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# Efficient market hypothesis: evidence from a small open-economy

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## Abstract

This article studies the efficient market hypothesis for the Istanbul Stock Exchange National 100 (ISEN 100) price index within the Lumsdaine and Papell two structural breaks unit root test framework. The main finding of the article shows that the ISEN 100 index is characterized by a unit root with two structural breaks, which is consistent with the efficient market hypothesis. In addition, the article applies the augmented Dickey-Fuller test, runs test and the variance-ratio test to test the weak-form efficiency of the ISEN 100. The analyses are repeated for three sub-periods delineated in view of the endogenously determined break points.

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## Notes

<sup>1</sup> We first estimate Equation [1](#) with  $k_{\max} = 12$ . We select  $k = 12$  if the t-statistic that corresponds to  $\alpha_{12}$  is  $\geq 1.645$  in absolute value. If the t-statistic is  $< 1.645$  in absolute value, we set  $k = 11$ . We continue in this fashion until we obtain a significant t-statistic. If no t-statistic is significant, we select  $k = 0$ .

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