Weak-form market efficiency and nonlinearity: Evidence from Middle East and African stock indices

Abstract

This study examines the existence of nonlinear serial dependence in five stock markets in the Middle East and Africa. The results from the application of a battery of nonlinearity tests reveal that after removing all short-term linear dependence, the stock returns still contain predictable nonlinearities that contradict the unpredictable criterion of weak-form efficient markets hypothesis.