

## **Technical anomalies: a theoretical review**

### **Abstract**

The validation of weak-form efficient market hypothesis (EMH) depends on the testing of random walk hypothesis (RWH) and the non-presence of technical anomalies. Once technical anomalies are discovered based on the interpretation of technical analysis, investors can exploit these opportunities to earn above-normal returns from price forecasting. Thus, it violates the weak-form EMH. As the weak-form is violated, it would imply that all stronger forms of EMH are not supported. Hence, the issue of technical anomalies should not be ignored in the EMH study. This study focuses on the theoretical review of several important forms of technical anomaly, including short-term momentum, long-run return reversals, stock price volatility clustering, calendar anomalies, and technical rules. Based on the review of literature, we suggest that the persistence of anomalies over long-period horizon has remained controversial. In practical, the reliability of the forecast power of technical analysis is important to show the relevance of technical anomalies in the EMH domain.