ISSN 0976-4224
JOURNAL OF
ECONOMICS

J Economics, 3(1): 19-24 (2012)

Oil Price Shocks and Stock Market Behaviour: The Nigerian Experience

Anthony Olugbenga Adaramola

Department of Banking and Finance, Ekiti State University, Ado Ekiti, Nigeria
E-mail: gbengaadaramolaunad@yahoo.com

KEYWORDS Causality. Cointegration. Unit Root. Gulf Cooperation Council. Vector-Error-Correction Model

ABSTRACT Stock market plays an important role in the economic development of a country. A number of studies have been investigated on the causal relationship between oil price and stock returns. But in the context of Nigeria, not many studies can be traced in literature. This study therefore, examines the long-run and short-run dynamic effects of oil price on stock returns in Nigeria over 1985:1–2009:4 using the Johansen cointegration tests. A bi-variate model was specified and empirical results show a significant positive stock return to oil price shock in the short-run and a significant negative stock return to oil price shock in the long-run. The Granger causality test shows strong evidence that the causation runs from oil price shock to stock returns; implying that variations in the Nigerian stock prices are explained by oil price volatility.