, S. and Stiglitz, J. 1980. On the impossibility of informationally efficient markets. *American Economic Review* 70(3), June, 393-408.

Gultekin, M. and Gultekin, N. 1983. Stock market seasonality, international evidence. *Journal of Financial Economics* 12(4), December, 469-81.

Jaffé, J. 1974. The effect of regulation changes on insider trading. *Bell Journal of Economics and Management Science* 5(1), Spring, 93-121.

Jaffé, J. and Westerfield, R. 1984. The week-end effect in common stock returns: the international evidence. Unpublished manuscript, University of Pennsylvania, December.

Jensen, M. 1969. Risk, the pricing of capital assets, and the evaluation of investment portfolios. *Journal of Business* 42(2), April, 167-247.

Jensen, M. 1978. Some anomalous evidence regarding market efficiency. *Journal of Financial Economics* 6(2-3), June-September, 95-101.

- Keim, D. 1983. Size related anomalies and stock return seasonality: further empirical evidence. *Journal of Financial Economics* 12(1), June, 13-32.
- Kendall, M. 1953. The analysis of economic time series. Part I: Prices. *Journal of the Royal Statistical Society* 96(1), 11-25.
- Kleidon, A. 1986. Variance bounds, tests and stock price valuation models. *Journal of Political Economy* 94(5), October, 953-1001.
- Kraus, A. and Stoll, H. 1972. Price impacts of block trading on the New York Stock Exchange. *Journal of Finance* 27(3), June, 569-58.
- Malkiel, B. 1980. *The Inflation-Beater's Investment Guide*. New York: Norton.
- Malkiel, B. 1985. *A Random Walk Down Wall Street*. 4th edn, New York: Norton.
- Mandelbrot, B. 1966. Forecasts of future prices, unbiased markets, and martingale models. *Security Prices: A Supplement, Journal of Business* 39(1), January, 242-55.
- Marsh, T. and Merton, R. 1983. Aggregate dividend behavior and its implications for tests of stock market rationality. Working Paper, Sloan School of Management, September.
- Merton, R. 1980. On estimating the expected return on the market: an exploratory investigation. *Journal of Financial Economics* 8(4), December, 323-61.
- Osborne, M. 1959. Brownian motions in the stock market. *Operations Research* 7(2), March/April, 145-73.

Pearson, K. and Rayleigh, Lord. 1905. The problem of the random walk. *Nature* 72, 294, 318, 342.

Rendelman, R., Jones, C. and Latané, H. 1982. Empirical anomalies based on unexpected earnings and the importance of risk adjustments. *Journal of Financial Economics* 10(3), November, 269-87.

Roberts, H. 1959. Stock market 'patterns' and financial analysis: methodological suggestions. *Journal of Finance* 14(1), March, 1-10.

Roberts, H. 1967. *Statistical versus clinical prediction of the stock market*. Unpublished manuscript, CRSP, Chicago: University of Chicago. May.

Roll, R. 1984. Orange juice and weather. *American Economic Review* 74(5), December, 861-80.

Samuelson, P. 1965. Proof that properly anticipated prices fluctuate randomly. *Industrial Management Review* 6(2), Spring, 41-9.

Scholes, M. 1972. The market for securities: substitution versus price pressure and the effects of information on share prices. *Journal of Business* 45(2), April, 179-211.

Shiller, R.J. 1981. Do stock prices move too much to be justified by subsequent changes in dividends? *American Economic Review* 71(3), June, 421-36.

Solnik, B. 1973. Note on the validity of the random walk for European stock prices. *Journal of Finance* 28(5), December, 1151-9.

Thompson, R. 1978. The information content of discounts and premiums on closed-end fund shares. *Journal of Financial Economics* 6(2-3), June-September, 151-86.

Watts, R. 1978. Systematic 'abnormal' returns after quarterly earnings announcements. *Journal of Financial Economics* 6(2-3), June-September, 127-50.

Working, H. 1934. A random difference series for use in the analysis of time series. *Journal of the American Statistical Association* 29, March, 11-24.

Editor information

John Eatwell Murray Milgate Peter Newman

Copyright information

© 1989 Palgrave Macmillan, a division of Macmillan Publishers Limited

About this chapter

Cite this chapter

Malkiel, B.G. (1989). Efficient Market Hypothesis. In: Eatwell, J., Milgate, M., Newman, P. (eds) Finance. The New Palgrave. Palgrave Macmillan, London. https://doi.org/10.1007/978-1-349-20213-3_13

[.RIS↓](#) [.ENW↓](#) [.BIB↓](#)

DOI	Publisher Name	Print ISBN
https://doi.org/10.1007/978-1-349-20213-3_13	Palgrave Macmillan, London	978-0-333-49535-3

Online ISBN	eBook Packages
978-1-349-20213-3	Palgrave Economics & Finance

Keywords

[Stock Price](#)

[Abnormal Return](#)

[Price Change](#)

[Mutual Fund](#)

[Financial Economic](#)

These keywords were added by machine and not by the authors. This process is experimental and the keywords may be updated as the learning algorithm improves.

Publish with us

[Policies and ethics](#) 

Search

Search by keyword or author



Navigation

[Find a journal](#)

[Publish with us](#)

[Track your research](#)

