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Report of the E-Learning Activities through Zoom App

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During the online e-learning session following queries raised by the students and the answers provided by me are mentioned:

1.) What is Efficient Market Hypothesis?
Answer: The fundamentalists use intrinsic value of securities for identifying the stocks to be purchased or sold. The technical analysts believe in the past behaviour of prices. But in reality there are other qualitative factors which require a lot of personal judgement. An efficient capital market is a market that is efficient in processing information. In other words the market quickly and correctly adjusts to new information. Therefore in efficient market, prices immediately and fully reflect available information.

2.) What is Random Walk Theory?
Answer: This theory states that market information is immediately and fully spread so that all the investors have full knowledge of information. As the equilibrium price of the security is determined by demand and supply forces based in available information, the equilibrium price will immediately change as fresh information becomes available. All the investors have same information and nobody has superior knowledge. The market is supreme and all investors/fund managers have to follow the market and cannot influence it. The prices move in an independent fashion without undue pressure/manipulations.

3.) What is External Efficiency?
Answer: External efficiency is defined as a situation where the market absorbs all information in an unbiased manner. All new information is immediately reflected in security prices. The efficiency of market depends on the extent of absorption of information and the time taken for absorption. This absorption of information is of different devrees. Prof. Eugene Fama has given three forms of efficient markets based on information flow. These are:
(a) Weak form: This form states that current prices reflect only historical prices and returns.
(b) Semi-Strong form: This form states that current prices reflect all publicly available information along with historical performance.
(c) Strong form: This form states that current prices reflect all public and privately available information along with historical returns.

4.) What are the criticisms of efficient market hypothesis?
Answer: Following are the criticisms of efficient market hypothesis:
(a) Not suitable in case of market bubbles and crashes.
(b) Not accepted by Behavioral finance experts.
(c) All investors cannot perceive information in a similar way.
(d) Going by this theory no single investor will ever be able to earn better returns than other.

Regards

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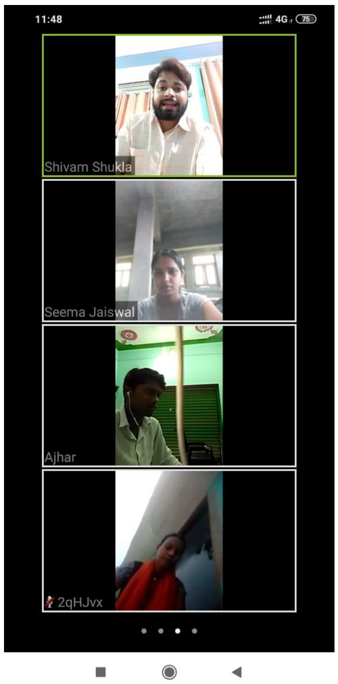
Screenshots:



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