PhD Colloquium

EMPIRICAL RESEARCH ON THE INFORMATION EFFICIENCY OF THE MACEDONIAN STOCK EXCHANGE

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ABSTRACT
One of the basic hypotheses in modern finance that defines financial markets is the Efficient Market Hypothesis. The existence of information efficient markets, where all information is incorporated in the price of financial instruments is the basis of rational economic theory. There may be an upward or downward trend in the financial markets, but after the inclusion of new information in the financial instruments, they would stabilize until the next new information. In addition to the definition of efficient markets, the hypothesis of random walk has a significant application, which explains that the market cannot be beaten and that prices and returns move in a random upward or downward direction. The paper includes two methodologies to confirm the efficiency of the financial markets. The first research was conducted in order to confirm the hypothesis of a random walk implementing a coefficient of variance test. The test was conducted using a large series of data of the returns' movement of stock exchange indices on the Macedonian, Belgrade, Zagreb, Sofia and Ljubljana Stock Exchange, as well as the American S&P500 index. The second research which is including the model of market multipliers was conducted for the most liquid stocks on the Macedonian Stock Exchange and selected stocks from the US Stock Exchange Markets, in order to show the underestimation or overestimation in relation to the market value of stocks, thus to show the sentiment that investors have when trading a certain type of stock. The results of the research show that the regional financial markets, as well as the domestic ones, do not follow the random walk, giving an opportunity to the possibility of using alternative behavioral approaches to explain the reasons for the deviation. For the second survey, where significant differences in the fundamental and market value of the stocks appear, the reason for the deviation is the expectations of investors.

Keywords: *Efficient Market Hypothesis, Random Walk, Stock Exchange, Behavioral Finance*

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