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RIGHTS OFFERING ANNOUNCEMENTS AND THE EFFICIENCY OF THE KUWAITI MARKET

Abstract:

This study tested the semi-strong form of the Efficient Market Hypothesis in the Kuwait Stock Exchange (KSE). Previous studies examining the KSE have found conflicting evidence on whether it is weakly efficient. This test is conducted by examining the behavior of stock prices around the date of rights offering announcements to determine how long prices take to reflect the new information. Based on a sample of 69 rights offerings over the period 2004-2013 and using event study methodology, we find that prices incorporate new information within an average of 4 days. We take this observation as evidence that the Kuwaiti market is semi-strong efficient.

Keywords:

Efficient Market Hypothesis; Semi-strong; Rights issues; Event study; Emerging market

JEL Classification: G12, G14, G32