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The Validity of Efficient Market Hypothesis –Basis and Dimension

Amrinder Singh Sandhu*

*Assistant Professor, Department of Commerce, Bhag Singh Khalsa College for Women (Affiliated to Panjab University, Chandigarh), Kala Tibba, Abohar.

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The information is indeed the best available source to understand any phenomenon. The same holds true for financial information, be it publically available or otherwise. The Efficient Market Hypothesis (EMH) substantiates the same postulate that the price of a financial asset reflects all the available information to some or the other extent. Thus, EMH lays down the basis for forecasting and prediction of fair market value of such assets. The present paper tends to study EMH in detail its various dimensions. The peculiarity of information lies in the fact that no investor can use it to obtain excess return – the price of such asset would have already absorbed sufficient information, consequently only a new piece of information can alter the prices. Due to the content that information contains the phenomenon is typically called – Random Walk Hypothesis as well. In this era especially when information is spread all across the globe and that too in abundance, has further helped international investors to invest in cross border stock markets as such and enhance their returns.

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