

Abstract

This thesis assesses whether technical analysis can generate substantial profits in Central and Eastern European stock markets with a special focus on the Prague Stock Exchange. It investigates a well established trend follower MACD as well as a counter-trend indicator stochastic oscillator and relative strength index and introduces test statistics and bootstrap methodology in order to explore the profitability of these technical trading rules. The empirical results suggest that rewards of technical analysis differ according to individual stock markets. Whereas both indicators considered are found to yield significantly positive returns especially in the Bucharest and Prague Stock Exchanges, but have no predictive power on the Frankfurt Stock Exchange. The findings raise a question about the efficiency of the less developed stock markets.