UNIVERSIDAD DE GRANADA

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15/01/2024

Seminario 2023-2024



Título: Revising structural VAR of the global crude oil market

Sala: E22

Hora: 12.30

Resumen: In this paper, I examine the impact of supply and demand distortions on oil prices in the global oil market, with a particular focus on the COVID-19 crisis and the Russian invasion of Ukraine. The model incorporates fractional integration, allowing for a robust fit to the persistent nature of the data without the need for an excessive number of autoregressive lags that prevents the introduction of spurious short cycles in the model. Structural shocks are identified by imposing restrictions on the relative importance of shocks in the variance of variables across long-run and short-run frequency ranges. This involves considering two dimensions: the relative significance of frequency ranges for a specific shock and the relative impact of the shock within a specific frequency range. Information for the identification process is gathered from both theoretical papers and empirical evidence. While the identification approach adopted here is notably less restrictive than traditional schemes found in the literature, it yields reasonable results that allow disentangling the effect of the demand and supply side of the global oil market in the fluctuations of prices during both the COVID-19 pandemic and the Russian invasion of Ukraine.

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