

Abstract

This paper researches the semi-strong form of market efficiency in nine CEE markets for the period of 2005-2008. The event study methodology is applied to look at the earnings announcements. Patell's standardized test is employed to look whether the announcements have informational value. Generalized Sign Test, Standardized Cross-Sectional test and Patell's Z-test are used to search for the inefficiencies towards good and bad news respectively.

Firstly, the severe non-normality of CEE capital markets is found. Secondly, it is proved that earnings announcements do convey information to investors. Thirdly, the informational efficiency is failed to be rejected to all markets except Latvia and Slovenia. And finally, it is shown that it is possible to earn significant abnormal returns in Slovenia, however, in Latvia it is not due to the prohibition of short-selling.

Keywords: EMH, Event Study, Earnings Announcement, Semi-Strong Form Efficiency, CEE, Non-Normality, Generalized Sign Test, Standardized Cross-Sectional Test, Z-test, Trade-to-trade Returns, Lumped Returns