



**TESTING A WEAK FORM OF EFFICIENT MARKET
HYPOTHESIS: A CASE OF FTSE ITALIA ALL SHARE
INDEX**

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ABSTRACT

The efficient market hypothesis is the hypothesis that described the efficiency of the stock market in terms of how stock price react to the new information. The topic had been narrowed down on the weak form of the efficient market hypothesis. The weak form indicates that current stock market prices are fully reflects all stock market information including historical price. The problem is whether the price of FTSE Italia All Share Index in Italy Stock Market is efficient in the weak form of Efficient Market Hypothesis? The main objective of this study is to verify weak form of market efficiency of FTSE Italia All Share Index in Italy Stock Market. Besides, the study is conducted to investigate whether the indexes follow the Random Walk hypothesis or not.

The variable in this study is the stock market index of the FTSE Italia All Share Index in Italy Stock Market. The samples in this study include daily, weekly and monthly closing price of the index. The analysis is observed in the range of 5 year in daily, weekly and monthly observation start from January 2011 to December 2015 with total number of 1258 observations for daily sample, 265 observations for weekly sample and 60 observations for monthly sample. The statistical test applied in this study is Descriptive Statistic, Augmented Dickey Fuller (ADF) Unit Root Test, Philips-Perron (PP) Unit Root Tests, Autocorrelation Test and Run Test

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CHAPTER 1: INTRODUCTION

1.0 Introduction

This chapter will covers the background of the study which are the background of efficient market hypothesis and the Italy Stock Exchange, problems statements of the study that try to fills the gap of the study conducted before by other researcher, research questions and research objectives, significant of the study which is to whom this study will be benefit and the structure of this study that explain overall structure of the research.