

total 124 significant patterns only 13 second patterns go down, 63 is no change and 38 go up. Once again we see how market sends more "you may win" signals than "you may loose" signals.

De Bondt and Thaler (1985) define the overreaction hypothesis as the over response to new information (4). This hypothesis suggests that extreme movements in stock prices are followed by movements in the opposite direction to "correct" the initial overreaction and that the greater the magnitude of initial price change, the more extreme the offsetting reaction (3). Examining patterns in Table 4, we found no evidence of this kind of over reaction in ISI.

3. PATTERNS OF THREE DAYS This time we will examine the patterns of three days and these results will be shown at the Table 5. As it can be seen from the Table 2, these patterns should have probabilities near $1/125 = 0.008$. Testing such a hypothesis we found that 00-2, 1-2-2, 121, 122, 220, 221, -222, 22-2, -2-2-2, 222 patterns have probabilities significantly different than 0.008 at the 1% significance level.

Table 5 prepares us a medium to calculate conditional probabilities. After observing 00 pattern the events were listed in Table 5. Using Table 5 we can calculate these conditional probabilities such as:

$$P(-2 | 00) = 13 / 33 = 0.39$$

$$P(2 | 00) = 7 / 33 = 0.21$$

$$P(-1 | 00) = 5 / 33 = 0.15$$

$$P(1 | 00) = 5 / 33 = 0.15$$

$$P(0 | 00) = 3 / 33 = 0.09$$

Conditional on observing a 00 pattern, you may observe -2 with a probability nearly two times greater than 2. It is clear that after observing a 00 pattern, getting a decrease is more probable than getting an increase. Besides this may be a sharp decrease. This means that after observing the transformed index two times within the interval of $-0.002 < X_i < 0.002$, then it is more likely that you will observe a decrease.