

Spillovers between Oil and the Gulf Cooperation Council Stock Markets: Fresh Evidence from a Regime-Switching Approach

Authors : Ahmed BenSaida

Abstract : This study examines the relationship between crude oil and the Gulf Cooperation Council (GCC) region stock markets by employing a regime-switching approach. The methodology provides new insights into how the interrelationship between oil and GCC stock markets may fluctuate in different economic or market regimes, which is crucial for understanding the transmission of oil shocks and tailoring policy responses. Our findings indicate that the spillovers between the underlying assets are asymmetric. Specifically, during the turmoil periods, the connectedness is intense among these assets, whereas during tranquil periods, the linkage is moderate. Furthermore, an increase in oil prices can positively contribute to the profits of firms that are heavily dependent on oil, leading to an increase in the linkage between these countries and crude oil. The findings have important implications for investors and decision-makers in the GCC region.

Keywords : GCC indices, oil, regime-switching, spillovers

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