Author's Accepted Manuscript

A Markov regime-switching model of crude oil market integration

Konstantin Kuck, Karsten Schweikert

www.elsevier.com/locate/jcomm

PII: S2405-8513(16)30115-5
DOI: http://dx.doi.org/10.1016/j.jcomm.2017.03.001
Reference: JCOMM28

To appear in: *Journal of Commodity Markets*

Received date: 16 September 2016
Revised date: 24 February 2017
Accepted date: 4 March 2017

Cite this article as: Konstantin Kuck and Karsten Schweikert, A Markov regime switching model of crude oil market integration, *Journal of Commodity Markets* http://dx.doi.org/10.1016/j.jcomm.2017.03.001

This is a PDF file of an unedited manuscript that has been accepted fo publication. As a service to our customers we are providing this early version o the manuscript. The manuscript will undergo copyediting, typesetting, an review of the resulting galley proof before it is published in its final citable form Please note that during the production process errors may be discovered whic could affect the content, and all legal disclaimers that apply to the journal pertain

ACCEPTED MANUSCRIPT

A Markov regime-switching model of crude oil market integration

Konstantin Kuck[a], Karsten Schweikert[a]

[a] *University of Hohenheim, Department of Econometrics and Statistics, Schloss Museumsfluegel, 70599 Stuttgart*

Abstract

This paper revisits the globalization-regionalization hypothesis for the world crude oil market. We examine long-run equilibrium relationships between major crude oil prices – WTI, Brent, Bonny Light, Dubai and Tapis – and focus on the adjustment behaviour following disequilibrium states. We account for a changing adjustment behaviour over time by using a Markov-switching vector error correction model. Our overall findings suggest that the crude oil market is globalized. Dubai turned out to be the only weakly exogenous price in all regimes, indicating its important role as a benchmark price. Furthermore, an interesting finding of our study is that the degree of market integration seems to be connected to global economic uncertainty.

JEL Classification: C32; Q41

Keywords: Crude oil, market integration, cointegration, markov-switching vector error correction model

Accepted manuscript

1. Introduction

The discussion on whether world crude oil markets are globalized or regionalized has received a great deal of attention in recent years. Adelman (1984) described the world

Email addresses: konstantin.kuck@uni-hohenheim.de (Konstantin Kuck), karsten.schweikert@uni-hohenheim.de (Karsten Schweikert)

Download English Version:

https://daneshyari.com/en/article/5106470

Download Persian Version:

https://daneshyari.com/article/5106470

Daneshyari.com