

# Accepted Manuscript

On the spot-futures relationship in crude-refined petroleum prices: New evidence from an ARDL bounds testing approach

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PII: S2405-8513(17)30006-5

DOI: [10.1016/j.jcomm.2018.04.001](https://doi.org/10.1016/j.jcomm.2018.04.001)

Reference: JCOMM 59

To appear in: *Journal of Commodity Markets*

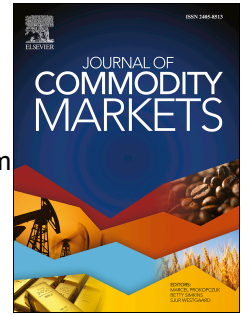
Received Date: 20 January 2017

Revised Date: 15 April 2018

Accepted Date: 16 April 2018

Please cite this article as: Arfaoui, M., On the spot-futures relationship in crude-refined petroleum prices: New evidence from an ARDL bounds testing approach, *Journal of Commodity Markets* (2018), doi: 10.1016/j.jcomm.2018.04.001.

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**On the spot-futures relationship in crude-refined petroleum prices: New evidence from  
an ARDL bounds testing approach**

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**Abstract**

This paper studies the relationship between spot and futures prices of crude and refined petroleum for the period spanning from January 2007 to April 2015. It investigates long-run and short-run elasticities and causality using the ARDL bounds testing approach and vector error correction model. Main findings confirm the existence of long-run equilibrium relationships among spot-futures prices. The short and long-run elasticities exist between spot and futures prices and between crude and refined oil prices except for gasoline, with merely great dependence in the short-run. The speed of adjustment to the long-run equilibrium is overall moderate, but is faster for refined oil (compared to crude oil) on spot markets (compared to futures markets). Short run causality tests prove that futures prices lead spot prices for refined oil and that short run and long run causalities reveal that oil markets are inefficient in the short-run, but they become efficient in the long-run.

**Key words:** petroleum products; Futures Prices, ARDL, structural break, weak-strong causality,

**JEL classification:** F31, G15, Q02

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