TESTING THE WEAK-FORM MARKET EFFICIENCY: A CASE OF FTSE100

NURNATHILIA BINTI AB MAJID
2014402374

BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SEGAMAT, JOHOR.

JUNE 2016

ACKNOWLEDGEMENT

Above all else, I wish to remember my good fortune and expressed gratitude toward Allah S.W.T for giving me the mental and physical resources and in addition other positive ascribes quite persistence to finish this testing research paper. Exceptional notice goes to my folks for being such extraordinary and astounding ones on the grounds that without their understandings and steady activities, I won't not be fit to reach now of progress.

I am highly indebted to En. Wan Mohd Farid Wan Zakaria for the leadership, constant supervision, stimulating suggestions proposals and in addition for giving important data with respect to the study and likewise for his backing in settling the undertaking. All your advice will not be forgotten, indeed. Not to forget, En. Syamsyul Samsudin, for his guidance and speeches.

Besides, i would like to show appreciation to each students in my class for the patience, time and effort in contributing ideas and giving out opinions during the entire report making process especially the BBA (Honors) Finance '14 for the continuously constructive critics. I would like to acknowledge the contribution to this study to the lecturers who also helped in completing my research.

Lastly, i would like to value all, who had involved directly or indirectly in my project, particularly my family members and friends. I have taken efforts in this project.

ABSTRACT

The weak-form Efficient Market Hypothesis (EMH) suggests that current share prices fully incorporates historical data such as prices and any information concerned with the market. The research on weak-form market efficiency has been executed in different emerging and developed countries while applying various methods. Random Walk Model (RWM) adopts that changes in price are randomly distributed, so future price changes cannot be projected from the changes in past price. The findings were provocative that some hold the EMH, whereas others do not. Thus, a study is conducted to test on London Stock Exchange (LSE), investigating whether the market is efficient or inefficient over the time period of the research. This study aims to investigate the efficiency of the weak-form EMH on the LSE. The variable associated is FTSE100 selected from LSE towards the market efficiency. The data involved is the daily, weekly and monthly return series of the market index covering the period of five-year average, commencing January 2011 to December 2015. Descriptive Statistics, Augmented Dickey-Fuller (ADF)/ Phillip-Perron (PP) Unit Root tests, Autocorrelation test as well as Runs test were used in this study, resulting to the efficiency of the LSE.

TABLE OF CONTENTS