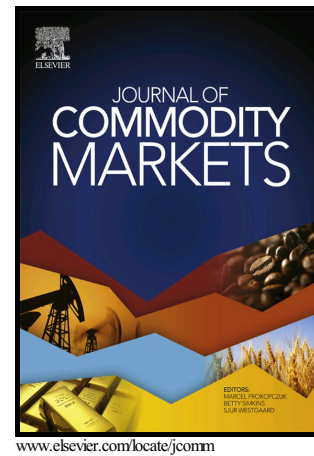


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Global relationships across crude oil benchmarks

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## Global Relationships across Crude Oil Benchmarks

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### Abstract

This paper empirically examines relationships and dynamics between the price of three crude oil benchmarks, namely the WTI, Brent, and Oman. Threshold cointegration is applied with findings that indicate a long run relationship exists between the pairs (WTI-Brent and WTI-Oman) of spatially separated spot markets. For the WTI-Brent spot price pair, there has not been a reversion to the long run relationship since the reversal in spread between the WTI and Brent. Further, threshold error correction models provide evidence that all three series move to restore the long run relationship in at least one regime for both pairings. Together, these results indicate that there currently is no global benchmark for crude oil. It is recommended that stakeholders such as central banks, traders, and policy makers closely monitor all three spot prices.

**Key Words:** Crude Oil Futures, WTI, Brent, Oman, Benchmark,

Threshold Cointegration

**JEL:** C3, E3 and Q4

## 1. Introduction

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