

## **Is market integration associated with informational efficiency of stock markets?**

### **Abstract**

This study addresses the question of whether a more integrated stock market is associated with a higher degree of informational efficiency. We employ the adjusted pricing error from an equilibrium international asset pricing model as a proxy for market integration. The aggregate country-level price delay serves as an inverse measure of informational efficiency, as it captures the relative speed with which each aggregate stock market reacts to global common information. Using data from 49 countries, we find robust evidence supporting the hypothesis that markets more integrated with the world are also more efficient, and this positive association is only significant in the sub-sample of emerging stock markets. The results provide additional insight on the factors facilitating the transmission of global information and yield important policy implications.