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Efficient Market Hypothesis

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pp 127–134 | Cite this chapter



Finance

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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.

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