

NON LINEAR DIACHRONIC INTERACTION BETWEEN THE ADVANCE/DECLINE RATIO INDEX AND THE RETURNS OF THE ATHENS GENERAL INDEX: EMPIRICAL EVIDENCE FROM THE ATHENS STOCKS EXCHANGE

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ABSTRACT

This paper examines the existence of a linear or nonlinear interaction between the Advance/Decline ratio index and the returns of the Athens General Index. We investigate the possibility of a nonlinear causality mechanism through which the Advance/Decline ratio index (the ratio of the number of shares whose price increased over those that declined) may affect the returns of the Athens General Index and vice versa. The statistical evidence derived from linear and nonlinear causality tests indicate that there is indeed a bidirectional nonlinear causality between these two indexes.

Keywords: Advance/Decline ratio index , General Index, Linear and Nonlinear Granger Causality.

JEL classification: G14

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