The Correlation of Oil and Equity Prices: The Role of the Zero Lower Bound

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Federal Reserve Board

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The views in this paper are solely the responsibility of the authors and should not be interpreted as reflecting the views of the Board of Governors of the Federal Reserve System or of any other person associated with the Federal Reserve System.
Figure: Oil-Equity Rolling Correlation
- Oil: Nearby futures for WTI (log-differences).
- Equities: Market returns on portfolio of all NYSE, AMEX, and NASDAQ firms (Fama-French).
- Daily correlation: from -0.06 before the break, to 0.41 after the break.
  - Monthly correlation jumped even more sharply: from -0.09 to 0.54.
Outline

1. Document the Increase in the Oil-Equity Correlation

2. Estimate the Responses to Macroeconomic News Surprises

3. Small Scale New-Keynesian Model with Oil: Response to Shocks under the ZLB
Documenting the Increase in the Oil-Equity Correlation

Pre–2008

Post–2008

Oil returns

Equity returns

Oil returns

Equity returns
**Figure:** Rolling Equity Beta for Oil

\[ \text{Oil}_t = \alpha + \beta \text{Equity}_t + \varepsilon_t. \]

**Table:** Testing for a Structural Break

<table>
<thead>
<tr>
<th></th>
<th>Full Sample</th>
<th>Pre-Break</th>
<th>Post-Break</th>
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<tbody>
<tr>
<td></td>
<td>( \beta )</td>
<td>( t )-stat</td>
<td>( \beta )</td>
</tr>
<tr>
<td>Full equity index</td>
<td>0.17</td>
<td>6.93</td>
<td>-0.16</td>
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</table>
## Testing for a Structural Break

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Break Date</th>
<th>Pre-Break</th>
<th>Post-Break</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>β</td>
<td>t-stat</td>
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<tr>
<td>Full equity index</td>
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<td>-0.16</td>
<td>-5.26</td>
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<tr>
<td>Consumer nondurables</td>
<td>2008-Sep-27</td>
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<td>-9.32</td>
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<tr>
<td>Consumer durables</td>
<td>2008-Sep-27</td>
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<td>-7.31</td>
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<td>Energy</td>
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<td>Chemicals</td>
<td>2008-Sep-27</td>
<td>-0.21</td>
<td>-7.41</td>
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<td>Business equipment</td>
<td>2008-Sep-27</td>
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<td>-3.84</td>
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<tr>
<td>Telecommunications</td>
<td>2008-Sep-27</td>
<td>-0.16</td>
<td>-6.50</td>
</tr>
<tr>
<td>Utilities</td>
<td>2008-Jul-05</td>
<td>-0.05</td>
<td>-1.44</td>
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<td>Shops</td>
<td>2008-Sep-27</td>
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<td>Health care</td>
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<tr>
<td>Finance</td>
<td>2008-Sep-27</td>
<td>-0.21</td>
<td>-8.53</td>
</tr>
<tr>
<td>Other</td>
<td>2008-Sep-27</td>
<td>-0.17</td>
<td>-6.32</td>
</tr>
</tbody>
</table>
Why should we care?

Perhaps surprisingly, as a way to understand the effects of the Zero Lower Bound.

- Our empirical evidence is that the ZLB is associated with the changing relationship between oil and equity prices. We also establish that:
  - In a DSGE model where the ZLB is a binding constraint, the correlation between oil and equity prices increases when the ZLB is binding.
  - By contrast, a model where the ZLB is not a binding constraint does not imply such a change in the correlation.
  - By showing that different rules apply at the ZLB for oil and equity prices, we restrict the set of empirically plausible DSGE models.
  - In the model that we find more plausible, fiscal multipliers are larger at the ZLB.
  - As such, we contribute to on going debate in the macro literature. (eg Weiland, 2016).
To test theory, see if responses to shocks changes with the ZLB.

What shocks to use? We use macroeconomic news surprises. News is defined as the difference between the actual and expected announcements.

Expectations are the median response from a survey of financial market institutions and professional forecasters.

Conducted the Friday before each data release, and reported by Action Economics (successor of Money Market Services).
Estimating Macroeconomic News Responses

For example, on the first Friday of the month, the Bureau of Labor Statistics announces the change in nonfarm payrolls for the previous month.

- **In October 2015**
  - BLS announced nonfarm payrolls increased 142,000.
  - Analysts had expected 200,000.
  - News surprise is -58,000.

- **In January 2013**
  - BLS announced nonfarm payrolls increased 155,000.
  - Analysts had expected 155,000.
  - News surprise is 0.
Benefit of Studying News Surprises

- We know the release schedule, which makes reporting and timing of the news exogenous to price events.
- Other events may be much more important for moving prices.
- However, the risk is that reporters ex-post attribute price movements to events that may not have been important.

Many papers on surprises, including Gilbert, Scotti, Strasser, and Vega (2015)

- The literature is vast and we make no attempt to survey it.
- ... and then they cite 18 papers.
Most Relevant Papers on Surprises

▶ Kilian and Vega (REStat 2011): Do Energy Prices Respond to U.S. Macroeconomic News?
  ▶ Studies how oil prices respond to macroeconomic news.
  ▶ Concludes that there is "no compelling evidence of feedback."
  ▶ Data sample ends in spring of 2008.

▶ Swanson and Williams (AER 2014). Measuring the Effect of the Zero Lower Bound on Medium- and Longer-Term Interest Rates
  ▶ Studies the ZLB effects on longer-term interest rates.
  ▶ 1- and 2-year Treasury yields responded to news (unconstrained) in 2008 to 2010.
  ▶ But did not respond to news (constrained) starting in 2011.
Theories

Extend on the findings of Kilian and Vega and Swanson and Williams.

- Before 2008, oil prices did not respond to macro surprises.
- However, we have evidence of increased responsiveness thereafter.

Could this be driven by the ZLB?
More formal theory to come, but intuition is:

- In non-ZLB periods, oil prices and equity returns do not respond to news because markets expect monetary policy will offset the news.
- In ZLB period, oil prices and equity returns do respond to news because monetary policy cannot offset the news.
Measuring Time-Varying Sensitivity to News

- First, adopt approach of Swanson and Williams.
- Later, we will present an alternative method.
- For each dependent variable, estimate the following regression for the sample period from $[\tau - (365), \tau]$.

$$Y_t = \alpha^{\tau} + \delta^{\tau} \hat{\beta} S_t + \varepsilon_t^{\tau}$$

- Swanson and Williams estimated $\delta^{\tau}$ and $\beta^{\tau}$ jointly as a nonlinear least squares problem.
- We first estimate $\hat{\beta}$ over a subsample of the data using $Y_t = \alpha + \beta S_t + \varepsilon_t$, and then estimate $\delta^{\tau}$ in a rolling regression with $\hat{\beta}$ fixed.
Figure: Interest Rate Response to News ($\delta^\tau$)

\[ Y_t = \alpha^\tau + \delta^\tau \hat{\beta} S_t + \varepsilon_t^\tau \]
Figure: Interest Rate Responses to News ($\delta^T$)

\[ Y_t = \alpha^T + \delta^T \hat{\beta} S_t + \varepsilon_t^T \]
Figure: Oil Responses to News ($\delta^\tau$)

\[ Y_t = \alpha^\tau + \delta^\tau \hat{\beta} S_t + \varepsilon_t^\tau \]
Figure: Oil Response to News ($\delta^\tau$)

\[ Y_t = \alpha^\tau + \delta^\tau \hat{\beta} S_t + \varepsilon_t^\tau \]
Figure: Equity Response to News ($\delta^\tau$)

\[ Y_t = \alpha^\tau + \delta^\tau \hat{\beta} S_t + \varepsilon_t^\tau \]
Figure: Responses to News

\[ Y_t = \alpha^T + \delta^T \hat{\beta} S_t + \varepsilon^T \]
But is it really the ZLB?

We have shown that responsiveness varies over time. Now, we show that the oil-equity correlation and the responsiveness to surprises vary specifically with a measure of the ZLB.

- Our ZLB measure: the implied interest rate, $Z_k$, as the predicted federal funds rate using the modified Taylor rule in Bernanke (2015).
- Return to the regression $Oil_t = \alpha + \beta Equity_t + \varepsilon$.
- Estimate $\Gamma(Z_k) \equiv \{\alpha(Z_k), \beta(Z_k)\}$ by minimizing for each value of $Z_k$

$$
\sum_t \phi \left( \frac{Z_t - Z_k}{h} \right) (Oil_t - \alpha - \beta Equity_t)^2
$$

with respect to $(\alpha, \beta)$, where $\phi$ is the pdf for a standard normal distribution.

- Intuition: more weight on observed pairs of $(y_t, x_t)$ when $Z_t$ is close to $Z_k$. 


Figure: Implied Interest Rate

- Implied interest rate vs Federal funds rate from 1993 to 2015.
Figure: Explaining the Equity Beta for Oil

\[ \text{Oil}_t = \alpha(Z_t) + \beta(Z_t) \text{Equity}_t + \epsilon_t \]
Figure: Explaining the Responsiveness to Surprises

\[ Y_t = \alpha(Z_t) + \beta(Z_t)S_t + \varepsilon_t \]
Alternative Hypotheses

Figure: VIX

Figure: Open Interest
Figure: Explaining the Equity Beta for Oil

\[ \text{Oil}_t = \alpha(X_t) + \beta(X_t)\text{Equity}_t + \varepsilon_t \]
Figure: Explaining the Responsiveness to Surprises
Testing the Models

To test against the linear model, we use the following procedure. Calculate the sum of squared residuals for the unrestricted estimated model.

\[
SSR(Z) = \sum_t \left( Oil_t - \hat{\alpha}(Z_t) - \hat{\beta}(Z_t) Equity_t \right)^2
\]

Calculate the sum of squared residuals for the restricted linear model.

\[
SSR = \sum_t \left( Oil_t - \hat{\alpha} - \hat{\beta} Equity_t \right)^2
\]

Compute the test statistic.

\[
F(Z) = \frac{SSR - SSR(Z)}{SSR(Z)}
\]

Need to determine the critical value.
Compute the Critical Value for the Null Hypothesis of the Linear Model

Use a wild bootstrap to create 1000 simulated datasets. For each simulation $i$, use the restricted model estimates for $\hat{\alpha}$, $\hat{\beta}$, and $\hat{\varepsilon}_t$ to generate:

$$Y_{it}^{sim} = \hat{\alpha} - \hat{\beta} Equity_t + \nu_{it} \ast \hat{\varepsilon}_t.$$ 

- Leave the $Equity_t$ and $Z_t$ variables fixed.
- Scales the residuals $\hat{\varepsilon}_t$ by $\nu_{it} \sim N(0, 1)$

Using these $Y_{it}^{sim}$, we estimate both the linear model and the unrestricted model and generate the resulting distribution of F-statistics. Determine how frequently one would observe in this simulated distribution the empirical F-statistic computed using the actual data.
Testing the Alternative Explanations

To test two alternative explanations against each other, we follow a similar process. Estimate an unrestricted model that uses both the implied interest rate $Z_t$ and one of the alternatives, here $VIX_t$. $\alpha(VIX_t, Z_t)$ and $\beta(VIX_t, Z_t)$

For each explanation, calculate the sum of squared residuals for the unrestricted model.

$$SSR(VIX, Z) = \sum_t \left( Oil_t - \hat{\alpha}(VIX_t, Z_t) - \hat{\beta}(VIX_t, Z_t) Equity_t \right)^2$$

To test whether the implied interest rate $Z_t$ does not contribution to the explanation, calculate the sum of squared residuals for the model excluding $Z_t$.

$$SSR(VIX) = \sum_t \left( Oil_t - \alpha(VIX_t) - \beta(VIX_t) Equity_t \right)^2$$

Compute the test statistic.

$$F(Z) = \frac{SSR(VIX) - SSR(VIX, Z)}{SSR(VIX, Z)}$$

Need to determine the critical value.
Compute the Critical Value for the Null Hypothesis that $Z$ is not needed.

Again use a wild bootstrap. For each simulation $i$, use the restricted model estimates for $\hat{\alpha}(VIX)$, $\hat{\beta}(VIX)$, and $\hat{\varepsilon}_t$ to generate:

$$Y_{it}^{sim} = \hat{\alpha}(VIX) - \hat{\beta}(VIX)Equity_t + \nu_{it} * \hat{\varepsilon}_t.$$

- Leave the $Equity_t$ and $VIX_t$ and $Z_t$ variables fixed.
- Scales the residuals $\hat{\varepsilon}_t$ by $\nu_{it} \sim N(0, 1)$

Using these $Y_{it}^{sim}$, we estimate under the restricted and unrestricted models, and generate a distribution of F-statistics. Determine how frequently one would observe in this simulated distribution the empirical F-statistic computed using the actual data.
Varying responsiveness to surprises

Does the implied interest rate ($Z_k$) help explain the variation in the responsiveness to surprises?

Table: P-values for testing $H_0$: Restricted = Unrestricted model

<table>
<thead>
<tr>
<th>Dependent Variable ($Y_t$)</th>
<th>Unrestricted</th>
<th>Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>$\Gamma(Z_k)$</td>
<td>$\Gamma$</td>
</tr>
<tr>
<td>Equity</td>
<td>$\Gamma(Z_k, VIX_k)$</td>
<td>$\Gamma(VIX_k)$</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>$\Gamma(Z_k, OI_k)$</td>
<td>$\Gamma(OI_k)$</td>
</tr>
<tr>
<td>0.00 (yes)</td>
<td>0.02 (yes)</td>
<td>0.00 (yes)</td>
</tr>
<tr>
<td>0.01 (yes)</td>
<td>0.03 (yes)</td>
<td>0.00 (yes)</td>
</tr>
</tbody>
</table>

$Y_t = \alpha(.) + \beta(.)S_t + \varepsilon_t, \quad \Gamma(.) = \{\alpha(.), \beta(.)\}$
Varying responsiveness to surprises

Do the alternatives ($VIX_t$, $OI_t$) help explain the variation in the responsiveness to surprises?

**Table:** P-values for testing $H_0$: Restricted = Unrestricted model

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Dependent Variable ($Y_t$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\Gamma(VIX_k)$</td>
<td>$\Gamma$</td>
<td></td>
<td>0.38 (no) 0.61 (no) 0.13 (no)</td>
</tr>
<tr>
<td>$\Gamma(Z_k, VIX_k)$</td>
<td>$\Gamma(Z_k)$</td>
<td></td>
<td>0.30 (no) 0.34 (no) 0.09 (yes)</td>
</tr>
<tr>
<td>$\Gamma(OI_k)$</td>
<td>$\Gamma$</td>
<td></td>
<td>0.51 (no) 0.30 (no) 0.11 (no)</td>
</tr>
<tr>
<td>$\Gamma(Z_k, OI_k)$</td>
<td>$\Gamma(Z_k)$</td>
<td></td>
<td>0.38 (no) 0.30 (no) 0.09 (yes)</td>
</tr>
</tbody>
</table>

$$Y_t = \alpha(.) + \beta(.)S_t + \varepsilon_t, \quad \Gamma(.) = \{\alpha(.), \beta(.)\}$$
What have we learned?

- Oil prices and equities became more correlated in late 2008.
- Oil prices and equities became more responsive to news in late 2008.
- Provided empirical evidence that different rules apply at the zero lower bound.

We present a New-Keynesian model to build understanding of the relationship between oil prices, equity prices, and the ZLB.
Model: Households

Preferences given by

\[ \mathcal{U}_t = E_t \sum_{j=0}^{\infty} \beta^j u \left( C_{t+j}, C^O_{t+j}, L_{t+j}, \frac{B_{t+j}}{P_{t+j}} \right) \]

where \( C_t \) is non-oil consumption, \( C^O_t \) is oil consumption, \( L_t \) are hours worked and \( \frac{B_{t+j}}{P_{t+j}} \) are real bond holdings as in Fisher (2014).

The per-period budget constraint is

\[ \frac{B_t}{P_t} + \frac{P^O_t}{P_t} C^O_t + C_t + \frac{P^K_t}{P_t} K_{t+1} \leq \frac{W_t}{P_t} L_t + R_{t-1} \frac{B_{t-1}}{P_t} + \frac{R^K_t}{P_t} K_t + T_t + \frac{P^K_t}{P_t} K_t \]

where \( T_t \) are taxes, transfers, and profits (lump-sum).

Note that \( K_t \) will be fixed in aggregate, \( P^K_t \) is the price of capital, and \( R^K_t \) is the nominal rental rate of capital.
Model: Final Goods Retailers

Retailers produce final output (with $\epsilon > 1$):

$$Y_t = \left( \int_0^1 Y_t(j) \frac{\epsilon - 1}{\epsilon} dj \right)^{\frac{\epsilon}{\epsilon - 1}}$$

Implying the demand curve for each intermediate input:

$$Y_t(j) = \left( \frac{P_t(j)}{P_t} \right)^{-\epsilon} Y_t$$
Model: Intermediate Goods Firms

Intermediate goods producers maximize

\[ E_t \sum_{m=0}^{\infty} M_{t,t+m} \left[ \left( \frac{(1 + \tau) P_{t+m}(j) - MC_{t+m}}{P_{t+m}} \right) \left( \frac{P_{t+m}(j)}{P_{t+m}} \right)^{-\epsilon} Y_{t+m} \right] \]

\[- \frac{\phi}{2} \left( \frac{P_{t+m}(j)}{P_{t+m-1}(j)} - 1 \right)^2 \]

where \( M_{t,t+k} \) is the household SDF. Their production technology is

\[ Y_t = \left( (1 - \omega_Y)^{\frac{\rho_Y}{1+\rho_Y}} V_t^{\frac{1}{1+\rho_Y}} + (\omega_Y)^{\frac{\rho_Y}{1+\rho_Y}} \left( V_t^O \right)^{\frac{1}{1+\rho_Y}} \right)^{1+\rho_Y} \]

where

\[ V_t(j) = K_t(j)^\alpha L_t(j)^{1-\alpha}. \]
Policy and Exogenous Processes

Government purchases ($G_t$), oil supply ($O_t^S$), and preference shifters (spread shocks, $\eta_t$, and oil demand shocks, $\mu_t$) are exogenous and follow the process

$$\log \left( \frac{x_t}{\bar{x}} \right) = \rho_x \log \left( \frac{x_t}{\bar{x}} \right) + \sigma \varepsilon^X_t.$$ 

The difference between a model where the ZLB binds and not binds is determined by the interest rate rule.

**ZLB Binding:** The monetary authority follows a truncated Taylor rule

$$R_t = \max \left\{ 1, \frac{1 - \eta}{\beta} + \theta \pi (\pi_t - 1) \right\}$$

**ZLB Not Binding:** The monetary authority is unconstrained by the ZLB.

$$R_t = \frac{1 - \eta}{\beta} + \theta \pi (\pi_t - 1)$$
Parameters and Functional Forms

Per-period utility is given by

\[ u \left( C_t, C^O_t, L_t, \frac{B_t}{P_t} \right) = \log \left[ \left( \left( 1 - \omega_C \right) \frac{\rho_C}{1 + \rho_C} C_t^{\frac{1}{1 + \rho_C}} + \left( \omega_C \right) \frac{\rho_C}{1 + \rho_C} \left( \frac{C^O_t}{\mu_{C^O,t}} \right)^{\frac{1}{1 + \rho_C}} \right)^{1 + \rho_C} \right] \]

\[ - \frac{\chi}{1 + \phi} L_t^{1 + \phi} + \Xi_t v \left( \frac{B_t}{P_t} \right). \]

Baseline parameter values

\[ \beta = 0.985, \ \text{spread} = 0.01 \]
\[ \epsilon = 7, \ \phi = 200 \]
\[ \alpha = 1/3, \ \theta_\pi = 1.5 \]

Oil-specific parameters similar to Bodenstein, Guerrieri, and Gust (2013)

\[ \omega_Y = 0.03, \ \omega_C = 0.02 \]
\[ \rho_Y = -2, \ \rho_C = -2 \]
Experiments

Solution Method
- Non-linear solution to accommodate ZLB
- Project decision rules onto Smolyak polynomials

Setup
- A shock causes the spread between riskless and risky assets to be high.
- ZLB binds as a result.
- Consider government demand shocks ($G_t$), oil demand shocks ($\mu^O_t$), and oil supply shocks ($O^S_t$).

Key takeaways
- In response to the three shocks, the equity and oil prices move in the same direction at the ZLB and opposite directions away from the ZLB.
- Consistent with previous literature, the effect of shocks change when the ZLB binds because the monetary authority does not respond to changes in inflation at the ZLB.
G Shock

Core Inflation

Equity (Capital) Price

Oil Price

Response to G Shock, Percent

Periods After G Shock

Periods After G Shock

Periods After G Shock

ZLB
ZLB short duration
Normal Times

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Oil Demand Shock

Core Inflation

Equity (Capital) Price

Oil Price

Response to Oil Demand Shock, Percent

Periods After Oil Demand Shock

Response to Oil Demand Shock, Percent

Periods After Oil Demand Shock

Oil Price

Periods After Oil Demand Shock

ZLB

ZLB short duration

Normal Times

Datta, Johannsen, Kwon, Vigfusson (FRB)

Oil-Equity Correlation and the ZLB

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News Regression in A DSGE Model: Demand Shock

Model analogy to news announcement regressions is the impact responses to structural shocks. Do this for both the model where the ZLB is binding

\[ R_t = \max \left\{ 1, \frac{1-n}{\beta} + \theta \pi (\pi_t - 1) \right\} \]

and for the model where the ZLB is not binding. \[ R_t = \frac{1-n}{\beta} + \theta \pi (\pi_t - 1) \]
News Regression in A DSGE Model: Supply Shock

Model analogy to news announcement regressions is the impact responses to structural shocks.
Do this for both the model where the ZLB is binding

\[ R_t = \max \left\{ 1, \frac{1-n}{\beta} + \theta \pi (\pi_t - 1) \right\} \]

and for the model where the ZLB is not binding. \[ R_t = \frac{1-n}{\beta} + \theta \pi (\pi_t - 1) \]
Kernel Regression in A DSGE Model

Simulate data from the model and estimate the same kernel regression as in the empirical section.

\[ Oil_t = \alpha(Z_t) + \beta(Z_t) Equity_t + \varepsilon_t \]

Do this for both the model where the ZLB is binding and for the model where the ZLB is not binding.
Oil and Equity Prices

Correlation vs. $r_{t+1}$

- Red line: ZLB
- Black line: No ZLB

Datta, Johannsen, Kwon, Vigfusson (FRB)
Conclusion

Oil and equity returns have been positively correlated since September 2008.

- Oil prices and equity returns have become more responsive to macroeconomic news since September 2008, while interest rates have become less responsive.
- Kernel regressions suggest that the variation is due to the ZLB.

Implications for Macroeconomic Modelling

- We show that a standard New-Keynesian model where the ZLB is not a binding constraint would not generate this result.
- Instead, only when the ZLB is a binding constraint, do we find that the correlation varies with the shadow rate.
  - Consistent with previous literature, the effect of shocks changes when the ZLB binds because the monetary authority does not respond to changes in inflation at the ZLB.
  - These models are consistent with literature predicting larger fiscal multipliers at the ZLB.
Is it really ZLB?

- Have shown that oil and equity prices respond in time varying way to macroeconomic news. The time variation appears to be related to the monetary constraints e.g. ZLB
- Further tests: Do Oil and Equity respond differently to News that is important to the oil market but not to Federal Reserve?
  - News: crude oil inventory surprises. Data is available from 2003-2015
Did Oil Price Move For Different Reasons?- Oil Inventory Story

Look for a structural change, using F-test for statistical significance of the break dates found.

- Oil price:
  - None for surprises series
  - One significant break date on 16Dec2000 using differenced and standardized series for longer sample period

- Equity returns: none
Figure: Oil Price Rolling Correlation with Oil Inventory News
# Measuring Sensitivity to News

**Table**: Inventory Surprises Pre- and Post- Break Regression Results

<table>
<thead>
<tr>
<th></th>
<th>Inventory Surprises</th>
<th>Inventory Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Oil</td>
<td>Equity</td>
</tr>
<tr>
<td>Oil-specific news</td>
<td>-0.45</td>
<td>0.11</td>
</tr>
<tr>
<td></td>
<td>-2.80</td>
<td>1.33</td>
</tr>
<tr>
<td>Oil-specific news</td>
<td>-0.02</td>
<td>-0.14</td>
</tr>
<tr>
<td>*Post-break dummy</td>
<td>-0.11</td>
<td>-1.32</td>
</tr>
<tr>
<td>Federal Funds Rate Surprise</td>
<td>-0.02</td>
<td>-0.15</td>
</tr>
<tr>
<td></td>
<td>-0.10</td>
<td>-1.49</td>
</tr>
<tr>
<td>Post-break Response</td>
<td>β₁ + β₅</td>
<td></td>
</tr>
<tr>
<td>F-stat</td>
<td>13.48</td>
<td>0.20</td>
</tr>
<tr>
<td>p-value</td>
<td>0.00</td>
<td>0.66</td>
</tr>
<tr>
<td>Observations</td>
<td>778</td>
<td>778</td>
</tr>
</tbody>
</table>
Figure: Oil Price Rolling Beta to Oil Inventory News
Figure: Equity Ex-energy Rolling Beta to Oil Inventory News