Module 11 · Efficient market hypothesis P14 · 11.1–11.3

SM pp. 445–455 (exercise 456–464). **MCQ only**: one a paper D23 → J25, none in D25 / J26 (expected 0.9). D23 insider cannot profit = strong form · J24 public information in prices = semi-strong · D24 event study tests the semi-strong form · J25 true for all three forms.

- **Weak form**: each share price reflects all information in **past share prices** (and trading data) — technical analysis cannot earn excess returns. [SM 449]
- **Semi-strong form**: prices reflect past prices **and all publicly available information**; tested by the speed of price adjustment to public news — **event studies** (stock splits: Fama, Fisher, Jensen and Roll, 1969). [SM 449–450]
- **Strong form**: all information, public or **private**, is in the price — not even insiders can earn above-average returns. [SM 449, SM 453]
- Semi-strong anomalies in the SM: exchange listing, low P/E stocks (Basu, 1977), the size effect (Banz, 1981). [SM 451–452]
- An efficient market: a new fair value (say ₹205) is reflected at once; in an inefficient one it adjusts slowly as brokers spread the news. [SM 446]

Practise these: MCQs D23 Q1(v), J24 Q1(ix), D24 Q1(xv), J25 Q1(xii) · SM exercise (SM 456–464) · MCQ bank (Module 11 set).