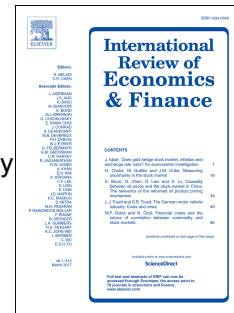


Journal Pre-proof

Dynamic impacts of crude oil price on Chinese investor sentiment: Nonlinear causality and time-varying effect

Zhifang He



PII: S1059-0560(18)30985-7

DOI: <https://doi.org/10.1016/j.iref.2019.11.004>

Reference: REVECO 1856

To appear in: *International Review of Economics and Finance*

Received Date: 10 November 2018

Revised Date: 14 November 2019

Accepted Date: 17 November 2019

Please cite this article as: He Z., Dynamic impacts of crude oil price on Chinese investor sentiment: Nonlinear causality and time-varying effect, *International Review of Economics and Finance* (2019), doi: <https://doi.org/10.1016/j.iref.2019.11.004>.

This is a PDF file of an article that has undergone enhancements after acceptance, such as the addition of a cover page and metadata, and formatting for readability, but it is not yet the definitive version of record. This version will undergo additional copyediting, typesetting and review before it is published in its final form, but we are providing this version to give early visibility of the article. Please note that, during the production process, errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

© 2019 Published by Elsevier Inc.

Highlights

The Chinese investor sentiment is constructed by the principal component analysis.

Non-linear Granger causality and time-varying parameter VAR model are employed.

Oil price non-linearly causes Chinese investor sentiment, but not vice versa.

Effects of oil price on China's investor sentiment are negative and time-varying.

The magnitudes of the effects are distinct on different time points.

Dynamic impacts of crude oil price on Chinese investor sentiment: nonlinear causality and time-varying effect

Zhifang He

School of Business, Jiangnan University, Wuxi, Jiangsu, China, 214122

Email: hezfang@126.com

Abstract: Although much attention has been given on the linear relationship between oil price and investor sentiment, the nonlinear causality and time-varying behaviors have been neglected. The present paper fills this gap in literature and examines the nonlinear causality between Chinese investor sentiment and crude oil price by applying the Hiemstra and Jones (HJ) and the Diks and Panchenko (DP) tests. The study finds a significant non-linear Granger causality relationship run from oil price to Chinese investor sentiment. In addition, this paper further examines the impacts of oil price on Chinese investor sentiment by the time-varying parameter VAR (TVP-VAR) model. The empirical results show that effects of oil price on Chinese investor sentiment are time-varying and in most cases are negative. Moreover, the negative effect is large in the latest year of 2017, followed by the global financial crisis of 2008, yet small for the steady economic period in 2012, and minimal for the China's oil product pricing reform in 2013. These findings are robust for alternative crude oil prices and investor sentiments variables.

Keywords: Oil price, Investor sentiment, Non-linear causality, Time-varying effect

Download English Version:

<https://daneshyari.com/en/article/13460085>

Download Persian Version:

<https://daneshyari.com/article/13460085>

[Daneshyari.com](https://daneshyari.com)