THE EFFICIENT MARKET: RAMBLING EVIDENCES IN ASIA AND PACIFIC

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ABSTRACT

Empirical evidences in the literature seem not consistent about market efficiency, even for the same market. As some studies consistently accept the existence of efficiency and some reveal rejecting the efficient market hypothesis within the same markets investigated, this paper attempts to explore the extent to which the efficient market hypothesis becomes meaningful, beyond the perspective of different empirical analyses on market efficiency. Hence, this paper explores the empirical investigations carried out in the Asia and Pacific regions, except middle-east countries, to confirm which markets in the study area are efficient. The study demonstrates that the share markets in Thailand, Singapore, Japan and New Zealand are reasonably reflecting the efficiency, not in other countries, as per the reviewed literature by this study.

Keywords: Efficient market hypothesis, Random Walk, Asia, Pacific
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1. INTRODUCTION

Market efficiency is long lasting topic investigated over time. Relevance of efficient market hypothesis has been investigated with respect to share capital markets in various countries. It is the general acceptance that the efficient market theory becomes prime source to devise the regulations and governing procedures for corporate governance, disclosures and activities within the business environment.

This paper presents the empirical studies carried out in the Asia and Pacific regions, except middle-east countries, in a broadest perspective. Some studies consistently accept the existence of efficiency and some reveal rejecting the efficient market hypothesis within the same markets investigated. However, due to various analyses, there are possibilities for varying empirical evidences.
Degutis (2014) argue no consensus ways of measuring risk in testing market efficiency and that the share prices are affected due to irrational behaviour of the investors in a financial market, though the market is efficient. This again makes the studies to claim inefficiency of such market.

Using the empirical evidences, this paper attempts to explore the extent to which the efficient market hypothesis becomes meaningful, beyond the perspective of different empirical analyses and findings on market efficiency. Kristoufek and Vosvrda (2012) specifically indicate that generally basing on geographical segmentations, Asian markets are not efficient in weak form and Europe markets are efficient. Hence, this attempts to explore the evidences of market efficiency in the Asia and Pacific regions (except middle-east nations).

In accordance with the existing literature reviewed by this study, the share markets in Thailand, Singapore, Japan and New Zealand are reasonably reflecting the efficiency and the rest that this study considers are not. As most countries demonstrate inefficiency of their stock markets, those countries should pay attention on devising ways to improve the efficiency, if they have genuine concern over establishing their markets with efficiency. This study also indicate that the countries having efficient markets must also pay attention on monitoring and evaluation to keep the markets efficient in line with the dynamic changes in environment, since the efficiency of a share market in a country can reflect the economic growth of a nation and can play a leading role in an economy’s inter-temporal behaviour as indicated in Leigh (1997).

To highlight the efficiency of different share markets in the countries considered, the rest of this paper is organised as: efficient market and their different forms, empirical evidence on the efficient market hypothesis, and concluding remarks.

2. EFFICIENT MARKET AND THEIR DIFFERENT FORMS

In simple terms, the efficient market refers to the efficiency of share prices in reflecting all available information in it. Hence, the share prices are the means of demonstrating the efficiency of the market. Every firm targets for increasing the wealth of its shareholders and its share price consists of all related information
with respect to the firm’s functionality and reflects current market value of the firm.

The term “efficient market” primarily becomes famous after Fama’s (1970) review on the literature related to market efficiency, though there are other scholars (e.g., Samuelson, 1965) previously explored about the random walk of the share prices. The market efficiency basically related to the theory of investments and indicates that investors’ abnormal gaining becomes impossible beyond the market, since the efficiency of the market always keeps the share prices incorporating and containing all available information and that makes a firm’s share to be traded at its fair value in the market. Hence, share price is the good intrinsic value estimator of a firm at all times in the market.

The efficiency of a market is also implied with how much the share prices have incorporated related past information, and how they incorporate existing publicly available and hidden information in them. In this context, the efficiency of the market is basically categorised and termed as efficient market hypotheses (EMH). The theory of EMH is constructed with certain primary assumptions: all investors at large rationally analyse to value shares for profit gaining out of the market; flow of new information is free of charge, random and independent in the market; and the share prices react and respond to the new information as being incorporated to reflect in them. The EMH basically considers three descriptions of the informational efficiency of share prices and markets, relatively. They are namely: weak, semi-strong and strong form efficiencies.

Weak form efficiency of a market refers to the share prices that reflect only the past historical information. Hence, they are not useful with the technical analysis to predict future prices and earn additional return. However, the fundamental analysis together with non-public information may be useful to predict future prices of shares. Generally, analysts believe that every market is basically of weak form efficiency. However, some studies like Chaudhuri (1991), Mobarek and Keasey (2000) and Nisar and Hanif (2012) indicates that the term “efficiency” is no more applicable for certain markets, since they fail to satisfy the requirement of weak form efficiency and are of imperfection.
Semi-strong form of market efficiency conceptualizes the informative contents of share prices with not only the historical information, but also publicly available other related information. Specifically, the publicly available information, for example, refers to the information from the firm’s annual reports (including financial statements), and about competitors, market situations, effects of macroeconomic factors (such as inflation, interest rates, general innovation levels, unemployment and balance of trade), etc. In this context, if the market is semi-strong efficient, the share prices would have informativeness about not only reflect historical information on a firm’s value, but also the information on general economic conditions and the firm’s related current financial positions.

The strong form market efficiency implies efficiency of share prices in containing all (historical, publicly available and hidden unique) information; and by any mean, no one can beat the market with excess return. As the strong form efficiency of a market is meant for a comprehensive information capacity of share prices and the difficulties of specifically identifying the hidden information, it seems difficult to identify such a strong form efficient market. If the market is strongly efficient with the incorporation of hidden and insider information, gaining abnormal returns beyond the normal returns is impossible. Explicitly, currently existing share markets somehow operate with the prudent investors who are able to beat the market, thus implying that certain information are not incorporated in the share prices. When the market is strongly efficient, no any (technical, fundamental or insider information) analysis is useful in predicting the future prices.

3. EMPIRICAL EVIDENCE ON THE EFFICIENT MARKET HYPOTHESIS

As there are three forms of market efficiency and all markets are basically considered of weak form efficiency, many studies have investigated the hypothesis of weak form efficiency of the markets. The results are consistent, as studies accept the efficient form of markets; and some are not. In this context, Shiller (2013) indicates that the efficient market is half-way-true; and Woolley (2014) argues about the fall of the efficient market, where the study demonstrates that share prices in the context of efficient market do not support for explaining recent market behaviour and asset pricing. The following section provides some regional evidences...
how the identical markets behave and provide information to investors, in terms of efficiency.

3.1 South Asia Markets
The share markets in India, Sri Lanka, Pakistan and Bangladesh are mostly dominating in South Asian stock market arena. Hence, this section provides some empirical evidences in relation to the market efficiency of those markets.

With respect to Indian stock markets, Sasidharan (2009) cites Sharma and Kennady (1977) for supporting the existence of the weak form efficiency of market. The study tests weak form efficiency of markets with respect to London, New York and Bombay stock exchanges and concludes the study in line with the efficient market hypothesis for their weak form. Nadig and Shivaraj (2013) also indicate that the studies on Indian capital markets over time by Sharma (1983), Ramachandran (1985), Barua (1987), Srinivasan (1993), Vaidyanathan and Gali (1994), and Totala, et al. (2012) represent their weak form efficiency. These studies confirm the random walk of share prices. Inconsistently, the studies like Choudhuri (1991), Poshakwale (1996), Pant and Bishnoi (2002), Gupta and Basu (2007), Mishra (2009), Mishra and Pradhan (2009), Thomas and Kumar (2010), Patel et al. (2012), and Nadig and Shivaraj (2013) however do not support the efficiency of Indian stock market. Thus, the decision on the efficiency of Indian stock market is eventually inconclusive.

Abeysekera (2001) examines the share price behavior in the Colombo Stock Exchange, Sri Lanka for its consistency with the weak-form efficiency. The results of autocorrelation, cointegration and run tests do not support the consistency of share price behavior with the weak form efficiency. Cooray and Wickramasinghe (2005) confirm that stock markets in Pakistan and Sri Lanka are weak-form efficient, while the stock market of Bangladesh has not supported for the weak-form efficiency. However with cointegration and Granger causality tests, the study reveals the interdependency of the markets, irrespective of their efficiency. The study also demonstrates that the policy makers of the respective countries should pay attention on improving the corporate disclosures to reflect instantly in the share prices. This makes questioning whether the share prices seem weak even to accommodate
the information from financial statements. Consistently, Senthilnathan and Hajoon (2013) also question for the weak-form efficiency of Sri Lankan stock market, since the results are not consistently reported in year-wise analyses for the relevance of primary accounting variables.

Mahmood and Rehman (2007) consider share prices of KSE 100 - indexed companies of Karachi Stock Exchange in Pakistan for the 10 year-period from July 1996 to June 2006 to test the market efficiency. The study results in acceptance of random walk hypotheses for monthly and daily data, thus confirming no any day of the week effect or month effect on the share prices. Hence, they conclude the market is of weak form efficient with respect to the KSE 100 - indexed companies in Pakistan. However, the results from the study by Hassan et al. (2007) are not consistent with Mahmood and Rehman (2007). Hassan et al. (2007) considers the Karachi Stock Exchange and examine for its informational efficiency with respect to daily, weekly and monthly returns. The results of the analyses for serial correlation, normality, unit root and multiple variance ratio tests reveal in a broad perspective that the Karachi Stock Exchange has not satisfied the required level of weak form efficiency, since the share prices failed to characterize the random walk. This implies that there is room for investors to predict market behaviours with technical analyses to earn abnormal returns beyond the markets. Malik and Zaman (2014) also endorse Hassan et al. (2007) for inefficiency of Pakistani firms. Further, some other studies (e.g., Husain, 1998; Mustafa, 2008; Zafar et al., 2010) also confirm non-random movement of prices and inefficiency of the Pakistan markets, while studies like Ali and Akbar (2009) demonstrate random walk and efficient market with share price movements.

Mollah and Bhuyan (2008) examines whether Dhaka Stock Exchange has efficiency with the random walk process of share prices. They also consider daily share price indices for the period 1988-2000; and the results reveal insufficient evidence for supporting market efficiency, since the share prices fail to form a random walk process. Mollik and Bepari (2009) test the weak form efficiency of the Dhaka Stock Exchange in Bangladesh. They employ parametric and non-parametric tests for daily general index of the stock exchange for the period 2002-2007, and confirm that returns are stationary and are away from random walk process, thus endorsing rejection of efficient market hypothesis for Dhaka Stock Exchange.

Nisar and Hanif (2012) intends to explore whether the share prices are efficient for incorporating information as useful to investors with respect to the economic setback in the early part of this 21st century. Hence, the study considers major share markets in the South Asia, namely Bangladesh, India, Sri Lanka and Pakistan, and their historical value of share prices on daily, weekly and monthly basis for the period 1997-2011. As the study examines the efficiency of these markets, the results reveal that share prices are no more with the random walk, thus no more with the market efficiency. The results are very much consistent with the findings by Mishra (2012) that South Asian stock markets are inefficient in weak form. This implies possible opportunities for investors to beat the market with abnormal gaining. Notably, the results are not consistent with Cooray and Wickremasinghe (2005), except Bangladesh.

Above empirical contributions in the literature provide mixed results of stock markets in South Asian countries. In a general, perspective, this paper considers all the stock markets in the South Asian countries are inefficient of the weak-form.

3.2 Asia and Pacific Markets

This study considers another segment of regional markets, where some evidences for the efficiency of other markets in the Asia (except Middle East countries) and Pacific regions are explored. In the region, some markets (like in China, Malaysia, India, Sri Lanka, etc.) are identified as emerging markets and some (like in Australia, New Zealand, Singapore, etc.) are as developed markets. This section presents some evidences for efficiency of
such markets, individually and comparatively.

Bol (2001) endorse no rejection of efficient market hypothesis for the Kuala Lumpur Stock Exchange in Malaysia for the period 1994-1999. Wong et al. (2007) examine random effect and seasonality of monthly share prices in the Kuala Lumpur Stock Exchange for the (13-year) period 1994-2006. They indicate that share prices do not reflect a complete random process within the period. The study also indicates possible room for investors to improve their returns by using appropriate trading means, while exploring monthly seasonal pattern (the monthly effects with positive returns for January and February, negative returns for March and September. However, they also document no monthly effect in the stock exchange with the Wald test and Kruskal-Wallis test. All these results by Wong, Ho and Dollery (2007) seem inconclusive whether to accept the efficiency of the Kuala Lumpur Stock Exchange. Consistently, Monday effect in the Malaysian stock market is reported by Maheran et al. (2010).

Cheong and Isa (2007) also investigate the random walk of share prices within the condition of drift and structural break with the Kuala Lumpur Stock Exchange. The study considers continuous compounded inter-day returns, composite index and major sector-based indices to test the random walk of equity prices, with respect to structural changes in the market and macroeconomic policies. The study results confirm the random walk of share prices. However, the study also indicates some missing drifts that can be accountable as the source of predicting returns. This dilutes and questions about the efficiency of Malaysian stock market. Cheong (2008) also examines the weak form efficiency of Malaysian market for the period 1996-2006 with structural breaks. Cheong (2008) endorses this implying ambiguity on its efficiency with the findings from employing the unit-root test, where the test has ignored the control over currencies and economic setback. The results of the study do not support the efficient market hypothesis, since they imply violating the random walk requirements of share prices. Hence, Cheong (2008) concludes that within the structural change, the share markets in Malaysia are inefficient and not satisfying the weak form efficiency. Maheran et al. (2010) also consistently endorse Cheong (2008) on its efficiency with their findings from ordinary least square analyses. The study indicates that
Malaysian stock market is subject to weekend effect; and therefore, it is not efficient.

Using unit root, cointegration, serial correlation and Granger causality tests, Laurance, Cai and Qian (1997) demonstrate weak-form efficiency of Chinese stock markets. However, Ma and Barnes (2001) examines the efficiency of China share markets (both Shanghai and Shenzhen) with the correlation, variance ration and run tests for monthly, weekly and daily index and share data for the period 1990-1998. They demonstrate that China’s markets are not weak form efficient. Similarly, Barnes and Ma (2001) consider the China markets to explore their semi strong form efficiency for publicly available information, with respect to an event study of bonus issues announcements for the study period 1994-1998. They indicate that positive returns are attracted with high bonus ratio issues and negative returns are attracted with low bonus ratio issues. Some similarities are observed with the prices of A-shares and B-shares, as the reactions related to bonus issue approvals. However, the study concludes partial rejection of semi-strong form efficiency for China’s markets.

Liu (2003) examines the Shanghai Stock Exchange whether it is a weak-form efficient market with the data for the period April 1996 – April 2002. The study demonstrate the contrarian strategies that make the investors gain positive abnormal returns, thus supporting for rejecting the weak for efficient market hypothesis for Shanghai market (contrarian strategy: buying stocks that poorly performed in the past and selling stocks that well performed in the past – Liu, 2003). Chung (2006) investigates both Shanghai and Shenzhen share markets in China with the efficient market hypothesis for the period February 1992 – December 2006. The study considers daily returns for both A and b shares of the markets to test random walk of share prices and the market behavior for the day of the week effect. With unit root, multi-variance ratio and run tests, and ordinary least square regression analyses, the study confirms that the both Chinese markets are inefficient to represent weak-form efficiency.

Mahmood et al. (2010) examines the Chinese share market efficiency and the impacts of global economic setback on the market with share returns for the period 2004-2009. The study results reveal weak-form efficiency of the Chinese stock
market; hence, the share price movements in Chinese stock market form random walk; and investors cannot gain excess returns in the market. The study further demonstrates that the efficiency of the Chinese market has not been diluted by the global financial crisis. Notably, the results of Mahmood et al. (2010) are not consistent with Liu (2003) and Chung (2006) with respect to the Chinese market efficiency.

Jiranyakul (2007) examines the efficiency of Stock Exchange of Thailand using monthly stock market index for the period 1987-2006. Unit root and variance ration tests reveal random walk process of the market, thus confirming weak-form efficiency of the Stock Exchange of Thailand. Chancharut et al. (2009) test the random walk of share prices in Thailand for period December 1987 – December 2005, using unit root tests. Results confirm random walk characterization of share prices in Thailand, though the structural adjustments have taken place within the study period due to both the Asian and world financial crashes. Notably, the results endorse the efficiency of Thailand market as in Jiranyakul (2007). Consistently, Mamadov and Klang (2009) also indicate that the Thailand market is efficient from the insider trading perspective, since their results show that the buying and selling processes by corporate insiders do not allow them to gain abnormal returns in the market. However, this is not consistent with Boonyawat et al. (2005), as they indicate that both insiders and outsiders can influence the market to earn abnormal returns. Khamthavit et al. (2012) indicate that the efficiency of Thailand market had customized gradually over the period 1975-2011 and demonstrate today’s improved significant efficiency of Thailand market.

Investigations on Vietnam stock market are very rare in the literature. Aumeboonsuke (2012) indicates Vietnam stock market is comparatively inefficient. However, citing previous studies in other countries on efficient market hypothesis, Phan and Zhou (2014) investigate the weak-form efficiency of Vietnam market with weekly returns for 13 years (July 2000 – July 2013), and autocorrelation, variance ratio and run tests. The study reveals weak form inefficiency of Vietnam share market, since the results of random walk tests tend to reject the hypotheses of random walk and efficient market. They also demonstrate that the psychological
intentions of investors significantly contribute to predict share prices. Though Phan and Zhou (2014) basically concludes that the weak-form efficiency of Vietnam stock index somehow not exists, the study also indicates, by citing Lo and MacKinlay (1988), the potentiality of Vietnam market efficiency with the results and pinpoints: (a) the random walk of share prices is acceptable for the period February 2009 – July 2013, and gradual improvement took place in the last 10-year operations, in the Vietnam market. Hence, the conclusion about the Vietnam market efficiency by Phan and Zhou (2014) seems controversially inconclusive that dilutes the possible existence of its efficiency.

Leigh (1997) examines forms of efficiency of Singapore share market, by highlighting the relationship of stock market behaviour to overall growth of Singapore economy. Leigh (1997) confirms weak form and semi-strong form efficiencies of the Singapore share market. The study further documents with the Granger causality test that the Singapore stock market has a systematic relationship to the overall economy of Singapore, thus becoming a significant indicator of the economy’s inter-temporal behaviour. However, Padnakanthi (2006) investigates volatility of share prices that causes day-of-the-week and monthly effects in the Stock Exchange of Singapore for the period 1991-2004. The study reveals existence of the day-of-the-week effect (significantly higher volatility on Monday and negative volatility on Friday) in the study period and has also declined significantly in the Singapore market. However, the monthly effect has not been significantly reported. Study also demonstrates that the seasonal anomalies disappear in the long run, as the investors utilize the possible volatility opportunities, thus implying the recovery of Singapore market towards efficiency. Wong et al. (2006) also examine the anomalies in Singapore capital market for the period 1993-2005 and find disappearance of the anomalies in the market. Hence, the Singapore market is efficient specifically with the knowledgeable and experienced investors, information and communication technology, and low cost information. However, Hellman et al. (2012) indicate existence of both day-of-the-week and month effects with the data from Singapore Straits Times Index for the period 1993-2011 and conclude that these anomalies can make the investors to devise strategies to gain abnormal gain over the Singapore market. This makes questioning
about the efficiency of Singapore stock market.

Nagasuyu (2003) reports inefficiency of Japanese market, since Nikkei 225 produces the statistical properties against the efficient market hypothesis. Worthington and Higgs (2006) indicate efficiency of Japanese market, while Yusupov and Lux (2007) inconsistently, but supportively to Nagasuyu (2003), indicate weak-form inefficiency of Tokyo Stock Exchange. Kristoufek and Vosvrda (2012) examine the market efficiency of 41 different stock indices. The study demonstrates that the NIKKEI of Japan is the most efficient market. They also specifically indicate that generally Asian markets are not efficient from a geographical segmentation. The results from Kristoufek and Vosvrda (2012) are consistent with Worthington and Higgs (2006).

Lim, Brooks, and Hinich (2008) examine the weak-form efficiency of share markets in 10 - Asian countries, namely China, Malaysia, Indonesia, South Korea, India, Pakistan, Sri Lanka, Thailand, the Philippines, and Taiwan, with their daily indices. They find “a pure noise process” of all the returns in all ten countries for a long term and conclude that the weak-form efficient market hypothesis is in line with these countries. However, the study also indicates “the cross-country differences in nonlinear departure from market efficiency can be explained by market size and trading activity, while the transient burst of nonlinear periods in each individual market can be attributed largely to the occurrence of economic and political events”. This implies that all these markets are not consistently efficient, and the efficient face of these markets subject to change with respect to economical and political activities and events. Hence, consistent efficiency of these markets becomes questionable.

Hoque et al. (2007) consider share markets in eight Asian countries (namely, Hong Kong, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, and Thailand) to examine the random walk of equity prices with different versions of variance ratio tests. The study divides the study period into two for analyses: (1990-1997) – the pre-crisis period; and (1998-2004) – the post-crisis period. Overall analyses indicate that the share prices of the countries fail to support the random walk and efficient market hypotheses, but specific exceptions are for Korea and
Taiwan. The study also reveals that in general, the degree of efficiency has not improved, even in the post-crisis period in the countries.

Aumeboonsuke (2012) examines weak-form efficiency hypothesis with six equity indices of the ASEAN (Association of Southeast Asian Nations). The study considers Malaysia, Indonesia, the Philippines, Thailand, Singapore and Vietnam indices for the period 1991-2012. The correlation and run tests reveal inefficiency of ASEAN equity markets, thus failing to support efficient market hypothesis, in general. However, further analyses indicate that the efficiency of Thailand and Singapore markets has improved across the period 2001-2012, but not for other countries.

Worthington and Higgs (2006) examine the weak-form efficiency of Asian markets with daily returns using equity prices, and the serial correlation and run tests for random walk. In this context, this study considers China, India, Indonesia, Korea, Malaysia, Pakistan, the Philippines, Sri Lanka, Taiwan and Thailand as emerging (10) markets and Australia, Hong Kong, Japan, New Zealand and Singapore as (5) developed markets. The correlation and run tests reveal weak-form inefficient for all markets, while unit root test indicates all the markets are weak-form efficient, but not for Australian and Taiwan markets. The variance ratio tests reveal no weak form efficient for all emerging (10) markets, since their price movements are away from random walk. However, among the developed markets, New Zealand, Japan and Hong Kong satisfy the random walk process and efficiency of equity prices. Notably, Australian market seems inefficient, though it is considered as a developed market.

Samaratunga (2008) considers eight nations of Asia-Pacific region to examine their share market efficiency and integrations. Identically, the study analyses weekly returns data for the period July 1997 – May 2008 from four developing (Sri Lanka, Pakistan, Malaysia and China) and 4 developed (Australia, Japan, Hong Kong and Singapore) countries. With the support of unit root, autocorrelation, variance ratio and cointegration test, Samaratunga (2008) finds that Japanese share market is evident for no inefficiency, while Australia, Pakistan and Sri Lanka appear to be inefficient. With regard to Australian market, the results are consistent with Worthington and Higgs
Results seem inconclusive with ambiguity for Malaysia, Hong Kong, China and Singapore markets regarding their efficiency. Further, Samaratunga (2008) spells for no long term co-movements between share prices of countries, thus supporting for international diversification among the countries. Notably, investors generally consider diversification to ensure consistent earnings, without facing high risk of gaining. Hence, this possible international diversification can pave ways for investors to gain at least the risk-free-return. If the investors gain risk-free-return through diversification, it is possible to term that the respective markets are efficient. However, if the diversification provides abnormal returns to investors, “which market is inefficient” is verifiable.

Though the above empirical evidences the literature provide mixed results of stock markets in Asia and Pacific countries, the markets in Thailand, Singapore, Japan and New Zealand mostly support for efficiency and other countries do not support for their efficiency of weak form. Notably, the Australian market is basically considered by studies as a developed market, but it comparatively seem inefficient.

6. CONCLUDING REMARKS

The share price movements are vastly investigated theoretically and empirically, since they have been generally accepted as the summary measure of reflecting a firm’s fair market value. The worthiness of efficient market hypothesis merely depends on the degree to which the share prices carry information about their historical movements, firms’ publicly related information and firms’ hidden information; and the degree of market efficiency also spells out accordingly. As the market efficiency is regarded for openness and transparency of information, every governing body has concern over bringing its share market as being informational efficient, since the share market is considered as a phenomenon of economic development of a nation. Hence, the investigations on the efficient market hypotheses have drawn attention of empiricists and policy makers.

Notably, various anomalies like day-of the-week effect and monthly effect for example in a market make questioning about existence of the market efficiency. This makes some to argue impossibility of efficient markets. Hence this study explores some empirical findings to conclude which markets are meaningfully
supported to be efficient, particularly in the Asia and Pacific regions (except middle-east nations) and to demonstrate them as the examples of efficient market. The empirical evidences show that the share markets in Thailand, Singapore, Japan and New Zealand are reasonably reflecting the efficiency. As most countries demonstrate inefficiency of their stock markets, those countries should pay attention on devising ways to improve the efficiency, if they have genuine concern over establishing their markets with efficiency.

The inefficient markets should consider the efficient markets as the models for efficiency and must devise strategies to make their markets efficient. This study also indicates that the countries having efficient markets also must pay attention on monitoring and evaluation to keep the markets efficient in line with the dynamic changes in environment, since the efficiency of a share market in a country can reflect the economic growth of a nation and can play a leading role in an economy’s inter-temporal behaviour as indicated in Leigh (1997). In this context, governing bodies of a share market in a nation should have active concern over devising strategies to make the market to be weak-form efficient, at least. With the reviewed literature, this study also possibly supports for the existence of a weak-form efficient market, since the market efficiency depends on various factors, including knowledge and actions of investors.

REFERENCES


