

Abstract

Bachelor thesis confirms weak market efficiency hypothesis for political events, which took place on Intrade prediction market and finished between 1. October and 31. December 2012. Three unit root tests, ADF GLS, KPSS and Lo-Mackinlay test proved on 5% confidence level, that 140 of 191 tested political events is weakly market efficient, which means high relative market efficiency (73,3%). Testing out-of-political markets shows significantly lower market efficiency. Logit model rejected on 5% confidence level the assumption, that total volume of traded shares is significant parameter for the estimation of market efficiency.

Keywords Prediction market, Intrade, efficiency market hypothesis, relative market efficiency, ADF test, KPSS test

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