

The weak-form efficiency of Asian stock markets: New evidence from generalized spectral martingale test

Abstract

The most appropriate approach to test for weak-form market efficiency is to examine whether the stock returns are Martingale Difference Sequence (MDS). However, the MDS tests have been largely ignored by previous studies, as the empirical analysis is dominated by Variance Ratio (VR) tests and Independent and Identically Distributed (IID)-based nonlinearity tests. This article re-examines the weak-form efficiency of 14 Asian stock markets using the generalized spectral martingale test. The result shows that all the return series are not MDSs, indicating the presence of return predictability and hence market inefficiency.