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DO GLOBAL CRUDE OIL MARKETS BEHAVE AS ONE GREAT POOL?

Abstract:

In energy economics literature, the controversial assertion of whether crude oil markets are regionalized (Weiner; 1991) or behave as one unified entity (Adelman; 1984) is still an unsettled debate. While the proponents of globalization hypothesis trust that the crude oil markets behave as one big pool, the advocates of regionalization believe that they are segmented. The recent years' experience with the growing price spread between West Texas Intermediate (WTI) and Brent Crude, the two most influential light crude oil benchmarks of North America and Europe respectively, the debate has specifically become a point of discussion and deliberation within international energy forums.. Globalization in crude oil markets refers to the presence of strong co-movements. On the contrary, if the markets are fragmented and display least association, they are considered to be regionalised. An insight into the nature of the global oil market is critical in understanding the dynamics of international crude oil prices as well as its economic and financial implications.

Keywords:

Crude Oil, Globalization, Regionalization, Wavelet

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