

Price limits and stock market efficiency: Evidence from rolling bivariate correlation test statistic

Abstract

Using the rolling bivariate correlation test statistic, the present paper compares the efficiency of stock markets from China, Korea and Taiwan in selected sub-periods with different price limits regimes. The statistical results do not support the claims that restrictive price limits and price limits per se are jeopardizing market efficiency. However, the evidence does not imply that price limits have no effect on the price discovery process but rather suggesting that market efficiency is not merely determined by price limits. © 2007 Elsevier Ltd. All rights reserved.