



Home ► All Journals ► Economics, Finance & Business ► Applied Financial Economics ► List of Issues ► Volume 16, Issue 18 ► A non-parametric assessment of weak-form

Applied Financial Economics > Volume 16, 2006 - <u>Issue 18</u>

367 34 Views CrossRef citations to date Altmetric Original Articles

A non-parametric assessment of weak-form efficiency in the UAE financial markets

Jay Squalli

Pages 1365-1373 | Published online: 02 Feb 2007

G Cite this article **I** https://doi.org/10.1080/09603100500447594

Sample our Economics, Finance, Business & Industry journals, sign in here to start your access, latest two full volumes FREE to you for 14 days

🖹 Full Article	🖾 Figures & data		Reference	es 66 Citations	s <u>III</u> Metrics
🔒 Reprints & Pe	rmissions	Read th	nis article		

Abstract

This paper tests for market efficiency in the represented sectors of the Dubai Financial Market (DFM) and the Abu Dhabi Securities Market (ADSM). Using daily sectoral indexes between 2000 and 2005, variance ratio tests reject the random walk hypothesis in all sectors of the UAE financial markets except in the banking sector of the DFM. Returns in the two financial markets are negatively serially correlated, thus suggesting the presence of a Bull market. Runs tests find insurance in the ADSM to be the only weak-form efficient sector.

Acknowledgements

I would like to offer my sincere gratitude to Ken Wilson for his guidance and support with this project. I also would like to thank Ms. Al Falasi (DFM) and Ms. Al Muhiri (ADSM) for their help with the data.

Notes

¹ These results are consistent with Lo and MacKinlay (<u>1988</u>) and Poterba and Summers (<u>1988</u>) (for short time horizons).

² Source: Central Bank of the UAE, Annual Report, 2004.

³ The industrial sector does not report its index as it is represented by only one firm in the DFM.

⁴ Source: Central Bank of the UAE, Annual Report, 2004.

⁵ Because of the inevitable heteroscedasticity in the data, the latter statistic is given the most attention.

⁶ This procedure have been described extensively in the published literature (e.g. Urrutia, <u>1995</u>).

⁷ Insurance firms represent about 22% of the total firms listed in the ADSM. The insurance sector in the UAE is the largest in the GCC and is expected to double by 2010. It is free from government regulation and generates most of its revenues from logistics due to high inflows and outflows of goods. This sector is highly liquid and, as of July 2005, has reached a capitalization of about US \$3.5 billion.

⁸ Mean reversion can suggest market corrections, corporate exploitation of competitive advantage, or corporate reaction to a competitor's competitive advantage (Haugen, <u>2001</u>).

⁹ In late August 2005, the DFM suffered a major setback as a result of bogus trading of the Dubai Islamic Bank (DIB) shares. Two individuals allegedly initiated the trading of about US \$2.6 billion of DIB stocks on the same day, resulting in an increase of 7.6% in DIB shares. As this represented about 87% of the entire market volume, the DFM and Emirates Security and Commodities cancelled all DIB transactions for that day and referred the case to the local authorities (Source: Oxford Business Group, http://www.oxfordbusinessgroup.com). Related Research Data

Random Walks and Market Efficiency Tests of Latin American Emerging Equity Markets: A Revisit Source: Financial Review Testing the Random Walk Behavior and Efficiency of the Gulf Stock Markets Source: Financial Review TESTS OF RANDOM WALK AND MARKET EFFICIENCY FOR LATIN AMERICAN EMERGING **EQUITY MARKETS** Source: The Journal of Financial Research Mean Reversion in Stock Prices: Evidence and Implications Source: Unknown Repository The random walk hypothesis and the behaviour of foreign capital portfolio flows: the Brazilian stock market case Source: Applied Financial Economics Do Asian stock market prices follow random walks? Evidence from the variance ratio test Source: Applied Financial Economics Efficiency and inefficiency in thinly traded stock markets: Kuwait and Saudi Arabia Source: Journal of Banking & Finance A new approach to decomposition of economic time series into permanent and transitory components with particular attention to measurement of the 'business cycle' Source: Journal of Monetary Economics Permanent and Temporary Components of Stock Prices Source: Journal of Political Economy Efficient Markets Hypothesis and the Emerging Capital Market in Sri Lanka: Evidence from the Colombo Stock Exchange – A Note Source: Journal of Business Finance & Accounting RANDOM WALK TESTS FOR LATIN AMERICAN EQUITY INDEXES AND INDIVIDUAL FIRMS Source: The Journal of Financial Research African stock markets: multiple variance ratio tests of random walks Source: Applied Financial Economics Does the Stock Market Rationally Reflect Fundamental Values? Source: The Journal of Finance The Inefficient Stock Market Source: The Journal of Alternative Investments Asset Prices in an Exchange Economy

Source: Econometrica				
Mean reversion in stock prices				
Source: Journal of Financial Economics				
Stock Market Prices Do Not Follow Random Walks: Evidence from a Simple				
Specification Test				
Source: Review of Financial Studies				
Linking provided by 戻				

Share

Related research 1

People also read	Recommended articles	Cited by
•		

Information for	Open access
Authors	Overview
R&D professionals	Open journals
Editors	Open Select
Librarians	Dove Medical Press
Societies	F1000Research
Opportunities	Help and information
Reprints and e-prints	Help and contact
Advertising solutions	Newsroom
Accelerated publication	All journals
Corporate access solutions	Books

Keep up to date

Register to receive personalised research and resources by email





Copyright © 2025 Informa UK Limited Privacy policy Cookies Terms & conditions

Accessibility

Registered in England & Wales No. 01072954 5 Howick Place | London | SW1P 1WG

