

Testing the random walk hypothesis of stock indexes through variance-ratio

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Abstract

The Random Walk is considered to be a tool trying to explain the characteristic of movement of prices in the financial markets. It can also be seen in the form of a trial to demonstrate the non-predictability of future changes in the financial markets through reliance on the characteristics identified based on past price changes. In this paper used is the variance-ratio test initiated by Lo and MacKinlay to test the Random Walk Hypothesis for a more recent data of eleven Stock Indexes, seen as main indexes of the current market.

Keywords

Random Walk Hypothesis, Efficient Market, Variance Ratio, Stock Index

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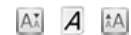
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