

## MASTER'S THESIS

### Using session high/low time to test for intraday market efficiency in HSIF market

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# **Using Session High/Low Time to Test for Intraday Market Efficiency in HSIF market**

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# ABSTRACT

The random walk hypothesis has two constituents i.e. (1) that the returns are independent and (2) that the returns are identically distributed. In Mok, Lam and Li (2000), their finding is that using data of HSIF for the period from July 1, 1994 to December 27, 1996, they reject the null hypothesis  $H_0$  and  $H_{00}$ . Nevertheless, they never touch on any trading rule to exploit the unearthed market in-efficiency. Also, they pay no attention on the lunch gap, which is the non-trading period from 12:30 to 2:30. In this dissertation, we would like to mend these holes in the previous study and in the same time find out more updated facts on the HSIF market for the period from January 3, 2005 to June 11, 2010. By separating the study into morning efficiency and afternoon efficiency, we can have more accurate tests of the hypotheses  $H_0$  and  $H_{00}$ . We also test  $H_{000}$  by testing the effectiveness of trading range break (TRB) trading rules that have more relevance to the test statistics of high-time and low-time. It is the first time that such trading rules are linked up with a test using market high-time and market-low time. It is discovered that the market inefficiency observed by Mok, Li and Lam(2000) still persists in HSIF market over a long period of time even it has been uncovered. In this particular example, it is particularly interesting because the market inefficiency does not come together with any trading rule.

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