

## Behavior of Stock Market Index in the Stock Exchange of Thailand

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### Abstract

In this paper, the variance-ratio test and the ARMA-GARCH (1,1) are used to test whether the Stock Exchange of Thailand is an efficient market. Using monthly market index during January 1987 and December 2006, the variance-ratio test shows that the market index follows a random walk process, and this is confirmed by unit root tests. The GARCH process shows that the volatility of stock market return generated by the GARCH variance series exhibits an uneven pattern. The unpredictable stock index and uneven volatility of stock return imply that the Thai stock market is efficient according to weak-form efficient market hypothesis.

*JEL Classification:* G14; C 22

*Keywords:* Stock market index; Variance-Ratio; GARCH; Market efficiency

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