

Episodic Non-linearities and Market Efficiency in the Mexican Stock Market

Bonilla, Claudio A.; Romero, Rafael; Gutierrez, Elizabeth

MANCHESTER SCHOOL

Vol. 79, n° 3, p. 367-380

DOI: 10.1111/j.1467-9957.2009.02159.x

Published: JUN 2011

Abstract

We investigate the weak form of the efficient capital market hypothesis through the detection of a non-linear dynamic with potential for predictability of stock returns in the Mexican stock market. We apply the Hinich portmanteau bicorrelation test and the Brock, Dechert and Scheinkman test to the data. We observe that all the return series are characterized by a few brief periods of highly significant non-linearity. However, we cannot say that the Mexican market fails to satisfy the weak form of the efficient capital market hypothesis because the non-linear dependences appear on rare occasions and they are rapidly arbitrated away.

Keywords

KeyWords Plus: EXCHANGE-RATES; RETURNS; DYNAMICS; INDEXES; MODEL