

---

[Working Paper No. 1009](#)

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

Jose Eduardo Gomez-Gonzalez

Jorge Hirs-Garzon

AUTHORS AND/OR EDITORS

[Jorge Hirs-Garzon](#)

---

---

We study the relation between oil prices and stock market returns for a set of six countries, including important oil consumers and demanders. We study interconnectedness between oil and stock markets and characterize the dynamics of transmission and reception between them. We test for Granger causality between markets dynamically, endogenously identifying periods for which oil prices have responded to innovations in financial markets. Our results on connectedness show that the direction of transmission is mainly from stock markets to crude petroleum prices. Additionally, connectedness increased importantly around the global financial crisis, and reports high levels until 2014. Regarding causality, we find evidence of bidirectional relations between stock market returns and crude petroleum prices.

Causality is stronger during times of financial volatility as well. Our results have important implications both for investors and policy makers.

Updated: 22/08/2017 10:14 a.m.