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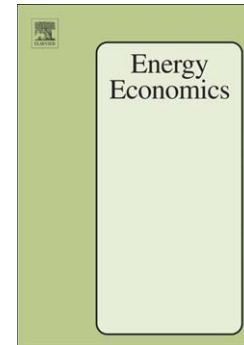
The relationship between oil prices and the nigerian stock market. An analysis based on fractional integration and cointegration

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**THE RELATIONSHIP BETWEEN OIL  
PRICES AND THE NIGERIAN STOCK MARKET. AN ANALYSIS BASED ON  
FRACTIONAL INTEGRATION AND COINTEGRATION**

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**ABSTRACT**

We examine the relationship between oil prices and the stock market in Nigeria. We focus on the degree of persistence of the series, and based on the similarities observed between the two series, a fractionally cointegrated framework is proposed. The results indicate that the two series display a similar order of integration, which is close to, although above 1. Testing for cointegration, this is decisively rejected since the order of integration in the equilibrium relationship was similar to that of the individual series. However, testing for long memory with oil prices acting as a weakly exogenous regressor, we obtained significant evidence of a positive relationship between the two variables though with a short memory effect, this relation being significant only during the following three months.

**Keywords:** Oil prices; Nigeria; fractional cointegration

**JEL Classification:** C22

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