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# Efficient market hypothesis in European stock markets

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## Abstract

This paper reports the results of tests on the weak-form market efficiency applied to stock market indexes of UK, France, Germany, Spain, Greece and Portugal, from January 1993 to December 2007. We use a runs test, and joint variance ratio tests, which are performed using daily and weekly data for the period 1993–2007 and for a subset, 2003–2007. Daily and weekly returns are not normally distributed, because they are negatively skewed and leptokurtic, and also display conditional heteroscedasticity.

Overall, the results suggest that the efficient market hypothesis is rejected for the two countries and UK data. The autocorrelation of the returns is positive and significant for the two countries and UK data. The variance ratio test rejects the null hypothesis of random walks for the two countries and UK data. The results suggest that the efficient market hypothesis is rejected for the two countries and UK data.

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