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Capital market efficiency and the predictability of daily returns

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Abstract

Studies of the weak form of the capital market efficiency theorem infer that there are no predictable properties of the time series of prices of traded securities on organized markets. We examine the weak form of the efficient markets hypothesis with respect to daily closing prices to indicate evidence that daily closing prices have predictable properties. Furthermore, this study of individual securities prices of traded securities on organized markets corroborates previous findings of studies of stock market indexes both in the United States and in other nations' bourses or stock exchanges. Often, these studies indicated that daily patterns are present in the times series of securities prices. The purpose of this paper is to clarify the existence of time series characteristics of daily stock prices of securities traded on organized exchanges. This study differs from previous studies where the focus was on index numbers of daily stock market prices rather than the actual prices of traded securities in the United States.

Furthermore, this study is important because of the weak theory of market efficiency and its application to short-term forecasting of closing prices of traded securities.

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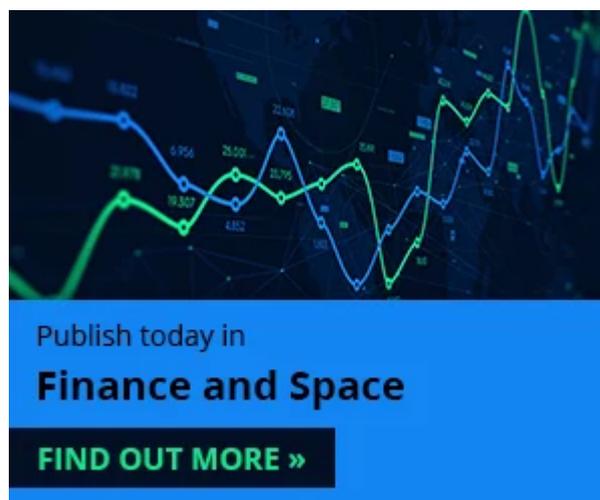
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