

Oil Price and Covid-19: Pandemic Vs Epidemic

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Research

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Abstract

The objective of this study is to contribute to the existing studies on the effects of COVID-19 on oil prices from the period spanning December 31, 2019 to June 29, 2020 by using the autoregressive distributed lag (ARDL) bounds test. The sample period is divided into the epidemic period (December 31, 2019 -March 10, 2020) and the pandemic period (March 11, 2020 to June 29, 2020). The results confirm there exist a cointegrating relation between oil price and COVID-19 for the entire period spanning December 2019 to June 2020. The COVID-19 has a negative impact on crude oil prices in the long-run irrespective of the indicator of the COVID-19 used in the study. Moreover, the estimates using Fully Modified Ordinary Least Squares (FMOLS), Dynamic Ordinary Least Squares (DOLS) and Canonical Cointegrating Regression (CCR) are similar to the ARDL framework. Overall, the presence of cointegrating relation can only be noticed over the entire period, but not when considering for the epidemic and pandemic periods

Full Text

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Figures

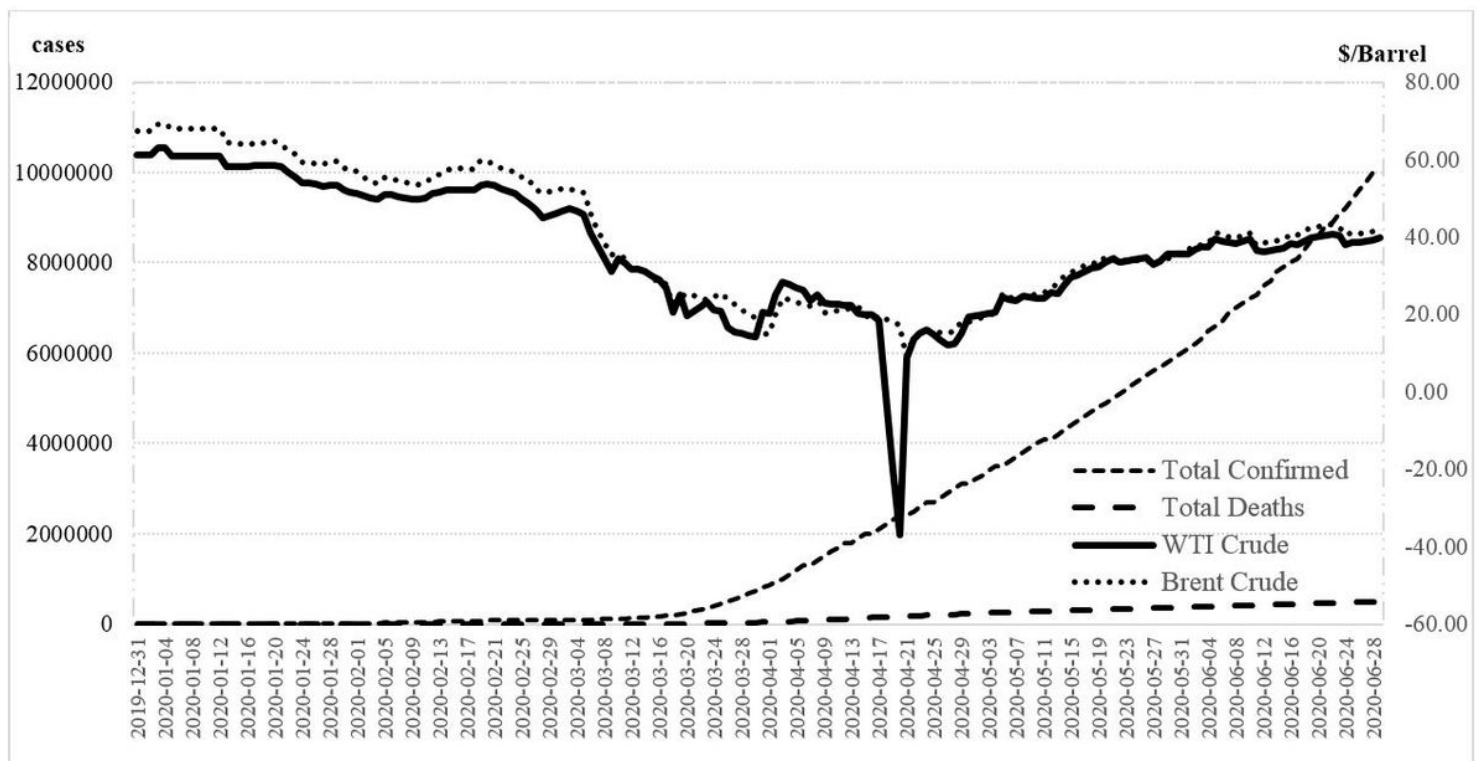


Figure 1

World oil price, total confirmed Coronavirus cases and total deaths. Source: U.S. energy Information Administration (EIA) and WHO.

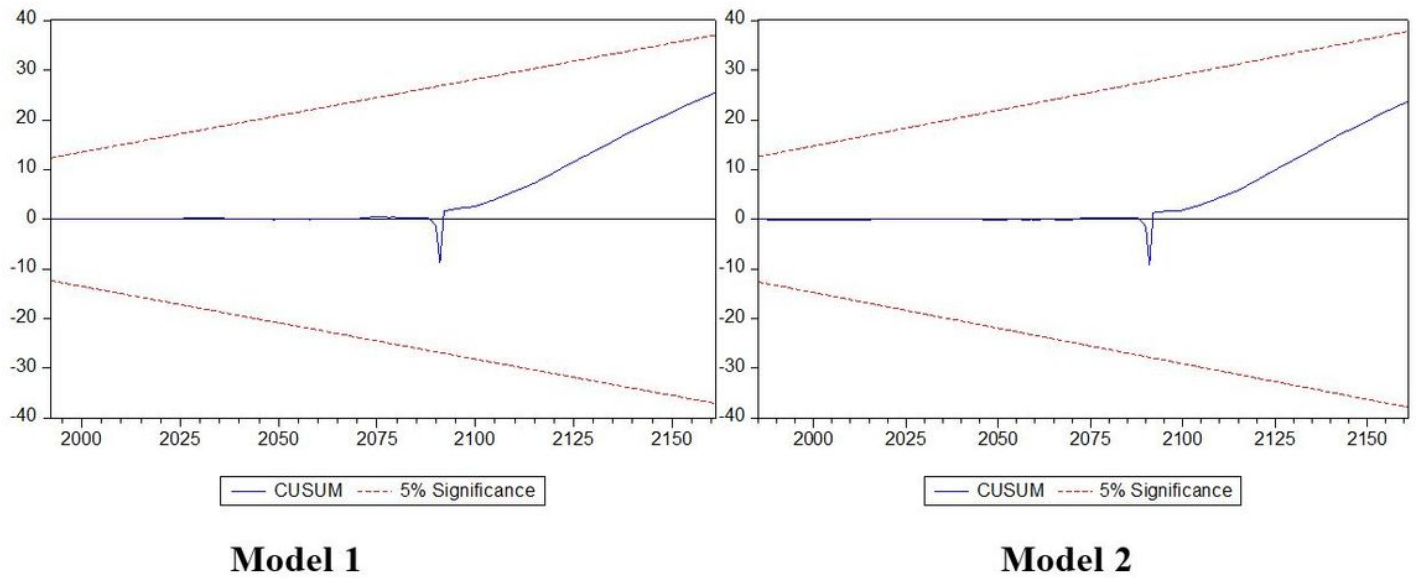


Figure 2

CUSUM test result

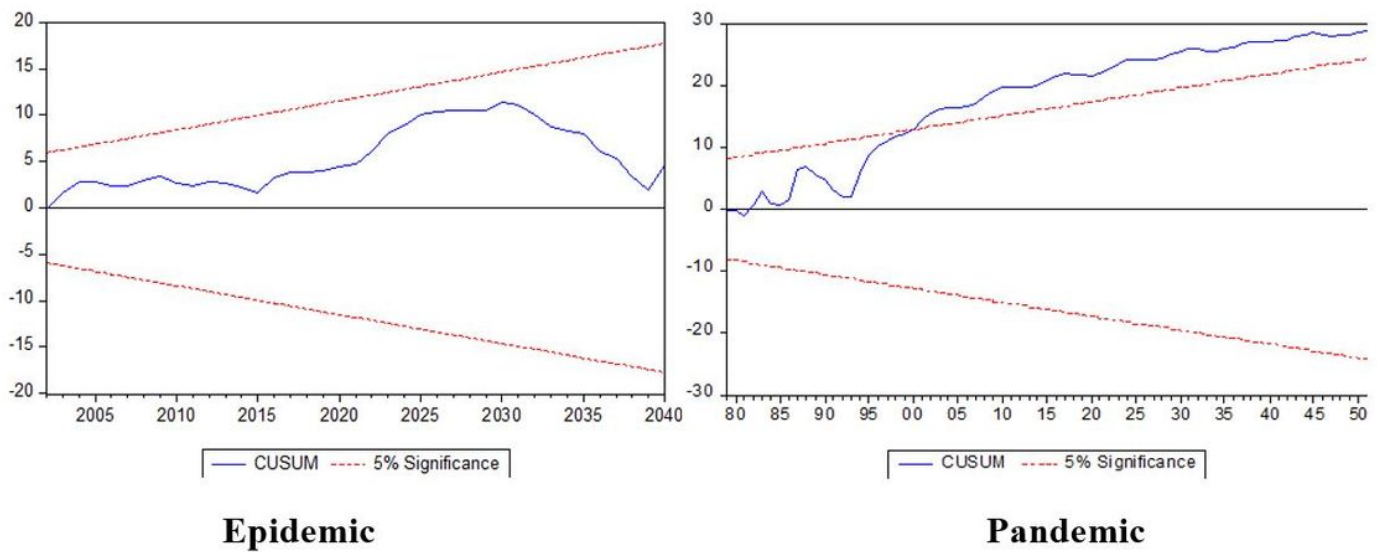


Figure 3

CUSUM for Epidemic and Pandemic