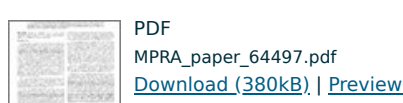


Financial Market Efficiency Should be Gauged in Relative Rather than Absolute Terms

Da Silva, Sergio (2015): *Financial Market Efficiency Should be Gauged in Relative Rather than Absolute Terms*. Published in: *Journal of Stock & Forex Trading*, Vol. 4, No. 1 (2015): p. 140.



PDF
MPRA_paper_64497.pdf
[Download \(380kB\)](#) | [Preview](#)

Abstract

Economists assess the efficiency of financial markets in absolute, all-or-nothing terms. However, this is at odds with a nonsense physics approach. Here, I describe how the relative efficiency of markets can be gauged taking advantage of algorithmic complexity theory. This is not physics-envy because the approach is superior in considering the proper randomness present in complex financial markets.

- Item Type:** MPRA Paper
- Original Title:** Financial Market Efficiency Should be Gauged in Relative Rather than Absolute Terms
- Language:** English
- Keywords:** Algorithmic complexity theory; Efficient market hypothesis; Financial market efficiency; Relative market efficiency; Mild type I randomness; Wild type II randomness
- Subjects:** [G - Financial Economics](#) > [G0 - General](#) > [G00 - General](#)
[G - Financial Economics](#) > [G1 - General Financial Markets](#) > [G14 - Information and Market Efficiency ; Event Studies ; Insider Trading](#)
- Item ID:** 64497
- Depositing User:** [Sergio Da Silva](#)
- Date Deposited:** 23 May 2015 11:50
- Last Modified:** 08 Oct 2019 16:45
- References:**
1. Beechey M, Gruen D, Vickery J (2000) The efficient market hypothesis: A survey. Reserve Bank of Australia research discussion paper number 2000-2001.
 2. Guttler C, Meurer R, Da Silva S (2008) Is the Brazilian stock market efficient? *Economics Bulletin* 7: 1-16.
 3. Campbell JY, Lo AW, MacKinley AC (1997) *The Econometrics of Financial Markets*. Princeton: Princeton University Press.
 4. Mantegna RN, Stanley HE (2000) *An Introduction to Econophysics: Correlations and Complexity in Finance*. Cambridge: Cambridge University Press.
 5. Giglio R, Matsushita R, Da Silva S (2008) The relative efficiency of stock markets. *Economics Bulletin* 7: 1-12.
 6. Giglio R, Matsushita R, Figueiredo A, Gleria I, Da Silva S (2008) Algorithmic complexity theory and the relative efficiency of financial markets. *Europhysics Letters* 84: 48005-48010.
 7. Giglio R, Da Silva S (2009) Ranking the stocks listed on Bovespa according to their relative efficiency. *Applied Mathematical Sciences* 3: 2133-2142.
 8. Giglio R, Da Silva S, Gleria I, Ranciaro A, Matsushita R, Figueiredo A (2010) Efficiency of financial markets and algorithmic complexity. *Journal of Physics: Conference Series* 246: 012032.
 9. Taufemback C, Giglio R, Da Silva S (2011) Algorithmic complexity theory detects decreases in the relative efficiency of stock markets in the aftermath of the 2008 financial crisis. *Economics Bulletin* 31: 1631-1647.
 10. Taleb NN (2010) *The black swan: The impact of the highly improbable*, 2nd edition. New York: Random House.

All papers reproduced by permission. Reproduction and distribution subject to the approval of the copyright owners.



Contact us: mpra@ub.uni-muenchen.de

 Atom  RSS 1.0  RSS 2.0

This repository has been built using [EPrints software](#).

MPRA is a [RePEc](#) service hosted by  **UB** | Universitätsbibliothek
Ludwig-Maximilians-Universität München.