

- 19) Determine which of the following statements is most similar to the semi-strong version of the efficient markets hypothesis.
- (A) It should not be possible to consistently profit by selling winners and hanging on to losers.
 - (B) It should not be possible to consistently profit by trading on information in past prices.
 - (C) It should not be possible to consistently profit by trading on any public information, such as that found on the Internet or in the financial press.
 - (D) It should not be possible to consistently profit by trading on private information, such as that obtained from a thorough analysis of the company and its industry.
 - (E) It should not be possible to consistently profit by trading on inside information.

- 24) The following four observations were made about prices and/or returns:
- I. The annualized market return on perfectly sunny days in New York City is much higher than on perfectly cloudy days.
 - II. A company's stock price dropped sharply on the day it issued a warning that upcoming earnings would likely be lower than previously expected.
 - III. A company's stock price increased sharply on the day it was announced that they were a strong candidate to soon be taken over by a stronger company.
 - IV. Trader S consistently earned positive abnormal returns when using a momentum strategy that relied upon investing in stocks that had outperformed the S&P 500 index the previous year.

Determine which two of the four trends described above are consistent with the efficient markets hypothesis (EMH):

- (A) I and II
- (B) I and III
- (C) II and III
- (D) II and IV
- (E) III and IV

- 21) Determine which version of the efficient markets hypotheses is contradicted by a momentum strategy whereby investors can use past stock returns to form a portfolio with positive alpha.
- (A) Weak form only
 - (B) Weak form and semi-strong form only
 - (C) Weak form, semi-strong form, and strong form
 - (D) Strong form only
 - (E) It does not contradict any of the three forms of the efficient markets hypothesis.