Market Efficiency

Market efficiency: Market efficiency is the degree to which stock prices reflect all available, relevant information.

The efficient market hypothesis (EMH): is an investment theory that states it is impossible to "beat the market" because stock market efficiency causes existing share prices to always incorporate and reflect all relevant information.

Weak efficiency: This type of EMH claims that all past prices of a stock are reflected in today's stock price. Therefore, technical analysis cannot be used to predict and beat a market.

Semi-strong efficiency: This form of EMH implies that all public information is calculated into a stock's current share price. Neither fundamental nor technical analysis can be used to achieve superior gains.

Strong efficiency: This is the strongest version, which states that all information in a market, whether public or private, is accounted for in a stock price. Not even insider information could give an investor an advantage.