



Frontier markets' efficiency: mutual information and detrended fluctuation analyses

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Abstract

This study tests weak form efficiency in frontier markets. Mutual information and detrended fluctuation analyses are performed to assess global correlation and long range dependence in the stock markets of twenty three countries. The results indicate that Slovenia is the only case where there is evidence compatible with weak form efficiency. The relatively less inefficient markets are mainly located in Europe and America, and the relatively more inefficient mainly in the Middle East. This information is useful for investors, but also for the assessed countries' regulators as they indicate that relevant impediments are preventing the exploitation of potential profitable opportunities.

Keywords Mutual information analysis · Detrended fluctuation analysis · Non-linear dependence · Weak form efficient · Frontier markets

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