

Title: MARKET EFFICIENCY AND ITS CONSEQUENCES ON PROFIT WARNINGS IN THE NAIROBI STOCK EXCHANGE

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ABSTRACT

My project comes up with a very interesting implication on academia and in practice I studied the occurrence of a profit warning in the NSE. It is important not to look at events in isolation but rather a general assessment is critical. In lieu with this i assessed how information filters into the market in cases of a profit decline is the information received on announcement of profit warnings. The results are interesting. The flaws of the EMH are once again exposed .in econo0mics however we say that we cannot prove theories just disapprove them so the weaknesses of EMH ought to be assessed not by critiquing but disapproving it. Moving further ahead when put in context EMH becomes very powerful hence its application is not futile. I assessed the level of efficiency in the NSE and went ahead to place this in the context of a profit warning using a GARCH model to explain the trickling of information.